



COMMENTS ON FINANCE ACT, 2019





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PROLOGUE:

After the promulgation of Finance Bill 2019 ("FB"), an anomaly committee was constituted under the chairmanship of Mr. Ashfaq Tola to identify and rectify legal and technical anomalies in FB. This committee identified and recommended various technical and legal anomalies, many of which were incorporated while passing Finance Act 2019 ("FA"). The instant commentary contains comments on the Income Tax Ordinance, 2001 ("ITO"); the Sales Tax Act, 1990 ("STA"), the Federal Excise Act, 2005 ("FED"). We have also commented on Finance Acts of Sindh and Punjab in respect of amendments in Sales Tax on Services only. This document also contains commentary on Finance Bill of KPK with respect to Sales Tax on services which has been approved by KP assembly however, gazette copy was not available till issuance of this document. If there is any change, we will incorporate it in our newsletter for August 2019. The enactments through the Act to be effective from 1st July 2019, unless otherwise indicated. This Memorandum has been prepared exclusively for the use of our staff, clients and intended readers based on public information available with us. This Memorandum should not be published or printed in any manner without seeking a written consent from us. Our comments in this commentary should not be construed as definite and should therefore, be used only as a guidance.

Warm Regards

TOLA ASSOCIATES

INCOME TAX ORDINANCE, 2001

1. SPECIAL PROVISIONS FOR PERSONS NOT APPEARING IN ATL – SECTION 100BA; RULES FOR PERSONS NOT APPEARING IN ACTIVE TAXPAYER LIST – TENTH SCHEDULE

The concept of filer/non-filer was introduced through FA 2014 to incline persons to file returns of income by prescribing higher rates of withholding for non-filers and putting restrictions on non-filers from doing certain transactions. However, it was observed that the non-filers still had a propensity not to file their return. This was due to absence of an explicit provision specifying a standard procedure for action against person. Now FA has abolished the concepts of “Filer” and “Non filer” and has instead introduced rules in form of tenth schedule for persons not appearing in active taxpayer list i.e. persons currently termed as non-filers.

It provides that tax collections/deductions from payments to such persons shall be 100% more than the normal rates.

FA further provides that where the withholding agent and the recipient of payment is satisfied that they are not required to file his return of income, the agent or the recipient shall furnish a notice in writing to the Commissioner giving required particulars. The commissioner shall make a decision within 30 days of notice. Where the commissioner is of the opinion that the person is required to file return of income, he shall order the withholding agent to deduct tax at 100% more than the normal rates. In case no decision is made within 30 days, approval by the commissioner shall be treated to have been granted.

FA empowers commissioner to make a provisional assessment order of the recipient within 60 days of due date of filing of return of income if he does not file return of income within due date. The commissioner shall impute taxable income on the basis of taxes deducted and shall treat such imputable income as concealed income under section 111.

FA restricted the application of Section 111 only on amount in excess of imputed income calculated under these rules and explained that the taxpayer is still required to file return and wealth statement and give explanations under audit or assessment, after provisional assessment as above. For example, if imputed income of person is computed at Rs. 1,000,000 based on amounts of taxes deducted by withholding agents. While income provisionally assessed by the Commissioner is Rs. 1,200,000, then in such case, only Rs. 200,000 will be treated as concealed income under section 111 instead of Rs. 1,200,000. FA has restricted the power of Commissioner to amend assessment order only to such cases where imputed income is less than the amount on which tax was deducted or collected by withholding agent. Taking values from above example, commissioner will only be empowered to amend the assessment on the basis of definite information if income assessed by the commissioner is more than Rs. 1,000,000.

The provisional assessment shall become abated if person files return of income of relevant tax year and preceding tax year within 45 days of receipt of provisional assessment order, otherwise the provisional assessment shall become final and the commissioner may within 30 days initiate proceedings for imposition of penalty over concealment of income.

According to FA if, the withholding agent fails to furnish complete and accurate particulars of the recipient, the commissioner shall initiate penalty proceedings which may include one year’s imprisonment.

In case the return of income is filed before finalization of provisional assessment, the taxes deducted shall be adjustable.

According to FA these rules shall not apply to following sections:

- a. Tax deducted under section 149 - Salary

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- b. Tax deducted under section 152 - Payments to non-residents
- c. Tax deducted under section 154 - Exports
- d. Tax deducted under section 155 - Income from Property
- e. Tax deducted under section 156B - Withdrawal of balance under pension fund
- f. Tax deducted under section 231A - Cash withdrawal from a Bank
- g. Tax deducted under section 231AA - Advance Tax on transactions in Bank
- h. Tax deducted under section 233AA - Collection of Tax by NCCPL
- i. Tax deducted under section 235 - Electricity consumption
- j. Tax deducted under section 235A - Domestic Electricity consumption
- k. Tax deducted under section 235 B - Tax on Steel melters [and composite units]
- l. Tax deducted under section 236 B - Advance Tax on Purchase of air ticket.
- m. Tax deducted under section 236 D - Advance Tax on function and gatherings.
- n. Tax deducted under section 236 F - Advance Tax on cable operators and other electronic media.
- o. Tax deducted under section 236 I - Collection of Advance Tax by education institutes.
- p. Tax deducted under section 236 J - Advance Tax on dealers, commission agents and arhatis, etc.
- q. Tax deducted under section 236 L - Advance Tax on Purchase of air ticket
- r. Tax deducted under section 236 P - Advance Tax on banking transactions otherwise than through cash.
- s. Tax deducted under section 236 Q - Payments to residents for use of Machinery and equipment.
- t. Tax deducted under section 236 R - Collection of Advance Tax on education related expenses remitted abroad.
- u. Tax deducted under section 236 U - Advance Tax on Insurance premium.
- v. Tax deducted under section 236 V - Advance Tax on extraction of minerals.
- w. Tax deducted under section 236 X - Advance Tax on Tobacco.

2. SHIFT OF FTR INTO MINIMUM TAX

FA has converted the following tax deductions/types of income into minimum tax regime which were in Fixed Tax Regime earlier:

- Tax deducted on commercial imports at import stage
- Tax deducted at the time of import of ships by ship breakers
- Tax deducted on profit on debt
- Tax deducted from payments to non-resident persons
- Tax deducted on account of supply of goods by a trading private company
- Tax deducted on account of execution of contract
- Tax deducted on account of contract in respect of a sportsperson
- Tax deducted on account of payments to electronic and print media for advertising services
- Tax deducted on account of brokerage and commission

3. COMPUTATION OF INCOME FOR THE PURPOSE OF SUPER TAX - SECTION 4B

FA has excluded brought forward depreciation, brought forward business losses and brought forward amortization from income for the purpose of computation of super tax liability of following types of businesses:

- Insurance
- Exploration and production of petroleum
- Banking
- Capital gains of listed companies

4. DEDUCTIONS IN COMPUTING INCOME CHARGEABLE UNDER THE HEAD "INCOME FROM PROPERTY" - SECTION 15A

Through FA 2016, the individuals and AOP with respect to income from property were made to assess under separate block of income with no deductions allowed. Now FA has given option to opt

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for normal tax regime in which deductions are also allowed u/s 15A, if such income exceeds Rs. 4 million annually.

The Rates of tax for income from property has also been changed vide FA (changes in **RED**)

S.No.	Gross amount of rent	Rate of tax	
		Pre FA	Post FA
1	Up to Rs 200,000	Nil	Nil
2	Rs 200,001 – Rs 600,000	5% of the gross amount exceeding Rs 200,000	5% of the gross amount exceeding Rs 200,000
3	Rs 600,000 – Rs 1,000,000	Rs 20,000 plus 10% of the gross amount exceeding Rs 600,000	Rs 20,000 plus 10% of the gross amount exceeding Rs 600,000
4	Rs 1,000,001 – Rs 2,000,000	Rs 60,000 plus 15% of the gross amount exceeding Rs 1 Million.	Rs 60,000 plus 15% of the gross amount exceeding Rs 1 Million.
5	Exceeding Rs 2,000,000 but does not exceed Rs 4,000,000	Rs 210,000 plus 20% of the gross amount exceeding Rs 2 Million.	Rs 210,000 plus 20% of the gross amount exceeding Rs 2 Million.
6	Where the gross amount of rent exceeds Rs 4,000,000 but does not exceed Rs 6,000,000		Rs 610,000 plus 25 per cent of the gross amount exceeding Rs 4,000,000
7	Where the gross amount of rent exceeds Rs 6,000,000 but does not exceed Rs 8,000,000		Rs 1,110,000 plus 30 per cent of the gross amount exceeding Rs 6,000,000
8	Where the gross amount of rent exceeds Rs 8,000,000		Rs 1,710,000 plus 35 per cent of the gross amount exceeding Rs 8,000,000

ILLUSTRATION:

CASE A:

Annual Rent = Rs 3,900,000
Property Tax = 25,000
Insurance Premium = 28,000

Income chargeable to tax = Rs 3,900,000
Tax rates as per Division VIA Part 1, First Schedule (Income from property)
Tax = 210,000 + 20% of 1,900,000
Tax = Rs 500,000

CASE B:

Annual Rent = Rs 4,050,000
Repairs allowance $1/5^{\text{th}}$ = 810,000
Property Tax = 25,000
Insurance Premium = 28,000

Taxable income = Rs 3,187,000
Tax rates as per Division I Part 1, First Schedule (Normal Slab rate)
Tax = 370,000 + 25% of 187,000
Tax = Rs 416,750

5. DEDUCTIONS NOT ALLOWED- SECTION 21, TRANSACTION UNDER DEALERSHIP ARRANGEMENT – SECTION 108B

The FA disallows any amount of commission paid or payable for supply of items listed in third Schedule of STA products in excess of 0.2% of Gross amount of Supplies to dealers/distributors etc. However, this condition not applied if the said distributor is in ATL list of Income Tax.

The FA, further inserted a new section whereby if a person supplies products listed in the Third Schedule to the STA or any other products as prescribed by the FBR, under a dealership arrangement with the dealers who

- are not registered under the Sales Tax Act, 1990; and
- are not appearing in Active taxpayers' list of Income Tax.

An amount equal to seventy-five percent of the dealer's margin shall be added to the income of the

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person making such supplies. However, maximum ten percent of the sale price of the manufacturer shall be treated as dealers' margin **viz. maximum limit of disallowance 7.5% of Sales Price.**

ILLUSTRATION:

CASE A:

Product = Toilet Soap (entry 6 third sch)

Computation of taxable income

Sale amount = Rs 10,000

Commission to dealer not appearing in IT-ATL and not registered in Sales Tax = Rs 500/-

Computation of taxable income of Supplier

Income from business = Rs 200,000

Add Back: Commission in excess of 0.2% u/s 21(ca) = Rs 500 - (100,000 * 0.2%) = Rs 480

Add Back: Dealers margin u/s 108B; which is 75% of deemed commission (lower of both)

- Actual = Rs 500
- Deemed commission = 10% of Rs 10,000 = Rs 1,000
= 75% * 1000 = Rs 750

Taxable Income = Rs 200,980

CASE B:

Product = Toilet Soap (entry 6 third sch)

Computation of taxable income

Sale amount = Rs 10,000

Commission to dealer appearing in IT-ATL but not registered in Sales Tax = Rs 500/-

Computation of taxable income of Supplier

Income from business = Rs 200,000

Add Back: Dealers margin u/s 108B; which is 75% of deemed commission (lower of both)

- Actual = Rs 500
- Deemed commission = 10% of Rs 10,000 = Rs 1,000 = 75% * 1000 = Rs 750

Taxable Income = Rs 200,500

6. TAX ON PROFIT ON DEBT – SECTION 7B, DIVISION IIIA PART 1 FIRST SCHEDULE

Before FA 2015, the profit on debt was covered under head "income from other sources" u/s 39 and 40 under normal tax regime. However, through

Finance Act 2015 it has been charged as separate block of income under section 7B read with Division IIIA of part 1 of Second Schedule. Now FA has excluded profit on debt exceeding 36 million during a tax year from purview of section 7B thereby taxing the same under normal tax regime u/s 39 and 40.

The rates of tax have also been revised as follows:

S. No.	Slabs	Rate of tax	
		Pre FA	Post FA
1.	<5 Million	10%	15%
2.	>5 Million < 25 Million	12.5%	17.5%
3.	>25 Million < 36 Million		20%
4.	> 36 Million	15%	Rates in Division 1 Part 1, 1 st Schedule

It is pertinent to note that the withholding tax deducted at source u/s 151 shall be 10% for filers (20% for non-filers) on all above slabs.

INDIVIDUALS

Illustration A

Profit on debt = Rs 34,000,000

Tax liability u/s 7B @ 20% as per Division IIIA = 6,800,000

WHT@ 10% (minimum) as per Division 1A Part III = 3,400,000

Higher of both i.e. Tax liability = Rs 6,800,000
Already paid = Rs 3,400,000

Remaining Rs 3,400,000 will be paid along with return of income.

Illustration B

Profit on debt = Rs 37,000,000

Tax liability u/s 39 @ as per Division 1 Part 1 (Normal Slab) = 12,070,000

WHT@ 10% (minimum) as per Division 1A Part III = 3,700,000

Higher of both i.e. Tax Liability = Rs 12,070,000
Already paid = Rs 3,700,000

Remaining Rs 3,400,000 will be paid along with return of income.

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7. INTANGIBLES- SECTION 24

Before FA, expenditure regarding intangible with useful life of more than 10 years, were amortized over the maximum period 10 years. Now FA has provided for amortization over its actual normal useful life which can be extend beyond 10 years. Further as per FA, where useful life is not ascertainable it will be treated to have useful life of 25 years **viz.** rate of amortization will be 4% per year. FA also excluded self-generated goodwill from the definition of intangibles, hence no amortization will be allowed which is in line with IFRS.

Illustration

Asset= Patent

Useful life = not ascertainable= 25 years

Already used for =2 years

Cost of patent = Rs 100,000

Acc. Amortization till 30th June 2019 for 2 years = 202,000

WDV 1st July 2019= 80,000

Amortization for TY 2020= Rs 80,000/23= Rs 3,487

8. TAX CREDIT FOR INVESTMENT IN PLANT AND MACHINERY – SECTION 65B

Before FA, corporate industrial undertakings investing in purchase of plant and machinery for the purpose of extension, expansion, balancing, modernizing and replacement were allowed tax credit equal to 10% of the purchase price of machinery and if the plant and machinery were purchased and installed any time between 1st July 2010 and 30th June 2021. Now FA has restricted this tax credit to 5% of the amount invested in tax year 2019. The limit of investment and purchase has also been restricted to 30th June 2019 from 30th June 2021.

However, unadjusted tax credit if any, for the tax year 2019 can be carried forward and set off against the tax liability for the tax year 2020 and 2021.

9. CAPITAL GAINS OF IMMOVABLE AND CONSTRUCTED PROPERTY – SECTION 37

The bill had proposed to abolish separate tax rates of capital gain on immovable property and to tax the gains under normal tax slabs. However, the gains of open plot held for more than 10 years had been proposed to be exempt, whereas, gains for holding period between 1 year to 10 year had been proposed to be exempted up to 25%. Similar exemption was proposed for constructed property, however, the holding period for constructed property was set at 5 years instead of 10 years. The FA has reduced the above holding period for open plots from 10 to 8 years and for constructed property from 5 to 4 years. Below table summarizes the amendment:

Type	Holding period for 25% exemption	
	FB	FA
Open Plot	More than 1 years but not exceeding 10 years	More than 1 years but not exceeding 8 years
Constructed	More than 1 years but not exceeding 5 years	More than 1 years but not exceeding 4 years

Type	Holding period for 100% exemption	
	FB	FA
Open Plot	More than 10 years	More than 8 years
Constructed	More than 5 years	More than 4 years

The FA has introduced separate slab rates for taxing the capital gain on immovable property by prescribing rates in Division VIII of First Schedule.

S. No	Amount of gain	Rate of Tax
1	Where the gain does not exceed Rs. 5 million	5%
2	Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	10%
3	Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	15%
4	Where the gain exceeds Rs. 15 million	20%

However, the reference to above rates is misquoted as subsection “(3C)” instead of “(3A)”.

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OPEN PLOT

Illustration A

Capital gain = 4,500,000
Holding period = 8 months
Tax @5%= Rs 225,000

Illustration B

Capital gain = 4,500,000
Holding period = 5 year
Capital gain u/s 37(3A) = $4,500,000 * 75\% = 3,375,000$
Tax @5%= Rs 168,750

Illustration C

Capital gain = 4,500,000
Holding period = 8 years and 1 month
Capital gain u/s 37(3A) = 0
Tax @5%= Rs 0

Illustration D

Capital gain = 5,500,000
Holding period = 8 months
Tax @10%= Rs 550,000

Illustration E

Capital gain = 5,500,000
Holding period = 7 years
Capital gain u/s 37(3A) = $5,500,000 * 75\% = 4,125,000$
Tax @10%= Rs 412,500

Illustration F

Capital gain = 5,500,000
Holding period = 9 years
Capital gain u/s 37(3A) = 0
Tax @10%= Rs 0

CONSTRUCTED PROPERTY

Illustration A

Capital gain = 4,500,000
Holding period = 8 months
Tax @5%= Rs 225,000

Illustration B

Capital gain = 4,500,000
Holding period = 3 year
Capital gain u/s 37(3A) = $4,500,000 * 75\% = 3,375,000$
Tax @5%= Rs 168,750

Illustration C

Capital gain = 4,500,000
Holding period = 4 years and 1 month
Capital gain u/s 37(3A) = 0
Tax @5%= Rs 0

Illustration D

Capital gain = 5,500,000
Holding period = 8 months
Tax @10%= Rs 550,000

Illustration E

Capital gain = 5,500,000
Holding period = 3 years
Capital gain u/s 37(3A) = $5,500,000 * 75\% = 4,125,000$
Tax @10%= Rs 412,500

Illustration F

Capital gain = 5,500,000
Holding period = 4 years and 1 month
Capital gain u/s 37(3A) = 0
Tax @10%= Rs 0

10. INCOME FROM OTHER SOURCES-SECTION 39

Through FA 2018, amendments were made in section 79(1)(c) "Non recognition rules" and Section 37(4A) by virtue of which non-taxability of gifts was restricted to persons related to each other as defined in section 85 because this vehicle was used to avoid incidence of taxation. Now through FA, any amount or fair market value of any property received without consideration or as a gift, not from such relatives, will be taxed under "Income from other sources". It is worthwhile to note that even if cash gift is received from the relations mentioned above but the same has not been received through crossed cheque or banking channel, as the case may be, the amount of gift shall be added in income chargeable to tax under the head "Income from other sources."

11. TAX CREDIT FOR PERSONS EMPLOYING FRESH GRADUATES - SECTION 64C

In order to generate employment opportunities for freshly qualified graduates, a new tax credit is

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allowed for person employing fresh qualified graduates, having graduated after 1st July 2017, from universities or institutions recognized by the Higher Education Commission would be given a tax credit to the extent of lesser of:

- Amount of annual salary paid to fresh graduates provided that number of fresh graduated shall not exceed 15% of total number of employees.
- 5% of person's taxable income for the year.

The tax credit will be allowed only for tax year in which such graduate is employed.

Illustration A

Employer: Company

No of total employees = 100
 Fresh graduates = 15
 Fresh graduate's salary, Rs 40,000 per month as expense= Rs 7,200,000
 Taxable Income = 150,000,000
 Tax liability **A** = 43,500,000
 Average tax rate= 29%

Tax Credit
 [Lower of
 5% of taxable income = Rs 7,500,000
 or actual salary = Rs 7,200,000 7,200,000 *
 29%

B= Rs 2,088,000

Tax liability net [**A-B**] = 41,412,000

Illustration B

No of total employees = 100
 Fresh graduates = 20
 Fresh graduate's salary, Rs 40,000 per month as expense= Rs 9,600,000
 Total Salary = 48,000,000
 Taxable Income = 160,000,000
 Tax liability **A** = 46,400,000
 Average tax rate= 29%

Tax Credit
 [Lower of
 5% of taxable income = Rs 8,000,000
 or actual salary = Rs 9,600,000
 or Maximum 15% salary = Rs 7,200,000
 7,200,000 * 29%

B = 2,088,000

Tax liability net [**A - B**] = 44,312,000

12. PURCHASE OF ASSETS THROUGH BANKING CHANNEL - SECTION 75A

FA restricts purchase of immovable property, having FBR valuations of more than Rs. 5 million, and other assets valuing more than Rs. 1 million, other than through normal banking channel.

In case transaction is undertaken otherwise through banking channel, the purchaser will not be eligible to claim depreciation, initial allowance, amortization and pre-commencement expenditure. According to FA such payments will not be allowed to be deducted as cost for the purpose of computing capital gain. FA also imposes a penalty of 5% of the amount.

Section 227C, which restricts the purchase of certain assets by non-filers has also been removed.

Illustration A

Mr. Ahmed- Income from business

Sales	100,000,000
Cost of Sales	70,000,000
Breakup of cost of sales	
Initial depreciation on machinery	10,000,000
Normal depreciation on machinery	6,000,000
Salaries	40,000,000
Fuel & utilities	14,000,000
Gross Profit	30,000,000
Admin & distribution expenses	10,000,000
Taxable income	20,000,000

Mr. Ahmed had brought machinery of Rs 40 million for the year through cash. The deductions u/s 22 & 23 pertaining to initial depreciation of Rs 10,000,000 and normal depreciation of Rs 6,000,000 shall not be admissible. Now taxable income will be Rs 36,000,000. In addition to this for e.g. this machinery is subsequently sold at Rs 12,000,000, the whole amount will be charged as capital gain without any deduction of cost.

13. PERSON RESIDENT IN PAKISTAN - SECTION 82

FA broadens the definition of a resident person. According to FA a person who is present in Pakistan for cumulative 120 days or more during the tax year

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and has also been present in Pakistan for a cumulative 365 days or more during preceding 4 years shall also be treated as resident.

Physical Stay in a tax year in Pakistan	Status
0-182 days	Non- resident
0-119 days plus total 365 days in previous 4 tax years	Non- resident
120 days or more plus total 365 days in previous 4 tax years	Resident

A government employee posted abroad in the tax year is resident irrespective of his physical stay in Pakistan

14. FEDERAL GOVERNMENT [FG] IS EMPOWERED TO INTRODUCE SIMPLIFIED PROCEDURES FOR CERTAIN SECTORS – SECTION 99C

To simplify tax procedures and hence broadening of tax, FA has empowered FG to prescribe special procedures for scope and payment of tax, documentation, filing and tax assessments for:

- small businesses,
- construction businesses,
- medical practitioners,
- hospitals,
- educational institutions, and
- other specified sectors.

15. TAX CREDIT FOR CERTAIN PERSONS – SECTION 100C

The income of non-profit organization, trusts or welfare institutions are allowed 100% tax credit of the tax payable on fulfilment of some conditions. Through FA, following new conditions have been added:

- Approval of Commissioner has been obtained as per the requirement of Section 2(36) w.e.f. 1st July 2020.
- None of the assets of trusts or welfare institutions confers, or may confer, a private benefit to the donors or family, children or author of the trust or his descendants or the maker of the institution or to any other person. If

such benefit is granted it will be added to donor income.

The condition for approval of Chief Commissioner has now been omitted.

16. AGREEMENT FOR THE AVOIDANCE OF DOUBLE TAXATION AND PREVENTION OF FISCAL EVASION – SECTION 107

The provisions of section 107 empowers Federal Government to enter into bilateral and multilateral agreements with foreign governments for the avoidance of fiscal evasion and exchange of information. The disclosure of such information was however to be kept confidential.

The FA has now allowed disclosure of such information only to person acting in execution of the Ordinance, wherever necessary.

17. UNEXPLAINED INCOME – SECTION 111

As per provisions of Section 111(4)(a) no question about source of FA addresses to shrink the limit of foreign remittance through normal banking channel to 5 million from 10 million to be eligible for exemption from inquiry from FBR.

FA also withdraws the perpetual amnesty under subsection (4) of section 111. FA also withdraws the immunity to the differential amount invested in acquisition of property by payment of 3% tax under section 236W, consequently abolishing section 236W.

18. RETURN OF INCOME – SECTION 114

The provisions of Section 114 enlist the persons who are required to file Return of income. This list includes condition that where person owns immovable property with a land area of two hundred and fifty square yards or more is required to file a return. Now FA, has increased this minimum threshold to five hundred square yards.

19. METHOD OF FURNISHING RETURNS AND OTHER DOCUMENTS – SECTION 118

The provisions of section 118 prescribe last dates for filling of Return u/s 114 and statement u/s 115.

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Before FA, the last date for filling of return for salaried person was 31st August next following the end of relevant tax year. Now FA, has made last date for such class of persons to be 30th September. This act is to rationalize date with other class of persons.

20. RECOVERY OF ASSOCIATION OF PERSON'S TAX FROM ITS MEMBERS - SECTION 139

As per Section 139 any tax payable by a member of an association of persons [AOP] cannot be recovered from the member, the AOP shall be liable for the tax due to member, but vice versa was not possible. Now FA has now made members jointly and severally liable for payment of tax due by the AOP. Any member who pays tax due shall be entitled to recover the tax paid from the AOP or a share of the tax from any other member of the AOP.

21. ASSESSMENT OF PERSONS ABOUT TO LEAVE PAKISTAN - SECTION 145

Section 145 provides procedure to be complied by person who is about to leave Pakistan permanently. The Commissioner is empowered to serve notice to such person to furnish return of income.

The FA now further empowers the commissioner to freeze domestic assets (including any assets beneficially owned by the person) if the person is likely to leave Pakistan and he may be involved in offshore tax evasion or such person is about to dispose of any such assets.

22. CONCEALMENT OF OFFSHORE ASSETS AND ENABLING OF OFFSHORE TAX EVASION - SECTION 2(5C), 2(38AA), 2(38AB), 2(38AC), 2(60A), 192B, 195A, 195B, 216

The FA inserted definition of term "offshore asset" which includes any movable or immovable asset held, any gain, profit or income derived, or any expenditure incurred outside Pakistan. Further definition of "offshore evader" has been added whereby person who owns, possesses, controls, or is the beneficial owner of an offshore asset and does not declare, or under declares or provides in

accurate particulars of such asset to the Commissioner. The term "offshore enabler" has been defined to include any person who enables, assists, or advises any person to plan, design, arrange or manage a transaction or declaration relating to offshore asset, which has resulted or may result in tax evasion. The new term "asset move" has been defined to mean the transfer of an offshore asset to an unspecified jurisdiction by or on behalf of a person who owns, possesses, controls or is the beneficial owner of such offshore asset for the purpose of tax evasion. As unspecified jurisdiction means a jurisdiction which has not committed to automatically exchange information under Common Reporting Standard with Pakistan.

FA establishes concealment of an offshore asset worth more than Rs. 1 million as an offence punishable on conviction with imprisonment up to 3 years or with a fine up to Rs. 0.5 million or both. FA has also empowered FBR to publish the names of offshore evaders in the print and electronic media who have evaded offshore tax equal to or exceeding Rs. 2.5 million.

According to FA, an imprisonment of 1 year or fine of Rs. 50,000/- or both in case any offshore asset is not declared through a statement of foreign assets under section 116A, has been implemented.

According to FA, similar conviction with imprisonment up to 7 years or a fine up to Rs. 5 million or both has been implemented for any enabler who enables, guides or advises any person to design, arrange or manage a transaction or declaration in such a manner which results in offshore tax evasion. FA also empowered FBR to publish the names of offshore enablers in the print and electronic media who have enabled offshore evasion.

23. PAYMENT TO NON-RESIDENT PERSONS - SECTION 152

The FA has now made tax deducted from payment to non-resident in respect of the following to be minimum;

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- | | |
|---|--|
| <ul style="list-style-type: none"> i) Execution of contract or a sub-contract under a construction, assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such project ii) Any other contract for construction or services rendered iii) A contract for advertisement services rendered by T.V. Satellite Channels. iv) Insurance premium or re-insurance premium to a non-resident. | <ul style="list-style-type: none"> iv. Manpower outsourcing services v. Hotel services vi. Security guard service vii. Software development services viii. IT services and IT enabled services as defined in clause (133) of Part I of Second Schedule. ix. Tracking Services x. Advertising services (Other than by print or electronic media) xi. Share registrar services xii. Engineering services xiii. Car Rental services xiv. Building Maintenance services xv. Services rendered by PSX and PMEX xvi. Inspection, certification, testing and training services |
|---|--|

The FA also empowers the commissioner to issue certificate to the person making payment to non-resident person to allow him to make payment after deduction of only 30% of the tax. This approval is only in case of payments that constitute part of an overall arrangement of a cohesive business operation. The credit of such tax deducted shall be allowed to the permanent establishment of non-resident person in Pakistan.

24. PAYMENT FOR GOODS, SERVICES AND CONTRACTS – SECTION 153; CLAUSE 94 OF PART IV OF SECOND SCHEDULE

Before FA, tax deductible on payment of goods u/s 153(a) and contracts u/s 153(c) was final tax on part of recipient of payment. Similarly, the tax deducted by exporter/export house on payment to resident persons or permanent establishment of a non-resident person against services of stitching, dying, printing, embroidery, washing, sizing and weaving was final tax for recipient of services. Now vide FA the tax deducted on above will be minimum tax.

Through FA (Second Amendment) 2016, Clause 94 of part IV of second schedule was added whereby corporate sector engaged in following services were exempted from deduction of tax u/s 153(1)(b) provided they fulfill conditions in section 153(4A):

- i. Freight forwarding services
- ii. Air cargo services
- iii. Courier Services

Now through FA, Clauses 94 and sub section 4A of Section 153 has been omitted. However, these above sectors are provided relief in form of reduced rate @ 3% by amending clause (2) of Division III of Part III of First Schedule. The rate of transport services has also been increased from 2% to 3% in the same clause.

25. PAYMENT OF ROYALTY TO RESIDENT PERSONS – SECTION 153B

Prior to FA, there was no withholding tax on payment of royalty to resident person. Now through FA, the payment (full or in parts including advance payments) to resident person is now subject to deduction at source on gross amount payable (including FED and Provincial Sales Tax) @ 15%. The tax will be adjustable for recipient of payment. We understand that this covers payment to permanent establishment of non-resident.

26. FAILURE TO PAY TAX COLLECTED OR DEDUCTED – SECTION 161

The provisions of section 161 renders a person personally liable to pay amount of tax to the Commissioner if he fails to collect or deposit tax under respective withholding sections. Before FA, the Commissioner could not amend order once passed.

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Now FA has empowered Commissioner to amend or further amend order after making such inquiries as he deems necessary and after providing opportunity of being heard, if he considers order is erroneous in so far it is prejudicial to the interest of revenue.

27. TAX COLLECTED OR DEDUCTED AS A FINAL TAX – SECTION 169

A new sub section 4 has been added vide FA with regards to newly inserted tenth schedule, which clarifies that excess tax deducted under FTR from persons not appearing in ATL list will be adjustable if return is filled before finalization of assessment as provided in Rule 4 of the said schedule.

28. FBR REFUNDS SETTLEMENT COMPANY – SECTION 2(22C), SECTION 171A

According to FA, an FBR Refunds Settlement Company is to be established for payment of refunds under ITO through bonds in line with refund settlement company under STA. The characteristics of bonds are similar to the sales tax bonds.

29. POWER TO ENTER AND SEARCH PREMISES – SECTION 175

The FB had proposed to further empowers the commissioner to raid any premises where there is reliable information of undeclared gold, bearer security, or foreign currency and to confiscate the same in order to enforce any provision of this ordinance. However, in FA this power has been withdrawn.

30. AUDIT – SECTION 177, EXEMPTION FROM SELECTION OF CASE FOR TAX AUDIT CLAUSE 105

Before FA, on completion of Audit, the Commissioner after obtaining tax-payer's explanation on issue raised may amend assessment u/s 122. Now FA, has inserted requirement to issue audit report on audit objections and findings before making amendment u/s 122. This is step towards making audit more

logical and we understand prescribed format of Audit Report by FBR will follow.

Currently, Clause 105 provides exemption from selection for audit under Section 177 and 214C to persons whose income tax affairs have been audited in any of the preceding three tax years. The Bill had proposed to delete the said clause. However, FA has not extended this deletion.

31. BUSINESS LICENSE SCHEME – SECTION 181D

The FA has inserted a new section whereby the business, professions or vocation if required by FBR to obtain business license through notification., shall be required to obtain and display license.

32. RETURN NOT FILED WITHIN DUE DATE – SECTION 182A

Section 182A prescribes adverse effects on taxpayers for not filling return on time. Before FA, section 182A provided that a person will not be included in Active Tax-Payer list for whole year if return is not filed within due date. Now FA has provided relief in a way that if a person has not filled return on due date, he/she can file it after due date along with following default surcharge:

- Rs. 20,000 in case of a company
- Rs. 10,000 in case of an AOP
- Rs. 1,000 in case of an individual

FA, has also added following further adverse effects in the event of not filling of return within due date:

- a) not be issued refund during the period the person is not included in active taxpayers' list; and
- b) not be entitled to additional payment for delayed refund under section 171 during the period the person is not included in active taxpayers' list.

33. RESTRICTION OF PROCEEDINGS – SECTION 120B

FA addresses to bar the proceedings in cases of declarations made under Assets Declaration Act,

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2019. This restriction has been introduced to give a confidence to masses to opt for the scheme.

34. RATES OF TAX FOR INDIVIDUALS, ASSOCIATION OF PERSONS (“AOP”) AND COMPANY

The minimum threshold of income for non-salaried individuals and AOPs have been set to Rs. 400,000 while maximum threshold has been set to Rs. 6,000,000 at 35% of tax rate.

For salaried individuals (if salary income exceeds 75% of taxable income), incomes up to Rs. 600,000 has been exempted, whereas, maximum threshold has been set to at Rs. 75 million at 35% of tax rate.

The tax rate for companies has been set at 29% for tax years 2019 and onwards.

Tables for Salaried Individuals, and Non-Salaried individual and AOP have been enclosed as **Annexures A** and **B**.

35. RATE OF TAX FOR DIVIDEND INCOME

Tax rate on dividends declared by power generation companies privatized by WAPDA/ on shares of company setup for power generation/ supplying coal exclusively to power generation projects have been increased from 7.5% to 15% except Independent Power Purchasers with condition that such dividend is pass through item under Implementation agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be reimbursed by Central Power Purchasing Agency (CPPA-G). For mutual funds and all other cases, tax rate is 15%. Tax rate will be 25% if no tax is payable by the Co. due to exemption, c/f loss, tax credits.

We understand that the words “power purchasing” has been inadvertently typed instead of “power purchasing”.

36. MINIMUM TAX RATES

Minimum tax rates have generally been increased. Minimum general turnover tax has been increased from 1.25% to 1.5%.

37. AUTOMATED IMPERSONAL TAX REGIME- SECTION 227D

To minimize personal interactions of taxpayers (with low risk profile) with FBR personnel, FBR is empowered to prescribe procedures through notification. In this regard FBR has also issued SOP for conducting tax hearings in LTU and RTO vide Circular dated 1st July 2019 which inter-alia includes hearing only in dedicated areas, maintenance of particulars into visitor register at the reception desk etc.

38. ADVANCE TAX ON DEALERS, COMMISSION AGENTS AND ARHATIS – SECTION 236J

FA addresses to increase advance tax rate on dealers, commission agents and arhatis by 10 times to Rs. 100,000, Rs. 75,000, Rs. 50,000, Rs. 50,000 for class A, B, C and any other category, respectively.

39. ADVANCE TAX ON PURCHASE OF IMMOVABLE PROPERTY – SECTION 236K

Advance tax on purchase of immovable property has been fixed at 1%.

40. SIGNIFICANT AMENDMENTS IN SECOND SCHEDULE

- Layton Rahmatullah Benevolent Trust and Akhuwat have been added to the list of approved institutions under clause 61.
- Akhuwat and Audit Oversight Board have been included in the list of charitable institutions whose incomes are exempt under clause 66.
- Profits and gains of sale of an immovable property to a REIT scheme have been proposed to be exempted till 30th June 2021.
- Any income of any individual domiciled or company or AOP resident in the tribal areas forming part of KPK and Baluchistan, which was not chargeable to tax prior to 25th constitutional amendment will be exempt from 1st June 2018 to 30th June 2023.

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41. APPOINTMENT OF APPELLATE TRIBUNAL – SECTION 130

Section 130 deals with establishment of Appellate Tribunal to exercise the functions conferred on the Tribunal. Before FA the power to appoint the Chairman and members rested with Federal Government i.e. Cabinet. Now FA, has given powers to Prime Minister to approve rules for above.

42. ALTERNATIVE DISPUTE RESOLUTION – SECTION 134A

The FA has made amendments in section of Alternative Dispute Resolution in order to align the provisions of Alternative Dispute Resolution given in other taxing statute.

43. FEE AND SERVICE – SECTION 222A

The FA has introduced new section (also introduced in Sales Tax), whereby the FBR is empowered to notify fee and service charges for valuation services provided by any directorate or any venture of FBR.

44. REDUCED RATES FOR DEALERS AND SUB DEALERS OF SUGAR, CEMENT AND EDIBLE OIL

The FA has made new entries in Part II of Second Schedule whereby the rate of advance tax deduction under section 153(1)(a) shall be 0.25% of the gross amount of payments made to dealers and sub dealer of sugar, cement and edible oil and turnover tax under section 113 shall also be 0.25%. The reduced rate of turnover tax will be subject to condition that names of such dealers and sub-dealers are appearing on active taxpayers' lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001 (XLIX of 2001).

Continue from next page

INCOME TAX ORDINANCE, 2001

➤ NON-SALARIED INDIVIDUAL TAX RATES FOR AOP

Annexure A

S.No	Taxable Income	Rate of Tax
1	Where taxable income does not exceed Rs. 400,000	0%
2	Where taxable income exceeds Rs. 400,000 but does not exceed Rs. 600,000	5% of the amount exceeding Rs. 400,000
3	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 10,000 plus 10% of the amount exceeding Rs. 600,000
4	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 70,000 plus 15% of the amount exceeding Rs. 1,200,000
5	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 250,000 plus 20% of the amount exceeding Rs. 2,400,000
6	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 370,000 plus 25% of the amount exceeding Rs. 3,000,000
7	Where taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 620,000 plus 30% of the amount exceeding Rs. 4,000,000
8	Where taxable income exceeds Rs. 6,000,000	Rs. 1,220,000 plus 35% of the amount exceeding Rs. 6,000,000

➤ TAX RATES FOR SALARIED INDIVIDUAL

Annexure B

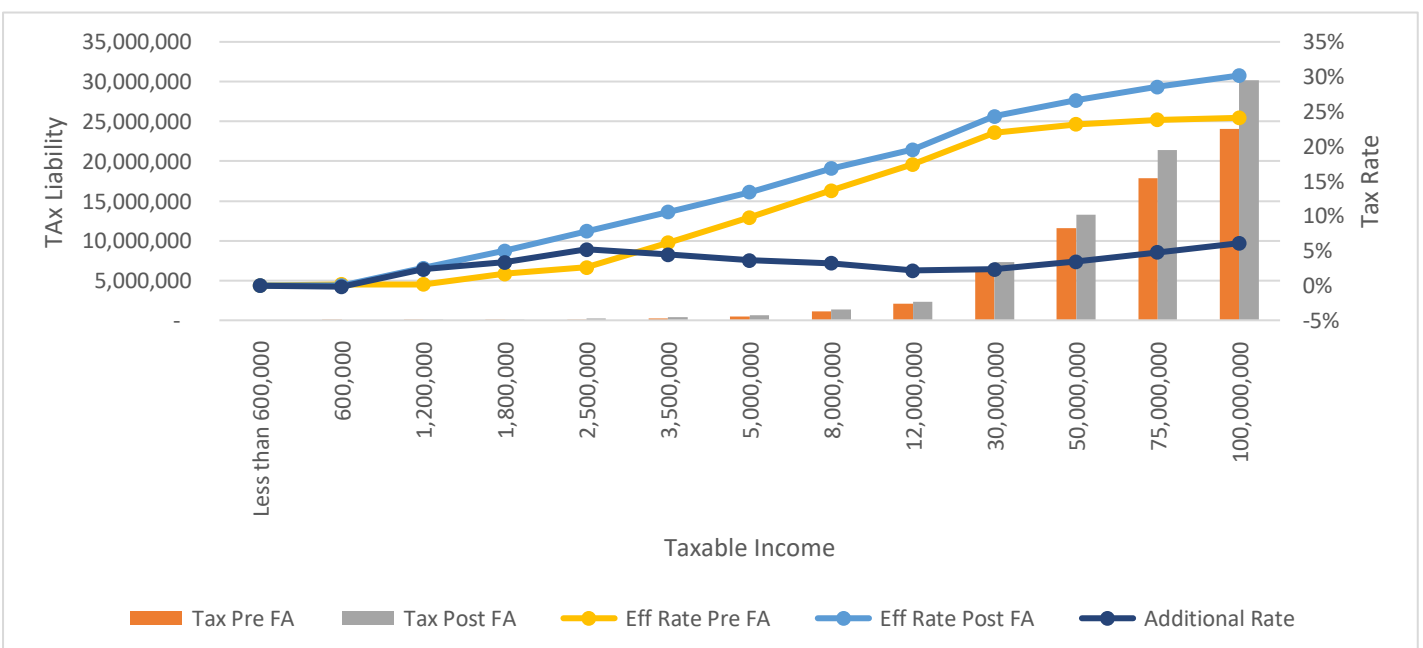
S.No	Taxable Income	Rate of Tax
1	Where taxable income does not exceed Rs. 600,000	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
3	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000
4	Where taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000	Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000
5	Where taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000	Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000
6	Where taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 5,000,000	Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000
7	Where taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000
8	Where taxable income exceeds Rs. 8,000,000 but does not exceed Rs. 12,000,000	Rs. 1,345,000 plus 25% of the amount exceeding Rs. 8,000,000
9	Where taxable income exceeds Rs. 12,000,000 but does not exceed Rs.30,000,000	Rs. 2,345,000 plus 27.5% of the amount exceeding Rs. 12,000,000
10	Where taxable income exceeds Rs. 30,000,000 but does not exceed Rs.50,000,000	Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30,000,000
11	Where taxable income exceeds Rs.75,000,000	Rs. 21,420,000 plus 35% of the amount exceeding Rs. 75,000,000

INCOME TAX ORDINANCE, 2001

➤ COMPARISON TAX SLAB PRE AND POST FINANCE ACT 2019

❖ SALARIED INDIVIDUAL

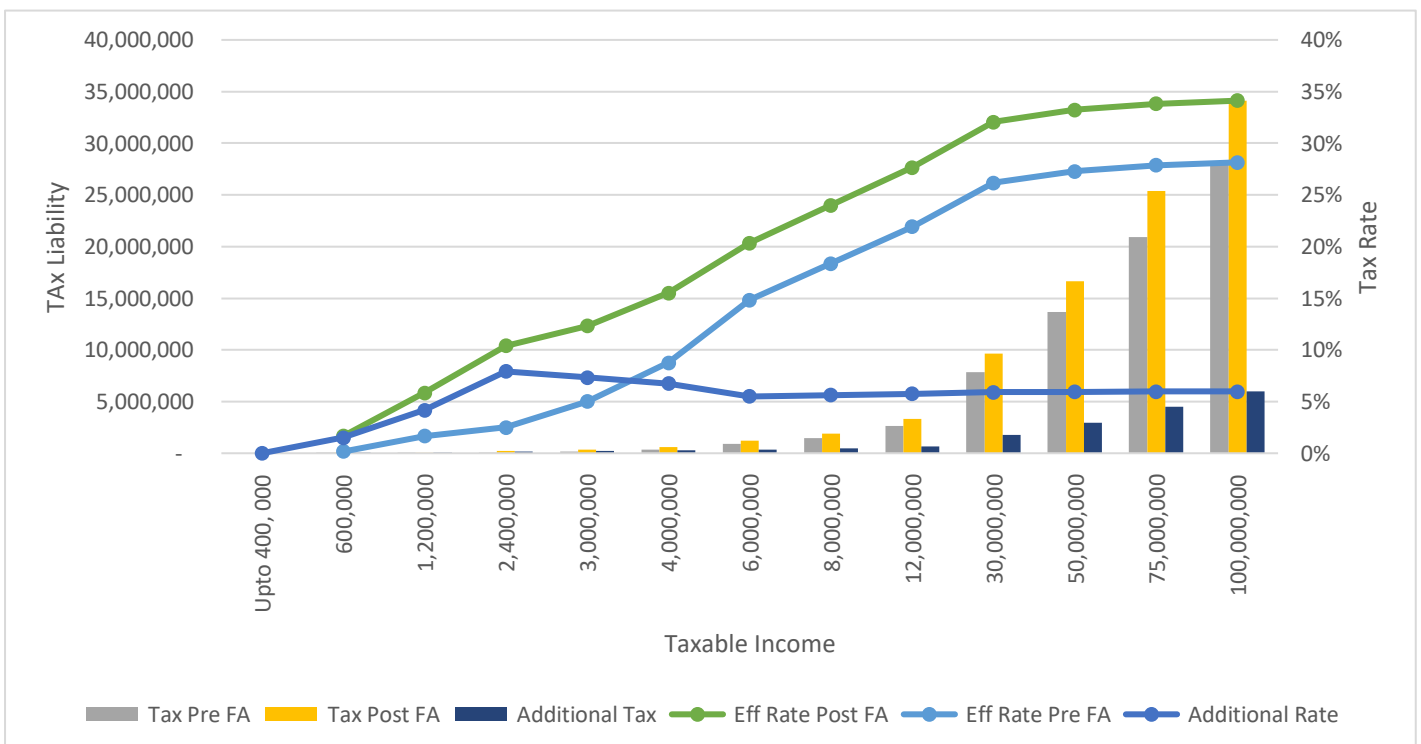
Taxable Income Per Annum	Tax Liability		Effective Tax Rate		Impact of change Per Annum	
	Pre FA	Post FA	Pre FA	Post FA	Tax	Rate
Less than 600,000	-	-	-	-	-	0.00%
600,000	1,000	-	0.17%	0.00%	(1,000)	-0.17%
1,200,000	2,000	30,000	0.17%	2.50%	28,000	2.33%
1,800,000	30,000	90,000	1.67%	5.00%	60,000	3.33%
2,500,000	65,000	195,000	2.60%	7.80%	130,000	5.20%
3,500,000	215,000	370,000	6.14%	10.57%	155,000	4.43%
5,000,000	490,000	670,000	9.80%	13.40%	180,000	3.60%
8,000,000	1,090,000	1,345,000	13.63%	16.81%	255,000	3.19%
12,000,000	2,090,000	2,345,000	17.42%	19.54%	255,000	2.13%
30,000,000	6,590,000	7,295,000	21.97%	24.32%	705,000	2.35%
50,000,000	11,590,000	13,295,000	23.18%	26.59%	1,705,000	3.41%
75,000,000	17,840,000	21,420,000	23.79%	28.56%	3,580,000	4.77%
100,000,000	24,090,000	30,170,000	24.09%	30.17%	6,080,000	6.08%



INCOME TAX ORDINANCE, 2001

❖ BUSINESS INDIVIDUAL

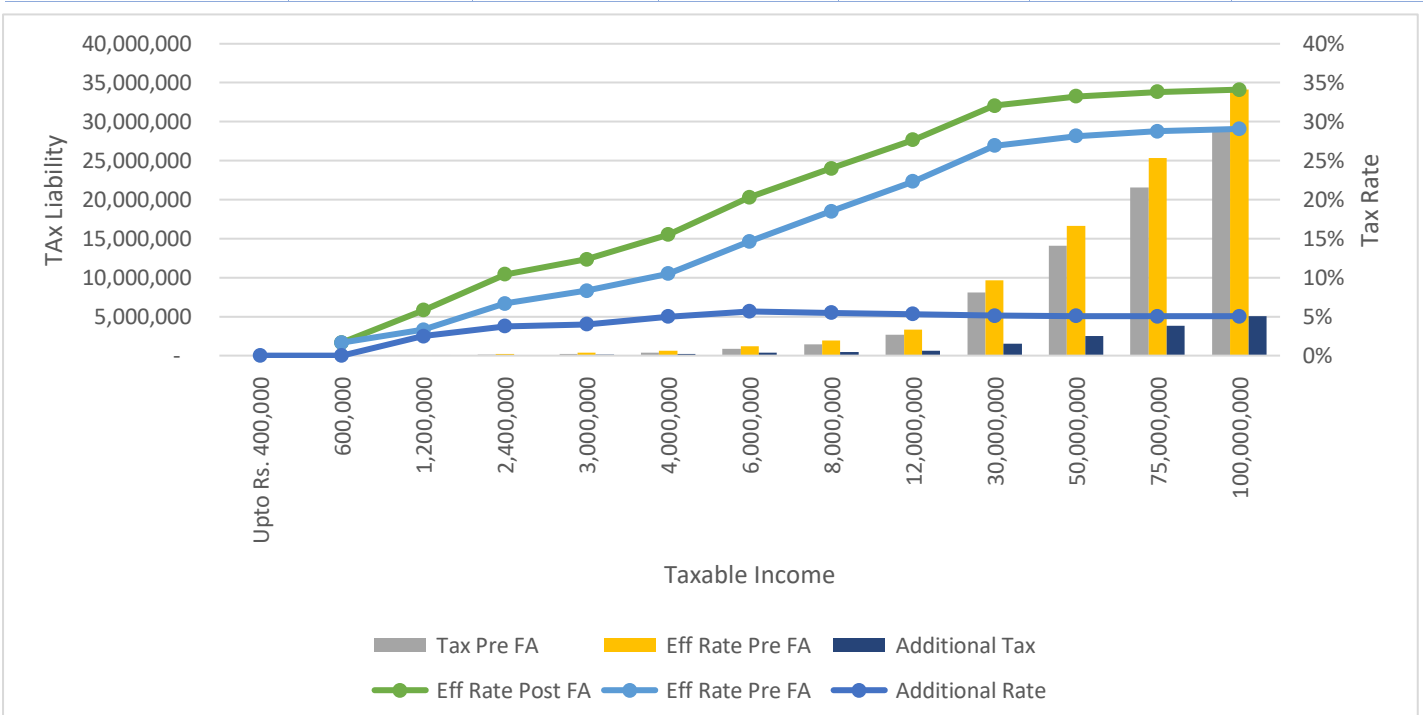
Taxable Income Per Annum	Tax Liability		Effective Tax Rate		Impact of change Per Annum	
	Pre FA	Post FA	Pre FA	Post FA	Tax	Rate
600,000	1,000	10,000	0.17%	1.67%	9,000	1.50%
1,200,000	20,000	70,000	1.67%	5.83%	50,000	4.17%
2,400,000	60,000	250,000	2.50%	10.42%	190,000	7.92%
3,000,000	150,000	370,000	5.00%	12.33%	220,000	7.33%
4,000,000	350,000	620,000	8.75%	15.50%	270,000	6.75%
6,000,000	890,000	1,220,000	14.83%	20.33%	330,000	5.50%
8,000,000	1,470,000	1,920,000	18.38%	24.00%	450,000	5.63%
12,000,000	2,630,000	3,320,000	21.92%	27.67%	690,000	5.75%
30,000,000	7,850,000	9,620,000	26.17%	32.07%	1,770,000	5.90%
50,000,000	13,650,000	16,620,000	27.30%	33.24%	2,970,000	5.94%
75,000,000	20,900,000	25,370,000	27.87%	33.83%	4,470,000	5.96%
100,000,000	28,150,000	34,120,000	28.15%	34.12%	5,970,000	5.97%



INCOME TAX ORDINANCE, 2001

❖ ASSOCIATION OF PERSON

Taxable Income Per Annum	Tax Liability		Effective Tax Rate		Impact of change Per Annum	
	Pre FA	Post FA	Pre FA	Post FA	Tax	Rate
Up to Rs. 400,000	-	-			-	0.00%
600,000	10,000	10,000	1.67%	1.67%	-	0.00%
1,200,000	40,000	70,000	3.33%	5.83%	30,000	2.50%
2,400,000	160,000	250,000	6.67%	10.42%	90,000	3.75%
3,000,000	250,000	370,000	8.33%	12.33%	120,000	4.00%
4,000,000	420,000	620,000	10.50%	15.50%	200,000	5.00%
6,000,000	880,000	1,220,000	14.67%	20.33%	340,000	5.67%
8,000,000	1,480,000	1,920,000	18.50%	24.00%	440,000	5.50%
12,000,000	2,680,000	3,320,000	22.33%	27.67%	640,000	5.33%
30,000,000	8,080,000	9,620,000	26.93%	32.07%	1,540,000	5.13%
50,000,000	14,080,000	16,620,000	28.16%	33.24%	2,540,000	5.08%
75,000,000	21,580,000	25,370,000	28.77%	33.83%	3,790,000	5.05%
100,000,000	29,080,000	34,120,000	29.08%	34.12%	5,040,000	5.04%



INCOME TAX ORDINANCE, 2001

45. PENALTIES – SECTION 182

FA addresses to increase a few penalties as under:

Serial	Offences	Pre FA	Post FA
1	Where any person fails to furnish a return of income as required under section 114 within due date	If the penalty worked out as aforesaid is less than Rs. 20,000 or no tax is payable for that tax year such person shall pay a penalty of Rs. 20,000.	If the penalty worked out as aforesaid is less than Rs. 40,000 or no tax is payable for that tax year such person shall pay a penalty of Rs. 40,000 . Provided that If seventy-five percent of the income is from salary and the amount of income under salary is less than five million Rupees, the minimum amount of penalty shall be five thousand Rupees
1AA	Where any person fails to furnish wealth statement or wealth reconciliation statement.	Such person shall pay a penalty of 0.1% of the taxable income per week or Rs.20,000, whichever is higher	Such person shall pay a penalty of 0.1% of the taxable income per week or Rs.100,000 whichever is higher.
3	Any person who is required to apply for registration under this Ordinance but fails to make an application for registration.	Such person shall pay a penalty of Rs. 5000	Such person shall pay a penalty of Rs. 10,000
6	Any person who repeats erroneous calculation in the return for more than one year whereby amount of tax less than Final tax payable under this Ordinance is paid.	Such person shall pay a penalty of Rs. 5000 or 3% of the amount of the tax involved, whichever is higher.	Such person shall pay a penalty of Rs. 30,000 or 3% of the amount of the tax involved, whichever is higher.
11	Any person who denies or obstructs the access of the Commissioner or any officer authorized by the Commissioner to the premises, place, accounts, documents, computers or stocks.	Such person shall pay a penalty of Rs. 25,000 or 100% of the amount of tax involved, whichever is higher.	Such person shall pay a penalty of Rs. 50,000 or 100% of the amount of tax involved, whichever is higher.
12	Where a person has concealed income or furnished inaccurate particulars of such income, including but not limited to the suppression of any income or amount chargeable to tax, the claiming of any deduction for an expenditure not actually incurred or any act referred to in sub section (1) of section 111, in the course of any proceeding under this Ordinance before any Income tax authority or the appellate tribunal.	Such person shall pay a penalty of Rs. 25,000 or an amount equal to the tax which the person sought to evade whichever is higher.	Such person shall pay a penalty of Rs. 100,000 or an amount equal to the tax which the person sought to evade whichever is higher.
15	Any person who fails to collect or deduct tax as required under any provision of this Ordinance or fails to pay the tax collected or deducted as required under section 160	Such person shall pay a penalty of Rs. 25,000 or the 10% of the amount of tax whichever is higher.	Such person shall pay a penalty of Rs. 40,000 or the 10% of the amount of tax whichever is higher.

INCOME TAX ORDINANCE, 2001

FA also introduces following new penalties:

Serial	Offence	Penalty
21	Any person who purchases immovable property having fair market value greater than rupees five million through cash or bearer cheque u/s 75A.	Such person shall pay a penalty of five percent of the value of property determined by the Board under subsection (4) of section 68 or by the provincial authority for the purposes of stamp duty, whichever is higher.
22	Where an offshore tax evader is involved in offshore tax evasion in the course of any proceedings under this Ordinance before any Income Tax authority or the appellate tribunal.	Such person shall pay a penalty of one hundred thousand rupees or an amount equal to two hundred per cent of the tax which the person sought to evade, whichever is higher.
23	Where in the course of any transaction or declaration made by a person an enabler has enabled, guided, advised or managed any person to design, arrange or manage that transaction or declaration in such a manner which has resulted or may result in offshore tax evasion in the course of any proceedings under this Ordinance.	Such person shall pay a penalty of three hundred thousand rupees or an amount equal to two hundred per cent of the tax, which was sought to be evaded, whichever is higher.
24	Any person who is involved in asset move as defined in clause (5C) of section 2 of the Ordinance from a specified territory to an un-specified territory.	Such person shall pay a penalty of one hundred thousand rupees or an amount equal to one hundred per cent of the tax whichever is higher.
25	Where a Reporting Financial Institution fails to comply with any provisions of section 165B of the Ordinance or Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002.	Such Reporting Financial Institution shall pay a penalty of Rs.10, 000 for each default and an additional Rs. 10,000 each month until the default is redressed.
26	Where a Reporting Financial Institution files an incomplete or inaccurate report under provisions of section 165B of the Ordinance and Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002.	Such Reporting Financial Institution shall pay a penalty of Rs.10, 000 for each default and an additional Rs. 10,000 each month until the default is redressed.
27	Where a Reporting Financial Institution fails to obtain valid self-certification for new accounts or furnishes false self-certification made by the Reportable Jurisdiction Person under Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002.	Such Reporting Financial Institution shall pay a penalty of Rs.10,000 for each default and an additional Rs. 10,000 each month until the default is redressed.
28	Where a Reportable Jurisdiction Person fails to furnish valid self-certification or furnishes false self-certification under Common Reporting Standard Rules in Chapter XIIA of Income Tax Rules, 2002	Such Reportable Jurisdiction Person shall pay a penalty of Rs. 5,000 for each default and an additional Rs. 5,000 each month until the default is redressed.

Continue from next page

SALES TAX ACT, 1990

1. SRO 1125 OF 2011 RESCINDED

Zero Rating regime extended to five major export sectors i.e. textile, leather, carpets, sport goods and surgical goods had been proposed to be rescinded in the budget speech. To give effect to this the FBR has issued SRO 694 dated 29th June 2019 w.e.f. from 1st July 2019.

Certain (items details are provided in coming sections) items have also been mentioned in 8th schedule to be charged at 14% subject to e-integration with FBR.

Accordingly, the Abrogation of SRO 1125 will negatively effect the export oriented sector as the increased rate of sales tax will further carry its weight on to the balance of trade, which is already in a bad shape thus taking the wind out of sails for these sectors, although the retail outlets integrated with FBR will continue to benefit from the reduced 14 % rate of tax.

2. ABOLISHMENT OF SPECIAL REGIME FOR STEEL SECTOR

Special procedure for steel Melter had been withdrawn as SRO 480(I)/2007, dated the 9th June 2007, [Sales Tax Special Procedures Rules, 2007] has been rescinded. Through FA, FED will be levied on steel products in sales tax mode. However, the duty payable shall not be less than the tax payable on basis of Minimum production regime specified in Fourth Schedule of FED Act.

Illustration

Steel billets and ingots supply rate (a)= Rs 81,000 per ton (Assumed)
 Supply FMO July 2019 (b)= 2000 ton
 Electricity consumed For Month of [FMO] July 2019
 A= 1,750,000 kwh
 Minimum Production as per 4th Schedule d [A/700] = 2,500 ton
 Input tax on goods u/s ST Act 1990 FMO July 2019 C= Rs 450,000 (Assumed)

Input tax on Services u/s Sindh ST 2011 FMO July 2019 D = Rs 150,000 (Assumed)

FED-Output as per supply@ 17% ad val. c (a*b) = Rs 27,540,000

FED-Output as per Fourth Scheduled e(d*a) = 34,425,000

Higher of above

FED Output tax B = 34,425,000

FED Liability FMO July 2019 [B-C-D] = Rs 33,825,000

Accordingly, exemption to steel and ship breaking is now unavailable and the vessel imported for breaking will now be taxable at 17 percent at serial number 95. Sales tax on Steel billets, ingots, ship plates, bars and other long re-rolled profiles will now be taxed under FED in sales tax mode, whereas being exempted from Sales Tax itself.

3. ABOLISHMENT OF SPECIAL PROCEDURE FOR MARBLE INDUSTRY

Before FA, Sales Tax Rate of Rs 1.25 per unit of electricity was fixed for marble sector which was proposed to be brought under normal regime of 17% Sales Tax. The FBR has now withdrawn SRO 480(I)/2007, dated the 9th June 2007, [Sales Tax Special Procedures Rules, 2007] to give this effect.

Accordingly, any exemption or relaxation provided under the Special Procedure rules affecting or benefiting any industry has now been rescinded and therefore the marble industry will be taxed under the normal tax regime of 17%.

4. COTTAGE INDUSTRY DEFINITION – SECTION 2(5AB)

Cottage Industry is defined as a manufacturer whose annual taxable turnover during the last 12 months ending any tax period does not exceed Rs. 10 million or whose annual utility bills during the last 12 months ending any tax period do not exceed Rs. 800,000. The limit of utility bills originally was Rs. 600,000 which was increased to Rs. 700,000 and Rs. 800,000 vide FA 2008 and FA 2015 respectively.

SALES TAX ACT, 1990

A cottage industry is exempt from requirement of registration and they do not charge any sales tax on their supplies, as per serial 3, Table 2 of Sixth Schedule.

The FA enacts new definition of cottage industry as under:

- a. Cottage industry means an industry based upon the family unit located in residential area containing labour force of maximum ten laborer's in which workers use their own equipment at home process goods;
- b. whose annual turnover does not exceed three million rupees; and
- c. having no industrial gas and electricity connection.

Accordingly, the boundary of criteria for obtaining the benefits of cottage industry is now shortened via its definition which has now reduced the annual turnover threshold from 10 million to 3 million in addition to three new criteria which includes, the industry not obtaining any industrial gas or electricity connection, location in a residential area and not having a labour force of more than 10 workers. In order to avail the cottage industry benefits all the 4 criteria must be satisfied.

5. VALUE OF SUPPLY – SECTION 2(46)

- Subsection (46) of Section 2 of STA provides the definition of value of supply in case the goods other than taxable goods are supplied to a registered person for processing, the value of supply of such processed goods shall mean the price excluding the amount of sales tax which such goods will fetch on sale in market.

FA introduced a new definition of value of supply in case of Toll Manufacturing. Now the value of supply will be the actual manufacturing charges received in relation to such goods, in case of manufacture of goods belonging to another person.

- FA also amended definition of value of supply in case of supply of electricity by an independent

power producer. The value of supply now will be the amount received on account of energy purchase price only the amount received on account of Capacity Purchase Price, Energy Purchase Price Premium, Excess Bonus, Supplemental Charges etc. shall not be included in the value of supply.

FA also amended definition of value of supply in case of supply of electric power and gas by a distribution company, to be the total amount billed including price of electricity and natural gas, charges, rents, commissions and all duties and taxes local, provincial and federal but excluding the amount of late payment surcharge and the amount of sales tax. These definitions were previously included in respective special procedure rules which are now repealed.

Accordingly, the definition of value of supply has been amended to incorporate provisions from rescinded rules and STGOs.

6. TIER-1 RETAILERS – SECTION 2(43A)

Concept of Tier-1 Retailer was embedded in law vide FA 2018 as under:

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

Previously it was part of SRO 608 of 2014 which was declared unconstitutional by Lahore High Court.

FA introduced some changes for Tier-1 retailers including omission of option of Sales Tax on Turnover. FA has also put additional condition for Tier-1 to integrate their retail outlets with FBR computerized

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systems for real-time reporting of sales from such date and such manner as FBR will prescribe through notification.

Another additional condition has been added that a person will be a Tier 1 retailer who is running a business in a premise having covered area more than one thousand square feet.

Accordingly, retailers falling under Tier-1 will continue to charge and pay sales tax in normal manner and all the provisions of Sales Tax Act, 1990 will apply to them including issuing invoices, filing monthly sales tax returns, etc. Other retailers will discharge their sales tax liability through electricity bills.

7. INPUT NOT ALLOWED – SECTION 8

The bill had proposed that the invoices should bear CNIC of the buyer. The bill also proposes to disallow the input in proportion to sales invoices which do not bear the CNIC of the buyer. For example, total input tax for tax period [A]= Rs 100;

Total Taxable Supplies [B]= Rs 150

Total Sales to unregistered persons[C] = Rs 50

Total Sales to unregistered persons without declaring CNIC[D]= Rs 20

Proportional rate of disallowance $E = [B/D] = 20/150 = 0.133$, amount of input disallowed $A * E = Rs 13.33$. FA has made corrective amendments by including NTN in addition to CNIC and replacing the words “recipients” for “buyer”. FA has also deferred the application of these conditions till 1st August 2019.

The FA has also relaxed the above condition for supplies less than Rs 50,000/- to ordinary consumers who buy goods for own consumption and not for resale or processing. FA further inserted an indemnity for sellers that if CNIC provided by the purchaser was not correct, liability of tax or penalty shall not arise against the seller, if sale is made in good faith.

Illustration-A

Supply by Manufacturer/dealer/sub dealer to Unregistered person with CNIC

Invoice amount [A]= Rs 45,000

Total Input = Rs 10,000

Total Sales = 80,000

Sales to Unregistered = Rs 45,000

Input tax attributable on prorate basis $[10,000 * (45,000/80,000)]$ B= 5,625

Output Tax C $[A * 17\%]$ = 7,650

Further Tax@3% D = 1,350

Net payable to FBR [D+C-B] = 3,375

Illustration-B

Supply by Manufacturer/dealer/sub dealer to Unregistered person without CNIC

Invoice amount [A]= Rs 45,000

Input tax attributable on prorate basis as above, B = 5,625

Output Tax C $[A * 17\%]$ = 7,650

Further Tax@3% D = 1,350

Net payable to FBR [D+C] = 9,000

Illustration-C

Supply by Retailer to Unregistered person with CNIC

Invoice amount [A]= Rs 55,000

Input tax attributable on prorate basis as above, B= 5,625

Output Tax C $[A * 17\%]$ = 9,350

Net payable to FBR [C-B] = 3,725

Illustration-D

Supply by Retailer to Unregistered person without CNIC

Invoice amount [A]= Rs 55,000

Input tax attributable on prorate basis as above, B= 5,625

Output Tax C $[A * 17\%]$ = 9,350

Net payable to FBR [C] = 9,350

Illustration-E

Supply by Retailer to Unregistered person (end consumer) without CNIC

Invoice amount [A]= Rs 49,000

Input tax attributable on prorate basis as above, B= 5,625

Output Tax C $[A * 17\%]$ = 8,350

Net payable to FBR [C-B] = 1,530

Accordingly, the implemented condition of CNIC would initially slow down the economic work-process for the time being but would be beneficial in

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eradicating tax evasion by eliminating the concept of excessive claiming of input tax while also serving as a verification method for documentation of the issued invoices.

9. ADJUSTABLE INPUT TAX – SECTION 8B

The Section 8B (1) places restriction on maximum adjustment of input tax against output tax up to maximum 90% of output tax for the period, however the FBR may exclude any person or class of persons from purview of this section. The Bill had proposed to add power of FBR to allow adjustment limit of input tax up to 95% to any person or class of person. The FA has omitted this power. New para FA also places restriction on the Tier-1 Retailer if not integrated as per section 3(9A) in any period, the adjustable input tax for the period will be reduced by 15%. We understand that the unadjusted 15% input tax cannot be carried forward also.

Accordingly, the newly added section 8B comprising of 6 clauses lays down the total composition of the adjustable input tax and the conditions pertaining to it.

8. TAX INVOICE TO INCLUDE UTILITY BILL – SECTION 2(40), SECTION 7

FA has allowed utility bill issued by registered distribution company to be treated as a tax invoice. It also allows input of sales tax paid on the basis of utility bill provided that registration number of the consumer and the address where the connection is installed is mentioned in the bill. The purpose is to incorporate provisions of C.B.R letter no 1(3)/STR/2000 dated July 13, 2002 in main statute.

9. REVISION OF RETURN – SECTION 26

Currently, to revise a return within 120 days of filing of return, approval from commissioner is required. This condition of approval from commissioner to revise the return is now being waived provided that the return is revised within 60 days and the sales tax

liability is increased or refund is decreased as a result of revision.

Accordingly, the following is a positive measure towards the betterment of the economy as it would help the filers to revise their return with ease and without any litigation involved coupled with an extensive time frame provided for such revision.

10. ADDITIONS IN THIRD SCHEDULE TO STA

Following items are added in third schedule, which means that 17% sales tax on such items will be charged on minimum retail price fixed by the manufacturer or importer of such goods.

38.	Household electrical goods, including air conditioners, refrigerators, deep freezers, televisions, recorders and players, electric bulbs, tube-lights, fans, electric irons, washing machines and telephone sets.
39.	Household gas appliances, including cooking range, ovens, geysers and gas heaters.
40.	Foam or spring mattresses and other foam products for household use.
41.	Arms and ammunitions.
42.	Paints, distempers, enamels, pigments, colors, varnishes, gums, resins, dyes, glazes, thinners, blacks, cellulose lacquers and polishes sold in retail packing.
43.	Lubricating oils, brake fluids, transmission fluid, and other vehicular fluids and maintenance products.
44.	Storage batteries excluding those sold to automotive OEMs.
47.	Biscuits in retail packaging with brand name.
48.	Tiles.
49.	Auto-parts, in retail packing, excluding those sold to automotive manufacturers or assemblers.

Accordingly, to increase the revenue generation as well as to control the import of items, additions are made to the third schedule for the items pertaining to imports so that imports can be reduced as well as increased contribution from imports can be extracted.

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11. THE LIABILITY FOR PAYMENT OF TAX IN CASE OF PRIVATE COMPANIES – SECTION 58

Currently, every shareholder of a company, which is unable to pay its sales tax liability, will be liable to pay the tax due. FA provides that the liability in such a case will be only of Director, other than employed director, and a shareholder having not less than 10% of shareholding. FA has also provided that such person who pays taxes shall be entitled to recover the same from company or from any other shareholder owing not less than ten percent of the paid-up capital.

12. PARAMETERS FOR SELECTION OF AUDIT – SECTION 72B

FA provides that the parameters for selection of audit under section 72B shall be confidential. This is in contradiction with a recent Judgment of Lahore High Court in W.P. no 10035/2017.

13. THE LIABILITY FOR PAYMENT OF TAX IN CASE OF PRIVATE COMPANIES – SECTION 58

Currently, every shareholder of a company, which is unable to pay its sales tax liability, will be liable to pay the tax due. Through, FA the liability in such a case will be only of Director, other than employed director, and a shareholder having not less than 10% of shareholding.

14. AUDIT ONCE IN EVERY THREE YEAR – SECTION 25

Vide FA 2018, the powers to select for audit under section 25 were restricted to be only once in three years. This restriction in powers to selection for audit under section 25 is withdrawn vide FA.

15. PENALTY FOR NON-FILING OF RETURN – SECTION 33

FA has to increase the penalty for not filing return within due date from Rs. 5,000 to Rs. 10,000.

Moreover, in case of filing of return within 10 days of due date, the penalty has been increased from Rs. 100 per day to Rs. 200 per day.

16. ALTERNATIVE DISPUTE RESOLUTION SECTION 47A

As per FA now the panel shall consist of chartered accountants, cost and management accountants and advocates having more than ten years of experience in the field of taxation which was previously senior chartered accountants and senior advocates having experience in the field of taxation.

17. FBR Refund Settlement Company – Section 2(11A)

FA has removed words “(Private)” from the name of FBR Refund Settlement Company, meaning that the said company will be established as a public company.

18. FEE AND SERVICE CHARGES SECTION 76

FA has enacted new Section 76 which empowers Federal Government to prescribe fee and service charges for valuation services provided by FBR solely or by its ventures.

19. ELEVENTH SCHEDULE

FA has inserted new Schedule to prescribe rates for withholding taxes which are similar to those as contained in Sales Tax Special Procedure (Withholding) Rules, 2007.

Further FA has included following list of exclusions from application of Withholding:

- Electric Energy
- Natural Gas
- Petroleum Products as supplied by petroleum production and exploration companies, oil refineries, oil marketing companies and dealers of motor spirit and high-speed diesel.
- Vegetable Ghee and cooking oil
- Telecommunication Services
- Goods specified in the Third Schedule of Sale Tax Act

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- Supplies made by importers who paid value addition on such goods at the time of import
- Supplies made by Active Taxpayer as defined in the Sales Tax Act to another registered person with exception of advertisement services.

Accordingly, the major changes confronted in the changes made via Finance Act, 2019 was the exclusion of individual as withholding agents while only companies are authorized to serve as withholding agents and the increase of rate of withholding increased from 1 % to 5% of the gross values of supplies received from unregistered persons. Notably FBR has also promulgated rules in this regard vide SRO 698(1)/2019.

20. ENRTY NO. 12 – FIFTH SCHEDULE

Currently, the products enlisted in entry 12 of fifth Schedule are zero rated subject to conditions mentioned in Chapter XIV of Sale Tax Special Procedure Rules, 2007. Now FA has replaced the reference of chapter XIV with the conditions as maybe prescribed by FBR.

Accordingly, the insertion of Section 4 (c) accounts for the conditions, limitations and restrictions prescribed by the FBR as may be applicable on the Fifth Schedule as well as the newly added Entry No. 12. Notably, the newly added section 4 (c) has also limited the powers of Federal Government to grant zero-rating to emergency conditions.

21. AMENDMENTS IN SIXTH SCHEDULE

Following amendments has been made in Sixth Schedule (Exempt products) to STA:

Entry #	Before FA	After FA
2.	Meat of bovine animals, sheep and goat, excluding poultry and offal, whether or not fresh, frozen or otherwise, preserved	Meat of bovine animals, sheep and goat, excluding poultry and offal, whether or not fresh, frozen or otherwise, preserved or packed.
3.	Fish and crustaceans excluding live fish whether or not fresh, fozen or otherwise preserved	Fish and crustaceans excluding live fish whether or not fresh, fozen, otherwise preserved or packed.
19.	Cereals and products of milling industry	Cereals and products of milling industry excluding the products of milling industry, other than wheat and mesline flour, as sold in retail packing bearing brand name or trademark and 1102.1000
36.	Silver in unworked condition	Omitted
37.	Gold in unworked condition	Omitted
52A.	Goods supplied to hospitals run by the Federal or Provincial Governments or charitable operating hospitals of fifty beds or more or the teaching hospitals of statutory universities of two or more beds.	Goods excluding electricity and natural gas , supplied to hospitals run by the Federal or Provincial Governments or charitable operating hospitals of fifty beds or more or the teaching hospitals of statutory universities of two or more beds
72.	Uncooked poultry meat.	Uncooked poultry meat whether or not fresh, frozen or otherwise, persevered or packed.
73A.	Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name. 04.01 and 04.02	Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name. 04.02

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85.	Fat Filled Milk	Fat Filled Milk excluding that sold in retail packing under a brand name or trademark.
95.	Vessels for breaking up 89.08	Omitted
151		(a) Supplies; and (b) imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas, as defined in the Constitution of Islamic Republic of Pakistan, – as made till 30th June, 2023, to which the provisions of the Act or the notifications issued thereunder, would have not applied had Article 247 of the Constitution not been omitted under the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018): Provided that, in case of imports, the same shall be allowed clearance by the Customs authorities on presentation of a postdated cheque for the amount of sales tax payable under the Sales Tax Act, 1990, and the same shall be returned to the importer after presentation of a consumption or installation certificate, as the case may be, in respect of goods imported as issued by the Commissioner Inland Revenue having jurisdiction: Provided further that if plant, machinery and equipment, on which exemption is availed under this serial number, is transferred or supplied outside the tribal areas, the tax exempted shall be paid at applicable rate on residual value.
152		Supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment) Act, 2018, till 30th June, 2023, to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31st May, 2018, but excluding steel and ghee or cooking oil industries. 2716.0000
153.		Steel billets, ingots, ship plates, bars and other long rolled profiles, on such imports and supplies by the manufacturer on which federal excise duty is payable in sales tax mode

Table II

16.	Raw Cotton and ginned cotton	Raw Cotton
25.		Cotton seed oil 1512.2100 and 1512.2900

Accordingly, there are several changes in the exemption regime under the Sixth Schedule. For instance, serial number 2, 3 and 72 pertaining to meat, fish and poultry meat, raw as well as **packed** are now under the exemption scheme, whereas serial number 19 related to milling industry that is sold in retail packing is excluded from the scope of exemption. Certain other exemptions as well as exclusions are implemented under the Finance Act, 2019.

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22. AMENDMENTS IN EIGHT SCHEDULE

Following amendments have been made in Eight Schedule (Exempt products) to STA:

Entry #	Before FA	After FA
14.	Milk and cream concentrated and added sugar or other sweetening matter. 0402.1000 10% Sold in retail Packing under a brand name	Milk and cream concentrated and added sugar or other sweetening matter. 0402.1000 and 0402.2000 10% Sold in retail Packing under a brand name
18.	Reclaimed lead	Omitted
21.	Rapeseed, sunflower seed and conola seed	Omitted
22.	Soya bean seed 1201.1000 6% On import by solvent extraction industries, subject to the condition that no refund of input tax shall be admissible	Soya bean seed 1201.1000 10% On import by solvent extraction industries, subject to the condition that no refund of input tax shall be admissible
26.	Tillage and seed bed preparation equipment..... (xx) Laser Land Leveler 8423.8090	Tillage and seed bed preparation equipment..... (xx) Laser land leveler comprising of laser transmitter, laser receiver, control box, rigid mast pack, with or without scrapper respective heading
27.	Seeding or planting equipment (ii) Cotton or maize planter with fertilizer attachment. 8432.3090 (iii) Potato planter 8432.3090 (iii) Rice transplanted 8432.3090	Seeding or planting equipment (ii) Cotton or maize planter with fertilizer attachment. 8432.3900 (iii) Potato planter 8432.3900 (iii) Rice transplanted 8432.3900
32.	White Crystalline Sugar	Omitted
37.	Potassium Chlorate (KClO ₃) 17% along with rupees 65 per kilogram Import and supply thereof. Provided that rate of rupees 65 per kilogram shall not apply on imports made by and supplies made to organizations under the control of Ministry of Defense Productions.	Potassium Chlorate (KClO ₃) 17% along with rupees 70 per kilogram Import and supply thereof. Provided that rate of rupees 70 per kilogram shall not apply on imports made by and supplies made to organizations under the control of Ministry of Defense Productions.
59.		Products of milling industry except wheat and meslin flour 1102.2000, 1102.9000, 1103.1100, 1103.1300, 1103.1900, 1104.2200, 1104.2300, 1104.2900 and 1104.3000 10% If sold in retail packing under a brand name or trademark
60.		Fat filled milk 1901.9090 If sold in retail packing under a brand name or trademark
61.		Silver, in unworked condition 7106.1000, 7106.9110 and 7106.9190 1%
61.		Gold, in unworked condition 7108.1100, 7108.1210 and 7108.1290 1%
62.		Gold, in unworked condition 7108.1100, 7108.1210 and 7108.1290 1%

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63.		Articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal. 71.13 1.5% of value of gold, plus 0.5% of value of diamond, used therein, plus 3% of making
64.		Prepared Food, foodstuff and sweetmeats supplied by restaurants, bakeries, caterers and sweetmeat shops 7.5% Supplies only, subject to condition that no input tax shall be adjusted
65.		Ginned cotton 10%
66.		Supplies as made from retail outlets as are integrated with Board's computerized system for real time reporting of sales. 14% if supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months
67.		LNG imported for servicing CNG sector and local supplies thereof 2711.1100, 2711.2100 5%
68.		Frozen prepared or preserved sausages and similar products of poultry meat or meat offal 1601.0000 8% ^c
69.		Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish 1602.3200, 1602.3900, 1602.5000, 1604.1100, 1604.1200, 1604.1300, 1604.1400, 1604.1500, 1604.1600, 1604.1900, 1604.2010, 1604.2020 and 1604.2090 8%.

Accordingly, certain highlights with respect to commodities in the Eight schedule, which included rescission of SRO 1125(I)/2011 thus bringing the textile and leather items back to the normal tax regime other than the integrated retail outlets for which the rate of tax would be 14%. The exemption on milk is restricted to the milk not being sold in retail packing under a brand name or trademark or otherwise 10% Sales Tax would be applicable for such products being sold under a brand name or trademark. Sales tax at the rate of 10% will be applicable on ginned cotton which was previously exempted under the Eighth Schedule. Certain more changes relating to reduced rates are applicable under the Eighth Schedule vide Finance Act, 2019.

SALES TAX ACT, 1990

23. AMENDMENTS IN NINTH SCHEDULE

Entry #	Before FA	After FA
2	<p>Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at rate as indicated against each category:</p> <p>A. Not exceeding US\$ 30 (Rs 150)</p> <p>B. Exceeding US\$ 30 but not exceeding \$ 100 (Rs 1,470)</p> <p>C. Exceeding US\$ 100 but not exceeding \$ 200 (Rs 1,870)</p> <p>D. Exceeding US\$ 200 but not exceeding \$ 350 (Rs 1,930)</p> <p>E. Exceeding US\$ 350 but not exceeding \$ 500 (Rs 10,300)</p>	<p>Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at rate as indicated against each category:</p> <p>A. Not exceeding US\$ 30 (Rs 135)</p> <p>B. Exceeding US\$ 30 but not exceeding \$ 100 (Rs 1,320)</p> <p>C. Exceeding US\$ 100 but not exceeding \$ 200 (Rs 1,680)</p> <p>D. Exceeding US\$ 200 but not exceeding \$ 350 (Rs 1,740)</p> <p>E. Exceeding US\$ 350 but not exceeding \$ 500 (Rs 5,400)</p> <p>F. Exceeding US\$ 500 (Rs 10,300)</p>

Accordingly, the previously levied Fixed Sales Tax is reduced as illustrated above vide Finance Act, 2019 for the cellular mobile and satellite phones in order to synchronize the phones with the system as previously many such devices were blocked by the Pakistan Telecommunication Authority (PTA) and so the rate are reduced for the people carrying imported handsets who had to pay a large amount to unblock their imported devices in order to use them. Such a measure would ease the persons to satisfy their liability with respect to the handsets that are imported into Pakistan.

24. MINIMUM VALUE ADDITION – TWELFTH SCHEDULE

Before FA, Chapter X of Special Procedure Rules, 2007 was applicable to all importers of taxable goods except goods imported by:

- A manufacture for in house consumption [i.e. Import of raw materials and fixed assets not for resale purpose]; or
- The POL products, imported by an oil marketing company, whose prices are regulated under a special pricing arrangement by the Government of Pakistan.
- Registered service providers importing goods for their in-house business use or for furtherance of their taxable activity and not intended for further supply in the same condition [Example: If a courier company imports packing material for the purpose of courier].
- Liquefied Natural Gas (LNG) and Re-gasified Liquefied Natural Gas (RLNG)
- Second hand and worn clothing and footwear.

As per chapter X, an importer shall pay sales tax @ 17% on import value in the normal manner. However, sales tax on account of minimum value addition shall be collected at import stage @ 3% of the value of goods imported in addition to the sales tax paid in the normal manner.

The commercial importer shall charge sales tax from his customers in the normal manner. The value addition tax paid at import stage shall form part of input tax and shall be claimable against output tax for determining his net liability.

The excess of input tax, if any, over output tax shall be carried forward to the next tax period. However, the refund of excess input tax over output tax in respect of such imports shall not be allowed to a registered person.

The FA incorporated provisions of chapter X into a newly introduced Twelfth Schedule to STA. Following

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are excluded from this Schedule (same as previous with little amendments):

- Raw materials and intermediary goods meant for use in an industrial process which are subject to customs duty less than 16% ad valorem under first schedule to the customs act, 1969. (previously fixed assets were also excluded from chapter X);
- The petroleum products falling in Chapter 27 of Pakistan Customs Tariff as imported by a licensed Oil Marketing Company for sale in the country;
- Registered service providers importing goods for their in-house business use for furtherance of their taxable activity and not intended for further supply;
- Cellular mobile phones or satellite phones;
- LNG / RLNG;
- Second hand and worn clothing or footwear (PCT Heading 6309.000);
- Gold, in un-worked condition; and
- Silver, in un-worked condition.

25. SROs ISSUED AND RESCINDED

Following SROs have been rescinded by the FBR:

- SRO. 68(I)/2006, dated the 28th January 2006, [Federal Government is pleased to allow the solvent extraction industries to deduct the entire amount of input tax paid on import of rapeseed from the output tax charged on supply of oil extracted there];
- SRO. 480(I)/2007, dated the 9th June 2007, [Sales Tax Special Procedures Rules, 2007];
- SRO. 660(I)/2007, dated 30th June 2007, [The Sales Tax Special Procedure (Withholding) Rules, 2007];
- SR0.769 (I)/2009, dated the 4th September 2009, [Zero-rating of polyethylene and polypropylene for the purpose of local manufacturing of mono filament yarn and net cloth.];
- SRO. 1125(I)/2011 dated the 31st December 2011 [The scheme of zero-rating of five major export-oriented sectors has been revamped to introduce a uniform rate (reduce sales tax @ 5 % instead of earlier rate of 4 % and 6%).];

- SRO. 398(I)/2015 dated the 8th May 2015 [Sales Tax reduced to 5% for LNG imported for servicing CNG Sector and Fertilizer produced by using imported LNG (Conditions apply)];
- SRO. 697(I)/1996, dated 22nd August 1996, [Approval of Keeping Business Records on Computer By registered Person];
- SRO. 26(I)/2006, dated 09th January 2006, [Central Board of Revenue is pleased to authorize and specify the functions, powers and jurisdiction of the officers of the Directorate General of Inspection and Internal Audit, as officers of the Sale];
- SRO. 524(I)/2006, dated 05th June 2006, [Designated branches of NBP];
- SRO. 751(I)/2006, dated 21st July 2006, [CBR is pleased to direct that all the petroleum exploration and production companies shall furnish the statements.];
- SRO. 993(I)/2006, dated 21st September 2006, [CBR allow composite repayment-cum-drawback of sales tax and federal excise duty to the registered person on the export from Pakistan of vegetable ghee];
- SR0.1211(I)/2006, dated 04th December 2006, [CBR is pleased to allow the refund of sales tax as input tax credit];
- SR0.1260(I)/2006, dated 16th December 2006, [Appointment of Chartered Accountants firms of chartered Accountants and firms of cost and management accountants for special audit of the records of registered persons];
- SR0.170(I)/2008, dated 22nd February 2008 [FBR is pleased to fix the value of re-roll able scrap (PCT heading 72.04), imported through the land routes of Iran and Afghanistan, at US\$ 275 per ton];
- SRO. 345(I)/2010, dated 24th May 2010 [Fixed value of locally produced Goods/Amendment in special procedure rules 2007];
- SRO Issued
- SRO 690 - Value of supply to CNG consumers
- SRO 697 - Value of locally produced goods



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Accordingly, the following SRO were amended vide Finance Act, 2019:

SRO 509(I)/2013: The supplies of gas and electricity are relieved of the said 5 percent of extra tax. The Government, semi-Government and Statutory regulatory bodies have also been excluded from the levy of 5 percent extra tax.

SRO 648(I)/2013: Further tax at 3 percent is also abolished on the supplies being made to Government, semi-Government and statutory regulatory bodies as well as supplies of white crystalline sugar.

SRO 190(I)/2002: The PVC and PMC materials which are exported to Afghanistan or to CARS through Afghanistan now falls under zero rating and are exempted from the provisions of the SRO 190(I)/2002.

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FEDERAL EXCISE ACT, 2005

The amendments are as follows:

- 1) In sub-section 2 of Section 19 a new clause is added which provides for penalty for the person who sells cigarettes on a price lower than the printed price;
- 2) The FA has enacted new section 19A, to empower FBR to prescribe rules for initiating criminal proceedings against officers and their subordinates, who wilfully and deliberately commits or omits an act which results in personal benefits and undue advantage to them.
- 3) FED at the rate of 40 paisa per kilogram on oilseeds has been withdrawn.
- 4) FED on Steel Billets, ingots, ship plates, bars and other long re-rolled products are now in VAT mode [entry 4, Second Schedule].
- 5) FED on telecommunication services provided by foreign satellite companies under tariff heading 98.12 @ 17% under First Schedule.

- **FIRST SCHEDULE**

Following amendments has been made in First Schedule:

S. No	Before FA	After FA
1	Edible oils excluding epoxidized soybean oil falling under heading 15.18 16% ad val.	Edible oils excluding epoxidized soybean oil falling under heading 15.18 17% ad val.
2	Vegetable ghee and Cooking oil 16% per cent ad val.	Vegetable ghee and Cooking oil (a) In retail packing 17% of retail price. (b) not in retail packing 17% per cent ad val.
3	Aerated Waters 11.5 % per cent of retail price	Aerated Waters 13% per cent of retail price
4	Aerated waters, containing added sugar or other sweetening matter or flavored. 11.5 % per cent of retail price	Aerated waters, containing added sugar or other sweetening matter or flavored. 13% per cent of retail price
5	Aerated waters if manufactured wholly from juices or pulp of vegetables, food grains or fruits and which do not contain anyother ingredient, indigenous or imported, other than sugar,coloring materials, preservativesor additives in quantities prescribed under the West Pakistan Pure Food Rules, 1965. 11.5 % per cent of retail price	Aerated waters if manufactured wholly from juices or pulp of vegetables, food grains or fruits and which do not contain anyother ingredient, indigenous or imported, other than sugar,coloring materials, preservativesor additives in quantities prescribed under the West Pakistan Pure Food Rules, 1965. 13% per cent of retail price
6	Locally produced cigrattes Rs. 4500 / 1000 cigarettes if their on-pack printed retail price exceeds RS. 4500 per 1000 cigarettes	Rs. 5200 / 1000 cigarettes if their on-pack printed retail price exceeds Rs. 5,960/- per thousand cigarettes
7	Locally produced cigrattes Rs. 1840 / 1000 cigarettes if their on-pack printed retail price doesn't exceed RS. 4500 per 1000 cigarettes.	Rs. 1650 / 1000 cigarettes if their on-pack printed retail price doesn't exceed Rs. 5,960/- per thousand cigarettes.

FEDERAL EXCISE ACT, 2005

8	Locally produced cigarettes if their on-pack printed retail price does not exceed Rs. 2925 per 1000 cigarettes.	Omitted
9	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers. Rs. 1.5/kg	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers. Rs. 2/kg
10	Liquified Natural Gas 17 rupees and 18 paise per 100 cubic meters.	Liquified Natural Gas 10 rupees per Million British Thermal Unit (MMBtu).
11	Imported motor cars, SUVs and other motor vehicles of cylinder capacity of 1800cc or above but not exceeding 3000cc, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars of cylinder capacity 1800 cc or above but not exceeding 3000cc. Imported motor cars, SUVs and other motor vehicles of cylinder capacity exceeding 3000cc, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars of cylinder capacity exceeding 3000cc.	Imported motor cars, SUVs and other motor vehicles, excluding auto rickshaws, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars. 87.03 (a) of cylinder capacity up to 1000c; 2.5% ad val. (b) of cylinder capacity from 1001cc to 1799cc; 5% ad val. (c) of cylinder capacity 1800cc to 3000cc; 25% ad val. (d) of cylinder capacity exceeding 3001cc; 30% ad val.
12		Locally manufactured or assembled motor cars, SUVs and other motor vehicles, excluding auto rickshaws principally designed for the transport of persons (other than those of headings 87.02), including station Engine capacity Rate i. Up to 1000cc 2.5% ii. 1001cc to 2000cc 5% iii. 2001cc and above 7.5%
13		Fruit juices, syrups and squashes, waters containing added sugar or sweetening matter etc. excluding mineral and aerated waters 5% of Retail price
14		Steel Billets, ingots, ship plates, bars and other long re-rolled products 17% ad val.

Table II

3	Facilities for travel (a) Services provided or rendered in respect of travel by air of passengers within the territorial jurisdiction of Pakistan (i) Long routes = Rs 2,000 (ii) Short routes= Rs 1,250 (iii) Socio-economic routes= Rs 500	Facilities for travel (b) Services provided or rendered in respect of travel by air of passengers within the territorial jurisdiction of Pakistan (iv) Long routes = Rs 1,500 (v) Short routes= Rs 900 Socio-economic routes= Rs 500
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FEDERAL EXCISE ACT, 2005

FOURTH SCHEDULE

The Taxpayer is now required to declare both actual and minimum production and local supplies in its monthly return. When Minimum production/month is greater than actual supplies/month, liability shall be discharged on the basis of minimum production.

In subsequent month, if actual supplies are greater than minimum production, the registered person shall be entitled to get adjustment of excess duty on account of minimum production over actual supplies.

S. No.	Product	Minimum Production Criteria
1	Steel billets and ignots	One metric ton per 700 kwh of electricity consumed
2	Steel bars and other re-rolled long profiles of steel	One metric ton per 110 kwh of electricity consumed
3	Ship plates and other re-rollable scrap	85% of the weight of the vessel imported for breaking

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ISLAMABAD CAPITAL TERRITORY FINANCE ACT, 2019

❖ AMENDMENT IN FIRST SCHEDULE

Entry No.	Pre FA	Post FA
41	Call Centers Eighteen and a half per cent	Call Centers Seventeen percent
43		Advertisement on hoarding boards, pole signs and signboards, and websites or internet. 9802.9000 Sixteen percent
44		Services provided by landscape designers 9814.4000 Sixteen percent
45		Sponsorship services 9805.9100 Sixteen percent
46		Services provided or rendered by legal practitioners and consultants 9815.2000 Sixteen percent
47		Services provided by accountants and auditors 9815.3000 Sixteen percent
48		Service provided or rendered by Stockbrokers, future brokers and commodity brokers, money exchanger, surveyors, outdoor photographers, event photographers, videographers, art painters, auctioneers (excluding value of goods) and registrar to an issue. 9819.1000, 9819.2000, 9819.5000, 9819.7000, 9819.8000, 9819.9100, 9819.9500 and 9819.9090 Sixteen percent
49		Services provided by race clubs: Entry/ admission and other services Sixteen percent
50		Services provided or rendered by corporate law consultants 9815.9000 Sixteen percent
51		Visa processing services, including advisory or consultancy services for migration or visa application filing services Sixteen percent
52		Debt collection services and other debt recovery services Sixteen percent
53		Supply chain management or distribution (including delivery) services Sixteen percent
54		Services provided or rendered by persons engaged in inter-city transportation or carriage of goods by road or through pipeline or conduit Sixteen percent
55		Ready mix concrete services Sixteen percent
56		Public relations services Sixteen percent
57		Training or coaching services other than education services Sixteen percent
58		Cleaning services including janitorial services, collection of waste and processing of domestic waste 9822.2000, 9822.3000 and 9822.9000 Sixteen percent

SINDH FINANCE ACT, 2019

❖ PREAMBLE

The Sindh Chief Minister presents Rs 1,270 billion Sind budget 2019-20 on Friday, June 14, 2019 with zero deficit. As regard NFC awards, the federal transfer is estimated to be Rs 835.375 billion which will account 74.3 % of the total receipts. These were approved vide Finance Act [SFA] dated 26th June 2019 with some minor changes. Our comments on amendments approved in Sindh Sales Tax on Services Act [SST], 2011 and on notifications issued are as follows:

1. APPOINTMENT OF AUTHORITIES [Section 2 and Section 34]

Section 34 of SST empowers Sindh Revenue Board [SRB] to appoint authorities listed and their jurisdiction vide notification in Official Gazette. The list includes a Senior Auditor and an Auditor of the SRB and Sindh Sales Tax Officer. The SFA inserted definitions of Auditor and Sindh Sales Tax Officer to be a person appointed under Section 34 to bring more clarity on it. Now, SFA also omits requirement to appointment by SRB by Notification in Official Gazette.

2. DEFINITIONS [Section 2]

SFA inserts the following definitions and entries in first and second schedule to make these services taxable w.e.f. 1st July 2019:

- **Cab Aggregator** [Section 2(19A)]

Means a person who is an aggregator, operator, intermediary or online marketplace who canvasses, solicits or facilitates passengers for travel by motor vehicles like taxi, cab, car, van, motorcycle and rickshaw, and who connects the passenger or the intending passenger to a driver of any of the aforesaid motor vehicles through telephone, cellular phone, internet, web-based services or GPS or GPRS-based services, electronic or digital means, whether or not he charges or collects any fee, fare, commission, brokerage or other charges or consideration for

providing or rendering such services. The SRB has issued Sindh Sales Tax Special Procedure (Services provided or rendered by cab aggregator and the services provided or rendered by the owners or drivers of the motor vehicles using the cab aggregator services) Rules, 2019 vide SRB-3-4/23/2019 dated 1st July 2019.

We understand that this will increase the cost of private transport services in province of Sindh in which already public transport is in dismal position.

- **Indoor sports and games center** [Section 2(51(B))]
- **Insurance agents** [Section 2(53(A))]

This includes an agent as defined in Rule 2(1)(a) of the Insurance Rules, 2017 and also includes an insurance broker as defined in clause (xxviii) of Section 2 of the Insurance Ordinance, 2000. The SRB has issued Rule 31 A "Special procedure for collection and payment of sales tax on the services provided or rendered by insurance agents" by amending Sindh Sales Tax on Services Rules, 2011 vide SRB-3-4/22/2019 dated 1st July 2019.

We understand that SRB will issue exemption notification on sale tax on insurance agent services in case of life insurance and health insurance which are already exempt for SST to avoid anomaly.

- **Online marketplace** [Section 2(60B)]

Means an information technology platform run by e-commerce entity or organization over an electronic network that acts as a facilitator in transactions that occur between a buyer and a seller or between a service provider and service recipient. We understand that the online market platforms services in majority cases is provided by non-residents and therefore practically the reverse charge mechanism will be applicable in these cases viz. the liability to pay sales tax will be on service recipient.

- **Renting of machinery, equipment, appliances and other tangible goods.**

SINDH FINANCE ACT, 2019

- **Site preparation and clearance, excavation and earth moving and demolition services [Section 2(72CC)]**

Means the services provided or rendered, to any person by another person, by renting of machinery, equipment, appliances and other tangible goods including bulldozers, excavators, road rollers and levelers, cranes, construction machinery and equipment, earthmoving machinery and equipment, scaffolding, generators, refrigerators or services in relation to such renting.

The commodity or equipment leasing and the hire purchase leasing, as classified under tariff heading 9813.3020 and 9813.3030, respectively, and also the rent a car and automobile rental service, as classified under tariff heading 9819.3000, shall be excluded from the purview of this clause and are not included in this tariff heading.

- **Training services [Section 2(98AA)]**

Means the training services provided or rendered by any person, institute or establishment, by whatever name called, for imparting skill or knowledge or lesson on any subject or field, with or without issuance of a certificate, and includes the services of vocational, professional, technical, commercial or specialized trainings, courses, seminars, workshops and lectures imparted for consideration but does not include the services of coaching or training of sports.

- **Warehouses or depots for storage or cold storages [Section 2(100)]**

Means the facility, space provided, rendered or let out on rent or otherwise for the storage, cold storage or warehousing of goods including those in the form of liquids and gases, but not including the storage of food grains and fresh vegetables and fruits not subjected to further processing and also not including the storage in public bonded warehouses as defined in clause (69) of the SSTS Act and it is separately taxed in separate tariff heading.

- **Waste collection, transportation, processing and management services [Section 2(101)]**

Means services provided in the matters of collection, processing, transportation, disposal, recycling and management of all kinds of wastes, waste materials and garbage and includes road and street cleaning services, whether manually, mechanically or otherwise.

- **3. FASHION DESIGNER [Section 2(42A)]**

The SFA made amendment in definition of fashion designer by restricting scope of preparing designs and patterns of fabric only which was previously covering costumes, apparels, garments, clothing, accessories, jewelry, footwear. Further the ancillary services are proposed to be restricted to tailoring and stitching only which was previously marketing, packaging, delivery, display and other services. This step will provide more clarity in service covered under respective tariff heading.

- **4. SPECIAL PROCEDURE AND TAX WITHHOLDING PROVISIONS [Section 13]**

Section 13 of SST empowers SRB to prescribe special procedure for the payment of tax, valuation of taxable services, registration, record keeping, invoicing or billing requirements, returns and other related matters in respect of any service or class of services by notification in official gazette. The SFA now provides that if withholding agents fail to withhold or to deposit the tax withheld, he shall be personally liable to pay the amount and default surcharge as more or less provided under Rules of Sindh Sales Tax Special Procedure (Withholding) Rules, 2014, to strengthen the legal position that anything, which is related with determination of sales tax liability, should principally be governed through the provisions of main statute. We understand the powers of SRB officer u/s 48(1B) inserted vides FA 2016, to recover the withholding tax not levied or short levied by withholding agents will be exercised without any impediments.

SINDH FINANCE ACT, 2019

5. RECORD [Section 26(1)]

Section 26 prescribe the particulars, manner and time period of retaining records by registered person. The **SFA** now insert requirement of following records to be maintained:

- Records of tax invoices and debit and credit notes issued by the person,
- Records of tax invoices and debit and credit notes received by the person,
- Records of customs documents (goods declaration under section 30 of the Customs Act, 1969 and its ancillary documents)
- Such other records as may be specified by SRB.

The above proposed provisions are more or less provided under Rules of Sindh Sales Tax Special Procedure (Withholding) Rules, 2014, and brought to strengthen the legal position that anything, which is related with determination of sales tax liability, should principally be governed through the provisions of main statute.

6. RETENTION AND PRODUCTION OF RECORDS AND DOCUMENTS [Section 27(2)]

The Section 27(2) provides empowers officer of the SRB, **not below the rank of Assistant Commissioner SRB**, to require registered person to produce or give access to records or documents which are in his possession or control. The **SFA** empowers Auditor SRB and Sindh Sales Tax Officer SRB the same powers as above. The above changes will empower junior officers to select, conduct, inquiry or an investigation of a registered person which will create burdensome and exploitation of authority.

7. AUDIT PROCEEDINGS [Section 28] AND OBLIGATION TO PRODUCE DOCUMENTS AND PROVIDE INFORMATION [Section 52(1)]

The Section 28 of SST provides mechanism of Audit of registered person to be conducted by Officer, not

below the rank of Assistant Commissioner. The **SFA** provided that the audit may also be conducted by Auditor SRB and junior officer of SRB. The **SFA** further provided that now the officer, with permission of Commissioner, may conduct audit in the place of business or the office of registered person directing him to produce the records and documents in such premises.

We understand that the exercise of same powers by SRB auditor as are available with officer of SRB will create conflict and disputes.

8. PROCEDURE IN APPEAL- STAY ALLOWED [Section 58(4)]

The Section 58(3) empowers Commissioner Appeals to stay the recovery of any sales tax due by provisional order for maximum 15 days during which on hearing both parties the provisional stay may be confirmed, varied or vacated by issuing order [Stay Order]. The stay order was to be given for maximum of 60 days including days of provisional stay order. The **SFA** now increases 60 days to 120 days.

9. OFFENCES AND PENALTIES [Section 43]

Following new additions are proposed under offences and penalties.

Offences	Penalties	Section of the Act to which offence has reference
2A. Where any person fails or refuses to issue a tax invoice as required in sub-rule (1) of rule 29 of the Sindh Sales Tax on Services Rules, 2011.	Such person shall be liable to pay a penalty of Rs. 20,000/- on first default and Rs. 50,000/- for each subsequent default. In case of 3 acts of such default, the business premises shall be liable to be sealed.	General

SINDH FINANCE ACT, 2019

<p>2B. Where any person either avoids, defies, fails to comply with e-invoicing system or issues invoices outside the e-invoicing system.</p>	<p>Such person shall be liable to pay a penalty of up to Rs. 100,000, but not less than Rs. 25,000.</p> <p>In case of 3 consecutive defaults, the place of business premises shall be liable to be sealed.</p>	<p>5A</p>
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10. APPOINTMENT OF THE APPELLATE TRIBUNAL [AT] [Section 60]

Section 60 of SST provides qualification of appointing technical member of AT which may be a Commissioner (Appeals) SRB/FBR having at least three years of experience as Commissioner SRB. The **SFA** increases this period to 5 years of experience as Commissioner (Appeals) SRB. Further the Commissioner SRB/FBR having at least 5 years of experience as Commissioner SRB and not above age of 70 years was eligible. The **SFA** add condition that such Commissioner shall have at least 3 years of experience as Commissioner (Appeals) SRB in that 5 years of experience and now must not below age of 45 years.

If there are equal number of members on the AT, the Sindh Government may appoint an additional member for the purpose of deciding a case on which there is a difference of opinion. The **SFA** now include condition that such appointment will be at the request of Chairperson and not below the rank of BS-20.

11. RECOVERY OF ARREARS OF TAX [Section 66]

The Section 66 of SST prescribes mode available to officer SRB to recover Sales Tax dues from taxpayer. However, no recovery can be initiated if taxpayer has filed appeal with Commissioner (Appeals) and not yet decided with condition that at least 25% of demand has been deposited. The **SFA** provides that recovery

proceeding cannot be initiated for amount of tax, penalty and default surcharge for 30 days after order made u/s 23 or u/s 47. We understand it is inserted to remove anomaly and misuse by authorities, as recovery proceedings currently initiated immediately after passing of order. We understand that the 30 days will be counted from the date of order rather than from date of service of order.

12. VALIDATION [Section 84]

The **SFA** now ratify all notifications and orders issued and notified by Government or with the approval of Government by SRB under the SST before commencement of the Sindh Finance Act, 2019. We understand this is done to counter the objections raised by Sindh High Court in case of Amnesty 2014 by SRB and covered in our section 3 of our May 2019 newsletter which may be accessed through link <http://tolaassociates.com/wp-content/uploads/2017/05/Newsletter-May-2019.pdf>.

13. SCHEDULES

Following additions is made in First Schedule of Sindh Sales Tax on Services Act:

Tariff heading	Description
9806.6000	Renting of machinery equipment, appliances and other tangible goods.

Continue from next page

SINDH FINANCE ACT, 2019

Following Tariffs are substituted in First Schedule and Second Schedule:

➤ BEFORE FA

Tariff heading	Description
9812.9000	Audiotext services
9812.9100	Teletext services
9812.9200	Trunk radio services
9812.9300	Paging services
9812.9400	Voice paging services
9812.9410	Radio paging services
9812.9490	Vehicle and other tracking services
9812.9500	Burglar and security alarm services
9812.9090	Others

➤ AFTER FA

Tariff heading	Description
9812.7000	Other specified telecommunication services
9812.7100	Audio text services
9812.7200	Teletext services
9812.7300	Trunk radio services
9812.7400	Paging services including voice paging services and radio paging services.
9812.7900	Others
9812.8000	Tracking and alarm services
9812.8200	Vehicle tracking and other tracking services
9812.8900	Burglar and security alarm services
9812.8900	Others
9812.9000	Telecommunication services not elsewhere specified

Following amendments have been made in The First Schedule and The Second Schedule:

Tariff heading	BEFORE FA	AFTER FA
9813.4100	Guarantee.	Guarantee including Bank guarantee.
9813.4400	Issuance of pay order and demand draft.	Issuance of cheque book , pay order and demand draft.
9813.4700	Bank guarantee.	Commission, including bill discounting commission.
9813.4800	Bill discounting commission.	Safe deposit lockers and safe vaults.
9813.4900	Safe deposit Lockers.	Other services, not elsewhere specified.
9813.4910	Safe vaults.	deleted.
9813.4990	Other services not specified otherwise.	deleted.
	General Insurance Agents	Insurance agents
	Data Processing and Provision of information, services of Engineers, handling and storage of goods	deleted
	Packaging services	To be deleted
	Coaching Centers	To be deleted
	Vocational Centers	To be deleted
	Film and Drama studios	To be deleted
9824.0000	Not Present	Services provided or rendered by cab aggregator and the services provided or rendered by the owners or drivers of the motor vehicles using the cab aggregator services.
	Not Present	Warehouses or depots for storage or cold storages.
	Not Present	Services of mining of minerals and allied and ancillary services in relation thereto.
	Not Present	Site preparation and clearance, excavation and earth moving and demolition services.
	Not Present	Waste collection, transportation, processing and management services.
	Not Present	Vehicle parking and valet services.
	Not Present	Electric power transmission services.

SINDH FINANCE ACT, 2019

Following additions are proposed in Second Schedule:

Tariff	Description	Rate
9806.6000	Renting of machinery equipment, appliances and other tangible goods.	13%
9821.2000	Indoor sports and games center.	13%
9846.0000	Services provided or rendered by cab aggregator and the services provided or rendered by the owners or drivers of the motor vehicles using the cab aggregator services.	13%
9847.0000	Warehouses or depots for storage or cold storages.	13%
9848.0000	Training services.	13%
9849.0000	Actuarial Services.	13%
9850.0000	Services of mining of minerals and allied and ancillary services in relation thereto.	13%
9851.0000	Site preparation and clearance, excavation and earth moving and demolition services.	13%
9852.0000	Waste collection, transportation, processing and management services.	13%
9853.0000	Vehicle parking and valet services.	13%
9854.0000	Electric power transmission services	13%
9855.0000	Insurance agents.	13%
9812.7000	Other specified telecommunication services.	19.5%
9812.7100	Audio text services.	19.5%
9812.7200	Teletext services.	19.5%
9812.7300	Trunk radio services.	
9812.7400	Paging services including voice paging services and radio paging services.	19.5%
9812.7900	Others.	19.5%
9812.8000	Tracking and alarm services.	19.5%
9812.8100	Vehicle tracking and other tracking services.	19.5%
9812.8200	Burglar and security alarm services.	19.5%
9812.8900	Others.	19.5%
9812.9000	Telecommunication services not elsewhere specified.	19.5%

Following tariff headings are omitted:

Tariff heading	Description	Rate
9812.9000	Audiotext services.	19.5%
9812.9100	Teletext services.	19.5%
9812.9200	Trunk radio services.	19.5%
9812.9300	Paging services.	19.5%
9812.9400	Voice paging services.	19.5%
9812.9410	Radio paging services.	19.5%
9812.9490	Vehicle and other tracking services.	19.5%
9812.9500	Burglar and security alarm services.	19.5%
9812.9090	Others.	19.5%

14. NOTIFICATIONS

A. New Exemptions

- **SRB-3-4/15/2019 dated 27th June 2019:** “Cable TV operators 9819.9000” and “advertisement on Cable TV network 9802.5000” with applicable

conditions to be fulfilled w.e.f. 1st July 2019 to 30th June 2020.

- **SRB-3-4/16/2019 dated 27th June 2019:** “Life Insurance 9813.1500” and “Health Insurance 9813.1600” w.e.f. 1st July 2019 to 30th June 2020.

B. Reduced Rates

- **SRB-3-4/17/2019 dated 27th June 2019:** Indenter 9819.1200 @ 3% with no input adjustment and subject to other conditions mentioned in notification.
- **SRB-3-4/21/2019 dated 27th June 2019:**
 - Renting of machinery, equipment, appliances and other tangible goods 9806.6000 @ 5% with no input adjustment.
 - Indoor sports and games center 9821.2000 @ 10% with no input adjustment.

SINDH FINANCE ACT, 2019

- Services provided or rendered by cab aggregator and the services provided or rendered by the owners or drivers of the motor vehicles using the cab aggregator services 9846.0000 @ 5% with no input adjustment.
- Training services 9848.0000 @ 5% with no input adjustment.
- Vehicle parking and valet services 9853.0000 @ 5% with no input adjustment.
- Insurance Agents 9855.0000 @ 5% with no input adjustment.

C. Amendment in Sindh Sales Tax on Services Rules, 2011 vide SRB-3-4/19/2019 dated 27th June 2019

- **Rule 7:** Now any change in email address (provided to SRB for service of communication under Rule 60) to be intimated to SRB/officer within 15 days of change on SST-01.
- **Rule 13(v):** Taxpayer are now required to quote CPR number in all their future correspondence with SRB.
- **Rule 30:** Now Umrah and Hajj services and service of cheque book issuance and Musharika and Modarba Financing are taxable under Tariff heading 98.13.
- **Rule 34:** Now advertisement in digital media or printed in newspapers and periodicals are taxable.
- **Rule 35:** Now exemption of Internet Services of up to 2 mbps speed of up to 2 mbps valued at not more than Rs. 1,500/- per service recipient per month of more than of 2 mbps speed but not more than 4 mbps speed valued at not more than Rs 2,500/- per service recipient per month is withdrawn. Further software export house using exempt services is now required to be registered with Pakistan Software Export Board.
- **Rule 42G (4A):** The rate of tax on the service of transportation or carriage of goods through truck

addas or through bus/wagon stands shall be the reduced rate of 3% with no input adjustment.

D. Amendment in Sindh Sales Tax Special Procedure (Withholding) Rules, 2014 vide SRB-3-4/20/2019 dated 27th June 2019 and SRB-3-4/24/2019 dated 1st July 2019

- **Rule 1(2)(f):** Now FBR registered or SRB registered individuals or association of persons who procure advertisement services under tariff heading 9802.4000(Advertisement in newspaper and periodicals) are now withholding agent.
- **Rule 1(2)(g):** Now SRB registered person whether non-resident in Sindh or having no place of business in Sindh shall be withholding agent*. They will deduct 100% of sales tax [Rule 3(5A)].
- **Rule 1(2)(h):** SRB-registered persons or insurers (tariff heading 9813A000 and the sub-heads thereof) receiving or procuring the services provided or rendered by insurance agents or insurance brokers (tariff heading 9855.0000) are now withholding agents. They will deduct 100% of sales tax [Rule 3(5A)]
- **Rule 1(2)(i):** Persons or passengers using the services of a cab aggregator (tariff heading 9846.0000) required to deduct or withhold the tax in relation to the services provided or rendered by the owners or drivers of the motor vehicles using the services of the cab aggregators (tariff heading 9846.0000) are now withholding agents. They will deduct 100% of sales tax [Rule 3(5A)]
- **Rule 1(2)(j):** Persons receiving or procuring such of the services of contractors (tariff heading 9814.2000) and construction (tariff heading 9824.0000) as are liable to reduced rate of tax at 2% or 5% under notification No. SRB-3-4/9/2017 dated 2nd June, 2017 or are liable to reduced rate of tax at 5% under notification SRB-3-4/3/2018 dated 6th February, 2018 and No. SRB-3-4/8/2013 dated 1 July, 2013 are now withholding agents. However, in case of non-resident cab



SINDH FINANCE ACT, 2019

aggregator, resident representative shall be WHT agent [**Proviso to Rule 2(1)(11)**]. They will deduct 100% of sales tax [Rule 3(5A)].

- **Rule 3(5):** services of intercity transportation and carriage of goods through truck addas or through bus/wagon stands provided by SRB registered persons is now exempt from withholding of tax.

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PUNJAB FINANCE ACT, 2019

❖ PREAMBLE

The Punjab Finance Act 2019 [PFA] was promulgated and came into force in Punjab on Friday, 28th June 2019 with total outlay of Rs 2.3 trillion with general revenue receipts estimated at Rs 1,990 bn and provincial share in National Finance Commission award estimated at Rs 1,601.46 bn for fiscal year 2019-20.

There were certain procedural and technical amendments in the Punjab Sales Tax on Service Act, 2012[Act] for better compliance of the Act while ensuring “Ease of Doing Business” in the Province. Apart from changes in some penal provisions, these amendments provide for minimum tax liability, updating appeal related provisions, improving recovery of tax and introducing a modern electronic invoicing system to counter revenue leakages. Our brief comments on these are below:

1. SPECIAL PROCEDURE AND TAX WITHHOLDING PROVISIONS [Section 14(2) of Act]

Section 14(2) of Act gives power to Punjab Revenue Authority [PRA] to require any person (or class of person) whether registered or not with PRA to withhold full or part of the tax **charged** from such person (or class of persons) on the provision of any taxable services(or class of taxable services) and to deposit the tax so withheld, with the Government within such time and in such manner as it may specify by issuing notifications.

The PFA has added explanation to this subsection for word “charged” which should be construed to include the tax liable to be charged under the Act or Rules but not charged by service provider. We understand the above change is enacted to counter the court’s judgments in favor of taxpayer/withholding agents where literal rule of interpretation has been used. We further understand that the addition of explanation in subsection will have retrospective effect i.e. from date of promulgation of this subsection and if included in

Finance Act will empower PRA to issue notices with respect to previous periods to withholding agents.

2. TAX CREDIT NOT ALLOWED [Section 16B (1) of Act]

Section 16B of the Act was introduced vide Finance Act 2016 to prescribe comprehensive list of inadmissible input tax which was more or less provided under Rules of Punjab Sales Tax on Services (Adjustment of Tax) Rules, 2012 and to strengthen the legal position that anything, which is related with determination of sales tax liability, should principally be governed through the provisions of main statute.

The PFA enacted the following amendments in list of inadmissible inputs:

- Goods and services liable to a tax rate lesser than 15% of the charges or to a specific rate of tax not based on value when used for providing or rendering any service. Previously this rate was 16%, implying that services chargeable under Baluchistan Sales Tax and KPK Sales Tax are now admissible as input while Sindh Sales Tax still inadmissible.
- Goods and services not related to the taxable supplies made **or service rendered** by the registered persons. The only addition is in bold, which is made to bring more clarity although the word supplies includes services.

3. DETERMINATION OF MINIMUM TAX LIABILITY [Section 24A of Act]

The PFA empowers the PRA officer to determine the minimum tax liability of a registered person where such person fails to file the return for a tax period by the due date. This minimum tax liability shall be in addition to the penalty and default surcharge prescribed under section 48 and 49.

The Pari Materia to this is Section 23(1A) in Sindh Sales Tax on Services Act, 2011 inserted vide Sindh Finance Act 2015 for best judgement assessment. We understand that an explanation is required to be included in PFA that minimum tax liability for a tax

PUNJAB FINANCE ACT, 2019

period shall not be final tax liability and the registered person shall be liable to discharge his actual liability, as it may accrue or may be determined as a result of audit.

4. OFFENCES AND PENALTIES [Section 48(2)]

PFA enacted the following penalties rules (highlighted in bold and Italic)

Entry no.	Pre PFA 2019	Post PFA 2019
2.	Where any person fails to furnish a return within the due date. Such person shall be liable to pay a penalty of ten thousand rupees provided if a return is not filed within fifteen days of the due date, a penalty of two hundred rupees for each day of default shall be levied.	Where any person fails to furnish a return within the due date. Such person shall be liable to pay a penalty of ten thousand rupees provided further if a return is not filed within fifteen days of the due date, a penalty of two hundred rupees for each day of default shall be levied.
9.	Where any person violates any embargo placed on providing of service in connection with recovery of the tax. Such person shall be liable to pay a penalty of twenty-five thousand rupees or ten per cent of the amount of the tax sought to be recovered, whichever is higher. Such person shall, further be liable, upon conviction by a Special Judge, to imprisonment for a	Where any person violates any embargo placed on providing of service or tempers a seal placed by an officer of the Authority. Such person shall be liable to pay a penalty of twenty-five thousand rupees or ten per cent of the amount of the tax sought to be recovered, whichever is higher. Such person shall, further be liable, upon conviction by a Special Judge, to

term which may extend to one year, or with fine which may extend to amount equal to the amount of the tax sought to be recovered, or with both.	imprisonment for a term which may extend to one year, or with fine which may extend to amount equal to the amount of the tax sought to be recovered, or with both.
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ADDITIONS

Following further offences, shall be added under PFA

S. No	Offences	Penalties	Section
17	Where any person fails or refuses to issue a tax invoice	Such person shall be liable to pay a penalty of twenty thousand rupees on first default and fifty thousand rupees for each subsequent default. In case of three acts of such default, the business premises shall be liable to be sealed for a period which may extend to one month.	30
18	Where any person fails to intimate any change in particulars of registration including the particulars relating to business address, branches etc. within fourteen days.	Such person shall be liable to pay a minimum penalty of fifty thousand rupees.	25
19	Where any person fails to declare, conceals any of business bank accounts or gives	Such person shall be liable to pay a penalty which may range from one thousand	25

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	misleading declaration or fails to intimate any change in business bank account within fourteen days of such change.	rupees to five hundred thousand rupees.	
20	Where any person either avoids, defies, fails to comply with electronic invoicing system or issues invoices bypassing the electronic invoicing system.	Such person shall be liable to pay a penalty of up to one hundred thousand rupees, but not less than twenty-five thousand rupees. In case of three consecutive defaults, the business premises of such person may further be liable to sealing for a period which may extend to one month.	59A

5. MONITORING OR TRACKING BY ELECTRONIC MEANS [Section 59B]

Finance Act 2018 inserted section 59B for monitoring and tracking of provision of services through electronic means. PFA adds subsection (2A) in Section 59B whereby PRA is authorized to prescribe manner, devise, implement and declare mandatory an electronic invoicing system for issuance of tax invoices by a registered person or a class of registered persons or a service or a class of services.

6. POWERS OF ADJUDICATION [SECTION 60(1)(d)]

Section 60 of Act prescribe the jurisdiction and powers to adjudicate by additional commissioner, deputy commissioner, assistant commissioner and other officers on the basis of amount involved. The power of "other officer" was to adjudicate residual cases i.e. such cases, not allocated otherwise.

PFA enacts that only cases that are notified by PRA through jurisdiction order will be under jurisdiction of other officers, as against all residual case previously. We understand this will curtail the misuse of authority by officers at lower ranks.

7. APPEAL TO THE APPELLATE TRIBUNAL [Section 66(1)]

Section 66 of the Act provides right of appeal to taxpayer or officer not below the rank of additional commissioner against any order passed by Commissioner (Appeals) (including any stay order) to the Appellate Tribunal.

PFA now enacts that order passed by Commissioner under section 60 or 61 can also be challenged directly in Appellate tribunal by taxpayer. Further PRA can also file appeal within 30 days of receipt of order or decision by officer read with section 62 of Act.

8. RECOVERY OF ARREARS OF TAX [Section 70(1)(c)]

Where any amount of the tax is due from any person, section 70 of Act, authorizes officer to require by notice in writing any bank to attach that person's bank account. PFA now empowers the officer to recover such amount from bank account without attaching the bank account.

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9. SECOND SCHEDULE

PFA enacts amendments (in red and italic) in following tariff headings in second schedule of Act:

S.No	Description	Classification	Rate of Tax	
			Pre PFA 19	Post PFA 19
15	<p>(I) Services provided by property developers, builders and promoters (including their allied services).</p> <p>Excluding:</p> <p><i>Actual purchase value or documented cost of land.</i></p> <p><i>(ii) Affordable housing provided under Government sponsored housing programs</i></p>	9807.000 and respective sub-headings of heading 98.14	<p>(i) @ Rs. 100 per square yard for land development; and</p> <p>(ii) @ Rs. 50 per square feet for building construction.]</p>	<p>(i) Eight percent without input tax adjustment or sixteen percent with input tax adjustment; and</p> <p>(ii) Five percent without input tax adjustment or sixteen percent with input tax adjustment.</p>
34	Services provided by architects, town planners landscapers, landscape designers, interior decorators and interior designers.	9814.1000 9814.9000 9814.4000 and respective headings	Sixteen percent	Sixteen percent
43	Services provided in specified fields such as health care, gym, physical fitness, indoor sports, games, amusement parks, arcades and other recreation facilities. and body or sauna massage etc.	9821.1000 and 9821.2000 9821.4000	Sixteen percent	Sixteen percent
54	<p>Pre PFA:</p> <p>Facilities for travel (by air):</p> <p>(a) services provided or rendered in respect of travel by air of passengers embarking from the Punjab for air travel or journey within the territorial jurisdiction of Pakistan:</p> <p>(i) long routes (ii) short routes</p> <p>Explanation. - For the purpose of this entry, "long routes" means journeys exceeding 500kilometres, and "short routes" mean the remaining journeys.</p> <p>(b) Services provided or rendered in respect of travel by air of passengers embarking from the Punjab for international air travel or journey:</p> <p>(i) economy and economy plus (ii) club, business and first class.</p> <p>EXCLUDING:</p> <p>Air travel services provided to Hajj or Umrah passengers, diplomats and supernumerary crew.</p> <p>Post PFA:</p> <p>Facilities for travelling originating from Punjab:</p> <p>(i) By Air for domestic and international travel. (ii) By road except services provided through Non-air-conditioned coaches and vehicles.</p>	9803.1000 9803.1100	<p>Rs.2500 per ticket Rs.1500 per ticket</p> <p>Rs.5000 per ticket Rs.10000 per ticket</p>	Five percent without input tax adjustment.

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ADDITION

PFA proposes to add following further services in the list of taxable services.

S.No	Description	Heading	Rate
64	Dress designing and stitching services.	Respective headings	Sixteen percent
65	Rental of bulldozers, excavators, cranes, construction, equipment, Scaffolding, framework and shuttering, generators, storage containers, Refrigerator, shelf or rack renting, etc.	Respective headings	Sixteen percent
66	Services in respect of treatment of textile, leather but not limited to Dyeing services, Edging and cutting, cloth treating, water proofing, Embroidery, Engraving, Fabric bleaching, Knitting, Leather staining. Leather working, Pre-shrinking, Colour separation services, pattern printing and shoe making services.	Respective headings	Sixteen percent
67	Apartment house management. real estate management and services of rent collection.		Sixteen percent
68	(i) Medical consultation / visit fee exceeding Rs. 1,500 per consultation / visit of doctors, medical practitioners and medical specialists. (ii) Bed / room charges of hospitals exceeding Rs. 6,000/- per day per bed / room.	9815.1000 and other Respective headings	Five percent without input tax adjustment.

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❖ PREAMBLE

The KPK Finance Minister presents surplus budget 2019-20 on 19th June 2019 with total outlay Rs 900 billion with allocations for merged areas also. The budget sets Rs 53.4 billion revenue target has been set for KP for fiscal year 2019-20, more than 54% actual receipt in year 2018-19. Reduction in tax rates in taxable services for KPRA such as restaurants, marriage halls, property dealers, electronic media, call centers, beauty parlors, gems has been proposed. The tariff description and headings have been rationalized to bring them at par with other provinces and rates. The budget approved by KP assembly on 26th June 2019. Our comments on amendment in Khyber Pakhtunkhwa Finance Act, 2013 [Act] are presented below with complete coverage except changes in changes in property tax rates, professional tax etc.

❖ DEFINITIONS [SECTION 2]

1. COMPANY [CLAUSE 12]

The Finance Act [FA] replaces the Companies Act, 2017 for Companies Ordinance, 1984 to make correct reference. Similar rectification proposed in Section 48 of Act.

2. PLACE OF BUSINESS [CLAUSE 37(B)]

At present, non-residents providing services in KPK through physical presence vide agents, associates, branch office, or otherwise except liaison office are liable to Sales Tax by virtue of Section 19 of Act read with this clause. The FA includes the presence through virtual presence or a website or a web-portal or through any other form of e-commerce, in place of business to increase the scope of taxable service.

3. UNREGISTERED [CLAUSE 55A]

FA includes definition of unregistered to include person, who is liable to be registered under this Act, but is actually not registered and does not hold the Khyber Pakhtunkhwa Sales Tax Registration Number (KNTN). We understand this is proposed to be

inserted to abstain the persons (liable to be registered but not registered) from benefits available to a registered person under any provision of Act or Rules, which might be available due to absence of definition of 'registered person'.

4. SALES OF TAXABLE ACTIVITY OR TRANSFER OF OWNERSHIP [SECTION 20(2)]

The Section 20 of Act deals with concept of reverse charge viz. where taxable service is provided by person from province other than KPK but, recipient of such services is resident of KPK but tax has not been charged by service provider, the recipient of taxable service (if registered person under the Act) shall deduct the **whole amount** of tax in respect of the service received and pay the same to the Government.

The **FA** substitutes the words "amount to the extent as prescribe by regulations" for "whole amount". We understand the regulations referred are KP Sales Tax on Services Special Procedure (Withholding) Regulations [**Regulations**], 2015 and the amount to be deducted will be as per Section 3, 4 and 5 of said Regulations.

5. SCOPE OF TAX AND ALLIED MATTERS [SECTION 26]

The Section 26 of the Act deals with the manner in which tax will be charged and the authorities empowered to prescribe such manner. The Subsection 4 allows person a person to deduct input tax (subject to conditions) from output tax in determining the tax liable to be deposited with government, in order to avoid cascading effect of sales tax.

As per **FA** a new condition for allowance of input tax is inserted whereby, only if payment exceeding Rs 50,000 (excluding payment against utility bill) is made through cross cheque, drawn on a bank, bank draft, pay order or any other banking instrument, showing transfer of the amount of the sales tax invoice, in favor of the service provider, from the

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business bank account of the service recipient. This amendment proposed in in line with already contained in Section 73 of Sales Tax Act, 1990 and provincial Sales Tax Acts of Sindh and Punjab.

6. ASSESSMENT OF TAX [SECTION 40]

Section 40 of Act empowers an officer of KPRA to make assessment or amended assessment through order on basis of audit, inquiry, inspection or otherwise he is of opinion that tax has not been paid or short paid.

The **FA** has now included power to issue order in respect to withholding of sales tax under Regulations also. We understand these provisions are more or less provided under Regulations, however, these are provided to strengthen the legal position that anything, which is related with determination of sales tax liability, should principally be governed through the provisions of main statute.

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7. SECOND SCHEDULE [SEE SECTION 19]

FA enacts amendments (in red) in following tariff headings in second schedule of Bill:

S#	Description of Service	Tariff Heading	Rate of Tax
1	Services provided or rendered by hotels, restaurants, marriage halls, pandals and shamiana services, lawns, caterers, motels, guest houses by whatever name called, including any other services clubs and caterers and services ancillary thereto.	9801.0000	Fifteen percent (15%)
		9801.1000	
		9801.2000	
		9801.3000	
		9801.4000	
		9801.5000	
		9801.6000	
		9801.7000	
		9801.8000	
		9801.9000	
	Additions:	Resorts, accommodation-and/or-food service providing farm – houses, motorway – or highway – side accommodation-and/or-food provisioning/food servicing or food supply facilities, restaurants (including food service supply chains) , food including ice cream parlors, marques, lawns, suppliers of prepared eatables and drinkables, clubs including such clubs as, though run on mutuality basis, are operated in commercial mode, manner or style, messes, hostels and similar entities, enterprises or undertakings including all such services, facilities, utilities, entertainments, comforts, enjoyments or amusements etc., as are allied, auxiliary or ancillary thereto.	
	Exemptions	Services of hostels exclusively meant for providing accommodation and allied facilities to students completely exempt.	
	Reduced tax rate		
	a) Other Hostels		5% without any input tax adjustment.
	b) restaurants (excluding those operating in corporate sector, or as franchises of multinationals, or chains of restaurant businesses, or have registered business or brand names,) including ‘take away’ or ‘home or door-step delivery’.		8% without any input tax adjustment
	Dhaba or conventional hut-type or similar other road/street side non-air-conditioned restaurants.		2% without any input tax adjustment
	c) traditional accommodation facilities like sarrayae or inns or open-air overnight bed provisioning services generally located or available around or in the vicinity of railway stations, bus or wagon stands (stations), the rate of tax shall be two percent		2% without any input tax adjustment if the charges for overnight stay do not exceed rupees three hundred per bed.
			8% without any input tax adjustment.

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	<p>d) In case of marriage or wedding halls including pandals and shamiana and similar other businesses including food services provided therein, the rate of tax shall be</p> <p>e) In case of caterers whether stand-alone or otherwise, the rate of tax</p>		10% without any input tax adjustment.
2	<p>Services provided or rendered for personal care by beauty parlors, beauty clinics, health care centers, health clubs, gyms, physical fitness centers, body massage centers and pedicure centers.</p> <p>Additions</p> <p>Cosmetic or plastic surgery centers/clinics, hair transplant centers or clinics, health clubs, gyms (including yoga centers with or without yoga teaching classes' system or arrangements, swimming pools and similar other establishments, undertakings, enterprises or entities etc.</p> <p>Exemptions 100%</p> <p>a) cosmetic treatment of burns or burned body parts</p> <p>b) conventional or traditional barber shops provided they do not render any high-end beautician or cosmetic services.</p>	<p>9811.0000</p> <p>9811.1000</p> <p>9811.2000</p> <p>9811.3000</p> <p>9811.4000</p> <p>9811.9000</p> <p>9821.1000</p> <p>9821.4000</p> <p>9821.5000</p>	<p>Current Rate</p> <p>15%</p> <p>Proposed rate</p> <p>8% without any input adjustment</p>
3	<p>Services provided and rendered by laundries and dry cleaners.</p> <p>Additions</p> <p>Carpet or sofa set or similar furniture items cleaners or washers.</p> <p>Exemptions 100%</p> <p>Full exemption to small size traditional style stand-alone launderers and drycleaners operating without any branded or registered business name and without the involvement or use of any electrical or mechanical apparatus, equipment or machinery for washing or cleaning purposes NOT operating under chain-business-system.</p> <p>Reduced tax rate</p> <p>Medium sized standalone launderers and dry cleaners NOT operating under chain-business-system.</p>	<p>9808.0000</p> <p>9808.1000</p> <p>9808.2000</p> <p>9808.3000</p> <p>9808.4000</p> <p>9808.9000</p>	<p>Fifteen percent (15%)</p> <p>8% without input tax adjustment</p>
4	<p>Deleted</p> <ol style="list-style-type: none"> 1. Telecommunication Services- 2. Telephone services. 3. Fixed line voice telephone service. 4. Wireless telephone. 5. Cellular telephone. 6. Wireless local loop telephone. 7. Video telephone. 	<p>9813.0000</p> <p>9813.1000</p> <p>9813.1010</p> <p>9813.1020</p> <p>9813.2000</p> <p>9813.3000</p> <p>9813.4000</p>	<p>Nineteen-and-a half</p> <p>Percent</p> <p>(19.5%)</p>

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8. Payphone cards.	9813.4010	
9. Pre-paid calling cards.	9813.4020	
10. Voice mail service.	9813.4030	
11. Short Message Service (SMS) Messaging service.	9813.5000	
12. Multimedia Message Service (MMS)	9813.6000	
13. Bandwidth services [used for voice and video telecommunication services]	9813.7000	
a. Copper line based.	9813.8000	
b. Fiber-optic based.	9813.9000	
c. Co-axial cable based.		
d. Microwave based.		
e. Satellite based.		
14. Voice over I.P. Services.		
15. Teleconferencing services.		
15-A. 3G/4G LTE services		
16. Telegraph.		
17. Telex.		
18. Telefax.		
19. Store and forward tax services.		
20. Audio text services.		
21. Teletext services.		
22. Trunk radio services.		
23. Internet services.		
24. Paging services.		
25. Voice paging services.		
26. Radio paging services.		
27. Vehicle tracking services.		
28. Burglar alarm services.		
29. Shifting of Telephone connection		
30. Installation of telephone extension		
31. Provision of telephone extension		
32. Changing of telephone connection		
33. Conversion of NWD connection to non NWD or vice versa		
34. Cost of Telephone Set		
35. Restoration of telephone connection		
36. Internet services including e-mail services		
37. Dial-up internet services		
38. Broadband services for DSL Connection		
39. Copper Line based		
40. Fiber-optic based		
41. Co-axial cable based		
42. Wireless based		
43. Satellite based		
44. Internet/e-mail/data/SMS/MMS Services WLL networks		
45. Internet/e-mail/SMS/MMS services on cellular mobile networks		
46. Data Communication network services (DCNS)		
47. Copper Line Based		
48. Fiber-optic based		

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49. Wireless/Radio based
50. Satellite based
51. Value added data services
52. Virtual private network service (VPN)
53. Digital Signature Service
54. Audiotext services
55. Teletext services
56. Trunk radio services
57. Long Distance International

Explanation.-- Where a registered person is providing telecom services in respect of international calls and is sharing charges with persons operating in foreign jurisdictions, the charges received by registered person shall be treated as tax-inclusive value and tax shall be worked out and paid by such registered person on the basis of tax fraction formula, that is, the tax shall be calculated by multiplying the amount of charges with tax rate and dividing the resultant by tax rate plus hundred.

58. Local Loop
59. Others

New entries

- a) Telephone services (including fixed line, wireless, cellular, wireless local loop, video, pre-paid, post-paid, pay phone cards and voice mail etc.);
- b) Messaging services (including short message service (SMS), multimedia message service (MMS) and messaging through other digital applications etc.);
- c) Installation, provision, shifting, changing, conversion and restoration of telephone connections (including conversion of NWD connection to non NWD or vice versa) and similar other services;
- d) Bandwidth services (including copper line/fiber-optic/co-axial cable/microwave/satellite-based, IP services, teleconferencing, 3G/4G/5G/LTE or similar other services;
- e) Telegraph and other services relating thereto;
- f) Telefax including store and forward fax and similar other services; Internet services including e-mail, dial-up and other allied services;
- g) Broadband services for DSL connection (including copper-line/fiber-optic/co-axial cable/wireless/satellite-based, internet/email/data/SMS/MMS services on WLL or cellular mobile networks) and similar other services;
- h) Data communication network services (DCNS including copper-line/co-axial cable/fiber-optic/ wireless/ radio/ satellite based, services relating to value added data, virtual

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<p>private network (VPN) and digital signature) and similar other services;</p> <p>i) Long distance international (LDI) services;</p> <p>j) Local loop or other similar services; Audio text services (including tele-text, trunk radio, paging or similar other services);</p> <p>k) Voice paging services (including radio paging, vehicle or other object (whether or otherwise) tracking and burglar alarm etc.) and other similar services;</p> <p>l) Rental either full, partial or on sharing basis of space, place or any other facility or arrangement on towers or other structures or installations for any purposes;</p> <p>m) Internet-based cable TV services whether as a single service or otherwise; and</p> <p>n) All other similar, allied, ancillary or auxiliary services.</p> <p>Explanation: In case of incoming international calls, charges received by telecom service providers abroad shall be taxed on tax fraction formula basis only to the extent to which such charges are shared or received by such domestic service providers treating the charges so shared or received as tax inclusive.</p>		
<p>5 Services provided or rendered by persons authorized to transact business on behalf of others: -</p> <p>i. Customs agents;</p> <p>ii. Ship chandlers;</p> <p>iii. Stevedores; and</p> <p>iv. iv. Ship management service.</p> <p>New additions</p> <p>Shipping agents (including import/export cargo freight forwarders), stockbrokers, share transfer agents, business support or business or asset management agents, tour operators, travel agents, recruiting/recruitment agents, labor or manpower supply services, insurance agents, commission agents, distribution agents and similar other persons engaged in business transaction work or activity against commission or similar charges.</p> <p>Explanation has been added that the service will be charged on basis of point of service/ point of destination as generally applied to other services in Act.</p> <p>Exemption:</p> <p>Hajj and Umrah services</p> <p>Reduced tax rate</p>		Fifteen percent (15%)

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	All services of this entry other than business support services and labor or manpower supply services		8% without any input tax adjustment
6	<p>Advertisement on T.V and Radio.</p> <p>New entries</p> <p>Advertisement on cable T.V networks, CC T.V., newspapers, periodicals, magazines and similar other publications, websites and internet, poles or similar structures, bill boards, electronic bill boards, hoarding boards, signboards and similar other medium of advertisement display, lease or renting of space whether on constructed or erected structure or otherwise for the purposes of displaying advertisements in any manner and other advertisement services including services provided or rendered by advertising agents.</p> <p>Explanation has been added that if space for advertisement is given by government, public sector or para-public sector organization or authority on rent or leasing; the whole tax will be paid by such authority or organization itself. If service is rendered in more than one province, apportionment of revenue will be on population basis.</p> <p>Exemptions</p> <p>Public service message funded by government or under foreign grants-in-aid agreements.</p> <p>Reduced rate</p> <p>Advertisements on or through print media of all types and forms</p>		Fifteen percent (15%)
6A	<p>Deletion</p> <p>Advertisement on newspapers, periodicals and magazines; both excluding advertisements, -</p> <p>(a) If sponsored by a Government Agency</p> <p>(b) Financed out of funds provided under grant- in-aid agreement; and Conveying public service messages.</p>		2[Five percent (5%)] Without any input adjustment.
7	<p>Deletion</p> <p>Advertisement on hoarding boards, pole signs and sign boards and on close Circuit TV, Cable TV, Website or Internet.</p> <p>New Entries</p> <p>Courier services including speedy, fast, quick or urgent mail, parcel or cargo services provided either by courier companies or by other businesses, undertakings or entities</p>	<p>9809.0000</p> <p>9809.1000</p> <p>9809.2000</p> <p>9809.3000</p> <p>9809.9000</p>	Fifteen percent (15%)

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	<p>whether as a sole activity or in conjunction or along with other business activity or activities including:</p> <p>a) Courier services (including parcels) by dedicated businesses;</p> <p>b) Urgent delivery cargo or parcel services as an exclusive business activity;</p> <p>c) Courier or urgent delivery cargo or parcel services performed by other businesses or entities like airlines, railways, postal service entities, road passenger transport companies or entities; and</p> <p>d) Other similar, allied or ancillary or ancillary services</p>		
8	<p>Deletion</p> <p>Courier services.</p> <p>New addition</p> <p>Services provided or rendered in matters of sale, purchase, rent or hire (other than rent-a-car) under any kind or type of arrangements with the client or the principal:</p> <p>a) Property dealers, property agents and realtors.</p> <p>b) Car and other automobile dealers (whether old or new).</p> <p>c) Dealers of electrical or electronic equipment's, appliances or other similar goods (whether old or new).</p> <p>d) Dealers of plant and machinery including construction machinery and similar capital goods.</p> <p>e) Dealers of other second-hand goods.</p> <p>f) Renting services in respect of plant, machinery including construction machinery and other equipment etc.</p> <p>Reduced rates</p> <p>Property dealers, property agents and realtors, dealers of second-hand goods of all categories including second-hand automobiles and all renting services covered in this entry.</p>	<p>9807.0000</p> <p>9807.1000</p> <p>9807.2000</p> <p>9807.3000</p> <p>9807.3000</p> <p>9807.9000</p>	<p>Fifteen percent (15%)</p> <p>5% without any input tax adjustment</p>
9	<p>Deletions</p> <p>Services provided or rendered in respect of insurance to a policy holder by an insurer, including a re-insurer: -</p> <p>i. Goods insurance.</p> <p>ii. Fire insurance</p> <p>iii. Theft insurance.</p> <p>iv. Marine insurance. Other insurance.</p> <p>Proposed addition</p>	<p>9820.0000</p>	

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	<p>Services provided by specialized workshops or undertakings:</p> <p>a) Auto-workshops whether or not providing other allied or extended services.</p> <p>b) Workshops for industrial, construction, earth-moving or other similar heavy duty or special purpose machinery.</p> <p>c) Workshops for heavy or light duty electric, electrical or electronic machinery (such as transformers, generators, turbines, motors, pumps, rotators, power accumulators, transmission networks or systems etc.) equipment or appliances etc., including computer hardware and allied equipment or appliances etc.</p> <p>d) Services provided in respect of the repair or maintenance of aircrafts, helicopters and other flying objects.</p> <p>e) Car washing (including compounding and polishing etc.) or similar service stations.</p> <p>f) Other workshops or workshop-type businesses.</p>	<p>9820.1000</p> <p>9820.2000</p> <p>9820.3000</p> <p>9820.4000</p> <p>9820.9000</p>	<p>5% without input any input adjustment for all except below;</p> <p>10% for industrial workshops and authorized automobile dealers without any input adjustment.</p>
10	<p>Deletions</p> <p>Services provided or rendered by banking companies, insurance companies, cooperative financing societies, modarabas, musharikas, leasing companies, foreign exchange dealers, non-banking financial institutions and other persons dealing in any such services, in relation to guarantee, brokerage, letter of credit, issuance of pay order and demand draft, interbank clearing by central bank, bill of exchange, transfer of money including telegraphic transfer, mail transfer and electronic transfer, bank guarantee, bill discounting commission, safe deposit lockers, safe vaults, issuance, processing and operation of credit, and debit cards, commission and brokerage of foreign exchange dealings, automated teller machine operations, maintenance and management services, provided as banker to an issue, including the services provided or rendered by non-banking finance companies, companies and other financial institutions, financial leasing commodity or equipment leasing, hire purchaser leasing and any other services provided by such companies or institutions or not specified elsewhere.</p> <p>New Additions</p> <p>Franchise services either on giving or on receiving ends including royalties or similar financial benefits arising out of intellectual property rights or other factors of business goodwill, market standing, popularity, image or reputation etc.</p>	<p>9823.0000</p> <p>9819.9500</p>	<p>10% without any input tax adjustment</p>

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	<p>Exemptions</p> <p>Full exemption to education-related or education-specific franchise services.</p>		
11	<p>Deletions</p> <p>Services provided or rendered by the stockbrokers.</p> <p>Additions</p> <p>Services provided or rendered by specialized agencies:</p> <p>a) Security agencies including their activities relating but not limited to providing cash or precious articles' transportation or movement security, tracking services and security alarm services.</p> <p>b) Credit rating or similar evaluation or revaluation agencies.</p> <p>c) Project including business project planning or preparation agencies.</p> <p>d) Market research or market survey agencies.</p> <p>e) Private detective or intelligence service providing agencies.</p> <p>f) Other similar agencies.</p>	<p>9818.0000</p> <p>9818.1000</p> <p>9818.2000</p> <p>9818.3000</p> <p>9818.4000</p> <p>9818.5000</p> <p>9818.9000</p>	<p>10% without any input adjustment</p>
12	<p>Deletion</p> <p>Services provided or rendered by specialized agencies. Security agency, Market research agency, other such agencies.</p> <p>Addition</p> <p>Services provided or rendered in respect of manufacturing or processing on toll or charges basis (out of main or major inputs owned by others). Includes industrial vending, contract or third party manufacturing, contract production, contract processing, contract milling, contract machining, contract conversion, contract processing, contract printing, processes involving specialized working (whether initial, intermediary or finishing), washing, cleaning, coloring (dyeing), printing, packing or packaging etc., for industrial or allied purposes, exclusive services of printing or publication of written materials or products performed on contract basis by businesses like printing presses or printing/publication houses.</p> <p>Exemption</p> <p>Full exemption on textbooks printed on contract printing basis meant for free distribution to the students by or through the government.</p>	<p>9840.0000</p>	<p>without any 5% input adjustment</p>
13	<p>Deletion</p>		

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	<p>Services provided by shipping agents.</p> <p>Additions</p> <p>Services provided by persons engaged in contractual execution or performance of works (including repair, maintenance, renovation, up gradation or janitorial works) or furnishing supplies (excluding transactions involving contractual supply of goods only without any component of service relating to such goods).</p>	<p>9810.0000 9810.1000 9810.2000 9810.9000</p>	<p>Fifteen percent (15%)</p>
<p>14</p>	<p>Deletion</p> <p>Services provided or rendered by freight forwarding agents.</p> <p>Additions</p> <p>Services provided by construction contractors, architects, civil engineers, land or property surveyors, construction consultants, designing and supervision consultants, town or real estate or property promoters, developers or planners including interior decorators or allied or ancillary professions:</p> <p>a) Construction services rendered or provided in respect of the construction of structures, buildings, roads, bridges, underpasses or flyovers (and other civil works), electromechanical works, turn-key projects and similar other works involving construction activity.</p> <p>b) Architects and civil engineers or town promoters, developers, planners.</p> <p>c) Town, real estate or property promoters, developers or planners.</p> <p>d) Services of contractors of allied works such as electrical, mechanical, gas fittings, plumbing, water boring, woodwork, plastering, flooring, steel work, paint and other finishing work or works.</p> <p>e) Interior decorators.</p> <p>f) Landscaping or land development designers including land surveyors.</p> <p>g) Other similar, allied or ancillary services.</p> <p>It has been explained that where the contractual material is also part of contract, the sales tax will be charged on whole contract value. Further- self constructed not liable to tax.</p> <p>Exemption</p> <p>(i) The construction work in respect of development of industrial estates/zones, consular buildings and construction works under international tenders based on</p>	<p>9815.0000 9815.1000 9815.2000 9815.3000 9815.4000 9815.9000 9819.5000</p>	<p>Fifteen percent (15%)</p>

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	<p>and funded from foreign grants-in-aid agreements or arrangements</p> <p>(ii) Residential construction and allied works in respect of the Prime Minister's Naya Pakistan Housing Scheme.</p> <p>(iii) The projects initiated or undertaken under government's annual development plan (ADP) provided either such projects have been initiated or completed on or before 30th June, 2019 or payments, whether full or in part, in respect thereof have been made on or before the said date (the ongoing projects in respect of which agreements or contracts were signed before the said date, shall be entitled to this exemption regardless of the schedule of payments relating thereto).</p> <p>Specific Rate</p> <p>a) land development</p> <p>b) commercial construction of residential buildings, flats or apartments, commercial plazas, malls, towers or complexes etc.</p> <p>Reduced Rate</p> <p>Projects (other than in exemption) funded under the government's ADP budget</p>		<p>Rs 100 per square yard with no input adjustment</p> <p>Rs 50 per square foot of the covered area without any input tax adjustment</p> <p>2% without any input adjustment</p>
15	<p>Deletion</p> <p>Services provided by tour operators, other than Hajj and Umrah.</p> <p>Additions</p> <p>Digital or IT-based services in whatever form or manner or under whatever arrangement including but not limited to:</p> <p>---web design and development, ---mobile app development, ---server management, ---page-speed optimization, UX/UI optimization, ---PPC marketing, blogging, ---Google AdWords, Facebook advertising, Instagram advertising, ---custom software development, assessment and roadmap development, software maintenance and support services, supply or sale of any other software or software product or products through any medium, ---online digital marketing services such as search engine optimization (SEO),</p>	9850.0000	Five Percent (5%)

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	<p>---social media marketing, content marketing, affiliate marketing, influencer marketing, email marketing, viral marketing services, etc.</p> <p>Individuals providing free-lancer services are chargeable at reduced rate in entry 19(g).</p>		
16	<p>Deletion</p> <p>Manpower recruitment and labor supply services.</p> <p>Addition</p> <p>Services relating to works or projects in respect of exploration and production (E&P) or mining of minerals, oil and gas including licensing, renting or re-renting, leasing or re-leasing, surveys, geo-map development, equipment mobility, product evaluation, product marketing and other services or activities related or allied thereto,</p> <p>The tax shall be charged on receipt basis on both lease/ licensing and royalty in case of oil, gas and mining sector.</p>	9845.0000	Fifteen percent (15%)
17	<p>Deletion</p> <p>Services provided by advertising agents.</p> <p>Additions</p> <p>Airport services (including passenger facilitation, car parking, cargo handling, cargo warehousing or storage, aviation support services, flight kitchen supplies, renting of special purpose machinery, equipment, vehicles, portorage, quarantine and other fumigation or vaccination, janitorial services, aircraft cleansing services, aircraft maintenance services, jet or other fuel supply services etc.) except provided by Civil Aviation Authority.</p>	9830.0000	Fifteen percent (15%)
18	<p>Deletion</p> <p>Services provided by share transfer agents.</p> <p>Additions</p> <p>Dry port services including operation of a dry port and other services provided at or in respect of dry port such as inward/outward transportation/movement of goods, cargo handling, cargo storage or warehousing, loading /unloading of cargo, booking or discharge of cargo, services relating to inspections, certification or similar or other type of services-related activities in respect of cargo etc.</p>	9843.0000	Fifteen percent (15%)
19	<p>Deletion</p> <p>Services provided by business support services.</p> <p>Additions</p>	9816.0000 9816.1000 9816.2000 9816.3000 9816.4000 9816.5000	Five percent (5%) without any input adjustment

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	<p>Services provided or rendered by practitioners, professionals, consultants and advisers (by whatever name called) in their respective fields or disciplines:</p> <p>a) Medical, dental or allied health fields or disciplines including paramedics and specialized technicians of medical fields.</p> <p>b) Human resource management or development (including training services)</p> <p>c) Veterinary and allied sciences including pet care.</p> <p>d) Law and allied fields or disciplines.</p> <p>e) Financial, accountancy, cost accountancy, audit, tax management or tax affairs and similar other fields or disciplines.</p> <p>f) Business planning, business management, business reforms, business communication including hospitality administration and similar other fields or disciplines.</p> <p>g) Software or IT-based system development or management or similar other such fields.</p> <p>h) Similar services in other fields, disciplines or regimes.</p> <p>Reduced Rates</p> <p>Practitioners, professionals, consultants or advisers of medical (including dental) and legal professions or fields to apply prospectively.</p>	<p>9816.6000 9816.9000</p>	<p>2% without any input tax adjustment</p>
20	<p>Deletion</p> <p>Services provided by property dealers, real estate agents, by whatever name called.</p> <p>Addition</p> <p>Cinematographic production, photographic services, recording services and telecasting or broadcasting services including:</p> <p>a. Film making or film production including drama production whether in serials or otherwise.</p> <p>b. Telecasting or broadcasting services (other than TV cable operators).</p> <p>c. Video tape and recording services, sound recording services. TV/Radio production house services.</p> <p>d. Photographic services (services of photography or photographers).</p> <p>e. Other similar, allied, ancillary or auxiliary services.</p> <p>Exemption:</p> <p>Full exemption on telecasting or broadcasting services of and by government-owned TV or Radio stations or channels.</p>	<p>9803.0000 9803.1000 9803.2000 9803.3000 9803.4000 9803.5000 9803.9000</p>	<p>10% without any input taxes adjustment.</p>
21	<p>Deletion</p> <p>Services provided by car or automobile dealers, bargain centers, by whatever name called.</p>	<p>9846.0000</p>	<p>Fifteen percent (15%)</p>

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	<p>Addition</p> <p>Event management services whether covering all or any of the processes like planning, budgeting, scheduling, site selection, acquiring necessary permits, coordinating transportation and parking, arranging for speakers or entertainers, arranging decor, event security, catering, picturing, video filming, musical enjoyments or any other allied or connected task.</p>		
22	<p>Deletion</p> <p>Rent-a-car services.</p> <p>Addition</p> <p>Exhibition, convention or carnival services and allied services including renting of purpose-specific property or space for such events.</p>	9825.0000	Fifteen percent (15%)
23	<p>Deletion</p> <p>Services provided by workshops for industrial construction and earth-moving or other special purpose machinery.</p> <p>Addition</p> <p>Cable TV operators other than those providing internet-based TV services whether composite, multiple, bundled or otherwise which are chargeable to tax under telecommunication services.</p>	9819.9000	2% without any input tax adjustment
24	<p>Deletion</p> <p>Franchise services.</p> <p>Addition</p> <p>Services of fashion designers not engaged in designing, manufacturing and selling their own products or goods through their regular paid employees.</p>		5%
25	<p>Deletion</p> <p>Services provided in respect of manufacturing or processing on toll basis.</p> <p>Addition</p> <p>Services provided or rendered by call centers (by whatever name called) engaged in mediating business, trade or sale/purchase transactions between the sellers and buyers whether located inside or outside the country.</p>	9837.0000	Five percent (5%) Without any input adjustment
26	<p>Deletion</p> <p>Services provided by persons engaged in contractual execution of work or furnishing</p> <p>Addition</p> <p>Services provided or rendered by banks or banking companies, insurance companies, cooperatives and foreign</p>	9814.0000 9814.1000 9814.2000 9814.3000 9814.4000 9814.9000	Fifteen percent (15%)

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	<p>exchange companies or dealers (including similar institutions or entities besides microfinance institutions):</p> <p>a) Banks or banking companies, cooperatives or similar institutions or entities (their all services including bank guarantee, brokerage, letter of credit, pay order or demand draft, bill of exchange, transfer of money in any manner, bill discounting, lockers and safe vaults, credit/debit cards, foreign exchange dealings, ATMs, issue banking, bank assurance, provision of loans, business or investment financing or advances, leasing or re-leasing whether financial, equipment/commodity-related, musharakah financing etc.).</p> <p>b) Insurance companies (their all services including goods, fire, theft, marine, travel, life, health, industrial, business-related, moveable or immovable property insurance and other insurance and reinsurance services).</p> <p>c) Services of cooperatives and cooperative societies (including producer cooperatives, worker cooperatives, consumer cooperatives, credit unions, retail or purchasing cooperatives, social cooperatives, industrial service cooperatives, manufacturing cooperatives, marketing cooperatives, cooperative farming societies, housing cooperatives and credit cooperatives etc.).</p> <p>d) Services of foreign exchange companies, dealers and money changers or similar businesses.</p> <p>e) Other similar banking, insurance, cooperative or money exchange services.</p> <p>Exemption Full exemption on life and health insurance.</p>		
27	<p>Deletion Services provided by architects, town planners, property developers or promoters and interior decorators.</p> <p>Addition Storage and warehousing services including public bounded warehouses, cold storages and yards or places used for storage of empty or loaded containers on rental or charges basis.</p>	9844.000	Fifteen percent (15%)
28	<p>Deletion Management consultancy services including fund and asset management services</p> <p>Addition Container terminal services including services of storage or warehousing of containers either imported or meant for export including transshipment or transit.</p>	9841.0000	Fifteen percent (15%)
29	<p>Deletion</p>	9805.0000	Fifteen percent (15%)

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	<p>Services provided by technical, scientific & engineering consultants.</p> <p>Addition</p> <p>Service provided or rendered by persons exclusively, solely or principally engaged in (inland) inter-city transportation or carriage of goods (whether dry or liquid, packed, packaged or otherwise) by road or through pipeline or conduit or through any other modern or advance technology based conveyance system, including service of packers and movers.</p>	<p>9805.4000 9805.5000 9805.6000 9805.9000 9812.0000 9812.1000 9812.2000 9812.9000</p>	
30	<p>Deletion</p> <p>Airport services</p> <p>Addition</p> <p>Services provided by laboratories, scientific laboratories, mechanical laboratories, chemical laboratories, electrical or electronics laboratories, pathological laboratories, Forensic laboratories medical diagnostic laboratories including technical services relating to X-rays, CT Scan, M.R. Imaging (MRI), ultrasound, echo etc. or other such laboratories.</p> <p>Exemption</p> <p>Full exemption to:</p> <p>i. The laboratories sponsored, controlled and managed either by the government or its autonomous bodies.</p> <p>ii. The lab or other medical tests carried out against a valid medical prescription issued by a competent medical practitioner aimed at medical diagnosis or medical examination of a disease in any patient for medical treatment purposes.</p>	<p>9817.0000 9817.1000 9817.2000 9817.3000 9817.4000 9817.5000 9817.6000 9817.9000</p>	Fifteen percent (15%)
1[30 -A.	<p>Deletion</p> <p>Construction services</p>		Five percent (5% without any input adjustment]
31	<p>Deletion</p> <p>(i) Contracting services rendered or provided by the contractors of buildings, electro-mechanical works, turnkey projects and similar other works, excluding construction of industrial estates and zones, consular buildings and construction works under international tenders based on foreign grants.</p> <p>(ii) services provided by land and property developers or promoters for development of land, purchased or leased, for conversion into residential or commercial plots; and</p> <p>(iii) Construction of residential or commercial units, excluding residential commercial projects where the</p>	<p>9855.0000</p>	Fifteen percent (15%)

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	<p>covered area does not exceed 10000 square feet for houses and 20000 square feet for apartments.</p> <p>Addition</p> <p>Visa processing or visa acquisition services including advisory or consultancy services for foreign education or migration provided by persons in their private business or professional capacity.</p> <p>In this case the fees of government for issuance or renewal of passport will be excluded from gross amount of service viz. no output tax on it.</p>		
32	<p>Deletion</p> <p>Port operating services</p> <p>Addition</p> <p>Valuation or assessment (including revaluation, reassessment and repetition thereof) services including competency and eligibility testing services and services involving written tests with or without interviews for job or work recruitment or selection for any other purposes.</p>	9848.0000	Fifteen percent (15%)
33	<p>Deletion</p> <p>Tracking services and security alarm services.</p> <p>Addition</p> <p>Services provided for inland carriage of goods by air, railways or otherwise against freight or carriage charges.</p>	9805.2000 9805.3000	Fifteen percent (15%)
34	<p>Deletion</p> <p>Services provided by motor vehicle workshops, mechanic shops, air conditioning fitting services and cleaning centers.</p> <p>Addition</p> <p>Services provided or rendered by under writers including sponsorship services.</p>	9819.1100	Fifteen percent (15%)
35	<p>Deletion</p> <p>Services provided in respect of mining of minerals, exploration of oil & gas including related surveys and allied activities.</p> <p>Addition</p> <p>Services provided or rendered by indenters and similar intermediaries.</p>	9819.1200	Fifteen percent (15%)
36	<p>Deletion</p> <p>Sponsorship services.</p> <p>Addition</p> <p>Services provided or rendered by auctioneers</p>	9819.9100	Fifteen percent (15%)
37	<p>Deletion</p>	9822.4000	Fifteen percent (15%)

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	<p>Services provided or rendered by professionals and consultants, health care consultants, legal practitioners or consultants, management consultants, software or IT based system development consultants, services provided by other consultants.</p> <p>Addition Dredging or desilting services including cleaning of canals, water channels/tunnels/lines or reservoirs, pools, fishponds, lakes or dams in any manner.</p>		
1[3 7A	<p>Deletion Services provided or rendered by Accountants, Auditors and Tax Consultants</p>		Five percent (5%) without input adjustment.
38	<p>Deletion Event management, exhibition services, services by event photographers, videographer and other persons related to such events.</p> <p>Addition Services relating to or involving collection, provision, organization, digitization, processing, analysis, safety, preservation, sharing, verification, validation, decontamination or any other treatment of data including granting access to data for the purposes of information-gathering, information-verification, information-authentication or similar other purposes.</p>	9854.0000	
39	<p>Deletion Public bonded warehouses.</p> <p>Addition Services provided or rendered in respect of quality assurance, quality control, quality inspection (including pre-inspection), quality verification or certification including verification or certification of quality or standards under ISO regime.</p>	9834.0000	Fifteen percent (15%)
40	<p>Deletion Container Terminal services.</p> <p>Addition Rent-a-car or rent-a-cab services, including all categories of vehicle or logistics</p>	9819.3000	Five percent (5%)
41	<p>Deletion Copy Right Services</p> <p>Addition Ride-hailing or ride-hail services like Uber, Cream, Biker and Lyft etc regardless of the mode, manner or dynamics of the business system involved in such services, applied prospectively.</p>	9851.0000	2% without input tax adjustment
42	<p>Deletion Cosmetic & Plastic Surgery Services</p>	9852.0000	5% without input tax adjustment

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	<p>Addition Online Market Place (OMP) including online platform or portal services by whatever name called (other than ride-hailing or ride-hail services).</p>		
43	<p>Deletion Sale of Space for Advertisement Services</p> <p>Addition Services relating to or in respect of (continuous, interconnected, networked or otherwise) infrastructural-system-based transmission (wheeling) or distribution of electric power (electricity) or gas by companies including subsidiary companies of power generating companies (or persons) other than companies (persons) who directly transmit or distribute their own generated/produced electricity or their own recovered/produced gas.</p> <p>The Tax is required to be calculated on gross amount of transmission/distribution charges.</p>	9847.0000	Fifteen percent (15%)
44	<p>Deletion Video Tape & Production Services</p> <p>Addition Services relating to or in respect of the installation, erection, commissioning or other permanent structure-affixed/linked/tied placement (whether full or in part) (Whether new, reconditioned, repaired, overhauled or old status) of any industrial, mechanical or electrical plant, machinery or equipment (excluding installation of domestic equipment etc. for residential use)</p> <p>The Tax liabilities under entry 26 "Services provided by persons engaged in contractual execution of work or furnishing supplies" which is now proposed to be deleted will be now be covered under this heading.</p>	9853.0000	Fifteen percent (15%)
45	<p>Deletion Sound Record Services</p> <p>Addition Amusement and entertainment services including cinema (all categories), amusement parks, modelling shows, music concerts etc.</p>	9836.0000 9839.0000	Five percent (5%) without input tax adjustment
46	<p>Deletion TV, Radio & Production, house Services Proposed Addition</p> <p>Addition Inspection and survey (including re-inspection and re-survey) services not specifically covered in any other entry of this Schedule.</p>		Fifteen percent (15%)
47	Deletion		Rate of Tax as per closest

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	<p>Services Provided by clubs</p> <p>Addition All allied, ancillary, auxiliary, related, substitutive, comparable or matchable services not specifically, directly or indirectly mentioned anywhere in this Schedule but fall in or are linked in any manner to the category or categories of services covered in any of the class or classes of services mentioned or included in the Schedule provided that no argument as to variation in description shall be relevant or permissible for the application of this entry.</p>		Respective entry or entries.
48	Deletion Broadcasting services		Fifteen percent (15%)
² 49	Deletion Electric power transmission or distribution services		Fifteen percent (15%)
50	Deletion Cable TV operators		Ten percent (10%) without any input adjustment
51	Deletion Health care center gym, swimming pools or physical fitness center, body massage center, Pedicure centers etc.		Fifteen percent (15%)
52	Deletion Maintenance or cleaning services		Fifteen percent (15%)
53	Deletion Services provided or rendered by fashion designer		Fifteen percent (15%)
54	Deletion Services provided or rendered by call centers		Fifteen percent (15%)
55	Deletion Services provided or rendered by persons engaged in inter city transportation or carriage of good by road or through pipeline or conduit		Fifteen percent (15%)
56	Deletion Medical practitioners and consultants		Fifteen percent (15%)
57	Deletion Services provided by laboratories, scientific laboratories, mechanical laboratories, chemical laboratories, electrical or electronic laboratories, other such laboratories, other than services relating to pathological or diagnostic tests exclusively for medical treatment purposes.		Fifteen percent (15%)

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BALUCHISTAN SALES TAX

❖ PREAMBLE

The Baluchistan Finance Minister present budget 2019-20 of Rs 419.9 billion with Rs 47.7 billion. Out of total income Rs 328 billion (88%) will be from federal transfers and provincial tax and non-tax receipts will amount to Rs 34 billion or about 9 percent of the total provincial revenues. Our comments on changes brought via Finance Act in are presented below:

1. SECTION 50. EXEMPTION FROM PENALTY AND DEFAULT SURCHARGE [DS]

The section empowers BRA to exempt any registered person or any taxable service for payment of above by notification in official gazette. Now through FA the power of BRA is limited up to Rs 1,000,000 and for above approval of Government i.e. Provincial Cabinet is required.

2. AMENDMENT IN SECOND SCHEDULE

Tariff heading	Pre FA	Post FA
9802.4000	Advertisement in newspaper and periodicals	Advertisement in newspaper and periodicals; Excluding: where the payment for such advertisement is made from the Provincial Consolidated Fund
9814.2000	Contractor of building (including water supply, gas supply and sanitary works,) electrical and mechanical works (including air conditioning), multi-disciplinary works (including turn-key projects) a similar other works.	Contractor of building (including water supply, gas supply and sanitary works,) electrical and mechanical works (including air conditioning), multi-disciplinary works (including turn-key projects) a similar other works. Excluding. - Where the construction work is funded under an agreement of foreign grant-in-aid or involves construction of consular buildings. Explanation. - Notwithstanding the rate of 15% fixed in column 3 (rate of tax), the following reduced rate of 6%, will be applicable, for all services specified at tariff heading 9814.2000 without input tax credit or adjustment to the extent of contracts for which payment is made from the Provincial Consolidated Fund.
9815.3000	Accountants and auditors 15%	Accountants and auditors 6% without input tax credit / adjustment.
9815.4000	Management Consultant 15%	Management Consultant 6% without input tax credit / adjustment.
9815.5000	Technical, scientific and engineering consultants. 15%	Technical, scientific and engineering consultants. 6% without input tax credit / adjustment.
9815.7000	Tax practitioners and consultants 15%	Tax practitioners and consultants 6% without input tax credit / adjustment.
9815.8000	Corporate law practitioners and consultant. 15%	Corporate law practitioners and consultant. 6% without input tax credit / adjustment.

WITHHOLDING CARD 2019-20

❖ RATES FOR WITHHOLDING (INCOME) TAX | TAX YEAR 2020 (AS UPDATED VIDE FINANCE ACT 2019)

This Withholding Tax Rates Card is just an effort to have a ready reference and to facilitate all the Stakeholders of Withholding Tax Regime. The original Statute (Income Tax Ordinance, 2001, as amended) shall always prevail in case of any contradiction/error herein. This card shall never be produced as a legal document before any Court of law / legal forum nor, can be used for any statutory proceedings.

SALARY		SEC 149, DIV. I PART I 1ST SCHEDULE
TAXABLE INCOME		Rate of Tax
FROM	TO	
Up to 600,000		0%
600,000	1,200,000	5% on amount exceeding Rs. 600,000
1,200,001	1,800,000	30,000+10% of amount exceeding 1.2 M
1,800,001	2,500,000	90,000+15% of amount exceeding 1.8 M
2,500,001	3,500,000	195,000+17.5% of amount exceeding 2.5 M
3,500,001	5,000,000	370,000+20% of amount exceeding 3.5 M
5,000,001	8,000,000	670,000+22.5% of amount exceeding 5 M
8,000,001	12,000,000	1,345,000+25% of amount exceeding 8 M
12,000,001	30,000,000	2,345,000+27.5% of amount exceeding 12 M
30,000,001	50,000,000	7,295,000+30% of amount exceeding 30 M
50,000,001	75,000,000	13,295,000+32.5% of amount exceeding 50 M
Above 75,000,000		21,420,000+35% of amount exceeding 75 M

Activity/ Nature of Payment	Filer	Non-filer	Regime
IMPORTS [SECTION 148 & PART II FIRST SCHEDULE]			
Industrial undertakings importing remeltable steel & directly reduced iron for own use	1%	2%	Advance Tax: - raw material or plant & machinery imported by industrial undertakings for own use; - imports by large Import houses; - motor vehicles in CBU condition imported by manufacturers of motor vehicles - Foreign produced film for screening & viewing purposes Minimum Tax: - Goods sold same condition they were imported - Edible Oil - Packing Material - plastic raw material (PCT heading 39.01 to 39.12), packing material & edible oil.
Persons importing potassic fertilizers under ECC 's decision ECC155/12/2004 dt. 9 Dec 2004			
Persons importing urea			
Manufacturers (importing items covered under SRO 1125(I)/2011 dt. 31 Dec' 2011)			
Persons importing gold			
Persons importing cotton			
Persons importing LNG on behalf of Govt. of Pakistan	2%	4%	
Persons importing Pulses			
Industrial undertakings importing plastic raw material (PCT 39.01 to 39.12)	1.75%	Cos: 11% Other Cases:	
Commercial importers importing plastic raw material (PCT 39.01 to 39.12)	4.5%		
Commercial imports covered under S.R.O. 1125(I)/2011 dt. 31 Dec 2011	3%	6%	
Persons importing coal	4%	8%	

WITHHOLDING CARD 2019-20

Persons importing finished pharma products, not manufactured locally as certified by the DRAP			
Ship breakers on import of ships	4.5%	9%	
Companies & industrial undertakings not covered above	5.5%	11%	
Others	6%	12%	

DIVIDEND S 150, 236S, DIV. I PT III 1 ST SCH. & CL. 11B PART IV 2ND SCH

Dividend from Independent Power Purchasers, being a pass-through item under Implementation/ Power/ Energy Purch. Agreement, required to be reimbursed by CPPA-G	7.5%	15%	Final Tax
Dividend if no tax is payable by the Co. due to exemption, c/f loss, tax credits	25%	50%	
Other cases, including mutual funds & repatriation of after-tax profits by branches of foreign companies			

INVESTMENT IN SUKUKS | SEC. 150A, DIV. IB PT III 1 ST SCH.

Received by Company	15%	30%	Adjustable
Received by individuals or AOPs and the profit is above Rs. 1M	12.5%	25%	
Received by individuals or AOPs and the profit is up to Rs. 1M	10%	20%	

PROFIT ON DEBT SECTION 151, DIV. IA PART III 1 ST SCH

Where yield is up to Rs. 500,000	10%		Minimum
Where yield is above Rs. 500,000	15%	30%	

PAYMENTS TO NON-RESIDENTS S152, DIV. IV PT. I, DIV. II PT. III 1 ST SCH

Royalty or fee for technical services	15%	15%	Minimum
Fee for offshore digital services	5%	10%	
Contracts or related services	7%	14%	
Insurance or re-insurance premium	5%	5%	
Advertisement services	10%	20%	
Execution of contract by sportsperson	10%	10%	
Other Payments	20%	20%	

PAYMENTS TO PE OF NON-RESIDENTS S152, DIV. II PT. III 1 ST SCH

For supplies by PE of N/R Companies	4%	8%	Minimum
For supplies by PE of other N/R	4.5%	9%	
For services by PE of N/R Companies	8%	8%	
For services by PE of other N/Resid	10%	10%	
For Transport services	2%	2%	
For Other Contractors	7%	7%	

PAYMENT FOR FOREIGN PRODUCED COMMERCIALS SECTION 152A

Foreign produced commercials	20%	40%	Final
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WITHHOLDING CARD 2019-20

SUPPLY OF GOODS | S153(1)(A), DIV. III P III 1ST SCH, CL 24A, 24C P II 2 ND SCH

Sale of rice, cottonseed oil & edible oil	1.5%	3%	Advance Tax for Listed companies and Companies Engaged in Manufacturing. Minimum Tax for other cases. [No deduction of tax where payment is less than Rs. 75,000/- in aggregate during a financial year]
Sale of cigarettes & pharma products by distributors & Large Import Houses	1%	2%	
Sale of sugar, cement & edible oil by dealers & sub-dealers	0.25%	0.5%	
Sale by Corporate FMCG distributors	2%	4%	
Sale of goods by other (non-corporate) FMCG distributors	2.5%	5%	
Sale of other goods by companies	4%	8%	
Sale of other goods by AOPs & Ind	4.5%	9%	

PAYMENTS FOR SERVICES | S 153(1)(B), 153(2), DIV. III & DIV. IV P III 1 ST SCH.

Advertising services (elec. & print media)	1.5%	3%	Minimum Tax [No deduction of tax where payment is less than Rs 30,000/- in aggregate during a financial year.]
Transport, Freight forwarding, Air cargo services, Courier, Manpower outsourcing, Hotel, Security guard, Software development, IT and IT enabled services [as defined u/c (133) of Pt I of 2nd Sch.], Tracking services, Advertising (other than by print or electronic media), Share registrar services, Engineering services, Car rental, Building maintenance, Services of PSX & PMEL, Inspection, Certification, Testing & Training services	3%	6%	
Companies providing other services	8%	16%	
AOPs & Ind. providing other Services	10%	20%	
Stitching, dyeing, printing, embroidery, washing, sizing & weaving for Exporters	1%	2%	

EXECUTION OF CONTRACTS | SEC 153(1)(C), DIV III PT III 1 ST SCH

Received by Listed Companies	7%	14%	Advance Tax for Listed companies
Received by Other Companies			
Received by sportspersons	10%	10%	Minimum Tax for other cases.
Received by others	7.5%	15%	

ROYALTY TO RESIDENT PERSONS | SEC 153B, DIV, IIIB PT III 1 ST SCH

Gross amount of royalty	15%	30%	
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EXPORTS SEC 154, DIV IV PT III 1 ST SCH, CL 47C PT IV 2ND SCH

Realization of export proceeds			
Inland back-to-back LC by exporter on sale of goods under an arrangement prescribed by FBR	1%	1%	Final
Export of goods by EPZ units			



WITHHOLDING CARD 2019-20

Payment for a firm contract by direct exporters reg. under DTRE Rules, 2001, to indirect exporters				
Realization of proceeds on account of commission to indenting agent	5%	5%		
PROPERTY INCOME/ RENTALS SEC 155, DIV V PT III 1 ST SCH				
Where recipient is a company	15%	15%	Advance Tax	
PRIZES AND WINNINGS S 156				
On prize bonds & crossword puzzle	15%	30%	Final	
Raffle, lottery, winning quiz & prizes on Final Tax sales promotion schemes	20%	40%		
PETROLEUM PRODUCTS SEC 156A, DIV VIA PT III 1 ST SCH				
Commission/ discount to petrol pump operators on petroleum products	12%	24%	Final	
WITHDRAWAL OF BALANCE UNDER PENSION FUND SEC 156B				
Withdrawal before retirement age	Lower of 3 past years' Average Rate of Tax or current Average Rate of Tax		Final	
Withdrawal in excess of 50% balance Final Tax at or after retirement age				
CASH WITHDRAWALS FROM BANKS S 231A, DIV VI P IV 1 ST SCH, CL 28B P II 2ND SCH				
From PKR accounts against foreign remittances in such accounts	Not Applicable (N/A)		Adjustable	
Other cases, if total withdrawal from all accounts is Rs.50,000 in a day	N/A	0.6%		
TRANSACTIONS IN BANK SEC 231AA, DIV VIA PT IV 1 ST SCH				
All payment transactions	N/A	0.6%	Adjustable	
TAX ON MOTOR VEHICLES S 231B&234, DIV VII, DIV III PT IV 1 ST SCH				
Purchase/ transfer of motor vehicles	Based on Engine Capacity		Advance Tax	
Leasing on Vehicle (based on value)	N/A	4%	Advance Tax	
BROKERAGE & COMMISSION – SEC 233, DIV II PT 1ST SCH				
Advertising commission	10%	20%	Minimum Tax	
Life Ins. Comm. up to Rs. 0.5M p.a.	8%	16%		
Others	12%	24%		
TAX ON SALE/ PURCHASE IN LIEU OF COMMISSION BY ST. EXCH.				
On purchase (This section has been made inapplicable with effect from 1st March 2019 through insertion of sub-section 3 vide Finance Supplementary (Second Amendment) Act, 2019).	U/s 233A, Div. IIA Pt IV 1 st Sch.	0.02%	0.04%	Advance Tax
On Sale				

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BROKERAGE & COMMISSION | Sec 233, Div. II Pt IV 1st Sch

Advertising commission Agents	10%	20%	Minimum Tax
Life Insurance agents	8%	16%	
Others	12%	24%	

TAX COLLECTION BY NCCPL FROM STOCK EXCHANGE MEMBERS S233AA

On financing of COT, margin financing, margin trading or securities lending.	10%	Advance Tax
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CNG STATIONS | SEC 234A, DIV. VIB PT III 1ST SCH

On the amount of gas bill	4%	8%	Min. Tax
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ELECTRICITY CONSUMPTION | S235, DIVIV P IV 1ST SCH, CL 66 P IV 2ND SCH

Electricity bill of commercial or industrial consumers Exporters-cum-manufacturers are exempt from this collection.	Various rates	Min. Tax for AOPs & Ind. for Bill Amt. up to Rs. 360K Adv. Tax for other cases
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DOMESTIC ELECTRICITY CONSUMP. | S 235A, DIVXIX PIV 1ST SCH

Monthly bill is below Rs. 75,000	0%	Advance Tax
Monthly bill is Rs. 75,000 and above	7.5%	

TAX ON STEEL MELTERS, ETC. | SEC 235B, SEC 153(1)

Electricity consumed for producing steel billets, ingots & MS products excluding stainless steel, by steel melters & Composite Steel Units (Registered for Ch XI of Sales Tax Special Procedure Rules, 2007).	Rs. 1 per unit of electricity consumed	Non-Adjustable Tax
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TELEPHONE USERS | SEC 236, DIV. V PT IV 1ST SCH

Mobile phone bills & prepaid cards	12.5%	Advance Tax
Landline bills exceeding Rs. 1,000 Postpaid internet & prepaid net cards	10%	

SALE BY AUCTION | SEC 236A, DIV. VIII PT IV 1ST SCH

Sale of property, goods or lease of right by public auction or tender	10%	20%	Advance Tax in case of tax collected on a lease of right to collect tolls, will be Final Tax
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DOMESTIC AIR TICKETS SEC 236B, DIV IX PART IV 1ST SCH

On routes for Baluchistan coastal belt, AJ&K, FATA, Gilgit-Baltistan & Chitral	Not Applicable	
	5%	Adv. Tax

WITHHOLDING CARD 2019-20

SALE/ TRANSFER OF IMMOVABLE PROPERTY | S236C, DVX PIV 1ST SCH

To be collected from Seller/ Transferor, where Holding Period is:			Minimum Tax if property is acquired and disposed in the same year.
Up to 5 Years	1%	2%	Advance Tax
Above 5 Years	Minimum Tax Adjustable No Advance Tax.		

FUNCTIONS AND GATHERINGS | SEC 236D, DIV XI PT IV 1ST SCH

Functions of marriage (in Islamabad, Lahore, Multan, Faisalabad, Rawalpindi, Gujranwala, Bahawalpur, Sargodha, Sahiwal, Sheikhpura, Dera Ghazi Khan, Karachi, Hyderabad, Sukkur, Thatta, Larkana, Mirpur Khas, Nawab shah, Peshawar, Mardan, Abbottabad, Kohat, Dera Ismail Khan).	-	Higher of 5% of bill ad-valorem or Rs.20,000	Advance Tax
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CABLE OPERATORS & OTHERS | S236F & DivXIII PIV 1ST Sch

From IPTV, FM Radio, MMDS, Mobile TV, Mobile Audio, Satellite TV Channel and Landing Rights	-	20% of the permission fee or renewal fee	Advance Tax
From cable operators	-	Various Rates	
From TV channels for screening/ viewing Foreign TV Drama serial/ plays in any non-English language	-	50% of the permission fee or renewal fee	

TAX ON SALES TO DISTRIBUTORS, DEALERS & WHOLESALEERS BY MANUFACTURERS & COMMERCIAL IMPORTERS | Sec 236G, Div. XIV Pt IV 1ST Sch

On sale of fertilizers	0.7%	1.4%	Advance Tax
On sale of electronics, sugar, cement, iron & steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint, batteries or foam	0.1%	0.2%	

TAX ON SALES TO RETAILERS & WHOLESALEERS BY MANUFACTURERS, DISTRIBUTORS, DEALERS, WHOLESALEERS & COMMERCIAL IMPORTERS | Sec 236H, Div XV Pt IV 1ST Sch

On sale of electronics	1%	2%	Advance Tax
On sale of sugar, cement, iron & steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint, batteries or foam	0.5%	1%	

TAX ON SALES OF PETROLEUM PRODUCTS | S 236HA, DIVXVA PIV 1ST SCH

On supply of petroleum products to a petrol pump operator or distributor.	0.5%	1%	Advance Tax
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COLLECTION OF TAX BY EDUCATIONAL INSTITUTIONS WHERE FEE EXCEEDS RS. 200,000/- | SEC 236I, DIV XVI PT IV 1ST SCH

From The person depositing / paying fee	5% of Fee		Advance Tax
From non-residents	Not Applicable		

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TAX ON DEALERS, COMMISSION AGENTS & ARHATIS ON ISSUANCE/ RENEWAL OF LICENSE | Sec 236J, Div. XVII Pt IV 1st Sch

Group/ Class A	Rs. 100,000 p.a.	Advance Tax
Group/ Class B	Rs. 75,000 p.a.	
Group/ Class C Any other category	Rs. 50,000 p.a.	

PURCHASE OF IMMOVABLE PROPERTY | S236K, DIVXVIII PT IV 1ST SCH

On fair market value	1%	2%	Advance Tax
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INTERNATIONAL AIR TICKETS | SEC 236L, DIV. XX PT IV 1ST SCH

First/ executive class	Rs.16,000	Advance Tax
Others, excluding economy	Rs.12,000	
Economy	NIL	

NON-CASH BANKING TRANSACTIONS | SEC 236P, DIV XXI PT IV 1ST SCH

Non-cash payment transactions (all types)	N/A	0.6%	Advance Tax
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RENT OR PAYMENT FOR RIGHT TO USE MACHINERY & EQUIPMENT | S 236Q, DIV. XXIII PT IV 1ST SCH

To be collected for industrial, commercial and scientific equipment & machinery.	10%	Final Tax
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Note: WHT deduction shall not be applicable in the following cases:

- a. Agricultural machinery; and
- b. Machinery owned and leased by leasing companies, investment bank, modarabas, scheduled banks or DFIs.

EDUCATION RELATED EXPENSES REMITTED ABROAD SEC 236R, DIV. XXIV PT IV 1ST SCH

Remittance of tuition fee, boarding & lodging expenses, payments for distant learning programs and any other expense related to foreign education.	5%	Advance Tax
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DIVIDEND IN SPECIE SEC 236S

In the case of dividend paid by Independent Power Purchasers (IPPs)	7.5%	15%	Final Tax
Other than Independent Power Purchasers (IPPs)	15%	30%	

INSURANCE PREMIUM | SEC 236U, DIVXXXV PT IV 1ST SCH

General insurance premium	N/A	4%	Advance Tax
Life insurance premium above Rs. 0.3M per annum		1%	
Others		0 %	

EXTRACTION OF MINERALS | SEC 236V, DIV XXVI PT IV 1ST SCH

To be collected by provincial revenue authority/ board on value of minerals extracted, produced, dispatched & carried away from licensed or leased areas of mines.	N/A	5% of the value of minerals	Advance Tax
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PURCHASE OF TOBACCO | SECTION 236X

To be collected by Pakistan Tobacco Board or its contractor on value of tobacco purchased by a person, including manufacturers of cigarettes.	5%	Advance Tax
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REMITTANCE ABROAD THROUGH CREDIT, DEBIT OR PREPAID CARDS | SEC 236Y, DIVISION XVXVII PT IV 1ST SCH

Gross amount remitted from abroad.	1%	2%	Advance Tax
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