

# Budget Flash – 2020

By  
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## INTRODUCTION TO FINANCE BILL 2020

For the first time in last 20 years we have not prepared an extensive commentary on the provisions of the Finance Bill along with extensive explanations and our legal comments. This was due to the fact that the preparation of such an extensive commentary requires a whole night exercise with a number of our colleagues present in the same room and coordinating with each other in such preparation and we were not willing to risk the health of our colleagues by bypassing the SOPS required for prevention of the pandemic COVID-19 (coronavirus). If, Insha'Allah, the COVID-19 menace ends soon and the world returns to its normal routine, we shall be providing you a detailed commentary for the years to come.

A cursory glance of the Finance Bill, 2020("Bill") leads us to conclude that despite all the glamour of a taxpayer friendly budget on the premise that no new taxes have been levied, this Bill is seeking to curtail the basic rights of the taxpayers which had usually not been done before. To elaborate this, we will give only three glaring examples amongst many from the Bill.

Firstly, till Tax Year 2019 all returns filed by the taxpayer were deemed to be assessment orders passed by the Commissioner Inland Revenue. Now, it is proposed that by amending Section 120 of the Income Tax Ordinance, 2001 all such returns shall be subjected to automated scrutiny and if any discrepancy is found, then on the basis of show cause notice the return filed by the taxpayer may be adjusted. This is a blatant violation of the right enjoyed by the taxpayer since the promulgation of Income Tax Ordinance, 2001 which was based on the premise "self-assessment backed by strong audit".

We also feel that there was no need for this proposed amendment as the Commissioner Inland Revenue already has ample powers under various sub sections of Section 122 and Section 177 of the Income Tax Ordinance, 2001 to amend the returns filed by taxpayers and as it is these sections are already being badly misused by the departmental authorities to generate revenue for the state. Therefore, based on the past history, we feel that these newly acquired powers will be misused similarly.

Secondly, we also feel that the right of the taxpayer has been seriously infringed by the amendment proposed in Section 122(5) Income Tax Ordinance, 2001. From time immemorial assessment orders are opened and amended on the basis of definite information only. The proposed amendment seeks to take action u/s 122(5) of the Income Tax Ordinance, 2001 on the basis of audit conducted despite the fact that no definite information has been identified in the audit proceedings. As already highlighted above, it is an established fact that the audit proceedings are grossly misused by the tax department and additions are proposed to be made without any basis and contrary to the facts of the case and law on the subject. We are therefore of the considered opinion that this amendment which is also against the basic right of the taxpayer will be grossly misused by the department. Therefore, we strongly condemn this proposed amendment which is also in violation of hundreds and thousands of judgments of India and

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Pakistan on the issue of definite information. We, therefore, strongly recommend that this proposed amendment be withdrawn.

Thirdly, till the Tax Year 2019 no tax was required to be paid before the filing of the Appeal before Appellate Tribunal Inland Revenue (“ATIR”), however, it is being proposed that 10% of the demand shall be paid before filing of the appeal by the taxpayer. This proposed amendment is against the basic right of the taxpayer to file an appeal before the ATIR without any conditions whatsoever given to it by the Constitution of Islamic Republic of Pakistan. It is also apparent that with every passing day many frivolous appeals are being filed before the ATIR by the department. We therefore, at the outset, recommend that this proposed amendment may be withdrawn and if it is not withdrawn we propose that in case of appeals filed by the department a refund voucher of 10% of the demand extinguished by the Commissioner Appeal may be issued by the department before filing of the appeal. This will somewhat reduce the rigors of this proposed amendment.

These were few of the basic violations that we have pointed out and if any violation is seen by us in the Finance Act, 2020 we shall comment on them in due course.

We would once again apologies for not preparing a detailed commentary this year as the wellbeing of our colleagues was very important to us which led to this default.

We would like to thank our colleagues who while working from home sent us their input on the Bill which made our task much easier. We would also like to thank Mr. Justice (Retd) Muhammad Ather Saeed and Mr. Naveed Amjad Andrabi who were a source of guidance to us in this endeavor.

While concluding, we pray to the Al Mighty Allah to forgive us and accept our repentance and end this pandemic of Covid-19 immediately and let it not recur and hope that life returns to normalcy soon.

We hope our Clients will find the Budget Flash helpful and we will be to explain and clarify any point on which you may require any further clarification.

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# INCOME TAX ORDINANCE, 2001

## HIGHLIGHTS

- BUILDERS AND DEVELOPERS INCLUDED IN THE DEFINITION OF “INDUSTRIAL UNDERTAKING” THUS MAKING THEM ELIGIBLE TO CLAIM TAX BENEFITS AT THE TIME OF IMPORTS.
- “INTEGRATED ENTERPRISE” DEFINED.
- “LOCAL GOVERNMENT TERM” DEFINITION AMENDED TO INCLUDE ISLAMABAD CAPITAL TERRITORY.
- DEFINITION OF “NON PROFIT ORGANIZATIONS” AMENDED TO INCLUDE “PURPOSES FOR GENERAL PUBLIC”
- NON PROFIT ORGANIZATIONS DIRECTED TO SUBMIT LIST OF DONORS.
- PAKISTAN SHIPPING COMPANY TAXABILITY ON THE BASIS OF TONNAGE.
- OPTION TO OPT FOR ALLOWANCE OF EXPENDITURE TO BE AVAILABLE FOR ALL INDIVIDUALS AND AOPS IN RESPECT OF “INCOME FROM PROPERTY”.
- INCREASE IN LIMIT OF CASH TRANSACTIONS FROM RS. 10,000/- TO RS. 25,000/-. SIMILARLY, THE THRESHOLD OF PAYMENTS UNDER A SINGLE HEAD PROPOSED TO BE INCREASED FROM RS.50,000/- TO RS.250,000/-.
- INCREASE IN LIMIT OF CASH SALARY FROM RS. 15,000/- PER MONTH TO RS. 25,000/- PER MONTH.
- CONDITIONS PROPOSED FOR ALLOWABILITY OF UTILITY BILLS.
- SALES MADE TO UN-REGISTERED PERSON MAY CAUSE DISALLOWANCE OF EXPENDITURE.
- DEPRECIATION UPTO 50% IN THE FIRST YEAR AND IN THE YEAR OF DISPOSAL.
- RESTRICTION ON ACCOUNT OF LEASE PAYMENTS FOR PASSENGER TRANSPORT.
- CAPITAL GAIN TAX RATES RATIONALIZED, HOLDING PERIOD CURTAILED.

- TAX CREDIT ON CHARITABLE DONATIONS GIVEN TO ASSOCIATES REDUCED.
- TO AVAIL TAX CREDIT COMPANIES MUST OPT FOR ENLISTMENT BEFORE 30<sup>TH</sup> JUNE 2022.
- SPECIAL SCHEME OF TAXATION INTRODUCED FOR CONSTRUCTION INDUSTRY.
- PORTION OF FOREIGN PROFIT ON DEBT PAYMENT TO BE DISALLOWED BY FOREIGN CONTROLLED RESIDENT COMPANY ACCORDING TO PROPOSED FORMULA.
- PERMANENT ESTABLISHMENT OF NON-RESIDENTS BROUGHT UNDER MINIMUM TAX REGIME.
- ALL TAX RETURNS WILL BE PROCESSED THROUGH AUTOMATED SYSTEM.
- PROVIDING OF TAX PROFILE TO FBR FOR CERTAIN PERSONS.
- REVISION OF WEALTH STATEMENT SUBJECT TO PRIOR APPROVAL OF COMMISSIONER INLAND REVENUE.
- SCOPE OF 122(5) ENHANCED
- AGREED ASSESSMENT UNDER COMMITTEE PROPOSED.
- APPEAL FEE INCREASED.
- APPEAL BEFORE APPELATE TRIBUNAL INLAND REVENUE SUBJECT TO 10% OF TAXATION.
- ALTERNATE DISPUTE RESOLUTION MECHANISM REDEFINED.
- TAX PAID AT IMPORT WILL BE MINIMUM TAX EXCEPT INDUSTRIAL UNDERTAKING.
- RECLASSIFICATION OF TAXATION OF NONRESIDENT COMPANIES.
- FOR TAX DEDUCTION UNDER SECTION 153 TOLL MANUFACTURING TO BE TREATED AS SALE OF GOODS.
- WITHHOLDING TAX ON ENGINEERING SERVICES ENHANCED.
- WITHHOLDING TAX ON DIVIDEND PROPOSED TO BE AMENDED.

- AOP AND INDIVIDUALS TO BE WITHHOLDING AGENT ONLY IF TURNOVER IN PRECEDING TAX YEARS MORE ONE HUNDRED MILLION RUPEES.
- WITHHOLDING TAX STATEMENTS TO BE FURNISHED ON QUARTERLY BASIS.
- GOVERNMENT AGENCIES TO PROVIDE INFORMATION TO FBR ON REAL-TIME BASIS.
- TAX AUDIT UNDER SECTION 177 MAY BE CONDUCTED ELECTRONICALLY.
- PHARMACEUTICAL PRODUCTS NOT MANUFACTURED IN PAKISTAN- TAX RATE ON IMPORT REDUCED.
- WITHHOLDING TAX PROVISIONS OMITTED IN CERTAIN CASES.

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## AMENDMENT IN THE INCOME TAX ORDINANCE, 2001

1. The definition of Industrial undertaking as given in Section 2 (29C) of the Income Tax Ordinance, 2001 (“Ordinance”) has been proposed to be amended to give the construction business the status of ‘Industrial Undertaking’ for the purposes of import of plant and machinery to be utilized in the said activity, subject to conditions laid down by the Board. This means the tax benefits at the time of imports shall also be available to builders and developers.
2. A new definition has been inserted in Section 2 of the Ordinance to define ‘Integrated Enterprise’. This means a person integrated with the Board through approved fiscal electronic device and software, and who fulfils obligations and requirements for integration. The Rules for this will be provided by the Federal Board of Revenue (“FBR”). This basically would lead to integration of data bank of FBR with certain organizations which will lead to effective taxation and broadening of tax base.
3. A new sub clause in Section 2 is being introduced to define “IRIS”. IRIS has been defined as a web based computer programme for operation and management of Inland Revenue taxes administered by the Board.
4. The definition of ‘Local Government’ in Section 2 has been proposed to be amended to include the ‘Islamabad Capital Territory’. This means the status of Local Government shall now also be applicable to ICT.
5. The definition of ‘Non-Profit Organization’ (“NPO”) has also been proposed to be amended so as to broaden its scope by including the expression ‘purposes for general public’ in sub-clause (a) and by including NPO registered under a law rather than by a law only. The scope is thus proposed to be widened.
6. In Section 7A of the Ordinance, Clause (c) is proposed to be inserted in Sub-Section 1 to include a Pakistan resident ship owning company registered with the Securities and Exchange Commission of Pakistan after the 15th day of November, 2019 and having its own sea worthy vessel registered under Pakistan Flag to pay tonnage tax of an amount equivalent to seventy five US Cents per ton of gross registered tonnage per annum. Thus, bringing Pakistan Resident Company owning ships in the presumptive tax regime. Further, the regime has been extended to June 30, 2023.
7. The provisions of Section 15A of the Ordinance dealing with deductions in computing the Income from Property have also been proposed to be amended. The expenditure allowed upto 6% of the rent is proposed to be curtailed to 2% of the gross rent, including collection charges. The allowance of expenditure to Individuals and AOP’s deriving income from property more than PKR 4.0(M) was permissible if they opted for this regime. The condition of PKR 4.0(M) is proposed to be omitted and option is now available to all individuals and AOP’s irrespective of the quantum of rent received.



8. Restrictions given in Section 21 of the Ordinance in allowing expenditure against 'business income' are proposed to be relaxed as under:
  - a. The limit given in Section 21(l) for cash expenditure under single head which in aggregate during the tax year exceeds PKR 50,000/- to be paid by banking instrument has been enhanced to PKR 250,000/-. It is also proposed that a single transactions below PKR 25,000/- can be made through cash subject to the condition that aggregate of the transaction under the single head during the tax year is not more than PKR 250,000/-. Prior to this proposed amendment, limit per cash transaction was PKR 10,000/-. This is an incentive given to smallbusiness but surely a drive away from documentation of economy.
  - b. Salaries paid more than PKR 15,000/- were to be paid by banking transaction. This is now proposed to be enhanced to PKR 25,000/- This means salary upto PKR 25,000/- paid in cash will now be an admissible expense.
  - c. Expenditure on account of utility bill in excess of such limits and in violation of such conditions as may be prescribed. This means FBR intends to put some restrictions on allowing the claim of utility bills paid by a business man.
  - d. It is proposed that an Industrial Undertaking should make sales to a person who is liable to be registered. In case they do not then the expenditure on the basis of sales equal to or exceeding PKR 100 (M) per un-registered persons, liable to be registered shall be curtailed by giving the formula; provided that the disallowance shall not exceed 20% of the total deductions claimed under the said part. The FBR may also give exemption from this provision through a notification.
9. The provisions for allowance of depreciation are also being proposed to be amended. A proviso to Section 22 (2) of the Ordinance is proposed whereby a depreciable asset when used in the person's business for the first time in a tax year commencing on or after the 1<sup>st</sup>day of July, 2020, the depreciation deduction shall be reduced by fifty percent. Another provision to Section 22 (8) of the Ordinance is proposed whereby a depreciable asset is used in the person's business for the first time in a tax year commencing on or after the 1<sup>st</sup>day of July, 2020, depreciation deduction equal to fifty percent of the rate specified in Part I of the Third Schedule shall be allowed in the year of disposal.
10. An amendment to Section 28(1)(b) of the Ordinance has been proposed which intends to restrict the lease rentals. It is suggested that for the purpose of determining the deduction on account of lease rentals, the cost of a passenger transport vehicle not plying for hire to the extent of principal amount shall not exceed two and a half million rupees.
11. The Bill has proposed changes under the head of income 'Capital Gains' for property income u/s 37 of the Ordinance. Earlier, constructed property and open plots had different rates of taxation on the basis of holding period. It is has been proposed to collectively consider constructed property and open plots as "Immovable Property" and the same be liable to taxation only if the holding period of the immoveable property in the hands of the taxpayer is less than four years.

If the holding period is less than one year, 100% gain is taxable. If holding period is more than one year and less than two the 75% of the gain is taxable; if the holding period is more than two years but less than three years 50% of the gain is taxable and if the holding period is more than three years but less than four; the 25% of the gain is taxable.

12. The tax credit allowed to a company and an individual on giving charitable donations to associates u/s 61 of the Ordinance has been proposed to be restricted to the extent of 10% & 15% of the taxable income of the Company and individual as against 20% & 30 % respectively.
13. An amendment in Section 65C of the Ordinance is proposed to restrict the allowance of Tax Credit on enlistment made unto 30<sup>th</sup> day of June, 2022. Earlier there was not time restriction.
14. The provisions of Section 100C of the Ordinance relating to the income of NPO's is proposed to be regulated by inserting Clause (g) to Section 100C(1) of the Ordinance. The insertion requires a NPO to file a statement of voluntary contributions and donations received in the immediately preceding tax year in the prescribed form and manner. This will give the FBR a list of donors.
15. The provisions of Section 100D inserted through Tax Laws (Amendment) Ordinance, 2020 are proposed to be made part of the Ordinance by way of Finance Act, 2020 to give perpetuity to the incentives given to the construction industry for the boosting of economy after the pandemic.
16. Section 106A is proposed to be inserted in the Ordinance, whereby foreign profit on debt claimed by a foreign-controlled resident company (other than an insurance company, or a banking company) during a tax year, shall be disallowed to a certain extent if foreign profit on debt payment in tax year is more ten million rupees. The foreign controlled resident company shall be the one which is owned by a resident company in which fifty per cent or more of the underlying ownership of the company is held by a non- resident person either alone or together with an associate or associates. This provision has been inserted primarily to generate revenue.
17. Section 111 of the Ordinance, dealing with unexplained income and assets, is being proposed to be window dressed to give effect to term investment and sales separately and independent of each other.
18. For the purposes of charge of minimum tax u/s 113 of the Ordinance the term 'permanent establishment' of the non-resident company is proposed to be added.
19. Section 114 of the Ordinance is proposed to be amended to include a person to file a tax return as against a statement, whose income falls under Final Tax Regime. This means the person under Final Tax Regime will have to file a complete return as against a simple statement of amount chargeable under the said regime.
20. A new Section 114A to the Ordinance is proposed to be inserted, whereby a person registered under the Ordinance or requires to get registration u/s 181 of the Ordinance shall file a Tax Profile to the Commissioner on a prescribed format whereby certain information will be provided, i.e. the relevant particulars of bank accounts, utility connections; business premises

including all manufacturing, storage or retail outlets operated or leased by the taxpayer; types of businesses; and such other information as may be prescribed.

21. Through amendment proposed in Section 116 (3) of the Ordinance, Wealth Statement once filed, can only be revised after prior approval of the Commissioner Inland Revenue.
22. The concept of deemed order u/s 120 of the Ordinance on filing of the tax return is proposed to be done away with. It is proposed through insertion of sub-Section 2A to examine the return whereas earlier there was no such provision. A return of income furnished under sub-section (2) of section 114 shall be processed through automated system to arrive at correct amounts of total income, taxable income and tax payable by making adjustments for—
  - a. any arithmetical error in the return;
  - b. any incorrect claim, if such incorrect claim is apparent from any information in the return;
  - c. disallowance of any loss, deductible allowance or tax credit under Parts VIII, IX and X respectively of Chapter III; and
  - d. disallowance of carry forward of any loss under clause (b) of sub-section (1) of section 182A.

This would be examining of the return as was done under the erst while Ordinance and the taxpayer shall now be more at the mercy of the FBR as all automated systems are run manually.

23. The provisions of Section 122 (5) of the Ordinance are proposed to be changed so as to amend an order on the basis of audit or having acquired definite information. Earlier it was to be amended on the basis of definite information acquired from audit or otherwise. This is a paradigm shift and gives arbitrary powers to audit officer in concluding the amended assessment which earlier on was not possible without proving the definite information available.
24. Section 122D is being proposed to be added to include the concept of Agreed assessment after issuance of notice u/s 122(9) of the Ordinance. This matter will be handled by an oversight committee headed by Chief Commissioner. The addition is apparently to reduce litigation, however, the committee is surely not an independent and likely to support the department rather than the taxpayer.
25. The return of income processed through automated system will be appealable and for filing of any appeal; prescribed fee has been proposed to be raised to Rs. 5,000/- for company and Rs. 2,500/- for others. Similarly, a taxpayer will now have to make at least 10% of the demand upheld by the Commissioner Appeals if he decides to file an appeal against the order before the Appellate Tribunal. This is another measure for forced collection of revenue.
26. The provisions of Section 134A of the Ordinance relating to Alternate Dispute Resolution are proposed to be amended to include the issues pending before any court of law or appellate authority. Further, the constitution of the committee has also been changed to include Chief Commissioner. The committee may grant interim relief but not more than 120 days in case of hardship. The final order if not passed with 120 days the committee shall be dissolved and the matter decided by court where the appeal was pending.

27. A few changes in payments to non-resident persons u/s 152 of the Ordinance are being proposed. The tax collected non-resident media persons is now a minimum tax. Similarly, tax collected from a permanent establishment of a non-resident person on account of sales of goods, for rendering of services or execution of contract is now a minimum tax. Similarly, for a cohesive contract the rate is lowered to 20% as against 30% of the tax chargeable.
28. By way of proposed amendments in Section 153, AOP's and Individuals will only be liable to withhold taxes if their turnover in any of the preceding tax years is more than One Hundred Million rupees. This is a beneficial amendment and will provide much needed relief to small business owners.
29. The statements u/s 165 were to be filed bi-annually, however, they are now proposed to be filed quarterly. Similarly, in Section 165A (1) (d) the exceeding limit of Rs. 500,000/- off profit on debt has been removed.
30. The concept of Final tax is slowly being removed and concept of filing tax returns is being proposed to be made mandatory. This is another step towards documentation of economy and taxation accordingly.
31. The Board is being given powers to enter and search 'real time electronic access' for which amendments are proposed in Section 175 of the Ordinance.
32. The Board has realized that due to cover pandemic the proceedings in the tax office may not be possible; therefore, proceedings, especially for audit can now be conducted through video link. Amendments in Section 177 are proposed.
33. For the purposes of collection of advance tax u/s 231B of the Ordinance motor cycle, rickshaw and other motor vehicles upto 200cc engine capacity are excluded.
34. Withholding Tax u/s 236C has been reduced to 4%; whereas tax u/s 236D; 236F, 236J, 236R, 236U & 236X of the Ordinance has been deleted. Withholding tax u/s 236I of the Ordinance will now be collected from a person not appearing on the active taxpayers' list.
35. Apparently, the budget proposes relief to tax payer in specific terms as withholding provisions have been reduced; however, the discretionary powers of the Tax Officer have been increased.

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## FIRST SCHEDULE

### PART I DIVISION VIII TAX ON CAPITAL GAINS ON DISPOSAL OF IMMOVABLE PROPERTY

<b>Capital Gains</b>	<b>Proposed Rate</b>
Where the gain does not exceed Rs. 5 million	2.5%
Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	5%
Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	7.5%
Where the gain exceeds Rs. 15 million	10%

### PART II RATES OF ADVANCE TAX [See Division II of Part V of Chapter X]

The rate of advance tax to be collected by the Collector of Customs under section 148 shall be—

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

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

In case of persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulatory Authority of Pakistan shall be 4%.

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

**DIVISION I**  
**ADVANCE TAX ON DIVIDEND**

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

**DIVISION IB**  
**RETURN ON INVESTMENT IN SUKUKS**

The rate of tax to be deducted under section 150A shall be—

- (a) 25% in case the sukuk-holder is a company

**DIVISION II**  
**PAYMENTS TO NON-RESIDENTS**

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

**DIVISION III**  
**PAYMENTS FOR GOODS OR SERVICES**

The Bill proposes to exclude 'engineering services' from the benefit of reduced withholding tax rate of 3%. After the proposed amendment, the 'engineering services' will be subject to 8% withholding in case of company and 10% in other cases.

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

**DIVISION VIII**  
**ADVANCE TAX AT THE TIME OF SALE BY AUCTION**

<b>Description</b>	<b>Proposed Rate</b>
In case of immovable property sold by auction	5% of the gross sale price.

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## SALES TAX ACT, 1990

### HIGHLIGHTS

- THE MINIMUM THRESHOLD OF OBTAINING CNIC FOR SUPPLIES MADE BY RETAILERS IS ENHANCED FROM RS. 50,000 TO RS. 100,000.
- EXEMPTION OF SALES TAX ON IMPORT OF DIETIC FOODS INTENDED FOR CONSUMPTION BY CHILDREN SUFFERING FROM INHERENT METABOLIC DISORDER.
- REDUCTION IN SALES TAX FROM 14% TO 12% TO RETAIL SECTOR WHICH ARE INTEGRATED ONLINE WITH FBR THROUGH POINT OF SALE SYSTEM.
- EXEMPTION FROM SALES TAX ON IMPORT AND SUPPLY OF SHIPS AND ALL FLOATING CRAFTS CHARTERED BY A PAKISTAN ENTITY AND FLYING THE PAKISTAN FLAG TILL 2023.
- EXEMPTION GRANTED TO HEALTH RELATED ITEMS AND EQUIPMENT IN WAKE OF COVID-19 THROUGH SRO 237(I)/2020 DATED 20-3-2020 WHICH IS GOING TO EXPIRE ON 19-6-2020 IS BEING EXTENDED FOR ANOTHER THREE MONTHS STARTING FROM THE 20TH JUNE 2020.
- THE AUDIT PROCEEDINGS CAN NOW BE CONDUCTED ELECTRONICALLY.
- THE PROVISION OF SECTION 73 RESTRICTING REGISTERED MANUFACTURERS OR PRODUCERS TO CLAIM INPUT TAX ON TAXABLE SUPPLIES TO UNREGISTERED PERSONS EXCEEDING VALUE OF ONE HUNDRED MILLION RUPEES IN A FINANCIAL YEAR AND TEN MILLION RUPEES IN A MONTH HAS NOW BEEN EXTENDED TO ALL REGISTERED PERSONS.
- REGISTERED PERSON WHO HAVE NOT FILED QUARTERLY WITHHOLDING TAX STATEMENTS WILL BE EXCLUDED FROM THE DEFINITION OF 'ACTIVE TAXPAYER'.
- SALES TAX WILL NOW BE CHARGEABLE ON DIFFERENCE BETWEEN SALE AND PURCHASE PRICE OF USED CARS UNDER VALUE OF SUPPLY.
- THE BOARD IS NOW EMPOWERED TO RESTRICT WASTAGE OF MATERIALS ON WHICH INPUT TAX HAS BEEN CLAIMED.
- APPEAL FILING FEE IS ENHANCED RANGING FROM RS.2,500 TO RS.5,000, ACCORDING TO STATUS OF APPELLANT.



- ALTERNATIVE DISPUTE RESOLUTION PROCESS IS REVAMPED, NOW THE TAXPAYER IS ALLOWED TO WITHDRAW HIS CASE FROM ANY COURT OF LAW OR ANY APPELLATE AUTHORITY AFTER DECISION OF ADRC. FURTHERMORE, THE DECISION OF ADRC, ONCE IT IS CONVEYED BY THE TAXPAYER TO THE TAX AUTHORITIES, IS BINDING UPON THE TAX AUTHORITIES.
- 3% VALUE ADDITION TAX WILL NOT APPLY ON RAW MATERIALS AND INTERMEDIARY GOODS IMPORTED BY A MANUFACTURER FOR IN-HOUSE CONSUMPTION.
- SALES TAX WITHHOLDING FOR REGISTERED PERSON NOT APPEARING IN ACTIVE TAXPAYER LIST IS INCREASED FROM 1/5TH OF SALES TAX TO 5% OF THE GROSS VALUE OF SUPPLIES.
- BOARD IS NOW EMPOWERED TO ACCESS REAL-TIME INFORMATION AND DATABASES FROM BY VARIOUS AUTHORITIES SUCH AS NADRA, FIA, UTILITIES COMPANIES, PROVINCIAL EXCISE & TAXATION DEPARTMENTS ETC.

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## FEDERAL EXCISE ACT, 2005

### HIGHLIGHTS

- RATE OF FEDERAL EXCISE DUTY (“FED”) ON CIGARS, CHEROOTS, CIGARILLOS AND CIGARETTES HAS BEEN INCREASED FROM 65% TO 100% OF THE RETAIL PRICE.
- RATE OF FED ON FILTER RODS HAS BEEN INCREASED FROM RS. 0.75 TO RS. 1 PER FILTER ROD.
- FED ON E-LIQUIDS OF ELECTRIC CIGARETTES HAS BEEN LEVIED AT RS. 10 PER ML WHILE THE FED ON CAFFEINATED ENERGY DRINKS HAS BEEN LEVIED AT THE RATE OF 25%.
- FOR LOCALLY MANUFACTURED DOUBLE CABIN (4X4) PICK-UP VEHICLES THE RATE OF FED HAS BEEN LEVIED AT THE RATE OF 7.5% AND IN CASE OF IMPORTED DOUBLE CABIN (4X4) PICK-UP VEHICLES THE SAME HAS BEEN LEVIED AT THE RATE OF 10%.
- FED ON CEMENT HAS BEEN DECREASED FROM RS. 2 PER KG TO RS. 1.75 PER KG DUE TO REDUCED PRODUCTION OF CEMENT AS A RESULT OF THE EFFECT OF COVID-19.
- BOARD GIVEN REAL TIME ACCESS TO INFORMATION AND DATA BASES BY MULTIPLE AUTHORITIES SUCH AS NADRA, FIA, PROVINCIAL EXCISE AND TAXATION DEPARTMENTS ETC.
- INCREASE IN APPEALS FEE FROM RS. 1,000 TO RS. 2,500 FOR NON-COMPANY CASES AND RS. 5,000 FOR COMPANY FOR APPEAL TO COMMISSIONER (APPEAL).
- STREAMLINE THE PROVISIONS OF ALTERNATIVE DISPUTE RESOLUTION AND ATTEMPTS TO BIND TAX AUTHORITIES TO ABIDE BY THE DECISION OF HIGH COURT OR APPELLATE TRIBUNAL ON QUESTION OF LAW IN RESPECT OF SIMILAR CASES PENDING BEFORE THEM.
- PARAMETERS FOR SELECTION OF AUDIT TO BE KEPT CONFIDENTIAL BY THE BOARD.
- THE PROVISION REGARDING THE FREQUENCY OF CONDUCTING AN AUDIT ONLY ONCE IN A THREE YEARS AS INSERTED VIDE FINANCE ACT, 2018, IS PROPOSED TO BE OMITTED.

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## CUSTOMS ACT

### HIGHLIGHTS

- REDUCTION IN REGULATORY DUTY FROM 12.5% AND 17.5% TO 6% AND 11%, RESPECTIVELY ON HOT ROLLED COILS (HRC) OF IRON AND STEEL FALLING UNDER PCT CODES 7208 AND 7225& 7226, RESPECTIVELY.
- ZERO-RATING OF DIETETIC FOODS FOR MEDICINAL PURPOSES.
- APPELLATE TRIBUNAL SHALL BE REQUIRED TO PASS ORDER WITHIN A PERIOD OF 30 DAYS IN CASE OF SMUGGLING.
- SCOPE AND PROCEDURE FOR OBTAINING “ADVANCE RULING” AND ITS REVISION DEFINED.
- EXEMPTION OF ALL DUTIES & TAXES ON IMPORT OF DIAGNOSTIC KITS FOR CANCER AND CORONA VIRUS
- EXEMPTION FROM CUSTOMS DUTIES ON IMPORT OF 61 COVID19 RELATED ITEMS, WHICH WAS DUE TO EXPIRE ON 20TH JUNE HAS BEEN EXTENDED
- EXEMPTION OF CUSTOM DUTIES ON IMPORT OF RAW MATERIAL BY BEVERAGE CAN MANUFACTURERS.
- REDUCTION IN CUSTOM DUTY AND EXEMPTION FROM ADDITIONAL CUSTOM DUTY ON IMPORT OF RAW MATERIAL BY FOOD PACKAGING INDUSTRY
- ZERO-RATING OF MACHINERY, EQUIPMENT & OTHER GOODS, IMPORTED BY INTERNET SERVICE PROVIDERS.
- SCOPE OF CONCESSIONS AVAILABLE TO SPECIAL ECONOMIC ZONES ENHANCED.
- EXTENSION UP TO 2023, IN EXEMPTION OF CUSTOMS DUTIES ON IMPORTS FOR SETTING UP NEW INDUSTRIES IN ERSTWHILE FATA AREA.

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