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Federal and Provincial Finance Acts, 2017

July 25, 2017

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A. F. FERGUSON & CO.

FEDERAL AND PROVINCIAL FINANCE ACTS, 2017

PREFACE

This booklet contains notes and comments on the amendments made in the fiscal laws through Finance Acts passed by Federal Government and Provincial Governments of Sindh, Punjab and KPK as they stand on July 1, 2017. Balochistan Finance Act, 2017 is not covered by this booklet due to its non-availability. Further, this booklet also contains comments on various SROs issued under the Federal and Provincial fiscal laws.

Through various Memorandums released by our Firm during May / June 2017 on Federal and Provincial Finance Bills, 2017, we presented general comments, suggestions and effects of the various proposals made in the Finance Bills laid before the respective assemblies for their approval.

Notes and comments in this booklet provide our views on certain matters which have generally been made with positive connotation, however, readers are requested to seek specific opinions and views on contentious issues especially for the reason that executive field officers and at times even the appellate forums apply and interpret the laws differently.

We consider that readers will find the booklet useful which contains our comments on amended provisions in sequential order and not in preference of importance. We thank the staff which has helped us in preparing this booklet. The text of this booklet can also be accessed on our website www.pwc.com.pk

Partners
A.F. Ferguson & Co.
Karachi / Lahore / Islamabad

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INCOME TAX

LIAISON OFFICE – DEFINITION **[Section 2(30C)]**

The activities of a non-resident through a 'Liaison Office' do not generally trigger income tax implications in Pakistan as a Liaison Office is excluded from the definition of 'Permanent Establishment', except where the activities of a Liaison Office include negotiation of contracts. The term 'Liaison Office' was, however, not defined in the Income Tax Ordinance, 2001 ('the Ordinance') which term has now been defined as under:

"liaison office" means a place of business acting for the principal, head office or any entity of which it is a part, and

- (a) its activities do not result in deriving income in Pakistan; and*
- (b) maintains itself out of any amount remitted from outside Pakistan received through normal banking channels.*

Explanation,- *It is clarified that-*

- (i) a place of business shall **not** be treated as liaison office if it engages in -*
 - (a) commercial activities;*
 - (b) trading or industrial activities; or*
 - (c) the negotiation and conclusion of contracts;*
- (ii) the activities shall be treated to be commercial activities, if these include –*
 - (a) providing after sales services for goods or services; or*
 - (b) marketing or promoting pharmaceutical and medical products or services;*
- (iii) Subject to clause (i), a place of business shall be treated as a liaison office, if it undertakes activities of:*
 - (a) an exploratory or preparatory nature, to investigate the possibilities of trading with, or in, Pakistan;*

- (b) *exploring the possibility of joint collaboration and export promotion;*
- (c) *promoting products where such products are yet to be supplied to, or sold in, Pakistan;*
- (d) *promoting technical and financial collaborations between its principal and taxpayers in Pakistan; or*
- (e) *provision of technical advice and assistance.*

Non-residents of those countries with whom Pakistan has entered into Double Tax Treaties will remain covered by the respective provisions of such treaties, which generally exclude fixed place of businesses solely for the purpose of carrying on any other activity of a preparatory or auxiliary character (as described in detail through OECD and UN commentaries).

ONLINE MARKET PLACE

[Section 2(38B), section 233, Clause (28C) contained in Part II of the Second Schedule, Division IX of Part I of First Schedule]

The concept of “online market place” has been introduced to provide certain tax concessions. The term “online market place” has been defined as under:

“Online Marketplace” means an information technology platform run by e-commerce entity over an electronic network that acts as a facilitator in transactions that occur between a buyer and a seller”

The entities qualifying to be online market place will be subject to reduced rate of tax withholding / collection @ 5% on their commission income (as against the general tax rate of 12%). The tax withholding / collection will be final tax for such entities.

The rate of turnover tax under section 113 for such entities has also been reduced from 1.25% to 0.5%. However, the implications for turnover tax will be relevant for commission income earned from those principals who are not prescribed withholding agents under section 233 of the Ordinance or in those cases where the relationship of principal-agent does not exist and the income derived by the above entities is in the nature of ‘services revenue’ on behalf of such principals who are not withholding agents.

CONCEPT OF 'STARTUP BUSINESS' & RELATED INCENTIVES
[Section 2(62A), Clause (143) of Part I of
Second Schedule and Clauses (11A) & (43F) of
Part IV of Second Schedule]

A new concept of 'Startup Business' has been introduced for:

- A business of a resident individual, Association of Persons (AOP) or Company, having annual turnover of less than Rs. 100 million in each of the last five tax years, which is engaged in or intends to offer 'technology driven products or services certified by Pakistan Software Export Board (PSEB)'. Existing undertakings engaged in similar businesses that commenced on or after July 1, 2012 are also entitled to this exemption; and
- Such business of a person or class of persons, as the Federal Government may (by notification in the official Gazette) specify, subject to such conditions as it may deem appropriate.

The profits of start-up businesses have been exempted from tax, including minimum tax, for a period of three tax years. Withholding tax will also not apply on payments received by such businesses.

Such entities will be exempt from tax in the tax year in which the entity is certified by PSEB and subsequent two tax years.

The nature of technology driven products and rendering of such services has not been specifically defined hence may result in varying interpretations from practical perspective.

EXTENSION OF SUPER TAX FOR REHABILITATION
OF TEMPORARILY DISPLACED PERSONS
FOR ANOTHER YEAR
[Section 4B]

Super tax for rehabilitation of temporarily displaced persons as introduced in tax year 2015 as 'one time levy' for banking companies at 4% and other persons having income above Rs 500 Million at 3%, was extended in 2016. This has been further extended for tax year 2017.

TAX ON UNDISTRIBUTED PROFITS

[Section 5A]

The tax on undistributed reserves has been substituted by a new concept of tax on undistributed profits for the year, of every 'public company' (other than scheduled bank and modaraba). For the purpose of this levy, the term 'public company' has to be construed as defined in the Ordinance.

The salient features of this new regime are as under:

- (i) Tax at the rate of 7.5% shall be payable on accounting profits (before tax) if at least 40% of after-tax profits are not distributed as dividend within six months of the end of the tax year. For tax year 2017, such distribution may be made at any time before the due date of filing of return of income for tax year 2017.
- (ii) Distribution will include cash distribution as well as issuance of bonus shares.

In the earlier regime, such tax was payable where the company did not distribute 40% of after-tax profits or 50% of paid up capital, whichever was less. Now, the applicability is solely based on profit for the year if distribution during the year is less than the prescribed limit.

The new regime shall remain inapplicable on Power Companies and State owned companies.

The applicability of new regime requires re-consideration and clarification in respect of or due to the following:

- (i) Entities having closed their accounts before June 30, 2017 (e.g., those following calendar year as their year-end) and already made the required distribution as per pre-amended position of section 5A and as per statutory requirements of Company Law.
- (ii) Whether tax will be applicable on entire profits for the year if the distribution falls short of prescribed limit (e.g., if distribution is made of 30% of profit, whether tax will be applicable on 70% of profit or 10% profit falling short of required 40%).
- (iii) Entails multiple taxation of income for the year.
- (iv) Encouraging non-corporate sector (e.g. once a partnership firm has paid tax on its profits, tax is not required to be paid again on distribution of profits to partners) and discouraging enlistment of private companies.

TAX ON RETURN ON INVESTMENTS IN SUKUK **[Sections 5AA & 150A]**

Tax on return on investment in Sukuk is subject to tax withholding and final taxation at following rates, when such return is received from a Special Purpose Vehicle (SPV) issuing the Sukuk:

- 25% in case the sukuk-holder is a company;
- 12.5% in case the sukuk-holder is an individual or an AOP and the return on investment is Rs. 1 million or more; and
- 10% in case the sukuk-holder is an individual and an AOP and the return on investment is less than Rs. 1 million.

Since under the “Issue of Sukuk Regulations, 2015”, Sukuk can also be issued by a company directly (without involving SPV), the Finance Act 2017 has extended the benefit of above taxation regime to return on investment in Sukuk directly issued by the (issuer) company.

ABOLITION OF FIXED TAX REGIME FOR BUILDERS AND DEVELOPERS **[Sections 7C, 7D & 8]**

Fixed tax regime for builders and developers was introduced through Finance Act 2016. Under this regime, the tax incidence was based on the area constructed / developed instead of net income from such project. This regime has been restricted to projects undertaken for construction and sale of residential and commercial plots / buildings initiated and approved-

- (a) during tax year 2017 only;
- (b) for which payment under Rule 13S has been made by the developer during tax year 2017; and
- (c) The Chief Commissioner has issued online schedule of advance tax installments to be paid by the developer in accordance with Rule 13U or 13ZB, as the case may be.

CONCESSIONAL LOANS TO EMPLOYEES **[Section 13(7)]**

Where the employer provides interest free / concessional loans to their employees, a deemed interest at prescribed rate is added to employee’s taxable income.

Prior to the Finance Act, 2017, loans below Rs. 500,000 were not subject to such incidence. With effect from July 1, 2017, the said limit has been increased to Rs. 1 million.

SALES PROMOTION EXPENDITURE OF PHARMA COMPANIES
[Section 21(o)]

The expenditure incurred on sales promotion of pharmaceutical companies in excess of 5% of turnover was not considered as admissible expenditure. The aforesaid limit has been enhanced to 10%. This provision has already been challenged by certain taxpayers in High Court where the matter is pending.

ARRANGEMENTS WITH ISLAMIC FINANCIAL INSTITUTIONS
FOR DEPRECIABLE ASSETS
[Section 22(15)]

As a matter of clarificatory amendment, it has been prescribed that where depreciable asset is jointly held by a taxpayer and Islamic Financial Institution as licensed by the State Bank of Pakistan or Securities and Exchange Commission of Pakistan under a Musharika or diminishing Musharika financing arrangement, such asset will be treated to be wholly owned by the taxpayer for the purpose of claiming tax depreciation. This clarification has been introduced in order to dispel the impression that under such arrangements, the assets are not treated to be held by taxpayer for the purpose of tax depreciation.

IMPLEMENTATION PROCESS FOR TAX CONCESSIONS
BY FEDERAL GOVERNMENT
[Section 53]

The process of providing exemption and tax concessions in the Second Schedule is subject to the prescribed procedure. In the present circumstances such process requires the approval of the Federal Government, which as held by the Supreme Court of Pakistan could only be the Prime Minister and his Cabinet.

Now, the process of exemptions and tax concessions can be initiated by the Federal Board of Revenue with the approval of the Minister Incharge subject to approval of Economic Coordination Committee. Consequently any notification issued from July 1, 2016 onwards is validated through this amendment upto June 30, 2018.

Similar amendments have also been made in Customs, Sales Tax and Federal Excise Laws.

TAX CREDIT ON INVESTMENT

[Section 62]

At present, a resident person (other than a company) is entitled to a tax credit under section 62 of the Ordinance in respect of investment in shares and life insurance premium paid during the tax year. Through the Finance Act, 2017, such tax credit has also been made claimable on investment in Sukuk Islamic bonds.

Apart from the above, it has now been prescribed that tax credit availed on investment in life insurance premium shall be deemed to be wrongly claimed (and tax liability for respective tax years will be re-computed) if the insurance policy is surrendered within a period of two years from the date of its acquisition. This change is in line with the provision already available in respect of investment of shares whereunder the tax credit claimed on investment in shares is required to be surrendered by the taxpayer if the shares are not held for at least 24 months from the date of acquisition.

EDUCATION EXPENDITURE

[Section 60D]

The prescribed limit of taxable income for deductible allowance for education expenditure has been enhanced from Rs. 1 Million to Rs. 1.5 Million.

TAX CREDIT ON SALES TO REGISTERED PERSONS

[Section 65A]

In order to provide incentive for sales tax registration, a tax credit at 3% of the tax liability was introduced for manufacturers in case at least 90% of sales by such manufacturer comprise sales to sales tax registered persons. The Finance Minister in his Speech stated that no concrete result has been achieved on this account; accordingly, the tax credit has been abolished.

In our opinion, the scheme provided incentive for documentation and hence, should have been continued with adequate safeguards for its misuse.

**EXTENSION OF TIME PERIOD FOR
TAX CREDIT ON ENLISTMENT OF COMPANIES
[Section 65C]**

Prior to the Finance Act, 2017, tax credit for enlistment was available for two tax years @ 20% of tax payable. Through the Finance Act, 2017, the said tax credit has now been made available for four tax years in the following manner:-

- (i) For first two years (including the year of enlistment) @ 20% of tax payable; and
- (ii) For following two years @ 10% of tax payable.

**DIVIDENDS FROM NON-RESIDENT COMPANIES
[Section 94(3)]**

Dividend received from non-resident companies are to be taxed in a manner similar to the dividends received from resident companies. Nevertheless, the provisions of sub-section (3) of section 94 were prone to misinterpretation resulting in taxation of the dividend income from non-resident companies at the rate higher than the maximum rate of tax on dividend income as per section 5. The said provision has been omitted to avoid any possibility of misapplication of law

**NON-PROFIT ORGANIZATIONS (NPOs)
[Section 100C]**

Prior to the Finance Act, 2017, NPOs (including Universities and educational institutions run by NPOs) and certain trusts and welfare institutions were allowed 100% tax credit subject to fulfilment of the following conditions:

- (a) return has been filed;
- (b) tax required to be deducted or collected has been deducted or collected and paid; and
- (c) withholding tax statements for the immediately preceding tax year have been filed.

Through the Finance Act, 2017, a fourth condition (d) has been added to the above whereby it is provided that the 'administrative and management expenses' does not exceed 15% of the total receipts. However, such restriction shall not apply to NPO, if:

- (i) charitable and welfare activities of NPO have commenced for the first time within last three years; and
- (ii) total receipts of NPO during the tax year are less than Rs. 100 million.

As the term 'administrative and management expenses' has not been defined, there will be practical issues arising out of varied interpretations by the taxpayer and department. Even otherwise, dis-entitlement of 100% tax credit for the mere reason that the above expenses exceed prescribed limit seems to be harsh. Instead of disallowing 100% tax credit, the excess expenditure could have been subjected to tax in the hands of NPO.

Furthermore, tax on unspent funds (termed as 'Surplus funds') of NPO at the rate of 10% has been introduced through Finance Act, 2017. For that purpose, the term 'Surplus funds' has been defined as under:

"Surplus funds mean funds or monies:

- (i) not spent on charitable and welfare activities during the tax year;*
- (ii) received during the tax year as donations, voluntary contributions, subscriptions and other incomes;*
- (iii) which are more than 25% of the total receipts of the NPO received during the tax year; and*
- (iv) are not part of the restricted funds."*

Explanation: For the purposes of this sub-section, "restricted funds" means any fund received by the organization but could not be spent and treated as revenue during the year due to any obligation placed by the donor."

Under Rule 213, at present, the surplus funds in excess of 25% of total income (if not invested in specified investments) results in withdrawal of approval as NPO. It appears that Rule 213 will also be amended in line with the amendments made in section 100C.

The above amendment to tax surplus funds of NPO is not appropriate as under the strict taxation principles, donations and voluntary contributions cannot be considered as 'income' even if they remain unspent. In India, definition of the term 'income' was specifically amended to include voluntary contributions, which has not been done while amending section 100C. Needless to say, any money not spent by NPO during the year will ultimately be spent for religious or charitable purposes in subsequent years; hence, taxing such voluntary contributions and donations is not an appropriate step on that point as well.

ENHANCEMENT OF MINIMUM TAX RATE
[Section 113 read with Division IX of Part I of First Schedule]

Section 113 of the Ordinance requires every resident company; individual (having turnover of Rs. 10 million or more) and an Association of Persons (having turnover of Rs. 10 million or more), to pay minimum tax at the prescribed rate where the actual tax payable by the resident company / individual or AOP (as the case may be) is less than the minimum tax payable at the prescribed rate. The tax so paid in excess of normal tax liability can be carried forward (for upto five tax years) for adjustment against tax liability of a subsequent tax year.

Prior to the Finance Act, 2017, the general rate of minimum tax was 1% which has been enhanced to 1.25% through the Finance Act, 2017.

TIME FOR REVISION OF WEALTH STATEMENT
[Section 116(3)]

Wealth statement could be revised on discovering a wrong statement or omission any time before the issuance of an assessment order. After the amendment made through Finance Act, 2017, such revision cannot be made after the receipt of notice under section 122 (9) of the Ordinance for the tax year to which such wealth statement relates.

EXTENSION IN FILING OF RETURN
[Section 119]

Section 119 of the Ordinance empowers the concerned Commissioner Inland Revenue to grant, on application filed by an applicant, extension in filing of a return or statement if the Commissioner is satisfied that the applicant is unable to file the return or statement because of absence from Pakistan, sickness or other misadventure; or any other reasonable cause. Such extension may be allowed by the Commissioner for a period of upto 15 days from the due date for furnishing the return or statement unless there are exceptional circumstances justifying a longer extension of time.

By way of an amendment made through the Finance Act, the Chief Commissioner Inland Revenue has now specifically been empowered to grant extension for a further period of 15 days unless there are exceptional circumstances justifying a longer extension in time for filing the return / statement.

PROVISIONAL ASSESSMENT ABOLISHED
[Sections 121 & 122C]

The concept of provisional assessment, which was introduced in 2010, has been deleted and such powers have now been included in the provisions relating to Best Judgment Assessment under section 121 of the Ordinance.

Accordingly, if the taxpayer fails to file a return, the Officer still has the power to frame a best judgement assessment under section 121 of the Ordinance.

APPOINTMENT OF JUDICIAL MEMBER
[Section 130]

The provision enabling the appointment of a law graduate Inland Revenue Officer in BS-20 or above as a Judicial Member of the Appellate Tribunal, introduced through Finance Act, 2013, has been deleted. The withdrawal of this amendment was a demand of professional and legal fraternity.

ADVANCE TAX
[Section 147]

Advance tax under section 147 is not applicable on individuals whose latest assessed taxable income (excluding Salary income and income subject to Final Tax Regime) is less than Rs 500,000. The said limit is now enhanced to Rs 1 Million.

TAX COLLECTED ON IMPORTED FERTILIZER MADE FINAL
[Section 148(7)]

Tax collected at import stage on Fertilizers imported by the manufacturer of fertilizer is now subject to the final tax regime w.e.f. July 1, 2017.

EXEMPTION CERTIFICATE FACILITY
EXTENDED TO CERTAIN NON-RESIDENTS
[Section 152 and clause (41) contained in Part IV of Second Schedule]

The permanent establishments of a non-resident person engaged in the following activities will now also be entitled to exemption certificate, if they do not opt for final tax regime:

- (i) contract or sub-contract under construction, assembly or installation project in Pakistan;
- (ii) contract for construction or services rendered relating thereto;
- (iii) contract for advertisement services by T.V Satellite channels.

Previously, such facility of exemption was only available to permanent establishments of non-resident persons who were engaged in supply of goods, rendering of services and execution of contracts. Previously, under clause (41) of Part IV of the Second Schedule, the option to be taxed on final tax regime was required to be filed by the non-residents within 3 months of commencement of the tax year, which was irrevocable for a period of 3 years. Whilst no amendment has been made in said clause (41), an amendment has been made in the section 152 itself allowing the non-residents to opt for final tax regime apparently without any time limitation.

SPECIAL WITHHOLDING MECHANISM FOR SERVICE RECEIPTS ***[Section 153]***

In the media, travel and other service industries, there is a prevalent practice (as also prescribed in the FBR's Circulars) that the payment to the service provider and agents is split according to certain basis and the withholding obligations rest with the payer on payment to the service provider and the agent respectively.

In certain cases, the service providers were required by the Tax Department to ensure compliance to withholding provisions on agent's service fees. Furthermore, in some cases, even disallowances on that account were made under section 21(c) of the Ordinance.

The Supreme Court of Pakistan in a recent judgement reaffirmed that the withholding obligations arise only when there is 'actual payment' by a person. In the aforesaid arrangement, there is no actual payment by the service provider to the agents or third persons who were rather retaining their service charges from the payments received for the principals.

Through an amendment in section 153, the agent or a third person shall be treated to have been paid service charges or fee by the service provider and that the service provider is required to collect withholding tax on agent's service charges along with their service receipts. In our view, this provision will, however, only apply where the principal is otherwise covered by the definition of 'prescribed person' for the purposes of section 153.

REVISION OF WITHHOLDING STATEMENTS ALLOWED ***[Section 165]***

Withholding tax statements are now allowed to be revised within sixty days of filing, on discovery of any omission or wrong statement therein.

COMMON REPORTING STANDARDS

[Sections 165B and 182]

Under section 165B, financial institutions are required to make arrangements to provide to FBR the information relating to non-resident persons for the purpose of automatic exchange of information under bilateral agreement or multilateral convention. Under this provision, Common Reporting Standards (CRS) have been introduced in Chapter XIA of the Rules, through SRO 166 (I)/2017 dated March 15, 2017. Since CRS requires reporting of 'other reportable persons' in addition to non-resident persons, corresponding amendment has been made in section 165B, which prior to amendment referred to reporting of non-resident persons.

Following penalty has also been prescribed for non-compliance with the provisions relating to Exchange of Information and Common Reporting Standards:

| <u>Description of offence</u> | <u>Prescribed Penalty</u> |
|--|--|
| Any reporting financial institution or reporting entity who fails to furnish information or country-by-country report to the Board as required under section 107, 108 or 165B within the due date. | Such reporting financial institution or reporting entity shall pay a penalty of two thousand rupees for each day of default subject to a minimum penalty of Rs. 25,000 |

PENALTY PRESCRIBED FOR TRANSFER PRICING

[Section 182]

Through Finance Act, 2016, requirement for maintaining certain prescribed transfer pricing related documentation including country-by-country report was introduced. By way of an amendment made through the Finance Act, 2017, penalty @ 1% of the value of transactions can be imposed in case of failure to maintain the transfer pricing documentation. Further, in case of failure to furnish the documentation as required by the Commissioner under section 108, a penalty of Rs 25,000 for the first default and Rs 50,000 for each subsequent default can be imposed.

The transfer pricing related documentation has been proposed through amendments in Income Tax Rules vide SRO 421(I)/2017 dated June 5, 2017 which has been circulated for seeking comments and not yet finalised. As per the said SRO, separate Rules are expected to be finalised with regard to Country-by-Country reporting and transfer pricing related documentation (such as Master file, Local file, etc.).

**DEFAULT SURCHARGE ON ADVANCE TAX ON
TAXPAYERS HAVING SPECIAL TAX YEAR
[Section 205]**

The calculation of default surcharge on delayed payment of advance tax in the case of companies having special tax year has been aligned with that of a company following a normal tax year (i.e., from the first day of the fourth quarter of the respective tax year).

**ADVANCE RULING
[Section 206A]**

The facility available to non-resident taxpayers having permanent establishment seeking advance ruling from the Board has been reinstated.

**ADMINISTRATIVE EMPHASIS ON BROADENING OF
TAX BASE AND TRANSFER PRICING
[Sections 230D & 230E]**

As a matter of administrative reform and to bring Pakistan's present system in line with international best practices, two new directorates for broadening of tax base and transfer pricing have been established. This is a positive step for improving tax culture in the country. Under the present system, the matters relating to broadening of tax base and transfer pricing are undertaken by the regular field force. This has resulted in lack of emphasis on these two sensitive tax matters which are essential for the development of effective tax culture in the country.

The Directorate of transfer pricing will be empowered to conduct independent transfer pricing audits. This will be in addition to the regular tax audits undertaken by the field forces.

**ADVANCE TAX ON LEASED PRIVATE MOTOR VEHICLES
[Section 231B]**

The rate of advance tax collection from a non-filer on lease of motor vehicles either through ijarah or otherwise by certain financial institutions has been enhanced from 3% to 4% of the value of motor vehicle. Further, it has been specifically provided that such withholding provisions are applicable on specific financial institutions, whether Shariah compliant or otherwise.

**TAX WITHHOLDING ON PAYMENT OF COMMISSION
TO ADVERTISING AGENT
[Section 233(2A)]**

In addition to the amendment made in Section 153 with respect to payment for services, identical amendment (which was necessary) has also been made in Section 233 of the Ordinance relating to withholding on 'commission'.

By way of insertion in section 233, it has now been provided that in case of payment of commission to an advertising agent (whether directly or through electronic or print media), the principal shall deduct tax (in addition to tax required to be deducted under section 153(1)(b) on advertising services excluding commission), at the prescribed rate on the amount equal to:

$$A \times 15 / 85$$

Where A is the amount paid or to be paid to electronic or print media for advertising services (excluding commission) on which tax is deductible under section 153(1)(b).

The tax deduction so suffered will be the final tax in respect of the income of the advertising agent.

It appears that the above formula of tax withholding will universally apply, irrespective of actual amount of commission. This is in line with the bifurcation made as prescribed in the Board's circulars on this subject. However, this matter now requires reconsideration as the tax withholding suffered on the above basis is now the final tax liability.

**TAX COLLECTED FROM STOCK EXCHANGE MEMBERS
[Section 233A]**

Under section 233A of the Ordinance, the Stock Exchange collects advance tax from its members on purchase / sale of shares in lieu of tax on the commission earned by such members.

Prior to the Finance Act, 2017, the tax so collected from such members was adjustable. By way of amendment through the Finance Act, 2017, the tax so collected from such members has been made final tax in respect of commission income of such members of the Stock Exchange.

CNG STATIONS

[Section 234A read with Division VIB of Part III of First Schedule]

Tax liability of CNG stations shall now be the aggregate amount of tax collected on electricity and gas bills. If there is any other tax collection or deduction on account of CNG stations then the said amount will now be refundable to them. Prior to this change, tax paid or tax deduction suffered under any other head was also non-refundable.

Apart from this, another change made through the Finance Act, 2017 is that increased rate of advance tax @ 6% of the gas consumption charges has been prescribed for non-filers (as against the standard rate of 4% applicable to filers). Prior to this change, the same rate of 4% was applicable to both filers and non-filers.

MINIMUM TAX ON IMMOVABLE PROPERTY ACQUIRED AND SOLD IN SAME TAX YEAR

[Sections 236C, 236K & 236W]

The tax collected by registering authority on transfer of immovable property at applicable rates shall be the 'minimum tax' on income of the seller if it is acquired and disposed of in the same tax year. The amendment is aimed at reducing frequent transfers where seller is not subject to capital gains in view of prescribed FBR values being lower than market values and the buyer whitens the money spent to acquire the immovable property.

TAX COLLECTION BY PAKISTAN TOBACCO BOARD

[Section 236X]

Pakistan Tobacco Board as well as its contractors are now required to collect advance tax at the rate of 5% of the purchase value of tobacco from persons purchasing tobacco including manufacturers of cigarettes. The tax so collected shall be adjustable against the income of the purchasers. This measure has been introduced to curtail the manufacture of illicit and non-duty paid cigarettes.

CAPITAL GAINS TAX ON DISPOSAL OF LISTED SECURITIES

[Division VII of Part I of the First Schedule]

Through the Finance Act, 2017, tax rates of 15% (filer) and 20% (non-filer) have been introduced for tax year 2018 on capital gains arising from disposal of securities purchased on or after July 1, 2016. Capital gains on disposal of securities which were purchased prior to July 1, 2016 (but after June 30, 2013) will remain subject to tax rates as were applicable for tax year 2017. Capital gains on securities acquired prior to July 1, 2013 will remain zero-rated.

Through another change, the rate of capital gains tax on cash settled derivatives traded on the stock exchange has been reduced to 5% for the tax years 2018 through 2020, to promote the secondary market.

The Capital Gains Tax rates applicable to tax years 2017 and 2018 are as under:

| S. No. | Holding Period | Tax Year 2018 | | | | | |
|--------|----------------|---------------|-----------|---|-----------|--|-----------|
| | | Tax Year 2017 | | Securities acquired prior to July 1, 2016 | | Securities acquired on or after July 1, 2016 | |
| | | Filer | Non-Filer | Filer | Non-Filer | Filer | Non-Filer |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |

| | | | | | | | |
|----|--|-------|-----|-------|-----|-----|-----|
| 1. | Less than 12 months | 15% | 18% | 15% | 18% | | |
| 2. | 12 months or more but less than 24 months | 12.5% | 16% | 12.5% | 16% | 15% | 20% |
| 3. | 24 months or more but the security was acquired on or after July 1, 2013 | 7.5% | 11% | 7.5% | 11% | | |
| 4. | Where the security was acquired prior to July 1, 2013 | 0% | 0% | 0% | 0% | 0% | 0% |
| 5. | Future commodity contracts entered into by members of Pakistan Mercantile Exchange | 5% | 5% | 5% | 5% | 5% | 5% |

TAX RATE ON DIVIDEND RECEIVED FROM A MUTUAL FUND **[Division I of Part III of the First Schedule]**

Through Finance Act 2017, the rate of tax on dividend income received from a mutual fund increased from 10% to 12.5%, if the amount of dividend exceeds Rs. 2.5 million.

It is expected that clarification will be issued by the Federal Board of Revenue that the tax rate of 12.5% will apply if individual dividend receipts exceed Rs. 2.5 million in a single transaction and not if the aggregate of all dividend receipts during the tax year exceed Rs. 2.5 million.

Through another amendment, it is prescribed that tax withholding on dividend received by a person (other than a company) from a money market mutual fund shall be 10% if the amount of dividend does not exceed Rs. 2.5 million. It transpires that similar provision needs to be inserted in the tax withholding provisions relating to dividend received from a stock fund, income fund, REIT scheme or any other fund (where such dividend does not exceed Rs. 2.5 million) to align with final taxability under section 5 at 10%.

PROFIT ON DEBT
[Division IIIA of Part I of the First Schedule]

The rate of tax on 'profit on debt' earned by **non-corporate taxpayers** has been revised as under:

| Profit on Debt | Rate of tax |
|---|-------------|
| Where profit on debt does not exceed Rs.5 Million | 10% |
| Where profit on debt exceeds Rs.5 Million but does not exceed Rs.25 Million | 12.5% |
| Where profit on debt exceeds Rs.25 Million | 15% |

WITHHOLDING TAX ON CERTAIN PAYMENTS MADE TO NON-RESIDENTS
[Division II of Part III of the First Schedule]

The rate of withholding tax on payments to the following non-residents **being non-filers** has been enhanced from 12% to 13%:

- a contract or sub-contract under a construction, assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such projects.
- any other contract for construction or services rendered, other than a contract for 'technical services'.
- a contract for advertisement services rendered by T.V., Satellite Channels.

The tax rates on payments made to the permanent establishment of non-resident in Pakistan in case of **non-filers** have been increased as under:

| Rate of Tax | Supply of goods | | Rendering of services | |
|-------------|-----------------|--------|-----------------------|--------|
| | Company | Others | Company | Others |
| Old | 6% | 6.5% | 12% | 15% |
| Revised | 7% | 7.75% | 14% | 17.5% |

**WITHHOLDING TAX ON PAYMENTS TO RESIDENTS
FOR GOODS, SERVICES AND CONTRACTS
[Division III of Part III of the First Schedule]**

In case of payments made to resident **non-filers**, the rate of tax deduction has been increased as under:

| Description | Rate of tax | |
|-------------------------------|-------------|---------|
| | Old | Revised |
| Supply of goods: | | |
| - Company | 6% | 7% |
| - Others | 6.5% | 7.75% |
| Rendering of services: | | |
| - Company | 12% | 14.5% |
| - Others | 15% | 17.5% |
| Execution of contract: | | |
| - Company | 10% | 12% |
| - Others | 10% | 12.5% |

In the case of supplies made by the distributors of Fast Moving Consumer Goods (excluding durable goods), the rate of tax deduction has been reduced as under:

| Rate of Tax | Company | Others |
|-------------|---------|--------|
| Old | 3% | 3.5% |
| Revised | 2% | 2.5% |

**WITHHOLDING TAX ON PROPERTY INCOME
[Division V of Part III of the First Schedule]**

The applicable rate of withholding tax on income from property received by a Company being a **non-filer** has been increased from 15% to 17.5%.

**TAX WITHHOLDING ON PRIZES AND WINNINGS
[Division VI of Part III of the First Schedule]**

The rate of withholding tax on a prize on prize bond or crossword puzzle has been enhanced from 20% to 25% if the recipient is a **non-filer**.

TAX WITHHOLDING ON PETROLEUM PRODUCTS

[Division VIA of Part III of the First Schedule]

The rate of collection on petroleum products has been increased from 15% to 17.5% for a **non-filer**.

ADVANCE TAX ON TELEPHONE AND INTERNET SUBSCRIBERS

[Division V of Part IV of the First Schedule]

The rate of advance tax in case of subscribers of internet, mobile telephone and prepaid internet or telephone cards has been reduced from 14% to 12.5%.

ADVANCE TAX ON PURCHASE, REGISTRATION AND TRANSFER OF MOTOR VEHICLES

[Division VII of Part III of the First Schedule]

In case of **filers**, the rate of advance tax on registration or transfer of motor vehicles has been **reduced** in the following cases:

| Engine capacity | Tax Amount (in Rs.) | |
|--------------------|---------------------|---------|
| | Old | Revised |
| Upto 850 cc | 10,000 | 7,500 |
| 851 cc to 1000 cc | 20,000 | 15,000 |
| 1001 cc to 1300 cc | 30,000 | 25,000 |

ADVANCE TAX AT THE TIME OF SALE BY AUCTION

[Division VIII of Part III of the First Schedule]

Through the Finance Act, 2017, tax @ 15% has been prescribed to be collected from **non-filers** purchasing any property or goods through public auction. Prior to the Finance Act 2017, the applicable rate was 10% for both filers and non-filers.

ADVANCE TAX ON SALES TO RETAILERS

[Section 236H and Division XV of Part III of the First Schedule]

Prior to the Finance Act 2017, every manufacturer, distributor, dealer, wholesaler or commercial importer of specified goods was required to collect advance tax @ 0.5% at the time of sale to retailers (and in the case of distributor or dealer, at the time of sale to wholesaler).

Through the Finance Act 2017, the rate of advance tax to be collected has been increased to 1% for non-filers as well as on sale of electronic items (irrespective whether filer or non-filer).

***ADVANCE TAX ON INSURANCE PREMIUM
[Section 236U and Division XXV of Part III of the First Schedule]***

The lower limit for collection of advance tax by insurance companies on life insurance premium from non-filers has been enhanced from Rs. 0.2 million to Rs. 0.3 million in aggregate.

***FBR'S TAX WITHHOLDING CHART
[First Schedule]***

To apprise the taxpayers of changes made till June 30, 2017 in the tax withholding provisions, the FBR has issued a tax withholding chart which is attached for ease of reference.

***EXEMPTIONS FROM TOTAL INCOME
[Part I of Second Schedule]***

Through the Finance Act 2017, income or classes of income derived by following persons or class of persons have been exempted from income tax:

- Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on December 25, 2015;
- Gulab Devi Chest Hospital;
- Pakistan Poverty Alleviation Fund;
- National Academy of Performing Arts;
- Pakistan Sweet Homes Angels and Fairies Place;
- National Rural Support Programme; and
- Profit on debt received by Japan International Cooperation Agency (JICA) from Islamabad-Burhan transmission Reinforcement Project (Phase I) undertaken in pursuance to the loan agreement for Islamabad-Burhan transmission Reinforcement Project (Phase I).

EXEMPTION FROM SPECIFIC PROVISIONS **[Part IV of Second Schedule]**

1. Import of specified petroleum products **Clause (56)**

The exemption from the advance tax collection under section 148 has been extended to all Oil Marketing Companies licensed by the Oil & Gas Regulatory Authority (OGRA).

2. Hajj Group Operators **Clause (72A)**

Following exemptions / concessions available to Hajj Group Operators operating Hajj Operations are to continue for tax year 2017, provided they discharge their tax liability at Rs. 5,000 per Hajj:

- (i) exemption from Minimum Tax under section 113;
- (ii) exemption from application of section 152; and
- (iii) compliance with payment through banking channel for payments exceeding Rs. 10,000.

3. Import of raw materials **[Clause (72B)]**

Prior to the Finance Act, 2017, taxpayers were allowed to apply for exemption from tax collection on import of raw materials, provided tax liability of current tax year, determined on the basis of tax liability of higher of the two preceding tax years, was paid. That facility was, however, subject to certain requirements which inter alia included a restriction that exempted quantity of raw material should not exceed 110% of the quantity imported / consumed in the last tax year.

Through the Finance Act, 2017, the aforesaid ceiling of 110% has been enhanced to 125%.

4. Minimum Tax on Service Sector Companies **[Clause (94)]**

Service sector companies were subjected to Minimum Tax Regime under section 153 of the Ordinance vide Finance Act, 2015, whereby tax withholding at applicable rate was made Minimum Tax (8%). The said regime was however rationalized for thirteen service sectors for the period July 1, 2015 till June 30, 2017, under Clause (94) of Part IV of Second Schedule to the Ordinance.

The said rationalized scheme has been extended to June 30, 2018, provided taxpayer files an irrevocable undertaking by November, 2017 to present its accounts to the Commissioner for audit of its tax affairs.

In addition to thirteen sectors, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited and 'Building Maintenance Services' provided by other service providers have also been made eligible to avail above-referred rationalised Minimum Tax Regime.

5. Cash Withdrawals from Branchless Banking Agent Account [Clause (101)]

The provisions of advance tax under section 231A have been made inapplicable in respect of cash withdrawal made from a "Branchless Banking (BB) Agent Account" utilized to render branchless banking to customers.

6. Advance tax on motor vehicle registration [Clause (102)]

The provisions of advance tax under section 231B(1A) shall not apply to light commercial vehicles leased under the Prime Minister's Youth Business Loan Scheme.

TAXATION OF BANKING COMPANIES [Seventh Schedule]

Income, profit and gains of a banking company is taken to be the balance of the income, from all sources before tax, as disclosed in the annual accounts required to be furnished to the State Bank of Pakistan, subject to certain specified provisions. One such provision includes exclusion of adjustment made in the annual accounts on application of international accounting standards 39 and 40.

An explanation has been introduced to clarify that such exclusion shall not be construed so as to allow notional loss, or charge to tax any notional gain, on any investment under any regulation or instruction *unless all the events that determine such gain or loss have occurred and the gain or loss can be determined with reasonable accuracy.*

This explanation is in line with the underlying accounting concept of accrual and the provisions of section 34(3) of the Ordinance. Accordingly, this explanation will 'only' be applicable in cases where there are any regulatory provisions which do not comply with the principles of accrual as indicated in the explanation.

COLLECTION OF CAPITAL GAINS TAX BY NCCPL
[Eighth Schedule]

Prior to the Finance Act 2017, NCCPL was required to furnish to the Federal Board of Revenue the statement of capital gains and tax thereon for a quarter within 30 days of the end of that quarter.

Through the Finance Act, 2017, the time limit for filing of the said statement has been extended to 45 days of the end of the quarter.

SALES TAX

SPECIAL REGIME FOR CERTAIN RETAILERS

[Sections 2(43A) and 3(9A) read with SRO 588(I)/2017 dated July 1, 2017]

Prior to Finance Act, 2017, section 3(9) provided Special Tax Regime for retailers whereby sales tax collected through electricity bills was considered as final discharge of their sales tax liability. Through Chapter II of Sales Tax Special Procedure Rules, 2007 (**SPR**), following types of retailers were however required to pay sales tax under conventional VAT mode at 17%:

- (i) a retailer operating as a unit of a national or international chain of stores;
- (ii) a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;
- (iii) a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds rupees six hundred thousand; and
- (iv) 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.

The above scheme implemented through Chapter II of SPR was challenged in Lahore High Court on the ground that it was in conflict with the provisions of section 3(9) of the Act.

Through the Finance Act, 2017, the above scheme has now been laid down in section 3(9A) in line with the decision of Lahore High Court, whilst defining the above categories of retailers as Tier 1 retailers.

This means that such retailers are now required to discharge their sales tax liability on the basis as prescribed from July 1, 2017 onwards.

Retailers making supplies of finished goods of five sectors covered under SRO 1125(I)/2011 will remain liable to pay sales tax at reduced or nil rates as specified in said notification.

The option for Tier 1 retailers to pay tax at flat rate of 2% of turnover (including exempt supplies), without any input tax adjustment, provided in Chapter II of SPR, is also provided in section 3(9A) of the Act.

SALES TAX ON IMPORTED GOODS MEANT FOR CONSUMPTION IN FATA/ PATA ETC. [Section 3(1)]

Under the presently applicable provisions of section 3(1)(b) of the ST Act, goods “imported” into Pakistan are subject to levy of sales tax.

Such provisions, through the Act, have now been amended to include the goods imported, irrespective of their final destinations to such places where ST Act is not applicable.

The said amendment is apparently aimed to neutralize the effect of Peshawar High Court’s judgment whereby it has been held that goods imported for consumption in territories, where ST Act is not applicable (FATA/PATA etc.), are not subject to levy of sales tax.

LEVY OF ‘FURTHER TAX’ ON ZERO-RATED SUPPLIES [Sections 3(1A) & 4 read with SRO 585(I)/2017 dated July 1, 2017]

Prior to Finance Act, 2017, zero-rated supplies under SRO 1125(I)/2011, if made to unregistered persons, were not subject to further tax. Lahore High Court also confirmed this position in a case where Department took a different position.

The effect of such judgment has been attempted to be nullified through introduction of appropriate amendments in sections 3(1A) and 4 of the ST Act. By virtue of amendments, now all zero-rated supplies, whether being export or provided in Fifth Schedule or through Notifications are subject to further tax, if such supplies are made to unregistered persons. However, through notification SRO 585(I)/2017, supplies to unregistered persons of fertilizer products, those made by steel melters, re-rollers, ship breakers and those covered under Fifth Schedule to the Act have been excluded from the ambit of further tax. Furthermore, through amendment in Notification SRO 1125(I)/2011, the levy of further tax on supplies to unregistered persons of finished articles has been provided @ 2% and other supplies @ 1%.

Levy of further tax in relation to ‘export’ needs to be clarified as there does not seem the intention to levy further tax on ‘exports’ as even otherwise, the foreign buyers in such cases are not required to obtain sales tax registration under the Pakistan laws.

OFFENCES AND PENALTIES [Section 33]

Stringent penalties have been introduced for persons involved in illicit manufacture and trade of ‘cigarettes’ and in this respect, a new entry has been inserted in Table to section 33 of the ST Act.

**STAY AGAINST RECOVERY SUBJECT TO
DEPOSIT OF 25% OF TAX DEMAND [Section 48]**

In line with the scheme embodied in Income Tax Ordinance, a *proviso* has been inserted in section 48 of the ST Act to provide that where a demand has been settled to the extent of 25%, no coercive measures could be adopted by department for recovery of remainder until the disposal of appeal against assessment order by the Commissioner Inland Revenue (Appeals).

EXEMPTIONS [SIXTH SCHEDULE]

Import and supply of following items have been exempted from levy of sales tax through insertion of respective entries in the following Tables to the Sixth Schedule to the Act:

Table 1

| Entry No. | Description | HS Code |
|------------------|---|---------------------|
| 100C | Vehicles imported by China Overseas Ports Holding Company Limited (COPHCL) and its operating companies. | Respective headings |
| 134 | Goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization subject to recommendations of the Cabinet Division and concurrence by the Federal Board of Revenue. | 9908 |
| 135 | Sunflower and canola hybrid seeds meant for sowing | Respective headings |
| 136 | Combined harvesters up to five years old | 8433.5100 |

Table 2

| Entry No. | Description | HS Code |
|------------------|---|----------------|
| 22 | Single cylinder agriculture diesel engines (compression-ignition internal combustion piston engines) of 3 to 36 HP. | 8408.9000 |

Table 3

| Entry No. | Description | HS Code |
|------------------|--|--|
| 15B | CKD Kits for single cylinder agriculture diesel engines (compression-ignition internal combustion piston engines) of 3 to 36 HP. | 8408.9000 <i>[Subject to the same conditions and limitation as are applicable for availing concession in customs duty on import of such CKD Kits]</i> |

The scope of exemption, already available in respect of 'import and supply' of following items, have been further elaborated / enhanced in the following manner:

| Entry No. | Description | Entry No. | Description |
|------------------|--|------------------|---|
| 97 | Markers and porous tipped pens have also been specified in addition to pens and ball pens. | 100A | Material and equipment for construction of Gwadar Port etc. have been elaborated to include "plant, machinery, equipment, appliances and accessories" |
| 130 | Exemption previously available in respect of 'Pre-mixes for growth stunting' has been elaborated to include 'Sodium Iron (Na Fe EDTA), and other premixes of vitamins, minerals and micro-nutrients (food grade), subject to conditions imposed for importation under the Customs Act, 1969' | | |

Further, through modification of Entry Nos. 14 and 15 and insertion of Entry Nos. 14A and 15A in Table 3 to the Sixth Schedule, the exemption already available in respect of equipment and accessories relating to renewable energy sources (solar, wind, geothermal) or technologies (LEDs) has been elaborated by specifying the nature and respective tariff headings of such equipment/ accessories.

By way of another amendment, exemption available to 'ingredients for pesticides', 'Cadusafos Technical Material' and 'Tiethanolamine and its salts' under various PCT Headings has been withdrawn.

REDUCED RATE OF SALES TAX [EIGHTH SCHEDULE]

Fertilizer industry

Fertilizer products (other than Urea) were subject to tax under 'retail price regime'. Such products shall be subject to sales tax at following fixed rates per bag:

| Description | Sales tax (Rs per 50 kg Bag) | Description | Sales tax (Rs per 50 kg Bag) |
|--------------------|-------------------------------------|--------------------|-------------------------------------|
| NP(22-20) | 168 | NPK-III | 341 |
| NP(18-18) | 165 | SSP | 31 |
| NPK-I | 251 | CAN | 98 |
| NPK-II | 222 | DAP | 100 |

Since, fertilizer products manufactured from LNG were already subject to reduced rate of 5%, above fixed taxes have been prescribed only in respect of fertilizers, (other than DAP) manufactured from natural gas other than LNG.

Before the Finance Act, 2017 natural gas supplied to fertilizer manufacturer was subject to tax at standard rate of 17% whereas supplies of major fertilizer product, i.e. Urea and those manufactured from LNG were subject to sales tax @ 5%. This disparity caused accumulation of sales tax refunds for fertilizer industry. Therefore, in order to harmonize the input and output tax rates, while the natural gas supplied to fertilizer products is made subject to sales tax at reduced rate of 10%, a reduced rate of 5% has been prescribed in respect of imported LNG used for manufacture of fertilizer products. Similarly, sales tax chargeable on import of 'Phosphoric acid' by fertilizer companies for manufacture of DAP has been reduced to 5%.

Other changes

- (i) Fish feed shall be charged to sales tax at reduced rate of 10%.
- (ii) Specified machinery for poultry sector to be taxed at 7%.
- (iii) Multimedia projectors subjected to tax at 10%.

NINTH SCHEDULE

The rates of sales tax on import or local supply of Low & Medium Priced Cellular Mobile Phones or Satellite Phones as well as sales tax chargeable at the time of registration of IMEI numbers by CMOs have been reduced as under:

| S. No. | Description / Specification of Goods | Sales Tax on import or local supply | | Sales Tax on chargeable at the time of registration of IMEI number by CMOs | |
|--------|--|-------------------------------------|--------------|--|--------------|
| | | Old rate | Revised rate | Old rate | Revised rate |
| 1. | Low Priced Cellular Mobile Phones or Satellite Phones | Rs. 300 | Rs. 650 | Rs. 300 | Rs. 650 |
| 2. | Medium Priced Cellular Mobile Phones or Satellite Phones | Rs. 1,000 | Rs. 650 | Rs. 1,000 | Rs. 650 |

Sales Tax SROs

SRO 583(I)/2017 dated July 1, 2017

(i) Sales tax regime applicable to Steel Melters and Re-rollers & Ship breakers operating under Chapter IX of the Special Procedure Rules.

- The rate of sales tax payable by steel melters, re-rollers and MS rollers and composite units of steel melters & re-rollers in respect of supplies of 'steel billets', 'ingots' and 'mild steel products' has been enhanced from Rs 9 per unit of electricity consumed to Rs 10.5 per unit consumed.
- Similarly, in case of units consuming self-generated electricity or natural gas, rate of sales tax liability has been enhanced in the following manner:

| Sr. No. | Description | Old rate | Revised rate |
|---------|--|---|---|
| | | Rupees | |
| (i) | Units using natural gas. | 2,138 X HM3 Less: Sales Tax paid on Gas bill | 2,494 X HM3 Less: Sales Tax paid on Gas bill |
| (ii) | Units using self-generated electricity | 58,446 X Mill size (in inches) | 68,187 X Mill size (in inches) |

- Under Rule 58H (2A) of the Special Procedure Rules, adjustable sales tax @ Rs 5,600 per metric ton ('MT') is leviable in the case of import of re-meltable iron and steel scrap. Such Rule has now been amended to the effect that such rate stands applicable only in cases of steel melters, re-rollers and MS rollers and composite units of steel melters and re-rollers and other importers who would pay tax @ Rs 8,400 per MT;
- Sales tax on local supplies by Steel-Melters and Re-rollers of products other than those mentioned above has been enhanced from Rs 5,600 per MT to Rs 8,400 per MT.
- Earlier, under Rule 58H(4) of Special Procedure Rules, ship breakers were required to pay sales tax @ Rs 8,000 per MT on import of re-rollable scrap, with the quantity of re-rollable scrap determined at 70.5% of the total LDT of the ship

imported for breaking purposes. Such Rule has now been amended to enhance the rate to Rs 8,500 per MT with quantity determinable in terms of total LDT of the imported ship as follows:

- 80% for oil tankers and gas carriers; and
 - 72.5% for other vessels.
- The amount of sales tax to be mentioned on the invoice in respect of local supplies by 're-rollers' now stands modified as under:

| Sr. No. | Description | Old rate | Revised rate |
|---------|---|---------------|--------------|
| | | Rupees per MT | |
| (i) | By steel melters or composite units of melting, re-melting and MS cold drawing to registered re-rollers; | 8,047 | 9,247 |
| (ii) | By steel re-melters using ignots or billets of steel melters or composite units of melting, re-rolling and MS cold drawing, to registered persons. | 9,217 | 10,612 |
| (iii) | By re-rollers, using billets of Pakistan Steel Mills of Peoples Steel Mills or Heavy Mechanical Complex or imported billets, to registered persons. | 8,092 | 8,092 |
| (iv) | By re-rollers, using ship-plates and re-rollable scrap as raw material, to registered persons | 9,170 | 9,865 |
| (v) | By re-rollers, to un-registered persons. | 1,170 | 1,365 |

Further, amounts of sales tax earlier specified in respect of supplies of imported Mild Steel products have now been done away with.

- In Rule 58K of the Special Procedure Rules, the 'assessed value' for the purpose of levy of sales tax in case of certain categories of re-rollable scrap has been amended as under:

| Sr. No. | Description | Old rate | Revised rate |
|---------|---|-----------|--------------|
| | | per MT | |
| (i) | Re-rollable scrap supplied by ship breakers | Rs 47,059 | Rs 50,000 |
| (ii) | Imported re-rollable scrap | - | US \$ 480 |

(ii) Extra tax on lubricating oils

- Under Chapter XIII of the Special Procedure Rules, Extra tax @ 2% is leviable in the case of supply of certain specified items, inter-alia including lubricating oils. Now, the supplies of lubricating oils made to registered Oil Marketing Companies ('OMC') as well as the supplies made by such OMCs to registered manufacturers have been exempted from chargeability of such extra tax. To provide level playing field, further amendment is required to exempt levy of extra tax on supplies of lubricants made by registered manufacturers / importers (other than OMCs).

EXPORT ORIENTED SECTOR

SRO 584(I)/2017 – Amendments in SRO 1125(I)/2011 dated December 31, 2011

Following significant amendments have been introduced in SRO 1125(I)/2011 dated December 31, 2011, relating to import / supplies of goods falling within the five export oriented sectors:

- The rate of sales tax on supplies of finished fabric, other finished articles of textile/ textile made-ups and leather/ leather made-ups has been enhanced from 5 % to 6%:
- Import of raw and ginned cotton by textile sector has been made subject to sales tax @ 5% with effect from July 15, 2017;
- Commercial imports of fabric [previously subject to sales tax @ 0%] for use as 'industrial inputs' has been subjected to sales tax @ 6% along with 2% value addition tax.
- Levy of 'further tax' in respect of supplies made to un-registered persons has been prescribed as follows:
 - Supply of finished articles @ 2%; and
 - Other supplies @ 1%.

SRO 586(I)/2017 – Sales Tax Withholding Regime

Owing to introduction of STRIVE mechanism (through Finance Act, 2016) in the Act for adjustment of input sales tax, the sales tax withholding regime vis-a-vis supplies made between registered persons had effectively become purposeless. Consequently, Withholding Rules have now been amended to exclude from withholding regime the supplies made by 'active taxpayers' to 'registered persons' (with the exception of advertisement services subject to Islamabad Capital Territory Sales Tax).

SRO 587(I)/2017 – Sales Tax on Local supply of ‘Hybrid Electric Vehicles’.

In order to promote the local automobile industry, certain concessions have been made with respect to levy of sales tax on local supply of ‘Hybrid Electric Vehicles’ (of engine capacity upto 2500 cc), falling under PCT heading 87.03 as under:

| Sr. No. | Engine capacity | Rate of Sales Tax |
|----------------|------------------------|--------------------------|
| (i) | Upto 1800 CC | 8.5%. |
| (ii) | 1801 CC to 2500 CC | 12.75%. |

SRO 588(I)/2017- supplies under banking arrangements

Under SRO 445(I)/2004, supplies made under ‘murabaha’ arrangements by banking or financial institutions were excluded from ambit of ‘supply’. Transactions under following Islamic financing arrangements have now also been expressly excluded from the ambit of ‘supply’:

- (i) Musawamah;
- (ii) Bai Muajjal;
- (iii) Bai Salam;
- (iv) Istisna;
- (v) Tijarah; and
- (vi) Istijrar.

SRO 591(I)/2017 & 592 (I)/2017 read with Entry No. 47 of Eight Schedule – locally produced coal

By virtue of amendments introduced through Finance Act, 2017, supply of ‘locally produced coal’ has been subjected to tax at higher of 17% of value of supply or Rs 425 per MT. Consequently, following amendments have now been introduced:

- SRO 491(I)/2015 dated June 30, 2015, prescribing minimum value for purposes of supply of locally produced coal at Rs 2,500 per metric ton, has been rescinded; and
- SRO 549(I)/2006 dated June 5, 2006 providing for blanket restriction of input sales tax on supply of locally produced coal has been amended to the effect that such restriction shall not apply where the ‘value of supply’ exceeds Rs 5,000 per metric ton.

SRO 589(I)/2017 & 590(I)/2017 – Services subject to sales tax under the Islamabad Capital Territory Ordinance (ICT Ordinance)

- Under the ICT Ordinance, Services rendered by Caterers, Marriage halls and lawns (including pandal and shamiana services) were subject to sales tax @ 16%, with related input sales tax adjustment available to the relevant service provider. Such services have now been subjected to sales tax @ 5%, with no input tax adjustment or refund available in respect thereof.
- 'Export' of IT services and IT enabled services have been exempted from levy of sales tax. In the absence of any specific definition of the term 'IT services and IT enabled services' the same has to be construed in its ordinary parlance.

FEDERAL EXCISE DUTY

FEDERAL EXCISE DUTY ON IMPORTED GOODS MEANT FOR CONSUMPTION IN FATA / PATA ETC. [Section 3]

Under the previously applicable provisions of section 3(1)(b) of the Federal Excise Act (**FEA**), goods imported into Pakistan were subject to levy of Federal Excise Duty (**FED**). Such provisions have now been amended to include the goods imported, irrespective of their final destinations to such places where FE Act is not applicable. The said amendment is apparently aimed to neutralize the effect of Peshawar High Court's judgment whereby it has been held that goods imported for consumption in those territories where FEA is not applicable (FATA / PATA etc.), are not subject to levy of FED.

STRUCTURAL AMENDMENTS TO STREAMLINE ADMINISTRATIVE AUTHORITIES [Section 29]

Performance of functions of Chief Commissioner and Commissioner in respect of such persons as directed by FBR and Chief Commissioner respectively has been streamlined. District Taxation Officers - Inland Revenue and Assistant Directors Audit - Inland Revenue have been designated as Federal Excise Officers under the Act.

LOCALLY MANUFACTURED CIGARETTES – CHANGES IN PENALTY [Section 33]

Amendments have been made to enhance the scope of penalty provisions to include counterfeited tax stamps, banderoles, stickers, labels or barcodes used for tax evaded or counterfeited cigarettes.

RECOVERY OF DEMAND [Section 37]

Amendment has been introduced to provide stay against recovery of any tax due if the taxpayer has deposited 25% of the tax demand, where the Commissioner (Appeals) has not decided the appeal. This stay would not be limited to 6 months as previously allowed on payment of 15% of the tax demanded.

FIRST SCHEDULE

LOCALLY MANUFACTURED CIGARETTES

The levy of Excise has been revised as under subject to certain restrictions on reduction on retail price and minimum price:

| Description of goods | Old rate | Revised rate |
|--|-------------------------------|-------------------------------|
| Locally produced cigarettes if their on-pack printed retail price exceeds Rs 4,500 per 1,000 cigarettes. | Rs 3,705 per 1,000 cigarettes | Rs 3,740 per 1,000 cigarettes |
| Locally produced cigarettes if their on-pack printed retail price does not exceed Rs 4,500 per 1,000 cigarettes. | Rs 1,649 per 1,000 cigarettes | - |
| Locally produced cigarettes if their on-pack printed retail price is between Rs 2,925 and Rs 4,500 per 1,000 cigarettes. | - | Rs 1,670 per 1,000 cigarettes |
| Locally produced cigarettes if their on-pack printed retail price does not exceed Rs 2,925 per 1,000 cigarettes. | - | Rs 800 per 1,000 cigarettes |

CEMENT

FED on various types of cement, classified under PCT heading 25.23, has been increased from “Re 1 per kg” to “Re 1.25 per kg”.

TELECOMMUNICATION SERVICES

In order to streamline the incidence of tax on nationwide basis, FED on telecommunication services [**applicable only in Islamabad Capital Territory**] has been reduced from 18.5% to 17% of the charges.

CUSTOMS DUTY

POWER TO DETERMINE THE CUSTOMS VALUE [Section 25A]

Under section 25A, Collector Customs or Director of Customs Valuation is empowered to make valuation of any goods or category of goods imported into or exported out of Pakistan. In case where declared value is higher than the value so determined, it is now provided that such declared value will be considered as Customs Value.

DIRECTORATE GENERAL OF CHINA PAKISTAN ECONOMIC CORRIDOR (CPEC) [Section 3AA]

A new section 3AA has been inserted for establishing a separate Directorate for CPEC to provide for effective supervision and monitoring of trade flows under the strategic initiative of the Federal Government. The Directorate General of CPEC shall consist of a Director General and as many Directors, Additional Directors, Assistant Directors and such other officers as notified by the Federal Board of Revenue.

ASSISTANCE TO THE OFFICERS OF CUSTOMS [Section 7]

Enabling provisions are introduced to require officers of Inland Revenue and National Highway and Motorway Police to assist the officers of customs in discharge of their functions under the Customs Act.

REFUND TO BE CLAIMED WITHIN ONE YEAR [Section 33]

Section 33 provides for refund of customs duties where:

- (i) paid through inadvertence, error or misconstruction; or
- (ii) arising as a result of decision of an appellate authority.

Previously, refund in case of (i) was not allowed if incidence of customs duty was passed on to buyer or consumer. Now, after the amendment, such restriction has also been placed for cases referred to in (ii) above. The amendment has been made in view of recent judgement of Supreme Court, where refund was allowed in cases referred to in (ii) above, even if incidence of custom duty was passed on.

PERIODS FOR WHICH GOODS REMAIN WAREHOUSED [Section 98]

A corrective amendment has been made to empower Chief Collector to allow second extension in warehousing period. Previously, such powers were provided in relevant Rules.

RIGHT OF APPEAL IN CASE OF CANCELLATION OF USER ID [Section 155F]

A right of appeal with the Chief Collector in cases of cancellation or suspension of User ID by Collector has been allowed.

PENALTIES / OFFENCES [Section 156]

FBR has been empowered to regulate the imposition of penalties under section 156 of the Customs Act. Furthermore, a new entry has been introduced for imposing penalty on an agency / persons (including port authorities) for failure to entertain a delay and detention certificate issued by the officer of Customs.

REVISIONARY POWERS / APPEAL [Section 195]

Under section 195, the Board, Collector of Customs and now Collector of Customs (Adjudication) can examine the record of any proceedings to satisfy the legality or propriety of any order passed by a subordinate officer. As a result of exercising such revisionary powers, the Board, Collector Customs or Collector of Customs (Adjudication), as the case may be, can now assign the case to pass fresh order to an officer of equal or higher rank, who has passed the earlier order.

If such fresh order is passed by an officer below the rank of Additional Collector, appeal can be filed before Collector (Appeals) whereas if such order is passed by officer not below the rank of Additional Collector, appeal can be filed before Appellate Tribunal.

POWER TO ENTER INTO MUTUAL LEGAL ASSISTANCE AGREEMENTS ON CUSTOMS MATTERS [Section 219A]

A new section 219A is introduced empowering FBR to enter into memorandum of understanding with International Organisations / Foreign custom authorities pertaining to mutual assistance in custom matters, in order to enhance international cooperation, participation in international initiatives / joint operations and greater access to Technical Assistance and Capacity Building activities. FBR has also been empowered to make rules in this regard.

ADOPTION OF WCO HS VERSION 2017 [First & Fifth Schedules]

Pakistan being a signatory to HS Convention has adopted HS 2017, and incorporated its nomenclature/New HS Codes in Customs Tariff with addition, creation and deletion of local PCT codes. Consequential changes have also been made in the First and Fifth Schedules and respective SROs / Notifications.

TARIFF RATIONALIZATION

- (i) Separate PCT code for compressors of vehicles at 35% duty has been introduced.
- (ii) Separate PCT code for classification of electric cigarettes has been introduced subject to duty at 20%
- (iii) Concession in duty/taxes on Hybrid Electric Vehicles above 2500 cc has been withdrawn
- (iv) Extension of concession on 11 more components of trailers.

REDUCTION IN CUSTOMS DUTY

- (i) By virtue of amendment in First and Fifth Schedules, customs duty on the following items has been reduced:

| Items | Rate | |
|--|------|-----|
| | Old | New |
| Fowls of the species Gallus domesticus (chicken) | 11% | 3% |
| Hatching eggs | 11% | 3% |
| Sheets of veneering | 16% | 11% |
| Pre-fabricated modular clean rooms panels | 20% | 3% |
| Fabric (non-woven) for pharmaceutical industry | 16% | 5% |
| Uncoated polyester film and aluminum wire for manufacturers of metalized yarn | 20% | 11% |
| Raw materials for manufacturers of baby diapers namely Adhesives based on polymers or rubbers and Hot melt adhesives. | 16% | 11% |
| Raw materials for manufacturers of baby diapers namely Pre-laminated Tape, Frontal Tape, PE + NW laminate sheet and Poly back sheet. | 20% | 16% |
| Coal – others | 11% | 5% |

- (ii) Import of solar panels and related components were exempted from the condition of 'local manufacturing' till 30th June 2017 which has been extended till June 30, 2018.

- (iii) Concessionary rate of 11% available on Set top boxes, TV broadcast transmitter and Reception apparatus etc. has been extended till June 30, 2018.
- (iv) Surcharge in excess of 0.25% for cargo in-bonded at Karachi for upcountry Bonds has been exempted [SRO 580(I)/2017].
- (v) Exemption on import / donation of specified items (previously allowed only to municipal authorities including development authorities) has now been extended to Federal, Provincial, AJ&K, Gilgit-Baltistan Governments, NDMA, PDMA and Govt. emergency / rescue services (excluding contractors thereof).
- (vi) Customs duty on import of Bituminous and other coal imported by coal based power projects having an implementation agreement with the Government of Pakistan has been reduced to 3%.

INCREASE IN CUSTOMS DUTY

Customs duty has been increased in following cases:

- Aluminum beverage cans; from 11% to 20%
- Bituminous coal; from 3% to 5%

EXEMPTION FROM CUSTOMS DUTY

Customs duty on following items has been exempted:

- Raw skins and hides
- Stamping foils
- Ostriches
- 5 years old combined harvesters threshers
- Cellular mobile phones (converted into Regulatory Duty)
- Certain telecom equipments

CHANGE IN REGULATORY DUTY STRUCTURE

Regulatory duty on various items have been amended vide following SROs

- SRO 504(I) / 2017 amending SRO482(I)/2009
- SRO 505(I) / 2017 amending SRO 568(I)/2017
- SRO 555(I) / 2017 amending SRO 568(I)/2017
- SRO 556(I) / 2017 amending SRO 39(I) / 2017

Regulatory duty has been increased in the following cases:

- 10% on import of harvesters-threshers five to ten years old
- 20% on import of harvesters-threshers more than ten years old
- 5% on synthetic filament yarn (of polyesters)
- 10% on animal protein meals
- Rs. 250 per set levied on mobile phones (In lieu of existing customs duty of Rs. 250 per set)
- Certain telecom equipments at 9%
- Levy on betel nuts increased from 10% to 25%
- Rs 200/KG levied on betel leaves
- In addition to the above, regulatory duty has been levied / increased on 565 non-essential items, ranging from 5% to 15%

Regulatory duty has been reduced on certain items as under:

- (i) From 5% to 0% on Fowls of the species *Gallus domesticus* (chicken)
- (ii) From 10% to 5% on aluminum waste or scrap

Customs Duty SROs

***SRO 1178(I)/2015 DATED NOVEMBER 30, 2015 (SRO 1178)
AMENDED VIDE SRO 554(I) / 2017 DATED JULY 1, 2017 (SRO 554)***

Additional customs duty was levied at the rate of @1% under SRO 1178 on certain products.

Through SRO 554, exemption from additional duty has been extended to 'Other synthetic staple fibre' classified under PCT 5506.4000.

***SRO 39(I)/2017 DATED JANUARY 23, 2017 (SRO 39)
AMENDED VIDE SRO 557(I)/2017 DATED JULY 1, 2017 (SRO 557)***

SRO 39 provides exemption from whole of customs duty leviable under the schedules of the Act on import of specified goods.

Through SRO 557, exemption has been withdrawn on import of Cotton not carded or combed and Cotton carded or combed. The said withdrawal is effective from July 15, 2017.

***SRO 655(I)/2006 DATED JUNE 22, 2006 (SRO 655)
AMENDED VIDE SRO 558(I)/2017 DATED JULY 1, 2017 (SRO 558)***

SRO 655 provides concessionary rates / exemptions on import of raw materials, sub-components, components and sub-assemblies, which are imported for the manufacture of components and assemblies certain vehicles. However, components or sub-assemblies chargeable to additional customs duty were not eligible for the concession.

Through SRO 558, scope of above disqualification has been restricted to components or sub-assemblies subject to additional customs duty under SRO 693(I)/2006 dated July 1, 2006.

**SRO 656(I)/2006 DATED JUNE 22, 2006 (SRO 655)
AMENDED VIDE SRO 559(I)/2017 DATED JULY 1, 2017 (SRO 559)**

SRO 656 provides exemption/ concessionary rates of customs duty on import of components in any kit form for assembly or manufacture of vehicles falling under Chapter 87 of the First Schedule to the Customs Act 1969.

Through SRO 559, said concession has been extended to following items as well:

| S. No. | Description of imported inputs |
|--------|--|
| (i) | The following components for assembly / manufacture of trailers: <ul style="list-style-type: none"> - Hydraulic cylinder - Hydraulic pump - Hydraulic control/tipping valve - Hydraulic tank - Fuel/chemical trailer manhole cover - Fuel/chemical trailer bottom valve - Fuel/chemical trailer API adapter valve - Fuel/chemical trailer overfill sensor - Fuel/chemical trailer vapor vent valve - Fuel/chemical trailer vapor recovery valve. |
| (ii) | Tires / tubes |

**SRO 693(I)/2006 DATED JULY 1, 2006 (SRO 693)
AMENDED VIDE SRO 560(I)/2017 DATED JULY 1, 2017 (SRO 560)**

SRO 693 levy additional customs-duty on import of vehicles at varying rates. Through SRO 560, additional duty is levied on cylinder head for motorcycles.

**SRO 499(I)/2013 DATED JUNE 12, 2013 (SRO 499)
AMENDED VIDE SRO 562(I) / 2017 DATED JULY 1, 2017 (SRO 562)**

SRO 499 provides limited exemption from customs duty, sales tax and withholding tax on import of Hybrid Electric Vehicles (HEVs) falling under PCT Code 87.03.

Through SRO 562, exemption has been withdrawn for HEVs exceeding 2,500cc.

**SRO 499(I)/2009 DATED JUNE 13, 2009 (SRO 499)
AMENDED VIDE SRO 563(I) / 2017 DATED JULY 1, 2017 (SRO 563)**

SRO 499 prescribes goods and classes of goods on which option to pay fine in lieu of confiscation shall not be available, with certain exclusions.

Through SRO 563, earlier allowed option to pay fine in lieu of confiscation on prohibited import of 'Front Cabin/half Cut HTV/LTV/Cars, with or without chassis number' has been done away with.

AMENDMENTS IN SROs PERTAINING TO IMPORTS FROM VARIOUS COUNTRIES UNDER FTA

Through following SROs, FBR has taken measures for incorporating tariff rationalization and revised duty structure for imports from various countries under Free Trade Agreement / Preferential Trade Agreement executed by the Government of Pakistan:

- (i) SRO 566(I)/2017 amending SRO 558(I) / 2004 pertaining to import of goods produced or manufactured in the Islamic Republic of Iran or the Republic of Turkey or from SAARC Member States.
- (ii) SRO 567(I)/2017 amending SRO 1296(I) / 2005 pertaining to goods imported from China.
- (iii) SRO 568(I)/2017 amending SRO 894(I) / 2006 pertaining to goods imported from Iran.
- (iv) SRO 569(I)/2017 amending SRO 1274(I) / 2006 pertaining to goods imported from SAARC.
- (v) SRO 570(I)/2017 amending SRO 659(I) / 2007 and SRO 573(I)/2017 amending SRO 497(I) / 2009 pertaining to goods imported from Peoples Republic of China.
- (vi) SRO 571(I)/2017 amending SRO 1151(I) / 2007 pertaining to goods imported from Republic of Mauritius.
- (vii) SRO 572(I)/2017 amending SRO 1261(I) / 2006 pertaining to goods imported from Malaysia.
- (viii) SRO 574(I)/2017 amending SRO 741(I) / 2013 pertaining to goods imported from Indonesia.
- (ix) SRO 575(I)/2017 amending SRO 280(I) / 2014 pertaining to goods imported into Pakistan from Srilanka.

SINDH FINANCE ACT, 2017

PLACE OF BUSINESS

[Section 2(64) of the Sindh Sales Tax on Services Act, 2011]

The scope of the expression 'place of business' has been broadened to include persons carrying on economic activity in Sindh through virtual presence, website, web portal or any other form of E-commerce.

It is worth mentioning here that similar amendment to expand the definition of 'place of business' has also been made in the Punjab Sales Tax on Services Act, 2012 ('**PSTSA 2012**') through the Punjab Finance Act, 2017. The only difference is that in Punjab, the exclusion previously available in the definition in respect of liaison offices has also been withdrawn whereas in Sindh Finance Act, the exclusion for liaison offices has been kept intact.

By virtue of the above amendments, a non-resident person will be deemed as resident for provincial sales tax purposes; hence, required to fulfill all responsibilities otherwise applicable on registered persons

The practical application of the above amendment with regard to foreign companies not having any physical presence in Pakistan is not clear as in such cases, generally the concept of reverse charge is more practical for business to business transactions.

EXPANSION IN DEFINITION OF TAXABLE SERVICES

[Section 2]

The services provided or rendered by **programme** producers and productions houses are subject to Sindh Sales Tax ('**SST**'). Definition of the term '**programme**' is contained in the Sindh Sales Tax on Services Act, 2011 ('**SSTSA**'), which has now been amended to include re-recording and other post-production processes (like dubbing, colouring, sub-titling and captioning).

By way of another amendment, definition of the term 'franchise' has been expanded to bring those franchise arrangements into the ambit of SST which do not involve any agreed consideration or fee for such franchise services. The amendment has apparently been made to address the anomaly which arose due to the reason that the relevant rules prescribed by SRB provided for chargeability of SST on franchise services even if no consideration was agreed whereas definition of the term 'franchise' only included reference to franchise services provided against a consideration.

Despite the above amendment, one can argue (particularly in the light of recent judgement of the Supreme Court in the case of Civil Aviation Authority) that value of service cannot be deemed for levying tax where service is rendered without consideration.

JOINT AND SEVERAL LIABILITY OF SERVICE PROVIDER / RECIPIENT **[Section 9]**

Under the SSTSA, the liability to pay SST is on the service provider based in Sindh. The SSTSA further requires the prescribed service recipient to withhold tax in respect of such services and deposit the same with SRB.

By way of an amendment, it has now been provided that where the tax charged has not been paid by recipient of service (including those designated as 'withholding agent') within 180 days of invoice date, both the recipient and provider of service will be jointly and severally responsible for payment thereof.

EXTENSION IN TIME LIMIT FOR FINALISATION OF PROCEEDINGS **[Sections 23 & 47]**

Previously, an order under section 23 (for assessment of SST liability) and an order under section 47 (for recovery of tax not levied or short-levied) could be passed only within 120 days from date of issuance of show-cause notice (or within such extended period, not exceeding 60 days, as the officer may fix for reasons to be recorded in writing). By way of an amendment made through the Sindh Finance Act, 2017, the above-referred time limit of 120 days has been increased to 180 days.

BAR ON CLAIMING INPUT TAX ADJUSTMENT IN RESPECT OF SERVICES **SUBJECT TO REDUCED OR FIXED RATE OR AT A RATE NOT BASED ON** **VALUE [Section 15A]**

Restriction to claim input tax adjustment by service providers in respect of services subject to reduced or fixed rates is prescribed in Rule 22A. Such restriction has now been made part of the main law by moving it to the SSTSA.

It has further been provided that tele-communication services (which trigger SST at the rate of 19.5% ad valorem) will now qualify for input tax adjustment for goods and services which do not exceed 17%.

INPUT TAX ADJUSTMENT ON CAPITAL GOODS
[Section 15B]

A new section 15B has been inserted in the SSTSA so as to allow claim of input sales tax on capital goods, machinery and fixed assets in twelve equal monthly installments. Such mechanism was available in federal law upto 2011, however, given to procedural hitches, it was done away with. This amendment may entail cash flow constraints for taxpayers. It is worth mentioning here that similar amendment has also been made in the Punjab Sales Tax Law through the Punjab Finance Act, 2017.

SHORT PAID TAX RECOVERABLE WITHOUT NOTICE
[Section 47A]

A new section has been inserted whereby any short-paid SST amount along with default surcharge will be recoverable from the taxpayer by way of attachment of bank account, without issuance of prior show-cause notice. Similar provision was already contained in section 11A of the Federal Sales Tax Act, 1990, the application of which was restricted by High Courts to the extent of undisputed liability declared in the return. Since the e-filing portal does not allow filing of SRB return unless the entire SST liability has been discharged; hence, this change seems to be carrying no practical significance.

POWER TO MONITOR AND TRACK SERVICE PROVIDERS THROUGH ELECTRONIC MEANS
[Section 54A]

A new section has been inserted empowering SRB to track provision of services or class of services which may be implemented through electronic or other means including electronic submission of invoices on real-time basis to the computer systems of the SRB. The SRB has been empowered to frame rules in this regard.

RECOVERY OF TAX ARREARS
[Section 66]

By way of an amendment, it has been provided that where a tax demand has been challenged before Commissioner (Appeals) out of which at least 25% has been paid by the taxpayer, no coercive measures could be adopted by SRB until the disposal of appeal by the Commissioner (Appeals).

POWER TO RESTRAIN CERTAIN AUTHORITIES
[Section 72A]

A new provision has been inserted, to empower SRB, with approval of Government, to restrain any other regulatory authority from renewing or granting any license / permission to a person, to engage in a taxable economic activity, unless such person obtains registration under the SSTSA.

This amendment is in line with similar amendment made through the Punjab Finance Act, 2017. Modalities of this amendment need to be clarified for the reason that corresponding changes will be simultaneously required in the respective laws under which such licenses or permissions are granted by regulatory authorities.

CONDONATION OF TIME LIMIT
[Section 81]

In the context of powers available with the SRB for condonation of time limits, an 'explanation' has been inserted in section 81 to clarify that such powers are available with respect to functions of SRB's officials as well. This amendment is in consonance with similar amendment made in the PSTSA 2012 through Punjab Finance Act, 2017.

Notifications relating to Sindh Sales Tax

NOTIFICATION NO. SRB 3-4/2/2017 DATED JANUARY 12, 2017 AMENDED VIDE NOTIFICATION NO. SRB 3-4/10/2017 DATED JUNE 5, 2017

Through the SRB's Notification dated January 12, 2017, the services of life insurance falling under the tariff heading 9813.1500 (other than its related re-insurance services) and provided / rendered during the period from July 2016 to June 2017 were exempted from chargeability of Sindh Sales Tax (SST).

Through SRB's notification dated June 5, 2017, the above-referred exemption has been extended till June 30, 2018.

NOTIFICATION NO. SRB 3-4/8/2013 DATED JULY 1, 2013 AMENDED VIDE NOTIFICATION NO. SRB 3-4/11/2017 DATED JUNE 5, 2017

The following changes in the rates of SST have been made with effect from July 1, 2017 through the above-referred notification:

| Description | Tariff Heading | Old rate | Revised rate |
|--|--------------------------------|----------|--------------|
| Travel agents & Tour operators | 9805.5000 & 9805.5100 | 10% | 8% |
| Services of renting immovable property | 9806.3000 | 8% | 3% |
| Telecommunication services | 98.12 and sub-headings thereof | 19%* | 19.5% |
| Specific class** of indenters & call centers | 9819.1200 & 9835.0000 | 13% | 3% |

* Concessionary rate of 19% was available in respect of telecommunication services provided that the full benefit of such concessionary rate was passed to the service recipient and neither any invoice/bill was raised by service provider nor any extra charge, amount or surcharge was collected on the value of services. The concessionary rate previously available has now been withdrawn and the telecommunication services now trigger SST @ 19.5% in all cases.

** Services provided or rendered from a place of business in Sindh for which value of services is received from outside Pakistan in foreign exchange through proper banking channel.

**SINDH SALES TAX ON SERVICES RULES, 2011
AMENDED VIDE NOTIFICATION NO. SRB 3-4/12/2017 DATED JUNE 5, 2017**

Till June 30, 2017, input tax adjustment or deduction was claimable under Rule 22 of the Sindh Sales Tax on Services Rules, 2011 by a registered person within **four** succeeding months. By way of an amendment made through the above-referred notification, the said period for claiming input tax adjustment or deduction has been extended to **six** succeeding months.

Another significant amendment relates to non-chargeability of SST on the amounts of salary and allowances relating to labour and manpower services. Such non-chargeability has now been withdrawn. Now, reimbursement of salary and allowances has also been made subject to SST @ 13%.

**SINDH SALES TAX SPECIAL PROCEDURE (WITHHOLDING) RULES, 2014
AMENDED VIDE NOTIFICATION NO. SRB 3-4/13/2017 DATED JUNE 5, 2017**

Prior to the issuance of above-referred notification, the Withholding Rules did not specifically require the requirement to withhold SST in cases where the invoice issued by a registered person does not indicate the amount of SST. Through the notification, it has now been specifically provided that where the invoice issued by a registered person does not indicate the amount of SST, the withholding agent is required to deduct and withhold the amount of SST, at the applicable rate, from the amount invoiced or billed or charged by such registered person and unless otherwise specified in the contract between service provider and service recipient, the amount to be withheld shall be worked out on the basis of gross value of taxable services under the tax fraction formula. Similar mechanism to withhold SST is already in place in case of taxable services acquired from unregistered service providers.

Through the notification, it has further been provided that SST withholding by the service recipient as mentioned above shall not absolve the registered service provider of his liability to pay tax, penalty and default surcharge on non/late payment of SST.

**SINDH SALES TAX ON SERVICES RULES, 2011
AMENDED VIDE NOTIFICATION NO. SRB 3-4/15/2017 DATED JUNE 22, 2017**

Prior to the issuance of above-referred notification, the Rules provided that value of franchise fee, royalty, technical fee, network fee or intellectual property transfer / usage / enjoyment fee be taken to be an amount equal to 10% of the turnover of the franchisee or the recipient of intellectual property services **if there is no formal agreement between service provider and the service recipient or in case the agreement does not specify the amount of consideration.**

An explanation has now been inserted in the said Rule to clarify that such deemed value of franchise @ 10% will also trigger in situations in which franchise services are provided but the agreement does not specifically provide for franchise (i.e., the consideration is paid as a consideration other than franchise fee, royalty, technical fee or for transfer / usage / enjoyment of intellectual property).

**NOTIFICATION NO. SRB 3-4/8/2013 DATED JULY 1, 2013
AMENDED VIDE NOTIFICATION NOS. SRB 3-4/17/2017 & SRB 3-4/23/2017
BOTH DATED JULY 6, 2017**

Prior to the issuance of above-referred notifications, an option was available to the service providers providing or rendering Franchise services or Intellectual Property services to opt to pay SST at the statutory rate of 13% (instead of the reduced rate of 10% otherwise applicable) and claim input tax credit / adjustment against such SST liability.

Through the above-referred notifications, the option to pay SST at the statutory rate of 13% has been done away with. Now, Franchise services or Intellectual Property services will be subject to SST @ 10% against which no input tax credit / adjustment will be admissible. Corresponding amendment has also been made in the Sindh Sales Tax on Services Rules, 2011 through notification no. SRB 3-4/23/2017 dated July 6, 2017.

PUNJAB FINANCE ACT, 2017

SALES TAX REAL TIME INVOICE VERIFICATION

[Section 2(17) of the Punjab Sales Tax on Services Act, 2012]

In line with powers available with Federal Board of Revenue, PRA has now been authorized to prescribe varying dates for submission of different parts of the sales tax return through amendment in section 2(17) of Punjab Act. This seems to aim at introducing the concept of Sales Tax Real Time Invoice Verification (STRIVE) whereby input sales tax adjustment would be available to recipient of service, subject to declaration of output tax by the service provider.

PLACE OF BUSINESS

[Section 2(30)]

The scope of the expression 'place of business' has been broadened to include persons carrying on economic activity in Punjab through virtual presence, website, web portal, any other form of E-commerce or through liaison offices.

JOINT AND SEVERAL LIABILITY OF SERVICE PROVIDER / RECIPIENT

[Section 11A]

A new section 11A has been inserted to the effect that where the tax charged has not been paid by recipient of service (where designated as 'withholding agent') within 180 days of transaction, both the recipient and provider of service will be jointly and severally responsible for payment thereof.

COLLECTING AGENT – SECTION 14A

Previously, the liability of payment of sales tax, with certain exceptions, primarily rested with the service provider.

A new concept has been introduced to empower PRA to assign responsibility for payment / collection of sales tax upon intermediary parties (i.e. other than recipient or provider of service) in respect of specified services.

INPUT TAX CREDIT

[Section 16]

Certain procedural amendments have been made in section 16 to ensure proper control over claim of input sales tax by service providers especially with respect to tax paid under other federal / provincial laws. Further, PRA, subject to approval of Government, has been empowered to prescribe limitations / restrictions as to claim of input sales tax with respect to persons or class of persons.

INPUT TAX ADJUSTMENT ON CAPITAL GOODS

[Section 16C]

By way of an amendment in section 16C, it has been provided that input sales tax on capital goods, machinery and fixed assets be available in twelve equal monthly installments. Such mechanism was there in federal law upto 2011, however, given to procedural hitches, it was done away with. This amendment may entail cash flow constraints for taxpayers.

TIME LIMITATION FOR ASSESSMENT

[Section 24]

Previously, the time limitation for initiation of proceedings against taxpayers (whether on the basis of audit or otherwise) was 'five years' from conclusion of the relevant tax period. Such limitation has now been enhanced to 'eight years', in line with provisions applicable in Sindh.

ADMINISTRATIVE AUTHORITIES

[Section 39]

Following persons have now been introduced in the administrative hierarchy of PRA, who shall be subordinate to the Deputy Commissioner or Assistant Commissioner:

- (i) Risk Compliance Officer; and
- (ii) Enforcement Officer.

PENALTY FOR OBSTRUCTION OF DUTIES

[Section 48]

The amount of penalty provided for in law on account of obstruction in performance of duties of an officer of Authority has been enhanced from Rs 25,000 to Rs 100,000.

RECOVERY OF TAX ARREARS

[Section 70]

PRA has been vested with power to enforce recovery of tax due from a defaulter from persons owing any amount to it including those on account of:

- Purchase contracts;
- Contracts with banking companies / Financial institutions;
- Lease contracts;
- Loan Agreements;
- Building loan contracts;
- Life Insurance contracts; and
- Employment contracts.

Furthermore, it has been provided that where a tax demand has been settled to the extent of 25%, no coercive measures could be adopted by the department until the disposal of appeal by the Commissioner (Appeals).

POWER TO RESTRAIN CERTAIN AUTHORITIES **[Section 76A]**

A new provision has been inserted, to empower PRA, with approval of Government, to restrain any other regulatory authority from renewing or granting any license/ permission to a person, to engage in a taxable economic activity, unless he obtains registration under the Punjab Act.

CONDONATION OF TIME LIMIT **[Section 84]**

In the context of powers available with the PRA for condonation of time limits, an 'explanation' has been inserted in section 84 to clarify that such powers are available with respect to functions of PRA's officials as well.

TAXABLE SERVICES **– SECOND SCHEDULE**

Exemptions previously available with respect to following services have been withdrawn, thus taxing these at the rate of 19.5% and 16% respectively:

- Internet services (dial up or broadband) including e-mail DCNS and 'value added data services', except those valuing upto Rs 1,500 per month, if provided to students;
- Contractual execution of works upto Rs 50 million.

The previously applicable rate of 16% on 'construction services' has been reduced to 5%. Such reduced rate, however, is to be effected *without allowance of any input tax adjustment*.

Further, tax rate on construction services, rendered in respect of federal / provincial governments civil work projects including those of cantonment boards and funded through foreign loans/ PSDP/ ADP, has been reduced as under:

- 'zero percent' for projects launched/ negotiated prior to July 1, 2016; and
- 'one percent' for projects launched/ negotiated during July 1, 2016.

STAMP DUTY ACT, 1899

The Punjab Finance Act 2017 has merged all the taxes / duties / fees in the one head of account of stamp duty. This inter alia includes merger of Capital Value Tax (CVT) into stamp duty. Consequently, section 6 of the Punjab Finance Act, 2010, through which CVT was levied, has also been repealed. However, the exemption already envisaged in section 6 of the Finance Act, 2010 (as amended) are to remain intact to the extent of payment of CVT.

Previously, the CVT was payable at 2% of the value of the immovable property where the value of the property is recorded, while it was payable on area based rate where the value of the property was not recorded and in case of constructed properties. Registration fee was being charged at Rs 500 in case of value of the property upto Rs 500,000 and Rs 1,000 in case of value of property exceeding Rs 500,000.

In the Act, the new rate of stamp duty is generally applicable to be 5% of the consideration or value of the urban immovable property. However, the rate of stamp duty on leased property in an urban area has been enhanced to 3.25%-5.25% which would be payable on the basis of annual rent subject to the tenure of the lease period. The component of registration fee has been added in the stamp duty in the form of additional stamp duty.

For the purpose of stamp duty, the scope of “urban area” has been broadened. As per the revised definition, it would mean:

- (a) a rating area under the Punjab Urban Immovable Property Tax Act, 1958;
- (b) the area already declared as an urban area under the Punjab Finance Act, 2010;
- (c) any other area which the Board of Revenue may, by way of notification, declare as an urban area; and
- (d) an area developed by a development authority, housing authority, statutory body, cooperative housing society or a real estate company or developer.

KHYBER PAKHTUNKHWA FINANCE ACT, 2017

SALES TAX ON SERVICES - AMENDMENTS IN LIST OF TAXABLE SERVICES

Scope of services related to facilities for travel has enhanced to include “Ride hailing services” in the list of services. It is expected that corresponding amendment to levy sales tax would be notified by the Provincial Government.

Apart from the above, announcement has been made to exempt various services including money transfer, construction of bridges, gas supply and sanitation services. We understand that separate notification in this regard will be issued by KPKRA to give effect to this announcement.

URBAN IMMOVABLE PROPERTY TAX

Substantial increase has been made in rates of property tax for residential properties. However, for commercial properties increase in tax has been made only for properties used for CNG stations and services stations for vehicles.

PROFESSIONAL TAX

Professional tax rates have been adjusted for certain companies. Professional tax rates are enhanced for certain other trades and callings including non-specialists doctors, hakeems, homeopaths, diagnostic and therapeutic centers, departmental stores, cable operators, whole sale dealers, chemists / druggist / medical stores etc.

Withholding Tax Regime(Rates Card) issued by FBR
Guidelines for the Taxpayers, Tax Collectors & Withholding Agents (Updated Upto 30th June, 2017)

| Section | Provision of the Section | Tax Rate | Who will deduct / collect / agent | From whom | When | Time of deposit | Taxation Status |
|-------------|--|----------|-----------------------------------|-------------------|--|---|--|
| 148 Imports | <p>Tax to be collected from every importer of goods on the value of goods.</p> <p>1 (i) Industrial undertaking importing remelttable steel (PCT Heading 72.04) and directly reduced iron for its own use;</p> <p>(ii) Persons importing potassic of Economic Coordination Committee of the Cabinet's decision No. ECC-155/12/2004 dated the 9th December, 2004</p> <p>(iii) Persons importing Urea;</p> <p>(iv) Manufactures covered under Notification No. S.R.O 1125(l)/2011 dated the 31st December, 2011 and importing items covered under S.R.O 1125(l)/2011 dated 31st December, 2011.</p> <p>(v) Persons importing Gold; and</p> <p>(vi) Persons importing Cotton</p> <p>(vii) Designated buyers of LNG on behalf of Govt of Pakistan to import LNG</p> | | Collector of Customs | Importer of goods | At the same time and manner as the custom duty is payable in respect of the goods imported | On the day the tax is collected. Rule 43(a) | <p>Final[for all other than those excluded under S. 148(7)&(8)]</p> <p>Adjustable for a tax year under S. 148(7) in respect of :-</p> <p>a. Raw material, plant, equipment & parts by an industrial undertaking for its own use;</p> <p>b. [motor vehicle] in CBU condition by manufacturer of motor vehicle].</p> <p>c. Large import houses as defined / explained in 148(7)(d)</p> <p>d. A foreign produced film imported for the purposes of screening and viewing]</p> |

| Section | Provision of the Section | Tax Rate | Who will deduct / collect / agent | From whom | When | Time of deposit | Taxation Status |
|---------|---|--|-----------------------------------|-------------------|--|-----------------|---|
| | <p style="text-align: right;">Filer:</p> <p style="text-align: right;">Non-filer:</p> <p>2. Persons Importing Pulses</p> <p style="text-align: right;">Filer:</p> <p style="text-align: right;">Non-filer:</p> <p>3. Commercial importers covered under Notification No. S.R.O 1125(l)/2011 dated the 31st December, 2011 and importing items covered under S.R.O 1125(l)/2011 dated the 31st December, 2011</p> <p style="text-align: right;">Filer:</p> <p style="text-align: right;">Non-filer</p> | <p>1% of the import value increased by Custom –duty, sales tax and federal excise duty.</p> <p>1.5% of the import value as increased by customs-duty, sales tax and federal excise duty.</p> <p>2% of the import value as increased by Custom-duty, sales tax and federal excise duty</p> <p>3% of the import value as increased by custom-duty, sales tax and federal excise duty.</p> <p>3% of the import value as increased by custom-duty sales tax and federal excise duty.</p> <p>4.5% of the import value as increased by custom-duty , sales tax and federal excise duty</p> | Collector of Customs | Importer of goods | At the same time and manner as the custom duty is payable in respect of the goods imported | | Minimum tax on the import of plastic raw material imported by an industrial undertaking falling under PCT heading 39.01 to 39.12, edible oil and packing material [S. 148(8)] |

| Section | Provision of the Section | Tax Rate | Who will deduct / collect / agent | From whom | When | Time of deposit | Taxation Status |
|---------|---|----------|-----------------------------------|-----------|------|-----------------|-----------------|
| | <p>4. Ship breakers on import of ship</p> <p style="text-align: right;">Filer: 4.5% Non-filer: 6.5%</p> <p>5. Industrial undertakings not covered under S.Nos 1 to 4</p> <p style="text-align: right;">Filer: 5.5% Non-filer 8%</p> <p>6. Companies not covered under S. Nos 1 to 5</p> <p style="text-align: right;">Filer: 5.5% Non-filer 8%</p> <p>7. Persons not covered Under S.Nos1 to 6</p> <p style="text-align: right;">Filer: 6% Non-filer 9%</p> | | | | | | |

| Section | Provision of the Section | Tax Rate | deduct / collect / agent | From whom | When | Time of deposit | Taxation Status |
|--------------------------|---|---|---|-----------------|---|---|-------------------|
| 149 Tax on Salary Income | <p>Every person responsible for paying Salary to an employee shall deduct tax from the amount paid</p> <ol style="list-style-type: none"> 1. Where the taxable income does not exceed Rs, 400,000 2. Where the taxable income exceeds Rs, 400,000 but does not exceed Rs, 500,000 3. Where the taxable income exceeds Rs, 500,000 but does not exceed Rs, 750,000 4. Where the taxable income exceeds Rs, 750,000 but does not exceed Rs, 1,400,000 5. Where the taxable income exceeds Rs, 1,400,000 but does not exceed Rs, 1,500,000. 6. Where the taxable income exceeds Rs, 1,500,000 but does not exceed Rs, 1,800,000 7. Where the taxable income exceeds Rs, 1,800,000 but does not exceed Rs, 2,500,000 8. Where the taxable income exceeds Rs, 2,500,000 but does not exceed Rs, 3,00,000 9. Where the taxable income exceeds Rs, 3,000,000 but does not exceed Rs, 3,500,000 10. Where the taxable income exceeds Rs, 3,500,000 but does not exceed Rs, 4,000,000 11. Where the taxable income exceeds Rs, 4,000,000 but does not exceed Rs, 7,000,000 12. Where the taxable income exceeds Rs,7,000,000 | <p>0%</p> <p>2% of the amount exceeding Rs, 400,000</p> <p>Rs,2,000+5% of the amount exceeding Rs, 500,000</p> <p>Rs, 14,500+10% of the amount exceeding Rs, 750,000</p> <p>Rs, 79,500+12.5% of the amount exceeding Rs, 1,400,000</p> <p>Rs, 92,000+15% of the amount exceeding Rs, 1,500,000</p> <p>Rs, 137,000+17.5% of the amount exceeding Rs, 1,800,000</p> <p>Rs, 259,500+20% of the amount exceeding Rs, 2,500,000</p> <p>Rs, 359,500+22.5% of the amount exceeding Rs, 3,000,000</p> <p>Rs, 472,000+25% of the amount exceeding Rs, 3,500,000</p> <p>Rs,597,000+27.5%of the amount exceeding Rs, 4,000,000</p> <p>Rs,1,422,000+30% of the amount exceeding Rs, 7,000,000</p> | <p>Person responsible for paying salary to the employee</p> | <p>Employee</p> | <p>At the time the salary is actually paid</p> | <p>In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b)</p> | <p>Adjustable</p> |

| Section | Provision of the Section | Tax Rate | Who will deduct / collect / agent | From whom | When | Time of deposit | Taxation Status | | | | | | | | | | | | | | | | | | |
|---------------------------|--|--|---|------------|--|--|-----------------|-----------|------------|-------|-------|-----|---------|-------|-----|-----|-----|-------|-------|-----|------------------------------|-------------------------------|--|--|--------------------------------------|
| 149(3) | Directorship fee + Board meeting fee | 20% gross amount paid | Person making payment for Directorship fee or attending Board meeting fee | Payees | At the time of payment | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable | | | | | | | | | | | | | | | | | | |
| 150 Dividend Income | <p>Tax Shall be deducted on the gross amount of dividend paid.</p> <p style="text-align: right;">Filer: 15%</p> <p style="text-align: right;">Non-filer: 20%</p> <p>Collective investment, REIT Scheme or mutual funds.</p> <p>Purchaser of Wapda privatized power project , company setup for power generation or company supplying coal exclusively to power generation projects</p> | <p>15%</p> <p>20%</p> <p>7.5%</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2"></th> <th rowspan="2">Stock Fund</th> <th colspan="2">Money market Fund, Income Fund, or , REIT scheme or any other fund</th> </tr> <tr> <th>Filer</th> <th>Non Filer</th> </tr> </thead> <tbody> <tr> <td>Individual</td> <td>12.5%</td> <td>12.5%</td> <td>15%</td> </tr> <tr> <td>Company</td> <td>12.5%</td> <td>25%</td> <td>25%</td> </tr> <tr> <td>AOP</td> <td>12.5%</td> <td>12.5%</td> <td>15%</td> </tr> </tbody> </table> | | Stock Fund | Money market Fund, Income Fund, or , REIT scheme or any other fund | | Filer | Non Filer | Individual | 12.5% | 12.5% | 15% | Company | 12.5% | 25% | 25% | AOP | 12.5% | 12.5% | 15% | Every Person Paying Dividend | Recipients of dividend | At the time the dividend is actually paid | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final Section 5 read with section 8. |
| | Stock Fund | Money market Fund, Income Fund, or , REIT scheme or any other fund | | | | | | | | | | | | | | | | | | | | | | | |
| | | Filer | Non Filer | | | | | | | | | | | | | | | | | | | | | | |
| Individual | 12.5% | 12.5% | 15% | | | | | | | | | | | | | | | | | | | | | | |
| Company | 12.5% | 25% | 25% | | | | | | | | | | | | | | | | | | | | | | |
| AOP | 12.5% | 12.5% | 15% | | | | | | | | | | | | | | | | | | | | | | |

| Section | Provision of the Section | Tax Rate | Who will deduct collect / agent | From whom | When | Time of deposit | Taxation Status |
|---------------------------------------|--|---|----------------------------------|---|-------------------------------|--|--|
| 150A Return on Investment in Sukuk | <p>On Payment of return on investment in Sukuks:</p> <p>a) In case the Sukuk- holder is a company,</p> <p>b) In case the Sukuk – holder is an individual or an association of person, if the return on investment is more than one million,</p> <p>c) In case the Sukuk – holder is an individual and an association of person, if the return on investment is less than one million, and</p> <p>d) In case the Sukuk – holder is a non-filer.</p> | <p>15%</p> <p>12.5%</p> <p>10%</p> <p>17.5%</p> | Special Purpose Vehicle, Company | From Sukuk holders on payment of gross amount of return on investment | At the time of actual payment | (Within 7 days from the end of each week ending on every Sunday. Rule 43(b)) | Final Section 5AA read with Section 8. |

| Section | Provision of the Section | Tax Rate | Who will deduct / collect / agent | From whom | When | Time of deposit | Taxation Status |
|--|---|---|---|--|--|---|--|
| 151 Profit on debt 151(1)(a) | A person paying profit / yield has to deduct tax from the gross amount of yield / profit. Yield or profit (profit on debt) on account, deposit or a certificate under the National saving schemes or Post office savings account. Filer Non Filer Upto Rs, 5 Lac Other Non-filers | 10% of the gross yield paid 10% of the gross yield paid 17.5% of the gross yield paid | Every Person Making payment of profit / yield | Recipient of (<i>Profit on debt</i>) | At the time the yield (profit on debt) is credited to the account of the recipient or is actually paid, whichever is earlier. | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final Tax except Where (i) Taxpayer is a company (ii) profit on debt is taxable U/S 7B |
| 151(1)(b) | Profit on debt paid by Banking company or financial institution on account or deposit maintained. Filer Non Filer Upto Rs, 5 Lac Other Non-filers | 10% of the gross yield paid 10% of the gross yield paid 17.5% of the gross yield paid | Banking Company or Financial Institution | Recipient of (<i>Profit on debt</i>) | At the time the profit on debt is credited to the account of the recipient or is actually paid, whichever is earlier. | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final Tax except Where (i) Taxpayer is a company (ii) profit on debt is taxable U/S 7B |
| 151(1)(c) | Profit on securities , other than those mentioned in s. 151(1)(a), issued by federal / provincial government or a local government Filer Non Filer Upto Rs, 5 Lac Other Non-filer | 10% of the gross yield paid 10% of the gross yield paid 17.5% of the gross yield paid | Federal / Provincial Govt/ Local authority | Recipient of (<i>Profit on debt</i>) | At the time the profit on debt is credited to the account of the recipient or is actually paid, whichever is earlier. | In the case of Government as Withholding Agent on the day of deduction Rule 43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule | Final Tax except Where (i) Taxpayer is a company (ii) profit on debt is taxable U/S 7B |

| Section | Provision of the Section | Tax Rate | Who will deduct / collect / agent | From whom | When | Time of deposit | Taxation Status |
|--|---|---|---|------------------------------------|--|---|--|
| 151(1)(d) | Profit on bonds , certificates, debentures, securities or instruments of any kind (other than loan agreements between borrowers and banking companies or development financial institutions) Filer Non Filer upto Rs, 5 Lac Other Non-filers | 10% of the gross yield paid 10% of the gross yield paid 17.5% of the gross yield paid | Banking company, a financial institution, a company or finance society | recipient of <i>Profit on debt</i> | At the time the profit on debt is credited to the account of the recipient or is actually paid, whichever is earlier. | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final Tax except Where (i) Taxpayer is a company (ii) profit on debt is taxable U/S 7B |
| 152 Payments to non-residents 152(1) | Every person shall deduct tax while making payments For Royalties and fee for technical payments to non-resident | 15% of the gross amount | Every person paying Royalty or Fee for technical services to a non-resident | Non Resident person | At the time the royalty or fee for technical services is actually paid | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final As per section 6 read with section 8. |
| 152(1A) | Tax will be deducted from A non-resident person on the execution of; a) Contract or sub-contract under a construction, assembly or installation project in Pakistan including a contract for the supply of supervisory activities relating to such project. b) Any other contract for construction or services rendered relating there to. c) Contract for advertisement services rendered by TV Satellite Channels. | Gross amount Filer 7% Non-filer 13% | Every person | <i>Non-Resident Person</i> | At the time the amount is actually paid | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |

| Section | Provision of the Section | Tax Rate | Who will deduct / collect / agent | From whom | When | Time of deposit | Taxation Status |
|----------------|--|-------------------------|--|---------------------|---|--|---|
| 152(1AA) | Tax will be deducted from Non-resident on Any payment of insurance premium or re-insurance to a non-resident person | 5% of gross amount | Every Person making the payments | Non-Resident Person | At the time the amount is actually paid | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |
| 152(1AA A) | Tax will be deducted on Payments for advertisement services from non-resident person relaying from outside Pakistan. | 10% | Every Person making payment | Non-Resident | At the time the amount is actually paid | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final if Non-resident person opts for Final Tax regime otherwise adjustable |
| 152(2) | Tax deduction on payment to non-resident, not otherwise specified. | 20% of the gross amount | Every Person making payments | Non-resident Person | At the time the amount is actually paid | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |

| Section | Provision of the Section | Tax Rate | Who will deduct / collect / agent | From whom | When | Time of deposit | Taxation Status |
|----------------|--|--|--|------------------|----------------------------|--|------------------------|
| 152(2A) | <p>Every Prescribed person making payment to a Permanent Establishment of Non-Resident. For:</p> <p>(a) Sale of goods</p> <p>(i) in case of a company :</p> <p style="padding-left: 150px;">Filer: 4%</p> <p style="padding-left: 150px;">Non-filer: 7%</p> <p>(ii) Other than company cases:</p> <p style="padding-left: 150px;">Filer: 4.5%</p> <p style="padding-left: 150px;">Non-filer: 7.75%</p> <p>(b) Rendering /providing of services.</p> <p>in the case of Transport service.</p> <p>(i) in case of a company :</p> <p style="padding-left: 150px;">Filer: 8%</p> <p style="padding-left: 150px;">Non-filer 14%</p> <p>(ii) Other than company cases:</p> <p style="padding-left: 150px;">Filer: 10%</p> <p style="padding-left: 150px;">Non-filer 17.5%</p> <p>(c) Execution of a contract other than a contract for sale of goods or providing/ rendering of services.</p> <p>(i) In case of sports persons</p> | <p>4%</p> <p>7%</p> <p>4.5%</p> <p>7.75%</p> <p>2%</p> <p>8%</p> <p>14%</p> <p>10%</p> <p>17.5%</p> <p>10%</p> | Every Prescribed person | Non-Resident | At the time amount is paid | <p>In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a).</p> <p>In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b)</p> | Adjustable |

| Section | Provision of the Section | Tax Rate | Who will deduct / collect / agent | From whom | When | Time of deposit | Taxation Status |
|--|--|---|--|--|---|--|---|
| | (ii) in case of any person : Filer: Non-filer | 7% 13% | | | | | |
| 152A Payment for Foreign Produced Commercials | Tax to be deducted from Non-resident while making payments for Foreign Produced Commercial for advertisement on any Television Channel or any other Media. | 20% of the Gross amount | Every Person responsible for making payment to a Non-resident person | Non-Resident Person | At the Time of Payment | In case of Federal / provincial Government on the day the tax is deducted. Rule 3(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |
| 153 Payment for goods & services 153(1)(a) | Payment in full or in part including by way of advance to a resident person : For sale of rice, cotton seed oil and edible oil. Supply made by Distributors of fast moving consumer goods Company Other than Coy. For sale of any other goods (i) In the case of company Filer Non Filer (ii) In the case of other than companies Taxpayers Filer Non-filer (iii) Person making payment to Electronic & Print Media for advertising services Filer Non-filer Non-filer other than company | 1.5% 2% of gross amount 2.5% of gross amount 4% 7% 4.5% 7.75% 1.5% 12% 15% | Every Prescribed Person | Resident Person; Resident Person; and Permanent Establishment in Pakistan of a Non-Resident | At the time the amount is actually paid | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final Tax except where payment received by; (i) a company being manufacturers of such goods or (ii) Public company listed on registered Stock Exchange in Pakistan. (iii) Manufacturer of Iron and Steel products for sale of goods manufactured by him. |

| Section | Provision of the Section | Tax Rate | Who will deduct/collector/agent | From Whom | When | Time of Deposit | Taxation Status |
|----------------|---|-----------------|--|---|---|--|--|
| 153(1)(b) | <p>Transport services</p> <p>All others (i) In the case of Companies</p> <p style="text-align: right;">Filers 8%</p> <p style="text-align: right;">Non-filers 14.5%</p> <p>(ii) In all other than Company Taxpayers</p> <p style="text-align: right;">Filers 10%</p> <p style="text-align: right;">Non-filers 17.5%</p> | 2% | Prescribed Person | <p>Resident Person;</p> <p>Resident Person; and Permanent Establishment in Pakistan of a Non-Resident</p> | At the time the amount is actually paid | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | <p>Minimum Tax</p> <p>Except ,the tax deducted on payment for advertising services to electronic and print media will be Final tax</p> |
| 153(1)(c) | <p>Execution of Contracts</p> <p>i) In case of sportsperson</p> <p>ii) In the case of Companies :</p> <p style="text-align: right;">Filers 7%</p> <p style="text-align: right;">Non-filers 12%</p> <p>iii) In the case of other than companies Taxpayers</p> <p style="text-align: right;">Filers 7.5%</p> <p style="text-align: right;">Non-filers 12.5%</p> | 10% | Prescribed Person | <p>Resident Person;</p> <p>Resident Person; and Permanent Establishment in Pakistan of a Non-Resident</p> | At the time the amount is actually paid | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final Tax except payments received by Public Company listed on registered Stock Exchange Commission in Pakistan |
| 153(2) | Every Exporter or Export House shall deduct Tax on payments in respect of services of stitching, dying, printing etc. received/provided. | 1% | Exporter/Export House | <p>Resident Person;</p> <p>Resident Person; and Permanent Establishment in Pakistan of a Non-Resident</p> | At the time of making the payment. | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |

| Section | Provision of the Section | Tax Rate | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status |
|-------------------|---|--|---|---|--|--|------------------------|
| 154(I) Exports | Tax to be deducted on export of goods | 1% of gross value | Every Authorized dealer in Foreign Exchange | Exporter | At the time of realization of the export proceeds | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |
| 154(2) | On realization of proceeds on account of commission to; I. Non-export indenting agent II. Export indenting agent / export buying house | 5% of gross value 5% of gross value | Every Authorized dealer in Foreign Exchange | Non export indenting agent , export indenting agent / export buying house | At the time of realization of Foreign Exchange proceeds or indenting commission | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b)) | Final |
| 154(3) | On realization of proceeds on account of sale of goods to an exporter under inland back to back LC or any other arrangement as may be prescribed by FBR | 1% | Every Banking Company | Exporter | At the time of realization of proceeds on account of sale of goods to an exporters | In case of Federal / provincial Government on the day the tax is deducted.Rule43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |

| Section | Provision of the Section | Tax Rate | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status |
|----------------|---|-------------------|--|--|--|---|------------------------|
| 154(3A) | Exports of goods located in Export Processing Zone (BPZ) | 1% of gross value | BPZ Authority | Industrial undertaking located in the Export Processing Zone | At the time of export of goods. | In case of Federal / provincial Government on the day the tax is deducted.Rule43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |
| 154(3B) | Payment to indirect exporters as defined in DTRE(Duty & Tax Remission for exporters) rules, 2001 | 1% of gross value | Direct exporters / export house registered under DTRE rules, 2001. | Indirect exporters (defined under sub-chapter 7 of the chapter XII of the Custom Rules , 2001) | At the time of payment against a firm contract | In case of Federal / provincial Government on the day the tax is deducted.Rule43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |
| 154(3C) | Clearance of goods exported | 1% of gross value | Collector of custom | Exporter of goods | At the time of export of goods | In case of Federal / provincial Government on the day the tax is deducted.Rule43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |

| Section | Provision of the Section | Tax Rate | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status |
|-----------------------------|---|--|---|--|---|---|-----------------|
| 155 Income from Property | <p>Any payment made on account of rent of immovable property</p> <p>(A) In case of individual or AOP</p> <p>Where the gross amount of rent does not exceed Rs, 200,000</p> <p>Where the gross amount of rent exceeds Rs, 200,000 but does not exceed Rs, 600,000</p> <p>Where the gross amount of rent exceeds Rs, 600,000 but does not exceed Rs, 1,000,000</p> <p>Where the gross amount of rent exceeds Rs, 1,000,000 but does not exceed Rs, 2,000,000</p> <p>Where the gross amount of rent exceeds Rs, 2,000,000</p> <p>B) in case of company</p> | <p>Nil</p> <p>5% of the gross amount exceeding Rs, 200,000</p> <p>Rs, 20,000+10% of the gross amount exceeding Rs, 600,000</p> <p>Rs,60,000+15% of the gross amount exceeding Rs, 1,000,000</p> <p>Rs, 210,000+20% of the gross amount exceeding Rs, 2,000,000</p> | Every Prescribed Persons as per Section 155 of Income Tax Ordinance, 2001 | Recipient of rent of immovable property | At the time the rent is actually paid | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 156 Prizes and winnings | <p>Payments made on account of winning of prize on prize bond , Cross word, raffle, lottery & quiz</p> <p>(I) Payments made for prize on quiz bond and cross word</p> <p>(II) Payments on winning from a raffle, lottery, prize on winning a quiz, prize, offered by companies for promotion of sale crossword puzzles</p> | <p>15% 25%</p> <p>20%</p> | Every person making payment | Recipient of prize or winnings | At the time the prize or winnings are actually paid | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |

| Section | Provision of the Section | Tax Rate | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status |
|--|--|--|--|---|---|---|-----------------|
| 156 A Petroleum Products | Payment to petrol pump operator on account of sale of petroleum products Filers Non-filers | 12% 17.5% | Every person selling petroleum product to petrol pump operator | Petrol pump operators | At the time the commission is actually paid | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |
| 156B Withdrawal of balance under pension fund | i) Withdrawal of pension before retirement age ii) Withdrawal if in excess of 50% of accumulated balance at or after the retirement age | As specified in sub section (6) of section 12 i.e average rate of tax for the last 3 preceding years or rate applicable for the year whichever is lower. | Pension fund manager | Individuals maintaining pension accounts with an <i>approved</i> pension fund | At the time of withdrawal | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |

| Section | Provision of the Section | Tax Rate | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status |
|--|---|-----------------|--|---|-----------------------------------|---|------------------------|
| 231A Cash Withdrawal from a Bank | Payment of cash withdrawal exceeding Rs, 50,000/- in a day Filers Non-filers | 0.3% 0.6% | Every Banking Company | Account Holder Withdrawing Cash | At the time the cash is withdrawn | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 231AA(I) Advance tax on transaction in bank | 1. Sale against cash of any instrument including demand draft, payment order, CDR, STDR, RTC, any other instrument of bearer nature or on receipt of cash on cancellation of any of these instruments where transaction exceeds Rs, 2,5000 in a day Filers Non-filers | 0.3% 0.6% | Every banking company, non banking financial institution , exchange company or any authorized dealer of foreign exchange | Persons to whom sale of any instrument is made against cash payment | At the time of sale of instrument | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |

| Section | Provision of the Section | Tax Rate | Who will deduct/collector/agent | From Whom | When | Time of Deposit | Taxation Status |
|---|--|--|--|---|--|---|------------------------|
| 231AA(2) | 2. Transfer of any sum against cash through online transfer, telegraphic transfer mail transfer or any other mode of electronic transfer . Where transaction exceed Rs, 2,5000/= in a day | Filers 0.3% Non-filers 0.6% | Every banking company non banking financial institution , exchange company or any authorized dealer of foreign exchange | A Persons transferring any sum | At the time of transfer of any sum | In case of Federal / provincial Government on the day the tax is deducted.Rule43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 231B Advance Tax on Private motor vehicles | Registration of Moto Vehicle Upto 850CC 851cc to 1000cc 1001cc to 1300cc 1301c to 1600cc 1601cc to 1800cc 1801cc to 2000cc 2001cc to 2500cc 2501cc to 3000cc Above 3000cc | Filer Rs, 7500 Rs, 15,000 Rs, 25,000 Rs, 50,000 Rs, 75,000 Rs, 10,0000 Rs, 150,000 Rs, 200,000 Rs, 250,000 Non-Filer Rs, 10000 Rs, 25,000 Rs, 40,000 Rs, 10,0000 Rs,150,000 Rs, 20,0000 Rs, 300,000 Rs, 400,000 Rs, 450,000 | Motor vehicle registration authority | Persons getting New locally manufactured motor vehicle transferred in their name. | At the time of registration of new motor vehicle | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 231B(1A) | Leasing of Motor vehicle to a non-filer | 4% of the value of Motor Vehicle | Every Leasing Company, Scheduled Bank, Investment Bank Development Finance Institution Non-Banking Finance Institution MODARBA (Sharia compliant or under conventional mode) | Lessee | At the time of lease | in case of Federal / provincial Government on the day the tax is deducted.Rule43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule | Adjustable |

| Section | Provision of the Section | Tax Rate | | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status |
|----------------|--|-----------------|------------------|--------------------------------------|--|--------------------------------|---|------------------------|
| 231B(2) | <p>Transfer of Registration or ownership of motor vehicle</p> <p>2) the rate of tax under sub-section (2) of section 231B shall be as follows-</p> | | | Motor Vehicle Registration Authority | Person Transferring the ownership / Registration | At the time of transfer | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| | | Filer | Non-Filer | | | | | |
| | Upto 850CC | 0 | Rs, 5000 | | | | | |
| | 851cc to 1000cc | 5,000 | 15,000 | | | | | |
| | 1001cc to 1300cc | 7,500 | 25,000 | | | | | |
| | 1301c to 1600cc | 12,500 | 65,000 | | | | | |
| | 1601cc to 1800cc | 18,750 | 100,000 | | | | | |
| | 1801cc to 2000cc | 25,000 | 135,000 | | | | | |
| | 2001cc to 2500cc | 37,500 | 200,000 | | | | | |
| | 2501cc to 3000cc | 50,000 | 270,000 | | | | | |
| | Above 3000cc | 62,500 | 30,0000 | | | | | |
| 231B(3) | <p>Division VII, Part IV of First Schedule of the ITO, 2001</p> | | | Manufacturer of Motor vehicle | Purchaser | At the time of sale of vehicle | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| | | Filer | Non-Filer | | | | | |
| | Upto 850CC | Rs, 7500 | Rs, 10000 | | | | | |
| | 851cc to 1000cc | 15000 | 25000 | | | | | |
| | 1001cc to 1300cc | 25000 | 40000 | | | | | |
| | 1301c to 1600cc | 50000 | 100000 | | | | | |
| | 1601cc to 1800cc | 75000 | 150000 | | | | | |
| | 1801cc to 2000cc | 100000 | 200000 | | | | | |
| | 2001cc to 2500cc | 150000 | 300000 | | | | | |
| | 2501cc to 3000cc | 200000 | 400000 | | | | | |
| | Above 3000cc | 250000 | 450000 | | | | | |

| Section | Provision of the Section | Tax Rate | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status |
|---|---|---|---|--|---|---|------------------------|
| 233 Brokerage & Commission | Brokerage and commission income In case of Advertising Agents Life Insurance Agents where Commission received is less than Rs, 0.5Million per annum Persons not covered in 1 & 2 | Filer 10% 8% 12% Non-filer 15% 16% 15% | Federal Government, Provincial Government, Local authority, Company AOP constituted by or under any law or principal. | Recipient of brokerage or commission or Agent | At the time the brokerage or commission is actually paid; | In case of Federal / provincial Government on the day the tax is deducted.Rule43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |
| 233A Collection of tax by stock exchange 233(i)(a) 233(i)(b) | On purchase of shares in lieu of the commission earned by its Member On sale of shares in lieu of the commission earned by its Member | 0.01% of Purchase value 0.01% of sale value | Stock Exchange Registered in Pakistan | Members of stock exchange | At the time of making or receiving payment | In case of Federal / provincial Government on the day the tax is deducted.Rule43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |
| 233AA Collection of Tax by NCCPL | Advance Tax on margin financing through in share business. | 10% of Mark-up or interest | NCCPL | Members of Stock Exchange (Margin Financier & Lenders) trading finance | At the time of Mark-up / Interest is paid | In case of Federal / provincial Government on the day the tax is deducted.Rule43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |

| Section | Provision of the Section | Tax Rate | Who will deduct/collector/agent | From Whom | When | Time of Deposit | Taxation Status |
|-----------------------------------|--|--|--|------------------------|--|---|------------------------|
| 234 Tax on Motor Vehicle | (i)In the case of goods Transport Vehicles. Filer Non files 1(A)Transport vehicle with laden weight of 8120 Kg or more after a period ten years from the date of first registration Passenger transport (2)In the case of Passenger Transport Vehicles plying for hire, seating capacity. (a) 4 or more persons but less than 10 persons. (b) 10 or more persons but less than 20 persons. (c) 20 persons or more. (3) Other Private Motor vehicles, including car, jeep ,van, sport utility vehicle, pick-up trucks for private use, caravan automobile , limousine , wagon or any other automobile used for private purpose :- Upto 1000cc 1001cc to 1199cc 1200cc to 1299cc 1300cc to 1499cc 1500cc to 1599cc 1600cc to 1999cc 2000cc & above | Rs. 2.5 per kg of the laden weight Rs. 4 per kg of the laden weight Rs, 1200 per annum Rs per seat per annum Filer Non Filer 50 100 100 200 300 500 For Filer Non-Filer Rs, 800 Rs, 1200 Rs, 1,500 Rs,4,000 Rs, 1,750 Rs 5,000 Rs, 2,500 Rs, 7,500 Rs, 3,750 Rs, 12,000 Rs,4,500 Rs, 15,000 Rs, 10,000 Rs, 30,000 | Person collecting motor vehicle tax | Owner of motor vehicle | At the time of collecting motor vehicle tax other in installment or lump sum | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |

| Section | Provision of the Section | Tax Rate | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status |
|------------------------|--|---|---------------------------------------|--|---|--|---|
| 234A CNG Station | On the amount of gas bill of a Compressed Natural Gas Station Filer Non files | 4% 6% | Person preparing gas consumption bill | Consumer of gas for compressed natural gas station | At the time of realization of gas consumption charges | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule | Final |
| 235 Electricity | Gross amount of Electricity Bill of Commercial and industrial consumer does not exceed Rs. 400. exceeds Rs. 400 but does not exceed Rs. 600 Exceeds Rs. 600 but does not exceed Rs. 800 exceeds Rs. 800 but does not exceed Rs. 1000 exceeds Rs. 1000 but does not exceed Rs. 1500 exceeds Rs. 1500 but does not exceed Rs. 3000 exceeds Rs. 3000 but does not exceed Rs. 4,500 exceeds Rs. 4500 but does not exceed Rs. 6000 exceeds Rs. 6000 but does not exceed Rs. 10000 exceeds Rs. 10000 but does not exceed Rs. 15000 exceeds Rs. 15000 but does not exceed Rs. 20000 exceeds Rs. 20000 | Rs. 0 Rs. 80 Rs. 100 Rs. 160 Rs. 300 Rs. 350 Rs. 450 Rs. 500 Rs. 650 Rs. 1000 Rs. 1500 (i) at the rate of 12% for commercial consumers; (ii) at the rate of 5 per cent for industrial consumers | Person preparing electricity bill | Commercial and Industrial consumers of electricity | Along with payment of electricity consumption charges | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | (i) Adjustable In case of company. (ii) in case of other than company tax collected on Rs, 360000 amount of annual bill will be minimum tax. (iii) in case other than company tax collected on amount over and above Rs 30000/- of monthly bill will be adjustable (iv) Final for CNG Stations (Ref S.234A) (3). |

| Section | Provision of the Section | Tax Rate | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status |
|---|--|--|---|---------------------------------------|---|---|------------------------|
| 235A Electricity | Domestic consumers (i) if the amount of monthly bill is Rs,75,000/- or more (ii) if the amount of monthly bill is less than Rs, 75,000/- | 7.5% 0% | Person preparing electricity bill | Domestic consumers | Along with payment of electricity consumption charges | In case of Federal / provincial Government on the day the tax is deducted.Rule43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 235B Tax on Steel Melters and composite units. | Tax from Every Steel Melters and, Composite Steel Units registered for the purpose of Chapter IX of Sales Tax Special procedure Rules, 2007. | Rs, 1 per Unit of Electricity consumed | The person preparing electricity consumption bill | Steel Melters, Composite Steel Units. | In the manner electricity consumption charges or charged. | In case of Federal / provincial Government on the day the tax is deducted.Rule43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Non- adjustable |

| Section | Provision of the Section | Tax Rate | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status |
|---|--|---|--|---|---|---|---|
| 236 Telephone | (a) Telephone subscribers and internet Monthly bill up to Rs, 1000 Bill exceeding 1,000 (b) in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card | Nil, 10% 12.5% of the amount of Bill or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form | Person preparing telephone / Internet bill or issuing / selling prepared card for mobile phones / Internet | Telephone Subscribers, Internet subscriber, purchaser of Internet Prepaid Cards, Telephone subscriber and purchaser of prepaid telephone cards | Along with payment of telephone bill or at the time of issuance of or sales of prepared cards | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 236A Sale by auction | Any person making sale by public auction / tender of any property or goods shall deduct tax including award of any lease to any person Filer Non filer | 10% 15% | Every person making sale by auction | Every successful bidders | At the time of realization of sale proceeds | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | (i) Adjustable (ii) in case of tax collected on a lease of right to collect tolls ,will be final tax |
| 236B Advance tax on purchase of Air Ticket | Purchase of domestic air ticket | 5% of gross amount of ticket | Person preparing air ticket | Purchaser of domestic air travel ticket | At the time of realization of sale proceeds | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |

| Section | Provision of the Section | Tax Rate | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status |
|---|---|-----------------|--|---|---|---|---|
| 236C Immoveable property | Registering, Recording or attesting transfer of any Immoveable property. Filer Non-filer | 1% 2% | Every person Registering, Recording or attesting or Transfer including local authorities, housing authorities, Housing Society Co-operative Society and registrar or properties. | From seller of immoveable property | At the time of Registering, recording or attesting the transfer | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Minimum if property is acquired and disposed off with the same tax year otherwise adjustable. |
| 236D(1) Advance Tax on Function & Gatherings | Every prescribed person shall collect tax on the total amount of bill paid by a person holding or arranging functions in a marginal hall, Marquee, Hotel, Restaurant, Commercial Lawn, Clubs, Community Place or any other place used for such purposes | 5% | Prescribed person as per Section 236D(3)(b) | Any person holding or arranging a function | At the time of payment of bill | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 236D(2) | On payment of Food Services any other facility related to function and gathering | 5% | Prescribed Person as Per Section 236D(3)(b) | Person holding function related for food service and other function | At the time of payment of bill | | Adjustable |

| Section | Provision of the Section | Tax Rate | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status |
|--|--|---|---|------------------------------------|------------------------------------|--|------------------------|
| 236F Advance Tax on Cable Operators & other Electronics | PEMRA shall collect tax on issuance of license for distribution services or renewal of the license to a license License Category as provided in PEMRA Rules H H-I H-II R B B-I | Tax on License Fee Rs, 7500 Rs, 10000 Rs, 25000 Rs, 5000 Rs, 5000 Rs, 30000 Tax on Renewal Rs, 10000 Rs, 15000 Rs, 30000 Rs, 40000 Rs, 40000 35000 | PEMRA | Every Cable Operator | At the time of issuance of License | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a) In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 236G Advance Tax on sales to distributors, dealers & wholesaler | Advance tax has to be collected from wholesaler, distributor & dealers at the time of sales made to them. i) Fertilizers Filer: Non-filer: ii) Other than Fertilizer Filer: Non-filer: | 0.1% on Gross Sale 0.7% 1.4% 0.1% 0.2% | Every Manufacture or Commercial importer of electronics sugar, cement, iron & steel products, fertilizers, motor cycles, pesticides, Cigarettes glass, textile, beverages, paint or foam sector | Distributor, Wholesaler and Dealer | At the Time of sale | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |

| Section | Provision of the Section | Tax Rate | Who will deduct/collector/agent | From Whom | When | Time of Deposit | Taxation Status |
|--|---|---|---|---|---|---|------------------------|
| 236H Advance Tax on sales to Retailers | Advance tax has to be collected from retailers at the time of sales made to them Electronics Others | Filer: 1% Filer: 0.5% Non-filer: 1% | Every Manufacture ,distributor, dealer, wholesaler or Commercial importer of electronics, sugar, cement, iron & steel products, motorcycles, pesticides, Cigarettes glass, textile, beverages, paint or foam sector | Every Retailer | At the Time of sale | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 236I Collection of Advance Tax by Educational Institution | Every Educational institution has to collect advance Tax on the amount exceeding Rs, 200000 per annum. | 5% | The person preparing fee voucher or challan | The person depositing / paying fee | At the time of payment of fee | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 236J Advance Tax on dealers, commission agents and arhtis | Every Market committee shall collect tax from dealers, commission agents or Arhetis on issuance or renewal of license Group or Class A Group or Class B Group or Class C Any other category | Rs10000 Rs,7,500 Rs,5000 Rs,5000 | Every Market Committee or any commodity regulatory authority | Every Dealer, commission Agent and Arhti. | At the Time of issuance or renewal of license | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |

| Section | Provision of the Section | Tax Rate | Who will deduct/collector/agent | From Whom | When | Time of Deposit | Taxation Status |
|----------------|--|---|---|---|---|---|------------------------|
| 236K | Advance Tax on purchase of immovable property i) Where value of Immovable property is Upto 4 million ii) Where the value immovable property is more than 4 million Filer: Non-filer: | 0% 2% 4% | Every person registering, recording or attesting or Transfer including local authorities, housing authorities, Housing Society, Co-operative Society and registrar or properties. | From the purchaser of immovable property | At the time of Registering, recording or attesting the transfer | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 236L | Advance Tax on purchase of international air ticket (i) First/ Executive class (ii) Others excluding Economy (iii) Economy | Rs. 16000 per person Rs. 12000 per person Rs.0 | Airlines issuing the air ticket | Purchasers of International air travel ticket | At the time of realization of sale proceeds | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 236M. | Bonus shares issued by companies quoted on stock exchange | 5% of the shares issued or an amount equal to the value of the withheld shares based on the first day end price of closure of books | Every company quoted on stock exchange | From allottee of the bonus shares | At the time of issuance of bonus shares | within fifteen days from the first day of closure of books | Final |
| 236N. | Bonus shares issued by companies not quoted on stock exchange | 5% of the value of the bonus shares on first day of closure of books | Every company not quoted on stock exchange | From alotee of the bonus shares | At the time of issuance of bonus shares | within fifteen days from the first day of closure of books | Final |

| Section | Provision of the Section | Tax Rate | Who will deduct/collector/agent | From Whom | When | Time of Deposit | Taxation Status |
|--|--|-----------------------------|---|---|---|---|------------------------|
| 236P Advance tax on banking transaction other than through cash | (i) Every Banking Company shall collect Advance tax from non-filers on sale of instruments, including demand draft , pay order , special deposit receipt, cash deposit receipt, short term deposit receipt, call deposit receipt & rupee traveler's cheque. ii) Every Banking Company shall collect advance tax from non filers on transfer of any sum through cheque or clearing, interbank or interbank transfers through cheque, online / telegraphic / mail transfer. | 0.4% 0.4% | Every Banking Company | From Non-filers doing this transaction | At the time of sale of such instruments | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 236Q Payment to resident for use of machinery & equipment | (i) Payments for the right to use Industrial, Commercial, and scientific , equipment (ii) payments on account of rent of Machinery, Industrial, and Commercial and Scientific equipment | 10% 10% | Every prescribed person (As per (7) of 153 | Recipient of Rent | At the time of payment | In case of Federal / provincial Government on the day the tax is deducted.Rule43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |
| 236R Education related expenses remitted aboard | Advance Tax be collected on the amount of education related expenses remitted abroad. | 5% of the remitted expenses | Bank s, Foreign Exchange Companies or any person responsible for remitting the amount | The payer of Education related expenses | At the time of remitting the expenses | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |

| Section | Provision of the Section | Tax Rate | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status | | | | | | | | | | | | | | | | | | |
|-------------------------------|---|---|--------------------------------------|------------------|--|------------------------|------------------------|-----------|------------|-------|-------|-----|---------|-------|-----|-----|-----|-------|-------|-----|-------------------------------------|------------------------------|-------------------------------|--|------------|
| 236S Dividend in Specie | <p>Every Person making payment of dividend in specie shall collect (deduct) from gross amount of dividend in specie</p> <p style="text-align: right;">Filers</p> <p style="text-align: right;">Non Filers</p> <p>Collective investment, REIT Scheme or mutual funds.</p> <p>Purchaser of Wapda privatized power project , company setup for power generation or company supplying coal exclusively to power generation projects</p> | <p>15%</p> <p>20%</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th rowspan="2">Stock Fund</th> <th colspan="2">Money market Fund, Income Fund, or , REIT scheme or any other fund</th> </tr> <tr> <th>Filer</th> <th>Non Filer</th> </tr> </thead> <tbody> <tr> <td>Individual</td> <td>12.5%</td> <td>12.5%</td> <td>15%</td> </tr> <tr> <td>Company</td> <td>12.5%</td> <td>25%</td> <td>25%</td> </tr> <tr> <td>AOP</td> <td>12.5%</td> <td>12.5%</td> <td>15%</td> </tr> </tbody> </table> <p>7.5%</p> | | Stock Fund | Money market Fund, Income Fund, or , REIT scheme or any other fund | | Filer | Non Filer | Individual | 12.5% | 12.5% | 15% | Company | 12.5% | 25% | 25% | AOP | 12.5% | 12.5% | 15% | Every Person paying specie dividend | Recipient of Specie dividend | At the time of making payment | <p>In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a).</p> <p>In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b)</p> | Adjustable |
| | Stock Fund | Money market Fund, Income Fund, or , REIT scheme or any other fund | | | | | | | | | | | | | | | | | | | | | | | |
| | | Filer | Non Filer | | | | | | | | | | | | | | | | | | | | | | |
| Individual | 12.5% | 12.5% | 15% | | | | | | | | | | | | | | | | | | | | | | |
| Company | 12.5% | 25% | 25% | | | | | | | | | | | | | | | | | | | | | | |
| AOP | 12.5% | 12.5% | 15% | | | | | | | | | | | | | | | | | | | | | | |

| Section | Provision of the Section | Tax Rate | Who will deduct/collect/agent | From Whom | When | Time of Deposit | Taxation Status |
|---|---|----------------|---|--|---|---|-----------------|
| 236U Advance Tax on Insurance Premium | Tax to be collected by every Insurance Company at the time of collection of General Insurance Premium and life Insurance Premium. General Insurance Premium Life Insurance Premium if exceeding Rs.0.3 million in aggregate per annum Others | 4% 1% 0% | Insurance Company and Agents of Insurance Company | Non-filers | At the time of collection of Insurance premium | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 236V Advance Tax on extraction of Minerals | Tax to be collected at the value of Minerals extracted product, dispatched and carried away from licensed or leased areas of mines Filer Non-Filer | 0% 5% | Provincial Authority Collected royalty per metric ton | Lease Holder of Mines or any person extracting minerals | At the time of collecting royalty per metric ton from leased. | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |
| 236W Tax on purchase or transfer of immovable property | Tax to be collected on the amount computed under section 111(4)(c) | 3% | Every person registering, recording or attesting or Transfer including local authorities, housing authorities, Housing Society, Co-operative Society and registrar or properties. | From purchaser of immovable property | At the time of registering, recording or attesting of transfer. | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Final |
| 236X Advance tax on Tobacco | Tax to be collected on the purchase value of tobacco from every person | 5% | Pakistan Tobacco Board or Contractors of Pakistan Tobacco Board. | From purchaser of tobacco including manufacturer of cigarettes | At the time of cess on tobacco. | In case of Federal / provincial Government on the day the tax is deducted. Rule 43(a). In other than Federal / Provincial Government cases, within 7 days from the end of each week ending on every Sunday. Rule 43(b) | Adjustable |

Disclaimer:-

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) shall always prevail in case of any contradiction. This card shall never be produced as a legal document before any legal Forum.