

FINANCE BILL 2020

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THE INCOME TAX ORDINANCE, 2001

The following amendments have been proposed through the Finance Bill 2020:

CONSTRUCTION ACTIVITY TO BE TREATED AS INDUSTRIAL UNDERTAKING

Section 29C (aa)

The Federal Government at last on long standing demand of the construction sector decided to treat the construction related activity carried out by a person such as construction of buildings, roads, bridges as an industrial undertaking. However, this treatment shall be restricted to the extent and for the purpose of import of plant & machinery to be utilized in such activity.

PROPERTY INCOME

Section 15A(1) & (7)

Following amendment has been proposed in allowable deductions against property income:

- **Collection & Administrative Charges**

Sub Section 1(h)

Allowable collection & administrative charges are proposed to be reduced from 6% to 2%.

- **Option to Association of Persons & Individuals**

Sub Section 7

The Finance Act 2019 allowed option to Association of Persons & Individuals deriving gross annual rent exceeding Rs.4,000 to claim deductions allowed under section 15A of the IT Ord. 2001 against their gross rental income if they opt to pay tax at normal rates provided in Division I of Part I of the First Schedule instead of special rate of tax provided for taxation of rental income.

Now, it is proposed to remove the ceiling of Rs.4,000 M. Hence from tax year 2021 any Association of person or an individual can claim deduction allowed under section 15A of the IT Ord. 2001 if he opts for payment of normal rates of tax applicable to them.

INCREASE IN LIMITS FOR DISALLOWANCE DEDUCTION AGAINST BUSINESS INCOME

Section 21

It is propose to increase the thresholds for allowability of limit of expenses not allowed as deduction:

- **Limit for Cash Expenditure**

Section 21(1) Clause (l)

The current limit of Rs.50,000 for aggregate expenditure paid or payable in cash propose to enhance to Rs.250,000 and single transaction in cash enhanced from Rs. 10,000 to Rs. 25,000.

- **Salaries Expenditure in Cash**

Section 21(1) Clause (m)

Limit for payment of salaries paid in cash is proposed to enhance from Rs.15,000 to Rs.25,000.

- **Ceiling Imposed on Claim of Expenditure on Utilities**

Section 21(1) Clause (p)

From tax year 2021 the amount of allowable expenditure on account of utility bills shall be based on certain conditions as prescribed by FBR. Hence through this propose amendment ceiling will be placed on the amount of allowable utility expenditure of a business concern.

- **Proportionate Disallowance of Expenditure**

Section 21(1) Clause (q)

According to this propose amendment proportionate expenditure attributable to sales made to persons required to be registered but not registered under the Sales Tax Act, 1990 by a manufacturing concern shall not be allowed as an expenditure.

The amount of inadmissible expenditure shall be computed on the basis of following formula:

$$(A/B) \times C$$

where—

- A** is the total amount of deductions claimed under this Part;
- B** is the turnover for the tax year; and
- C** is the total amount of sales exclusive of sales tax and federal excise duty to persons required to be registered but not registered under the Sales Tax Act, 1990 where sales equal or exceed rupees one hundred million per person:

Provided that total disallowance under this clause shall not exceed twenty percent of total deductions claimed under this Part:

Provided further that the Board may, by notification in the official Gazette, exempt persons or classes of persons from this clause on the basis of hardship.

This means that if in a tax year a person made sales exceeding Rs. 100.000 M to an unregistered person, who despite of statutory requirement fails to get himself registered under the Sales Tax Act 1990, than the proportionate deductions claimed by the manufacturer shall be disallowed but the amount so disallowed shall not exceed 20% of the total deduction claimed. However, the term "EXPENDITURE" need to be defined whether this means direct or indirect expenditure or both.

REDUCED DEPRECIATION ALLOWANCE IN FIRST YEAR OF USE & IN THE YEAR OF DISPOSAL

Section 22(2) & (8)

Through this propose amendment it is sought to restrict claim of depreciation on an assets used for the first time in a tax year to the extent of fifty percent of the normal depreciation for the full year.

Similarly fifty percent of normal depreciation for the year will be allowed in the year the asset is disposed off.

TAXATION OF GAIN ON SALE OF IMMOVABLE PROPERTY

Section 37(3A) & (3B)

Through Finance Act 2019 an amendment was made in section 37 of the Income Tax Ord. 2001 according to which separate basis of computation of taxable gain as well as holding period of plot & constructed property was inserted as sub section 3A & 3B in section 37. Now it is propose to provide single basis of computation of taxable gain for open plot as well as for constructed property.

As per propose amendment the gain on sale of immovable property irrespective of its status shall be exempt from tax if the holding period exceeds four years.

The proposed new basis of computation of taxable gain on sale of immovable property is as under:

S. No.	Holding Period	Gain
(1)	(2)	(3)
1.	Where the holding period of an immovable property does not exceed one year	A
2.	Where the holding period of an immovable property exceeds one year but does not exceed two years	A X 3/4
3.	Where the holding period of an immovable property exceeds two years but does not exceed three years	A X 1/2
4.	Where the holding period of an immovable property exceeds three years but does not exceed four years	A X 1/4
5.	Where the holding period of an immovable property exceeds four years	0

Where **A** is the amount of capital gain determined

The revised rate of tax on gain on sale of immovable property is as under:

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

• **Gain on Sale of Constructed Residential Property Exempt from Tax**
Clause 114AA Part I of the Second Schedule

A new clause 114AA has been propose to be added to Part I of the Second Schedule to the IT Ordinance according to which gain on sale of constructed residential property shall be exempt from tax subject to following conditions:

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

LIMIT OF AMOUNT OF DONATION CURTAILED

Section 61(2) Proviso

In order to discourage the misuse of tax credit on donation to Associate charitable institutions it has been proposed that the donor, in such case, shall be entitled for tax credit on the amount to the extent of following limits.

Status of Donor	Maximum Limit
Individual or an Association of Person	15% of Taxable Income
Company	10% of Taxable Income

CUT-OFF DATE FOR TAX CREDIT FOR ENLISTMENT AS LISTED COMPANY

Section 65C

Currently tax credit is allowed to companies if they get their company registered on a stock exchange in Pakistan with no cut off date. Now it has been proposed that tax credit under this section shall be available if the company get listed on or before 30th June 2022.

NON-PROFIT ORGANIZATIONS

Section 100C

The following amendments has been proposed in provisions of tax credit to non-profit organizations.

- **Statement of Voluntarily Donations and Contributions Received**

Section 100C Clause (e) to Proviso

In order to avail tax credit under section 100C the Non-Profit Organization shall now be also required to file statement of voluntary donations and contributions received in the immediately preceding tax year on a prescribed format.

- **Funds from Associates not to be Treated as Restricted Fund**

Section 100C(1b)(d)

Any fund received from an Associate of the Non-Profit Organization shall not be treated as a restricted fund for the purpose payment of tax on Surplus Fund.

RESTRICTION ON DEDUCTION OF PROFIT ON DEBT TO ASSOCIATE ENTERPRISES

Section 106A

A new provision has been proposed to be inserted according to which deduction of Profit on Debt payable by a foreign controlled resident company has been restricted to 15% of the taxable income before depreciation & amortization of the Company where said total foreign profit on debt exceeds Rs. 10.000 Million in a tax year.

Foreign controlled resident company means a resident company in which fifty percent or more ownership is held by a non-resident person either alone or together with an associate.

“foreign profit on debt” means interest paid or payable to a non-resident person or an associate of the foreign controlled resident company and includes-

- interest on all forms of debt;
- payments made which are economically equivalent to interest;
- expenses incurred in connection with the raising of finance;
- payments under profit participating loans;
- imputed interest on instruments such as convertible bonds and zero-coupon bonds;
- amounts under alternative financing arrangements such as Islamic Finance;
- the finance cost element of finance lease payments;

- capitalized interest included in the balance sheet value of related asset, or the amortization of capitalized interest;
- amounts measured by reference to a funding return under transfer pricing rules;
- where applicable, notional interest amounts under derivative instruments or hedging arrangements related to an entity's borrowings;
- certain foreign exchange gains and losses on borrowings and instruments connected with the raising of finance;
- guarantee fees with respect to financing arrangements; and
- arrangement fee and similar cost related to the borrowing funds.”

SUPPRESSED AMOUNT OF PRODUCTION, SALES TO BE TREATED AS BUSINESS INCOME

Section 111(1)

Currently, Section 111(1) provides for addition to income any suppression of production, sales or any amount chargeable to tax or of any item of receipt liable to tax under head “Income from Other Sources” to the extent it is not adequately explained instead of making addition under the head Income from Business.

Now this propose amendment seeks to rectify this lacunae in the said section. Hence after this amendment these types of addition will be made under the head Income from Business.

PERSONS WITH INCOME SUBJECT TO FINAL TAXATION TO FILE RETURN OF INCOME

Section 114 & 115

Section 115 of the Income Tax Ord. 2001 provides for filing of statement instead of return of income by the persons deriving income under Final Tax Regime (FTR). Now, a clause (ae) has been proposed to be added in section 114(1) according to which persons deriving income from FTR shall now require to file return of income.

It has also been proposed to empower FBR to prescribe different return of incomes for incomes covered under normal tax regime & final tax regime.

TAX PAYER’S PROFILE

Section 114-A

A new section 114A has been inserted as taxpayer’s profile according to which every taxpayer, existing and proposed to be registered, has to update their profile online on FBR portal.

• **Who shall Furnished Profile**

- every person applying for registration under section 181;
- every person deriving income chargeable to tax under the head, “income from business”;
- every person whose income is subject to final taxation;
- any non-profit organization as defined in clause (36) of section 2;
- any trust or welfare institution; or
- any other person prescribed by the Board.

• **Particulars in Profile**

- shall be in the prescribed form and shall be accompanied by such annexures, statements or documents as may be prescribed;
- shall fully state, in the specified form and manner, the relevant particulars of
 - bank accounts;
 - utility connections
 - business premises including all manufacturing, storage or retail outlets operated or leased by the taxpayer;
 - types of businesses; and
 - such other information as may be prescribed;

• **Who can Signed**

Shall be signed by the person being an individual, or the person’s representative where section 172 applies; and

- **Mode of Filing**

Shall be filed electronically on the web as prescribed by the Board.

- **Due Date**

- On or before the 31st day of December, 2020 in case of a person registered under section 181 before the 30th day of September, 2020; and
- Within ninety days registration in case of a person not registered under section 181 before the 30th day of September, 2020.

- **Time for Updation**

A taxpayer's profile shall be updated within ninety days of change in any of the relevant particulars of information.

- **Penalty for Non-Compliance**

Section 182(1) Serial 4A

In case of default by the person in updating his profile by the due date than he will be liable to penalty of Rs. 2,500 for each day of default subject to minimum penalty of Rs. 10,000.

- **Entry in the Active Taxpayer List**

Section 182-A(2)

In case a person fails to furnish or update his profile within the due date or time period specified in sub-section (3) of section 114A or within the date as extended by the Board under section 214A, such person shall not be included in the active taxpayers' list for the latest tax year ending prior to the aforesaid due date or extended date.

However, such person shall be included in the active taxpayers' list upon filing the taxpayer's profile after the due date or extended date, if the person pays the following amount of surcharge:

- twenty thousand in case of a company;
- ten thousand in case of an association of persons; and
- one thousand in case of an individual.

**REVISION OF WEALTH STATEMENT
REQUIRES COMMISSIONER'S APPROVAL**

Section 116(3)

Currently, filing of revised return of income requires permission of concerned Commissioner IR whereas no permission required for filing of revised wealth statement. Now it is proposed to make filing of revised wealth statement subject to permission of the concerned Commissioner IR.

**RETURN FILED NO MORE DEEMED TO BE
AN ASSESSMENT ORDER**

Section 120(2A)

The main spirit of the Income Tax Ord. 2001 was self-assessment. Section 120 of the Ordinance provides that the return filed by a taxpayer is deemed to be an order issued by the Commissioner IR. Now there is a major shift from this main scheme of the Ordinance.

It is proposed to add a sub section 2A to section 120 of the IT Ord. 2001 according to which:

- A return of income furnished under sub-section (2) of section 114 shall be processed through automated system.
- The system shall arrive at correct amounts of total income, taxable income and tax payable by making adjustments for:
 - any arithmetical error in the return;
 - any incorrect claim, if such incorrect claim is apparent from any information in the return;
 - disallowance of any loss, deductible allowance or tax credit; and
 - disallowance of carry forward of any loss:
- taxpayer should be provided opportunity of being heard through a system generated notice specifying propose actions.
- in case of noncompliance from taxpayer within thirty days of the issue of such notice, adjustments shall be made.
- If no such adjustments is made within six months from the date of filing of return the amounts specified in the return as declared by the taxpayer shall be deemed to have been taken as adjusted amounts on the day the return was

filed and the taxpayer shall be intimated automatically through IRIS.”;

- “arithmetical error” includes any wrong or incorrect calculation of tax payable including any minimum or final tax payable.
- “an incorrect claim apparent from any information in the return” shall mean a claim, on the basis of an entry, in the return:
 - of an item, which is inconsistent with another entry of the same or some other item in such return;
 - regarding any tax payment which is not verified from the collection system; or
 - in respect of a deduction, where such deduction exceeds specified statutory limit which may have been expressed as monetary amount or percentage or ratio or fraction.”;
- The taxpayer being aggrieved can file appeal before Commissioner (Appeals) against the said order.

AGREED ASSESSMENT

Section 122D

A new concept of agreed assessment has been introduced according to which a taxpayer has been provided with an option to get finalized his assessment by making a settlement offer. The salient feature of the same is as under:

- The taxpayer may file offer of settlement in the prescribed form before the assessment oversight committee, in addition to filing reply to the Commissioner.
- The Committee after examining the aforesaid offer may decide to accept or modify the offer of the taxpayer through consensus and communicate its decision to the taxpayer.
- Where the taxpayer is satisfied with the decision of the Committee,
 - the taxpayer shall deposit the amount of tax payable including any amount of penalty and default surcharge as per decision of the Committee;

- the Commissioner shall amend assessment in accordance with the decision of the Committee after tax payable is paid as per decision of the Committee.:
- the taxpayer shall waive the right to prefer appeal against such amended assessment; and
- no further proceedings shall be undertaken under this Ordinance in respect of issues decided by the Committee unless the tax as per clause (c) has not been deposited by the taxpayer.

- Where there is a disagreement amongst the taxpayer & the Committee, the case shall be referred back to the Commissioner for his decision.
- The Committee shall comprise the following income tax authorities having jurisdiction over the taxpayer, namely:
 - the Chief Commissioner Inland Revenue;
 - the Commissioner Inland Revenue; and
 - the Additional Commissioner Inland Revenue.
- No agreed assessment in cases involving concealment of income or where interpretation of law is involved.

MANDATORY PAYMENT OF TAX FOR FILING OF APPEAL BEFORE TRIBUNAL

Section 131(2)(e) & 2A

It has been proposed that an amendment shall be made in section 131 of the Ordinance according to which payment of ten percent of tax demand upheld by the Commissioner Appeals has been made mandatory for admission of appeal before the Appellate Tribunal. Hence no appeal will be admitted to the Tribunal unless ten percent of the demand upheld by the Commissioner is paid.

In the past also such amendment was made but the same were reversed by Superior Courts.

ALTERNATE DISPUTE RESOLUTION

Section 134A

The procedure for Alternate Dispute Resolution provided in section 134A has completely been revamped. However significant changes are:

- The taxpayer would no longer be required to withdraw his appeal pending before the appellate forum immediately after the constitution of the Committee, rather, if he is satisfied with the decision of the Committee/FBR.
- The decision of the Committee/ FBR shall not be binding on the taxpayer but shall be binding on the Commissioner, provided that the order of withdrawal of appeal is communicated to the Commissioner within 60 days of the service of decision of the FBR upon the taxpayer.
- The Committee shall comprise of the Chief Commissioner having jurisdiction over the case and two persons from a panel notified by the FBR. Conversely, the Committee shall decide the dispute through consensus rather than majority.
- The Committee may, in case of hardship, stay the recovery of tax payable in respect of the dispute pending before it for a period not exceeding 120 days in aggregate or till the decision of the Committee or its dissolution, whichever is earlier.

RECOVERY OF DEMAND

Section 138

An amendment has been proposed in this section relating to mode of recovery of outstanding demand according to which now a taxation officer can recover the outstanding income tax demand from the tax payer as per the following modes of recovery provided under the Sales Tax Act, 1990:

- deduct the amount payable by person from any money owing to person from whom such amount is recoverable and which may be at the disposal or in the control of such officer or any officer of Income Tax, Customs or Central Excise Department;

- stop clearance of imported goods or manufactured goods or attach bank accounts;
- imposing of embargo on business premises till paid or recovered in full.

IMPORTS

Section 148

The Finance Act 2020 seeks to revamp the provisions of section 148 of the Income Tax Ord. 2001 dealing with import of goods. Significant amendments made to this section is as under:

- A new schedule XII has been inserted listing the imported goods on which tax has to be deducted at rates prescribed.
- FBR empowered to made addition to or deletion from the list of goods in Twelfth Schedule.
- Tax deducted at import stage on goods imported by person for its own use shall be adjustable.
- Rate of tax revised to 1%, 2% & 5.5%.
- Rate of tax on import of goods by manufacturers covered under rescinded SRO 1125 dated 31st December 2011 as it stood on 28th June 2019 shall be 1%.
- Tax deducted at import stage on edible oil, packing material, plastic material & import of ship for ship breaking made adjustable .
- Part II of the First Schedule amended as under:

S. No.	Persons	Rate
(1)	(2)	(3)

1.	Persons importing goods classified in Part I of the Twelfth Schedule	1% of the import value as increased by customs-duty, sales tax and federal excise duty
2.	Persons importing goods classified in Part II of the Twelfth Schedule	2% of the import value as increased by customs-duty,

S. No.	Persons	Rate
(1)	(2)	(3)

		sales tax and federal excise duty
3.	Persons importing goods classified in Part III of the Twelfth Schedule	5.5% of the import value as increased by customs-duty, sales tax and federal excise duty

NO TAX ON LOCAL PURCHASE OF EDIBLE OIL

Section 148A

The provision of section 148A provides for charging of tax at the rate of two percent on manufacturer of cooking oil or vegetable ghee on purchase of locally manufactured edible oil. The tax so chargeable was deemed to be final discharge of tax in respect of income accruing from such oil.

Now, this provision of law has been deleted. Hence no tax is liable to be charged from such manufacturer on purchased of locally manufactured edible oil.

AMENDMENT PROPOSED IN PROVISION FOR DEDUCTION OF TAX

Section 153

- **Toll Manufacturing to be Treated as Supplies**
Section 153(1)(a)

Payments made on account of toll manufacturing shall be treated as supplies & liable for deduction of tax at the rate prescribed for supplies.

- **Listed Companies Entitle for Exemption from Deduction of Tax on Supplies**
Section 153(4) Proviso

A proviso has been proposed to be added to sub section 4 of section 153 according to which a public listed company will be entitle for certificate for exemption from deduction of tax on supplies under section 153(1)(a) of the IT Ord.

The Commissioner is bound to issue certificate for exemption within fifteen days from the date of filing of application. In case of failure by the Commissioner to issue certificate within the prescribed time, the IRIS shall automatically process the exemption certificate.

However, the Commissioner will have the power to modify the auto generated certificate after recording the reason for doing so and after providing opportunity of being heard to the applicant.

- **Limit of Prescribed Person for Deduction of Tax at Source Enhanced**
Section 153(7)(i)

The Finance Bill propose to enhance the turnover limits in case of Association of Persons & individual to became prescribed person for the purpose of deduction of tax under the provisions of section 153 of the IT Ord. 2001. It has also been proposed to fix a turnover limit for persons registered under the Sales Tax Act 1990 to become prescribed person under the provision of said section. The comparison of existing & propose limits is as under:

S. No.	Status of Person	Turnover Limit	
		Existing	Proposed
(Rupees)			

1.	Association of Person	50.000 M	100.000 M
2.	Individual	50.000 M	100.000 M
3.	Person Registered under Sales Tax Act 1990	NIL	100.000 M

REDUCED RATE OF DEDUCTION OF TAX ON ITEMS SUPPLIED TO UTILITY STORES OTHER THAN A COMPANY

Clause 24CA Part II Second

The rate for deduction of tax under clause (a) of sub-section (1) of section 153 in case of a person, other than a company, as a recipient of payment for goods supplied to Utility Stores Corporation of Pakistan shall be 1.5% of the gross amount of payment in respect of supply of

tea, spices, salt, dry milk, sugar, pulses wheat flour and ghee for the period commencing from the 7th day of April, 2020 and ending on 30th day of September, 2020:

STATEMENT FOR DEDUCTION OF TAX

Section 165

Till tax year 2019 statement for deduction of tax was required to be filed monthly however an amendment was made through Finance Act 2019 and the taxpayers were required to file bi monthly statement instead of monthly statements. Now further amendment has been proposed in the said section according to which from July 2020 the deducting authorities will be required to file quarterly statements for deduction of tax.

The dates for filing of statements will be as under:

S. No.	Statement for Quarter Ending	Due Date
1.	30 th September	20 th day of October
2.	31 st December	20 th day of January
3.	31 st March	20 th day of April
4.	30 th June	20 th day of July

LIMIT FOR INFORMATION FROM BANKS FOR PROFIT ON DEBT WAIVED

Section 165A(d)

Presently the banks are required to furnish information for profit on debt paid to persons & tax deducted thereon if the amount of profit exceeds Rupees five hundred thousand in preceding financial year. Now it is proposed to withdraw this limit of Rupees five hundred thousand. Hence from financial year 2020-2021 the banks will be bound to provide information of all persons to whom profit on debt paid during the preceding financial year irrespective of any limit.

REAL-TIME ELECTRONIC ACCESS

Section 175 & 175A

1. The Federal Board of Revenue has been empowered to gather real time electronic access of data from various Government Agencies such as:

- the NADRA with respect to information pertaining to National Identity Card, Pakistan Origin Card, Overseas Identity Card, Alien

Registration Card, and other particulars contained in the Citizen Database;

- the FIA and the Bureau of Emigration and Overseas Employment with respect to details of international entry and exit of all persons and information pertaining to work permits, employment visas and immigration visas;
- the Islamabad Capital Territory and provincial and local land record and development authorities with respect to record-of-rights;
- the Islamabad Capital Territory and provincial Excise and Taxation Departments with respect to information regarding registration of vehicles etc.
- All electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer, the units consumed and the amount of bill charged or paid;
- any other agency, authority, institution or organization notified by the Board.

- The Board shall make arrangements for laying the infrastructure for real-time access to information and database and aligning it with its own database in the manner as may be prescribed.
- Until real-time access to information and database is made available under sub-section (1), such information and data shall be provided periodically in such form and manner as may be prescribed.

AUDIT

Section 177

The following amendments proposed in section 177 of the Income Tax Ord. 2001 relating to audit:

- Electronic Audit Proceedings**
Section 177(2A)

The electronic mode of communication such as video link etc. can be used by the Commissioner to conduct audit proceeding electronically.

- **Non-Compliance on Part of Taxpayer**
Section 177(2AA)

In case of non-compliance of the taxpayer during an audit proceeding the Commissioner has been empowered to pass order determining the taxable income of the taxpayer based on the sectorial benchmark ratios prescribed by the Board.

“**Sectoral benchmark ratios**” means standard business sector ratios notified by the Board on the basis of comparative cases and includes financial ratios, production ratios, gross profit ratio, net profit ratio, recovery ratio, wastage ratio and such other ratios in respect of such sectors as may be prescribed.

- **Levy of Default Surcharge**
Section 205(7)

The provision of section 205 provides for levy of default surcharge only after the payment of outstanding tax due by the taxpayer.

Now an amendment has been proposed according to which the Commissioner can levy default surcharge in case where even the tax due has not actually been paid.

CERTIFICATE FOR EXEMPTION FROM DEDUCTION OF TAX FROM ELECTRICITY BILLS

Section 235

An electricity consumer is allowed exemption from collection of income tax on electric bills only in case its income is exempt from tax and he produces the certificate from the concerned commissioner in this respect.

The powers of the Commissioner under this section has been proposed to be widened. Now the Commissioner can issue certificate for exemption from collection of

tax from electric bills if he is satisfied that the taxpayer has discharged his advance tax liability for the tax year.

RENEWAL OF LICENSE ORIGINALLY ISSUED THROUGH PUBLIC AUCTION

Section 236B

Section 236B provides for collection of tax at the rate of ten percent at the time of public auction only and not on any renewal. Now it is proposed that the tax at the rate of ten percent has to be collected at the time of renewal of license previously sold by public auction or auction by tender. In case renewal fees is collected in instalment than the tax shall also be collected in instalments.

CHANGES IN TRANSITIONAL ADVANCE TAX PROVISIONS

Following amendments has been proposed in provisions of Transitional Advance Tax:

Section	Advance Tax on	Propose Amendment
236D	Function & Gathering	Omitted
236F	Cable Operator & Other Electronic Media	Omitted
236I	Educational Institution	Only from persons not on Active Taxpayer List
236J	Dealers, Commission Agents & Arhatis	Omitted
236R	Education related expenses remitted outside	Omitted
236U	Insurance Premium	Omitted
236X	Tobacco	Omitted

FIRST SCHEDULE

No changes have been made through Finance Bill 2020 regarding Tax Rates related to Salaried Persons, Business Individuals and Association of Persons. However, the same is reproduced as under for ready reference:

1. Rates of Tax for Non-Salaried Individuals and Association of Persons:

Following are the rates of individuals with business income and salary income less than seventy five percent (75%) of total income and for Association of Persons.

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

2. Rate of Tax for Salaried Individuals where Salary Income exceeds Seventy Five percent of Total Income

Following are the revised rates of taxes for individuals from salary income exceeds seventy five percent (75%) of total income:

S. No	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs.600,000	0%
2.	Where taxable income exceeds Rs.600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000

S. No	Taxable Income	Rate of Tax
(1)	(2)	(3)
4.	Where taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000	Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000
5.	Where taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000	Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000
6.	Where taxable income exceeds Rs.3,500,000 but does not exceed Rs. 5,000,000	Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000
7.	Where taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000
8.	Where taxable income exceeds Rs.8,000,000 but does not exceed Rs. 12,000,000	Rs. 1,345,000 plus 25% of the amount exceeding Rs. 8,000,000
9.	Where taxable income exceeds Rs.12,000,000 but does not exceed Rs.30,000,000	Rs.2,345,000 plus 27.5% of the amount exceeding Rs.12,000,000
10.	Where taxable income exceeds Rs.30,000,000 but does not exceed Rs.50,000,000	Rs. 7,295,000 plus 30% of the amount exceeding Rs.30,000,000
11.	Where taxable income exceeds Rs.50,000,000 but does not exceed Rs.75,000,000	Rs.13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000
12.	Where taxable income exceeds Rs.75,000,000	Rs.21,420,000 plus 35% of the amount exceeding Rs. 75,000,000";

SPECIAL PROVISIONS RELATING TO BUILDERS AND DEVELOPERS

SECTION 100D & 11TH SCHEDULE

Through Income Tax Amendment Ord. 2020 on 19th April 2020 the Federal Government announce scheme of incentive for the construction sector. Now in order to give the Ordinance a legal cover it has been made part of Finance Bill 2020.

These amendments has been proposed to be made part of the Income Tax Ord. 2001 through insertion of section 100D & Eleventh Schedule and amendment in section 111 in the Ordinance.

Salient features of the propose amendment is as under:

DEFINITIONS

The following terms has been defined:

“Builder” means a person who is registered as a builder with the Board and is engaged in the construction and disposal of residential or commercial buildings;

“Developer” means a person who is registered as a developer with the Board and is engaged in the development of land in the form of plots of any kind either for itself or otherwise;

MODE OF TAXATION

From the tax year 2020 and onwards, a builder or a developer can opt for taxation under the fixed tax regime. If they opt so, their income shall be taxed in accordance with the rules and rates given in Eleventh Schedule on project by project basis for:

- a) a new project to be completed by the 30th day of September, 2022; or
- b) an incomplete existing project to be completed by the 30th day of September, 2022

COMPUTATION OF TAX LIABILITY

Tax liability of the builders and developers shall be computed as per following:

$$\frac{\text{Tax liability computed as per rates given in eleventh schedule}}{\text{Estimated project life in years}} = \text{Tax Amount Per Annum}$$

- Estimated life of project shall not exceed 2.5 years. However, in case of existing incomplete projects, estimated life shall be treated as three years from 2020 to 2022 and the tax payable shall be reduced by the percentage of completion up to the last day of the accounting period pertaining to tax year 2019. Provided that liability of tax year 2020 shall be paid along with return.
- The tax liability so calculated and paid shall be final tax.
 - The tax so computed shall be paid in advance in four equal quarterly installments under section 147 of 2001 Ordinance.
- **Conditions:**
 - the income under this regime shall not be chargeable to tax under any head of income in computing the taxable income of the person;
 - The scheme is applicable on all residential and commercial buildings;
 - no deduction shall be allowed under this Ordinance for any expenditure incurred in deriving the income;
 - the amount of the income shall not be reduced by:
 - any deductible allowance such as Zakat, WPPF, WWF etc; and
 - set off of any loss
 - no tax credit shall be allowed against the tax payable under this regime except credit for tax under section 236K collected from the builder or developer after April 19, 2020 on

purchase of immovable property utilized in a project;

- there shall be no refund of any tax collected or deducted under this Ordinance;
- section 113 i.e. minimum tax and section 113C i.e. Alternative Corporate Tax shall not apply on the turnover, income, profits and gains of a builder or developer from a project;
- Other income of the builders and developers which is not subject to this regime shall continue to be taxed as per provisions of the Ordinance.

• **Eligible Projects for the Scheme**

Eligible projects for builders and developers are:

- New projects i.e. which are commenced between April 19, 2020 and December 31, 2020 and completed before September 30, 2022;
- Existing projects i.e. which are commenced before April 19, 2020 and completed before September 30, 2022. A declaration as to its percentage of completion up to last day of tax year 2019 is required to be provided.

COMMENCEMENT OF PROJECT

- When layout or development plan, in case of construction or development project respectively, is approved by the concerned authority;
- However, the Board may provisionally accept the commencement of project on a case to case basis, if builder or developer has taken all actions for obtaining approvals but approval is delayed beyond a period of thirty days from date of application and cutoff date of December 31, 2020 is not adhered by the builder or developer.

COMPLETION OF PROJECT

- In case of builder, the date on which grey structure (up to laying of roof of top floor as per approved plan) has been completed;
- In case of developer, the date on which:

- At least 50% of total plots have been booked in name of buyers;
- At least 40% of sale proceeds have been received;
- Landscaping has been completed;
- at least 50% of the roads have been laid up to sub-grade level as certified by the approving authority or NESPAK

IMMUNITY FROM PROBE OF SOURCE OF INVESTMENT

The provisions of section 111 of the Ordinance shall not apply on capital investment in a new project in the form of money or land. Capital investment has been defined as investment in equity resources and does not include borrowed funds. The immunity is however subject to following conditions:

- If investment is made by individual builder or developer:
 - In case of money, open a new bank account and deposit such investment on or before December 31, 2020; or
 - In case of land, the ownership must be in his name as of April 19, 2020;
- If investment is made by a Company or AOP:
 - It should be single object (builder or developer) company or AOP formed after April 19, 2020 and before December 31, 2020;
 - the person shall be a member or shareholder of such AOP or company, as the case may be;
 - Capital investment in the form of money, shall be deposited into bank account of company or AOP through crossed banking instrument, on or before 31st December, 2020; and
 - Capital investment in the form of land, such land should be transferred to such company or AOP on or before 31st December, 2020, with a condition that the ownership of land must be in name of person as of April 19, 2020.
- The money or land invested shall be wholly utilized in a project;
- A person making an investment shall submit a prescribed form on IRIS web portal;
- In case of builder, map approving authority or NESPAK shall certify that grey structure as per approved map has been completed by the builder on or before September 30, 2022;
- In case of developer:
 - map approving authority or NESPAK shall certify that landscaping has been completed by the builder on or before September 30, 2022;
 - a QCR certified firm of Chartered Accountants shall certify that at least 50% plots have been booked and 40% of the sale proceeds have been received by September 30, 2022; and
 - Approving authority or NESPAK shall certify that 50% of roads have been laid up to sub-grade level.
- Source of income shall not be asked also from:
 - first purchaser of a building or unit of a building purchased from the builder if full payment, in case of new project, or balance payment, in case of existing project, is made through crossed banking instrument between the date of registration of project and September 30, 2022. “First purchaser” means a person who purchases a building or a unit, as the case may be, directly from the builder and does not include a subsequent or a substituted purchaser;
 - The purchaser of plot, who intends to construct a building thereon, if
 - Purchase is made, fully payment through crossed banking instrument has been made and construction has been commenced on or before December 31, 2020; and
 - Such construction is completed on or before September 30, 2022; and
 - Person registers himself with Board on IRIS web portal.
- However, in order to claim immunity, following conditions are required to be met:
 - the value or price of land or building shall be higher of:
 - 130% of fair market value as determined by the Board under sub-section (4) of section 68; or
 - at the option of the person making investment, the lower of the values as determined by at least two independent

valuers from the list of valuers approved by the State Bank of Pakistan.

FOLLOWING PERSONS CAN BE PROBED

- holder of any public office as defined in the Voluntary Declaration of Domestic Asset Act 2018 or his benamidar as defined in the Benami Transactions (Prohibition) Act, 2017 (V of 2017) or his spouse or dependents;
- a public company, a real estate investment trust and a company whose income is exempt under any provision of the 2001 Ordinance; or
- any proceeds derived from the commission of a criminal offence including crime of money laundering, extortion or terror financing, excluding offences under tax laws.

EXEMPTION OF DIVIDEND INCOME

Dividend income paid to a person by a builder or developer being a company out of the profits and gains derived from a project shall be exempt from tax.

EXEMPTION FROM WITHHOLDING TAX U/S 150 AND 153

Builders and Developers are not required to withhold tax from:

- the purchase of building material except steel and cement;

INCORPORATION OF PROFITS AND GAINS FOR COMPUTATION OF INCOME

A builder or developer opting for taxation under the special regime shall not be allowed to incorporate profits and gains accruing from such projects in excess of ten times of the tax paid under eleventh schedule.

RATES OF TAX FOR BUILDERS AND DEVELOPERS ARE AS FOLLOWS:

RATES IN RESPECT OF			
(1)	(2)	(3)	(4)
Area in	Karachi, Lahore and Islamabad	Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta	Urban Areas not specified in columns (2) and (3)

- services of plumbing, electrification, shuttering and other similar services other than those provided by companies; and

- Dividend.

REGISTRATION AND FILING OF RETURN

The builder or developer shall electronically register a project on IRIS on or before December 31, 2020 through submission of:

- Registration form, which will include certain details; and
- an irrevocable option to be assessed under this scheme in respect of each project.

CERTIFICATION

Every builder or developer shall be required to obtain a certificate in the prescribed manner from approving authority or map approving authority or NESPAK, as the case maybe, to the following effect:

- total land area’ in square yards;
- ‘covered area’ in square feet;
- ‘saleable area’ in square feet; and
- type (commercial, residential or industrial) of saleable area or the total land area, as the case may be.

TAX ON BUILDERS			
FOR COMMERCIAL BUILDINGS			
Sq. Ft	--	--	--
Any Size	Rs. 250 per Sq. ft	Rs. 230 per Sq. Ft	Rs. 210 per Sq. Ft
FOR RESIDENTIAL BUILDINGS			
Sq. Ft	--	--	--
Upto 3,000	Rs. 80 per Sq. ft	Rs. 65 per Sq. Ft	Rs. 50 per Sq. Ft
3,000 and above	Rs. 125 per Sq. ft	Rs. 110 per Sq. Ft	Rs. 100 per Sq. Ft
TAX ON DEVELOPERS (ENTIRE PROJECT)			
Sq. Yds	--	--	--
Any size	Rs. 150 per Sq. Yd	Rs. 130 per Sq. Yd	Rs. 100 per Sq. Yd
FOR DEVELOPMENT OF INDUSTRIAL AREA			
Sq. Yds	--	--	--
Any size	Rs. 20 per Sq. Yd	Rs. 20 per Sq. Yd	Rs. 10 per Sq. Yd

THE SALES ACT, 1990

Following are the proposed amendments in Sales Tax Act, 1990;

ACTIVE TAXPAYER

Section 2(1)

After proposed amendment, one who fails to file quarterly withholding statements u/s 165 of Income Tax Ordinance, 2001 will be non-active taxpayer, currently it is two consecutive monthly withholding statement under section 165 of the Income Tax Ordinance, 2001.

VALUE OF SUPPLY OF USED VEHICLES PURCHASED FROM GENERAL PUBLIC

Section 2(46)(i)

It is proposed to amend clause h of section 2(46) to include WAPDA along with Independent Power Producers with effect from July 01, 2019.

It is proposed to define value of supply of used vehicles purchased from general public on which sales tax had already been paid at the time of import or manufacturing, value of supply will be the difference between sale and purchase price of the said vehicle, it means the sales tax to be charged on value addition only.

DETERMINATION OF TAX LIABILITY

Section 7(5)

It is proposed to empower to Board to add new sub section 5 to impose restrictions of wastage of material on which input tax has been claimed and same will be notified in the Office Gazette by the Board.

TAX CREDIT NOT ALLOWED

Section 8

Previously, it was inserted that input tax not allowed of input goods attributable to supplies made to un-registered person on pro-rata basis for supplies made without CNIC or NTN as the case be, after proposed amendment to insert services made without CNIC or NTN for now allowing input tax.

POWER OF TAX AUTHORITIES TO MODIFY ORDERS, ETC.

Section 11C

It is proposed to introduce a new section 11C in the Sales Tax Act, 1990 similar to section 124A of the Income tax Ordinance, 2001, this section empower to Commissioner or officer to follow a question of law decided by High Court or the Appellate Tribunal in case of particular registered person on or after July 1, 1990 regardless the appeal pending apex court.

It is also proposed that in case of decision of High Court or Tribunal is reverse or modified, the Commissioner or Officer may give effect of the same within one year from date of receipt of decision, notwithstanding the expiry period of limitation as prescribed under section 11(5) of the Sales Tax Act, 1990.

TAX INVOICES BY RETAILER

Section 23(1)(b)

After proposed amendment threshold of requirement of CNIC by retailer to be increased from Rs. 50,000 to Rs. 100,000, hence, retailer will not ask CNIC at the time supply of goods to general public if the amount of supply is below Rs. 100,000/-.

ACCESS TO RECORD, DOCUMENTS, ETC. (AUDIT)

Section 25

It is proposed make amendment to empower commissioner to conduct audit and hearing through video link or any other facility prescribe by Board.

OFFENCES AND PENALTIES

Section 33

The serial number 25 of the table under Section 33 of the Sales Tax Act deals with the offence committed by a person who is required to integrate his business for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the FBR or its computerized system. Now, it is proposed that even after imposition of penalty, if a person does not integrate his business with the FBR system within

two months, the business premises shall be sealed until he integrates such business.

It is proposed to add the following new entry at serial number 28 for imposing penalty for non-sharing of information.

Offences (1)	Penalties (2)
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Any person who is required to share information under section 56AB, fails to do so in the manner as required under the law	Such person shall pay a penalty of twenty five thousand rupees for first default and fifty thousand rupees for each subsequent default
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AUTHORIZED OFFICERS TO HAVE ACCESS TO PREMISES, STOCKS, ACCOUNTS AND RECORDS

Section 38

It is proposed to empower officer authorized by Board or commissioner to have real time electronic access of business record, premise, stock etc. in addition to physically access business or manufacturing premises, registered office or any other place where business records kept. After proposed amendment, board also be empowered to make rules relating to electronic real-time access for audit or survey of persons liable to tax.

APPEALS

Section 45B

It is proposed to amend this section to incorporate procedure for apply of appeal and also revise the fee to pay along with filling of appeal.

After proposed new sub-section 5, Commissioner Appeal shall not accept any documentary material or evidence which not provided to the Inland Revenue Officer unless Commissioner appeal satisfied that the appelland was prevented by sufficient cause from producing such material or evidence before the Officer Inland Revenue.

Further, the existing appeal filing fee of one thousand rupees is proposed to enhance as under:

Appeal Fee Against	Assessment Order	Others
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Company	5,000	5,000
Other than Company	2,500	1,000

ALTERNATIVE DISPUTE RESOLUTION

Section 47A

- The procedure for Alternate Dispute Resolution provided in section 47A has completely been revamped. However significant changes are:
 - The taxpayer would no longer be required to withdraw his appeal pending before the appellate forum immediately after the constitution of the Committee, rather, if he is satisfied with the decision of the Committee/ FBR.
 - The decision of the Committee/ FBR shall not be binding on the taxpayer but shall be binding on the Commissioner, provided that the order of withdrawal of appeal is communicated to the Commissioner within 60 days of the service of decision of the FBR upon the taxpayer.
 - The Committee shall comprise of the Chief Commissioner having jurisdiction over the case and two persons from a panel notified by the FBR. Conversely, the Committee shall decide the dispute through consensus rather than majority.
 - The Committee may, in case of hardship, stay the recovery of tax payable in respect of the dispute pending before it for a period not exceeding 120 days in aggregate or till the decision of the Committee or its dissolution, whichever is earlier.

SERVICE OF ORDERS, DECISIONS ETC.

Section 56

It is proposed to substitute word registered person in place of privet or public Company, after proposed amendment, service of notice, order, decision will be treated serviced to all registered person if the same

sent electronically to their email address or inbox of the FBR portal.

REAL-TIME ACCESS TO INFORMATION AND DATABASES

Section 56(AB)

It is proposed to insert new section to empower Board to receive information from various authorities which includes;

- (National Database and Registration Authority Ordinance, 2000 (Ordinance VIII of 2000))
- Federal Investigation Agency and the Bureau of Emigration and Overseas Employment with respect to details of international entry and exit of all persons and information pertaining to work permits, employment visas and immigration visas;
- the Islamabad Capital Territory and Provincial and local land record and development authorities with respect to record-of- rights including digitized edition of record-of-rights, periodic record, record of mutations and report of acquisition of rights;
- the Islamabad Capital Territory and Provincial Excise and Taxation Departments with respect to

information regarding registration of vehicles, transfer of ownership and other associated record;

- all electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer, the units consumed and the amount of bill charged or paid;
- any other agency, authority, institution or organization, notified by the Board.

REPRESENTATIVES

Section 58A

It is proposed to add explanation that a non-resident shall have the same meaning as assigned hereto under the Income Tax Ordinance, 2001.

CERTAIN TRANSACTIONS NOT ADMISSIBLE

Section 73

Currently, a registered manufacturer is restricted to supply of taxable goods to unregistered not more Rs. 100 million in a year and 10 millions rupees in a month otherwise manufacturer will not allowed input tax as attributable to such excess supplies to unregistered person.

It is proposed to apply this restriction of supply to all registered suppliers instead of only manufacturer.

FIFTH SCHEDULE

It is proposed to add following more items in the list of supply at zero rated;

S. No.	Description
13	Supplies of raw materials, components and goods for further manufacture of goods in the Gwadar Free Zone and export thereof, provided that in case of supply to tariff area of Pakistan shall be taxed at the value assessed on the Goods Declaration for import
14	<p>Supplies of locally manufactured plant and machinery of the following specifications, to manufacturers in the Gwadar Free Zone, subject to the conditions, restrictions and procedure given below, namely:—</p> <ul style="list-style-type: none"> i. plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer ii. apparatus, appliances and equipment specifically meant or adapted for use in conjunction with the machinery specified in clause (i). iii. mechanical and electrical control and transmission gear, meant or adapted for use in conjunction with machinery specified in clause (i). iv. parts of machinery as specified in clauses (i), (ii) and v. identifiable for use in or with such machinery. <p><u>Conditions, Restrictions and Procedures:</u></p> <ul style="list-style-type: none"> (a) the supplier of the machinery is registered under the Act; (b) proper bill of export is filed showing registration number; (c) the purchaser of the machinery is an established manufacturer located in the Gwadar Free Zone and holds a certificate from the Gwadar Port Authority to that effect; (d) the purchaser submits an indemnity bond in proper form to the satisfaction of the concerned Commissioner Inland Revenue that the machinery shall, without prior permission from the said Commissioner, not be sold, transferred or otherwise moved out of the Gwadar Free Zone before a period of five years from the date of entry into the Zone; (e) if the machinery is brought to tariff area of Pakistan outside Gwadar Free Zone, sales tax shall be charged on the value assessed on the Goods Declaration for import; and (f) breach of any of the conditions specified herein shall attract legal action under the relevant provisions of the Act, besides recovery of the amount of sales tax along with default surcharge and penalties involved.

ELEVENTH SCHEDULE

It is proposed to replace word registered person to active taxpayer in this schedule, after proposed amendment, if registered person is not active taxpayer than withholding tax will be applicable of unregistered person. Following is revised proposed schedule of withholding tax;

S.No.	Withholding Agent	Existing Supplier Category	Proposed Supplier Category	Rate or Extent of Deduction
(1)	(2)	(3)	(4)	(5)
1	a) Federal and provincial government departments; autonomous bodies; and public sector organizations b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Registered persons	Active Taxpayers	1/5 th of Sales Tax as shown on invoice
2	a) Federal and provincial government departments; autonomous bodies; and public sector organizations b) Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Person registered as a wholesaler, dealer or distributor	Active Taxpayer registered as a wholesaler, dealer or distributor	1/10 th of Sales Tax as shown on invoice
3	Federal and provincial government departments; autonomous bodies; and public sector organizations	Unregistered persons	Persons other than Active Taxpayers	Whole of the tax involved or as applicable to supplies on the basis of gross value of supplies
4	Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Unregistered persons	Persons other than Active Taxpayers	5 of gross value of supplies
5	Registered persons as recipient of advertisement services	Person providing advertisement services	Person providing advertisement services	Whole of sales tax applicable
6	Registered persons purchasing cane molasses	Unregistered persons	Persons other than Active Taxpayers	Whole of sales tax applicable

TWELFTH SCHEDULE

Currently, import of goods, whose custom duty not less than 16% and for purpose of in-house consumption, are subject to valuation addition tax at the rate of 3%. After proposed amendment, now all import for in house consumption are exempt from value addition tax at rate 3% irrespective of custom duty rate.

THE FEDERAL EXCISE ACT, 2005

It is proposed to amend this Act as following;

ADJUSTMENT OF DUTIES OF EXCISE

Section 6

It is proposed to add new sub section 2A to impose restrictions of wastage of material on which input tax has been claimed and same will be notified in the Office Gazette by the FBR.

POWER OF TAX AUTHORITIES TO MODIFY ORDERS, ETC.

Section 14C

It is proposed to introduce a new section 14C similar to section 124A of the Income tax Ordinance, 2001, this section empower to Commissioner or officer to follow a question of law decided by High Court or the Appellate Tribunal in case of particular registered person on or after July 1, 1990 regardless the appeal pending apex court.

It is also proposed that in case of decision of High Court or Tribunal is reverse or modified, the Commissioner or Officer may give effect of the same within one year from date of receipt of decision, notwithstanding the expiry period of limitation as prescribed in the Act.

APPEALS TO COMMISSIONER (APPEALS)

Section 33

It is proposed to amend this section to incorporate procedure for apply of appeal and also revise the fee to pay along with filling of appeal.

After proposed new sub-section 5, Commissioner Appeal will not accept any documentary material or evidence which not provided to the Inland Revenue Officer unless Commissioner appeal satisfied that the appellant was prevented by sufficient cause from producing such material or evidence before the Officer Inland Revenue.

APPEALS TO THE APPELLATE TRIBUNAL

Section 34

It is proposed that Appellate Tribunal may proceed an appeal as per procedure laid down in section 131 and 132 of the Income Tax Ordinance, 2001 and related rules.

ALTERNATIVE DISPUTE RESOLUTION

Section 38

The procedure for Alternate Dispute Resolution provided in section 47A has completely been revamped. However significant changes are:

- The taxpayer would no longer be required to withdraw his appeal pending before the appellate forum immediately after the constitution of the Committee, rather, if he is satisfied with the decision of the Committee/ FBR.
- The decision of the Committee/ FBR shall not be binding on the taxpayer but shall be binding on the Commissioner, provided that the order of withdrawal of appeal is communicated to the Commissioner within 60 days of the service of decision of the FBR upon the taxpayer.
- The Committee shall comprise of the Chief Commissioner having jurisdiction over the case and two persons from a panel notified by the FBR. Conversely, the Committee shall decide the dispute through consensus rather than majority.
- The Committee may, in case of hardship, stay the recovery of tax payable in respect of the dispute pending before it for a period not exceeding 120 days in aggregate or till the decision of the Committee or its dissolution, whichever is earlier.

SELECTION FOR AUDIT BY THE BOARD

Section 42B

It is proposed to keep the audit selection parameters confidential while selection / balloting of audit according to parameters.

AUDIT

Section 46

Earlier amendment in this section, condition inserted to restrict Board to conduct audit more than once in three years, after proposed amended, audit can be conducted every year.

SERVICE OF NOTICES AND OTHER DOCUMENTS

Section 47

It is proposed to substitute word registered person in place of privet or public Company, after proposed amendment, service of notice, order, decision will be treated serviced to all registered person if the same sent electronically to their email address or inbox of the FBR portal.

REAL-TIME ACCESS TO INFORMATION AND DATABASES

Section 47AB

It is proposed to insert new section that FBR can have information from various authorities which includes;

- (National Database and Registration Authority Ordinance, 2000 (Ordinance VIII of 2000)
- Federal Investigation Agency and the Bureau of Emigration and Overseas Employment with respect to details of international entry and exit

of all persons and information pertaining to work permits, employment visas and immigration visas;

- the Islamabad Capital Territory and Provincial and local land record and development authorities with respect to record-of- rights including digitized edition of record-of-rights, periodic record, record of mutations and report of acquisition of rights;
- the Islamabad Capital Territory and Provincial Excise and Taxation Departments with respect to information regarding registration of vehicles, transfer of ownership and other associated record;
- all electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer, the units consumed and the amount of bill charged or paid;
- any other agency, authority, institution or organization, notified by the Board.

FIRST SCHEDULE

Following are amendments in First Schedule;

S. No.	Existing			Proposed		
	Description	Tariff Heading	Duty	Description	Tariff Heading	Duty
8	Cigars, cheroots, cigarillos and cigarettes, of tobacco substitutes	24.02	Sixty Five per cent of retail price	Cigars, cheroots, cigarillos and cigarettes of tobacco and tobacco substitutes.	24.02	Hundred per cent of retail price
13	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers	25.23	PKR2 per kilogram	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers	25.23	PKR 1.75 per kilogram
56	Filter rod for cigarettes	5502.009	PKR 0.75 per filter rod	Filter rod for cigarettes	5502.009	PKR 1 per filter rod

The Bills seeks to insert the following new entries in the Table I of the First Schedule to the FE Act:

S. No.	Description	Tariff Heading	Duty
6a	Caffeinated energy drinks	2202.1010 2202.9900	25 of the retail price
8a	E-liquids by whatsoever name called, for electric cigarette kits	Respective heading	PKR 10 per ml
55C	Imported double cabin (4x4) pick-up vehicles	8704.2190 8704.3190	25 ad valorem
55D	Locally manufactured double cabin (4x4) pick- up vehicles	8704.2190 8704.3190	7.5 ad valorem