

# **NOTES ON CLAUSES**

## **FINANCE BILL, 2018**

### **CUSTOMS ACT, 1969 (IV OF 1969)**

- Clause 3(1)                      Seeks to amend section 2 to extend the Customs enforcement activities in the sea upto 24 nautical miles and to give special reference to local manufacturer in the definition of 'person'.
- Clause 3(2)                      Seeks to amend section 18 to restore powers to the Federal Government of levying regulatory duty and to exclude regulatory duty from the purview of obligations relating to multilateral agreement.
- Clause 3(3)                      Seeks to amend section 19 to restore the powers to the Federal Government to exempt customs duty and to extend validity of notifications until 2019.
- Clause 3(4)                      Seeks to insert new section 25AA to provide legal cover for utilizing any data obtained through mutual assistance agreements for the purpose of assessment and valuation.
- Clause 3(5)                      Seeks to amend section 25C to empower Chief Collector instead of the Board to allow Collector to take over the imported goods.
- Clause 3(6)                      Seeks to amend section 32 to meet the requirements of Trade Facilitation Agreement, where voluntarily payment is considered a mitigating factor for establishing a penalty.

- Clause 3(7) Seeks to amend section 33 to fix time limitation for deciding of refund claim.
- Clause 3(8) Seeks to amend section 42 to ensure provision of accurate and complete information of passenger in advance to thwart attempts of money laundering and currency smuggling.
- Clause 3(9) Seeks to amend Section 55 with a view to make the shipping agents responsible for the dues charged and collected by them in connection with the discharge and delivery of goods.
- Clause 3(10) Seeks to insert new section 83B in compliance with requirements under Trade Facilitation Agreement, which provides for release of imported goods on furnishing of bank guarantee or pay order against monetary penalties involved thereof.
- Clause 3(11) Seeks to amend section 138 to allow the export of goods brought into a customs-station, where the consignee has dishonored his commitments.
- Clause 3(12) Seeks to amend section 156 to bring non-compliance of electronic notices under 155M at par with section 26, and enhance penalties for pilferage, replacement enroute or in case transshipped goods failed to reach the port of destination
- Clause 3(13) Seeks to amend section 182 to empower an officer or person authorized by the Collector or Director to take and hold possession of confiscated goods.
- Clause 3(14) Seeks to insert a new sub-section in section 193A to empower Collector (Appeals) to grant stay against recovery of duty/taxes.

- Clause 3(15) Seeks to amend section 194B to replace the word 'Controller' with 'Director' in consequence to the re-designation of the post after insertion of Section 3D.
- Clause 3(16) Seeks to amend section 207 of the Act, to give special reference to Shipping Agents and for providing legal cover to the Shipping Rules already issued.
- Clause 3(17) Seeks to insert a new section 212A to introduce Authorized Economic Operator (AEO) programme to meet the obligations of the Trade Facilitation Agreement.
- Clause 3(18) Seeks to amend section 219 to provide an opportunity to the public for offering comments before entry into force of any rules to comply with the requirements of Trade Facilitation Agreement.
- Clause 3(19) Seeks to insert new section 221B to validate levy and collection of regulatory duty already collected before decision of the honourable Sindh High Court.
- Clause 3(20) Seeks to amend First Schedule to the Customs Act, 1969 (IV of 1969), with the First Schedule to this Act.
- Clause 3(21) Seeks to insert new entry 22C in the Third Schedule to the Customs Act, 1969 to empower Board to prescribe procedures for Authorised Economic Operator Programme.
- Clause 3(22) Seeks to substitute Fifth Schedule to the Customs Act, 1969 (IV of 1969), with the Second Schedule to this Act.

## SALES TAX ACT, 1990

- Clause 4(1)(a)            Seeks to substitute the word “three” for the word “two” in sub-section (1A) of section 3.
- Clause 4(1)(b)            Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in-charge” in clause (b) in sub-section (2) of section 3.
- Clause 4(1)(c)            Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in-charge” in sub-section (3A) of section 3.
- Clause 4(1)(d)            Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in-charge” in sub-section (5) of section 3.
- Clause 4(2)                Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in-charge” in clause (c) of section 4.
- Clause 4(3)(a)            Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in-charge” in sub-section (3) of section 7.
- Clause 4(3)(b)            Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in-charge” in sub-section (4) of section 7.

- Clause 4(4)(a) Seeks to substitute the words "Federal Government" for the words "Board with the approval of the Federal Minister-in-charge" in sub-section (1) of section 7A.
- Clause 4(4)(b) Seeks to substitute the words "Federal Government" for the words "Board with the approval of the Federal Minister-in-charge" in sub-section (2) of section 7A.
- Clause 4(5)(a) Seeks to substitute the words "Federal Government" for the words "Board with the approval of the Federal Minister-in-charge" in clause (b) of sub-section (1) of section 8.
- Clause 4(5)(b) Seeks to add a new clause (m) after clause (l) in sub-section (1) of section 8.
- Clause 4(6) Seeks to insert new section 11B after section 11A.
- Clause 4(7) Seeks to omit the expression "with the approval of the Federal Minister-in-charge" in clause (a) in sub-section (2) of section 13.
- Clause 4(8) Seeks to add a new proviso after the second proviso in sub-section (2) of section 25.
- Clause 4(9) Seeks to substitute the existing section 30A.
- Clause 4(10) Seeks to substitute the word "twelve" for the expression "KIBOR plus three" in clause (a) in sub-section (1) of section 34.
- Clause 4(11)(a) Seeks to omit the words "or Chief Commissioner" in section 40B.
- Clause 4(11)(b) Seeks to omit the explanation and proviso in section 40B.
- Clause 4(12) Seeks to substitute the existing section 47A.
- Clause 4(13) Seeks to substitute the word "ten" for the words "twenty-five" in the proviso in sub-section (1) of section 48.

- Clause 4(14) Seeks to substitute the expression “Companies Act, 2017 (XIX of 2017)” for the expression “Companies Ordinance 1984 (XLVII of 1984) in section 58.
- Clause 4(15) Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in-charge” in section 60.
- Clause 4(16) Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in-charge” in section 65.
- Clause 4(17) Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in-charge” in sub-section (1) of section 71.
- Clause 4(18)(a) Seeks to number as sub-section the existing provision of section 74A.
- Clause 4(18)(b) Seeks to substitute the figure “2018” for the figure “2017” in sub-section (1) of section 74A.
- Clause 4(18)(c) Seeks to add sub-section (2) after sub-section (1) of section 74A.
- Clause 4(19) Seeks to add new clauses after clause (19) in column (2) against serial number 12 in column (1) in the Fifth Schedule.
- Clause 4(20)(A) Seeks to add new serial numbers and entries relating thereto in columns (2) and (3) after serial number 136 in column (1) in Table-1.
- Clause 4(20)(B) Seeks to add Annex-A after Table-1 in Sixth Schedule.

- Clause 4(20)(C) Seeks to add the following new serial numbers and entries relating thereto in columns (2), (3) and (4) after omission of serial number 16 and entries relating thereto in Table-3.
- Clause 4(21)(A)(a) Seeks to substitute the figures “8701.9220 and 8701.9320” for the figures 8701.9020” in column (3) against serial number 25 in column (1) in Table-1 of the Eighth Schedule.
- Clause 4(21)(A)(b) Seeks to substitute the figure “5” for the figure “7” in column (4) against serial number 26 in column (1) in Table-1 of the Eighth Schedule.
- Clause 4(21)(A)(c) Seeks to substitute the figure “5” for the figure “7” in column (4) against serial number 27 in column (1) in Table-1 of the Eighth Schedule.
- Clause 4(21)(A)(d) Seeks to substitute the figure “5” for the figure “7” in column (4) against serial number 28 in column (1) in Table-1 of the Eighth Schedule.
- Clause 4(21)(A)(e) Seeks to substitute the figure “5” for the figure “7” in column (4) against serial number 29 in column (1) in Table-1 of the Eighth Schedule.
- Clause 4(21)(A)(f) Seeks to substitute the figure “5” for the figure “7” in column (4) against serial number 30 in column (1) in Table-1 of the Eighth Schedule.
- Clause 4(21)(A)(g) Seeks to omit serial numbers 33, 35, 36, 37, 38, 39, 40, 41, 42, 48 and 49 and entries relating thereto in columns (2), (3) and (4) in Table-1 of the Eighth Schedule.

- Clause 4(21)(A)(h) Seeks to substitute the figure “5” for the figure “10” in column (4) against serial number 43 in Table-1 of the Eighth Schedule.
- Clause 4(21)(A)(i) Seeks to add new serial numbers and entries relating thereto in columns (2), (3), (4) and (5) after serial number 49 in Table-1 of the Eighth Schedule.
- Clause 4(21)(B) Seeks to insert new serial number and entries relating thereto in columns (2), (3) and (4) after serial number 8 in column (1) in Table-2 of the Eighth Schedule.

## AMENDMENT OF INCOME TAX ORDINANCE, XLIX OF 2001

- Clause 5(1)(a)            Seeks to define fee for offshore digital services.
- Clause 5(1)(b)            Seeks to include filers of AJK Council Board of Revenue and Gilgit-Baltistan Council Board of Revenue within the meaning of filer.
- Clause 5(1)(c)            Seeks to exclude the collection of tax under sections 236M and 236N from the definition of income
- Clause 5(1)(d)(a)(i)      Seeks to make technical amendment regarding execution of contract by permanent establishment.
- Clause 5(1)(d)(a)(ii)     Seeks to add a technical explanation regarding meaning of a permanent establishment with respect to an independent agent.
- Clause 5(1)(d)(b)        Seeks to make an amendment in the definition of permanent establishment to include cohesive business operation of a person and associates
- Clause 5(2)                Seeks to extend applicability of super tax to 2020.
- Clause 5(3)(a)            Seeks to reduce the rate of tax on retained earnings from 7.5% to 5%.
- Clause 5(3)(b)            Seeks to reduce the threshold of undistributed profits from 40% to 20% and reduce the tax rate from seven and a half percent to five percent.
- Clause 5(3)(c)            Seeks to exclude distribution of bonus shares from calculation of 20% retained earnings for application of tax on undistributed profits.

- Clause 5(4)(a) Seeks to levy tax on non-resident person for fee for offshore digital services.
- Clause 2(4)(b) Seeks to exclude levy on fee for offshore digital services when it is rendered by permanent establishment of a non-resident.
- Clause 5(4)(c) Seeks to include Pakistani-source fee for offshore digital of a non-resident as business income of the person's permanent establishment.
- Clause 5(5) Seeks to amend section 8 to provide for adjustability of super tax.
- Clause 2(6) Seeks to make a technical amendment on separate classes of income for section 8.
- Clause 5(7) Seeks to limit non-recognition of capital gain or loss on gift to the extent of gift to relatives.
- Clause 5(8) Seeks exclude income from bonus shares as income from other sources.
- Clause 5(9) Seeks to vest the power to issue exemption and concession through notification in the official gazette, with the Federal Government.
- Clause 5(10) Seeks to provide for set off of brought forward depreciation losses up to fifty percent of the income.
- Clause 5(11) Seeks to provide set off of depreciation losses against fifty per cent of business income until it is completely set off.
- Clause 5(12) Seeks to amend the formula for calculation of tax credit for investment in shares and insurance.

- Clause 5(13) Seeks to extend the benefit of tax credit under section 65B to 2020.
- Clause 5(14) Seeks to extend the benefit of tax credit under section 65D to 2020.
- Clause 5(15) Seeks to extend the benefit of tax credit under section 65E to 2020.
- Clause 5(16) Seeks to limit non-recognition of capital gain or loss on gift to the extent of gift to relatives.
- Clause 5(17) Seeks to make a technical amendment that chapters VII and VIII shall apply to computation of profits and gains of banking business.
- Clause 5 (18) Seeks to allow tax credit under section 100C to a microfinance bank also.
- Clause 5(19) Seeks to make a technical amendment on geographical source of income on import and execution of contract.
- Clause 5(20) Seeks to add a new section on gain on disposal of assets outside Pakistan.
- Clause 5(21) Seeks to make a corrective amendment.
- Clause 5(22) Seeks to make an amendment for furnishing information to Board by associates.
- Clause 5(23) Seeks to make a technical amendment to plug loopholes.
- Clause 5(24) Seeks to add a new section on attributing and including income of a controlled foreign company in taxable income of a resident person where the prescribed conditions prevail.

- Clause 5(25) Seeks to set a threshold for foreign remittance as an explanation for source of investment.
- Clause 5(26)(a) Seeks to enhance the scope of section 114 for filing of return of income.
- Clause 5(26)(b) Seeks to prescribe certain information for submission along with return.
- Clause 5(27) Seeks to insert a new section for submission of foreign income and assets statement and empowering the Commissioner to seek such statement if required.
- Clause 5(28) Seeks to make a technical amendment on method of furnishing returns and other documents.
- Clause 5(29) Seeks to provide time limitation on making assessment under section 121 when notice is issued.
- Clause 5(30) Seeks to provide for recovery of tax after expiry of maximum period of stay granted by the Tribunal.
- Clause 5(31) Seeks to amend section 134A to make alternate dispute resolution effective by making its decision binding.
- Clause 5(32) Seeks to make an amendment on due date for payment of tax under sub-section (7) of section 147.
- Clause 5(33) Seeks to reduce the percentage of payable tax on automatic stay under section 140.
- Clause 5(34) Seeks to provide advance tax when taxpayer fails to furnish estimate.

- Clause 5(35) Seeks to provide for collection of tax on commercial imports as minimum tax.
- Clause 5(36) Seeks to insert a new sub-section and make tax deductible on services by permanent establishment as minimum tax.
- Clause 5(37) Seek to make technical amendment to enhance the threshold limit of non-taxable supplies and services and broadened the scope of prescribed persons.
- Clause 5(38) Seeks to amend the type of information required to be furnished by banks.
- Clause 5(39) Seeks to apportion the credit of tax deduction, between association of persons and a company being member of an association of persons.
- Clause 5(40) Seeks to enhance scope of experts on the audit panel.
- Clause 5(41) Seeks to introduce new penalties for newly inserted provisions.
- Clause 5(42) Seeks to add new section for non-filing of return by due date.
- Clause 5(43) Seeks to omit section 214D.
- Clause 5(44) Seeks to make technical amendment.
- Clause 5(45) Seeks to make technical amendment.
- Clause 5(46) Seeks to make technical amendment on bar of suit.
- Clause 5(47) Seeks to restrict purchase of certain assets.
- Clause 5(48) Seeks to establish Directorate of Immovable Property.
- Clause 5(49) Seeks to make tax under section 233A adjustable.
- Clause 5(50) Seeks to insert new section on tax on deregulated products.

Clause 5(51)	Seeks provide for payment of tax under section 236K on installments on allotment.
Clause 5(52)	Seeks to omit section 236M.
Clause 5(53)	Seeks to omit section 236N.
Clause 5(54)	Seeks to tax amounts remitted abroad through use of debit, credit or prepaid card.
Clause 5(55)	Seeks to make technical amendment.
Clause 5(56)(A)(i)	Seeks to rationalize tax rates on individuals and AOPs.
Clause 5(56)(A)(ii)	Seeks to rationalize tax rates on companies.
Clause 5(56)(A)(iii)	Seeks to rationalize tax rates of super tax.
Clause 5(56)(B)	Seeks to rationalize tax rate for import of coal.
Clause 5(56)(C)(i)	Seeks to reduce dividend tax rate on rental REIT.
Clause 5(56)(C)(ii)	Seeks to enhance tax rate for non-filers on supplies and contracts.
Clause 5(56)(D)(i)	Seeks to rationalize tax rates on functions.
Clause 5(56)(D)(ii)	Seeks to introduce tax rates on certain petroleum products.
Clause 5(56)(D)(iii)	Seeks to reduce tax rate on banking transactions.
Clause 5(56)(D)(iv)	Seeks to introduce tax rates on amounts remitted abroad through debit, credit and prepaid cards.
Clause 5(57)(A)(i)	Seeks to exempt certain allowances of armed forces personnel.
Clause 5(57)(A)(ii)	Seeks to exempt Khyber Pakhtunkhwa retirement benefits and death compensation and general provident investment funds.
Clause 5(57)(A)(iii)	Seeks to exempt donations received by various non-profit organizations.

Clause 5(57)(A)(iv)	Seeks to exempt income of various non-profit organizations.
Clause 5(57)(A)(v)	Seeks to exempt International Sukuk.
Clause 5(57)(A)(vi)	Seeks to exempt profit on debt on PMRC bonds.
Clause 5(57)(A)(vii)	Seeks to exclude manufacturing modaraba from exemption.
Clause 5(57)(A)(viii)	Seeks to exempt gain on transfer of assets being PMRC bonds.
Clause 5(57)(A)(ix)	Seeks to exempt profits and gains derived by oil refineries subject to conditions.
Clause 5(57)(B)	Seeks to specify reduced rate of tax under section 152 in the case of M/s CR-NORINCO JV.
Clause 5(57)(C)	Seeks to make a technical correction.
Clause 5(57)(D)(a)	Seeks to validate statutory regulatory orders.
Clause 5(57)(D)(b)	Seeks to validate statutory regulatory orders.
Clause 2(57)(D)(c)	Seeks to exempt payment of re-gasification charges.
Clause 5(57)(D)(d)	Seeks to exempt dividend of transmission line projects.
Clause 5(57)(D)(e)	Seeks to make a technical correction.
Clause 5(57)(D)(f)	Seeks to make a technical correction.
Clause 5(57)(D)(g)	Seeks to omit clause (56B).
Clause 5(57)(D)(h)	Seeks to make a technical amendment.
Clause 5(57)(D)(i)	Seeks to validate statutory regulatory order.
Clause 5(57)(D)(j)	Seeks to exempt condition for section 2(36) for LUMS.
Clause 5(57)(D)(k)	Seeks to validate statutory regulator order.
Clause 5(57)(D)(l)	Seeks to extend the benefit of reduced minimum tax for a certification sector.
Clause 5(57)(D)(m)	Seeks to validate statutory regulator order.

- Clause 5(57)(D)(n)      Seeks to validate statutory regulator order.
- Clause 5(57)(D)(o)      Seeks to validate statutory regulator order and restrict selection  
of audit.
- Clause 5(58)              Seeks to make corrective amendment.

## FEDERAL EXCISE ACT, 2005

- Clause 6(1)(a)            Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in-charge” in clause (c) of sub-section (1) of section 3.
- Clause 6(1)(b)            Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in-charge” in sub-section (4) of section 3.
- Clause 6(2)                Seeks to substitute the word “twelve” for the words “KIBOR plus three” in section 8.
- Clause 6(3)                Seeks to insert a new section 14B after section 14A.
- Clause 6(4)                Seeks to substitute the words “Federal Government” for the words “Board with the approval of the Federal Minister-in-charge” in sub-section (2) of section 16.
- Clause 6(5)                Seeks to insert a new clause (aa) after clause (a) in sub-section (2) in section 29.
- Clause 6(6)                Seeks to substitute the word “ten” for the words “twenty five” in the second proviso in sub-section (3) of section 37.
- Clause 6(7)                Seeks to substitute the existing section 38.
- Clause 6(8)(a)(i)        Seeks to omit the words “or Chief Commissioner” in sub-section (2) of section 45.
- Clause 6(8)(a)(ii)       Seeks to substitute a full stop at the end for the proviso in sub-section (2) of section 45.
- Clause 6(8)(b)            Seeks to omit the proviso in sub-section (2) of section 45.

- Clause 6(9) Seeks to add a new sub-section (10) after sub-section (9) in section 46.
- Clause 6(10) Seeks to add a new sub-section after the re-numbered sub-section (1) of section 47C.
- Clause 6(11)(a) Seeks to substitute serial numbers 9, 10, 10a and the corresponding entries relating thereto in columns (2), (3) and (4) in Table-I in the First Schedule.
- Clause 6(11)(b) Seeks to substitute the words “one rupee and fifty paise per kilogram” for the words “one rupee and twenty five paise per kilogram” in column (4) against serial number 13 of Table-I in the First Schedule.
- Clause 6(12)(a) Seeks to add new serial numbers 22 and 23 and entries relating thereto in second and third column after serial number 21 in first column in Table-1 in the Third Schedule.
- Clause 6(12)(b) Seeks to add new serial number 14 and entries relating thereto in columns (2) and (3) in serial number 13 in column (1) in Table-2 in the Third Schedule.