

[AS PASSED BY THE NATIONAL ASSEMBLY]

A

BILL

*to give effect to the financial proposals of the Federal Government for the year beginning on the first day of July, 2011 and to amend certain laws.*

WHEREAS it is expedient to make provisions to give effect to the financial proposals of the Federal Government for the year beginning on the first day of July, 2011 and to amend certain laws for the purposes hereinafter appearing;

It is hereby enacted as follows:—

1. **Short title, extent and commencement.**— (1) This Act may be called the Finance Act, 2011.

(2) It extends to the whole of Pakistan.

(3) It shall, unless otherwise provided, come into force on the first day of July, 2011.

2. **Amendments of Act IV, 1969.**—In the Customs Act, 1969 (IV of 1969), the following amendments shall be made, namely:—

(1) in section 15, in clause (c), the comma, words and figure “, or goods imported or exported in contravention of the provisions of section 32” shall be omitted;

(2) in section 21, in clause (c), after the word and comma “exportation,” the words and comma “or for supplies against international tenders,” shall be inserted;

(3) in section 22, in the proviso, the words “or Deputy Collector” shall be omitted;

(4) in section 32, in sub-section (3A), for the word “three”, the word “five” shall be substituted;

(5) in section 33, after sub-section (2), the following new sub-section shall be added, namely:—



“(3) In the case where refund has become due in consequence of any decision or judgment by any appropriate officer of Customs or the Board or the Appellate Tribunal or the Court, the said period of one year shall be reckoned from the date of such decision or judgment, as the case may be.” ;

- (6) in section 34, the words “or Deputy Collector” shall be omitted;
- (7) in section 96, in sub-section (1), the words “or Deputy Collector” shall be omitted;
- (8) after section 129, the following new section shall be inserted, namely:—

**“129A. Levy of transit fee.**—A transit fee may be levied on any goods or class of goods in transit across Pakistan to a foreign territory at such rates as the Board may, by notification in the official Gazette, prescribe.”; and

- (9) the amendments set out in the Schedule to this Act shall be made in the First Schedule to the Customs Act, 1969 (IV of 1969).

3. **Amendment of Act XXVII of 1974.**—In the Members of Parliament (Salaries and Allowances) Act, 1974 (XXVII of 1974), the following further amendments shall be made namely:—

In section 12, the existing provision shall be renumbered as sub-section (1) thereof and after sub-section (1), re-numbered as aforesaid, the following new sub-section shall be added, namely:—

“(2) An ex-member who remained a member of either House of Parliament for at least one term shall also be entitled to such facilities as are notified from time to time and also to medical facilities as are admissible to a sitting member under sub-section (1).”

4. **Amendment of Act V, 1989.**—In the Finance Act, 1989 (V of 1989), in section 7,—

- (1) in sub-section (1), after the word “thereof”, the words, figures, commas and brackets “or purchase of modaraba certificate or a registered instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984), or shares of a public company, listed on a registered stock exchange in Pakistan by a resident person defined in section 81 of the Income Tax Ordinance, 2001 (XLIX of 2001), such as is specified in sub-section (2), at the rates specified in that sub-section” shall be omitted; and

- (2) in sub-section (4), the second proviso shall be omitted.

**5. Amendments of the Sales Tax Act, 1990.**—In the Sales Tax Act, 1990, the following further amendments shall be made, namely:—

- (1) in section 3, for the word “seventeen”, the word “sixteen” shall be substituted; provided, in case of imports, such substitution shall be deemed to have been made on 20th June, 2011;
- (2) in section 8B, in sub-section (1), for the first proviso, the following shall be substituted, namely:—

“Provided that the restriction on the adjustment of input tax in excess of ninety per cent of the output tax shall not apply in case of fixed assets or capital goods.”;

- (3) in section 21,—

- (a) after sub-section (2), the following new sub-section (3) shall be added, namely:—

“(3) During the period of suspension of registration, the invoices issued by such person shall not be entertained for the purposes of sales tax refund or input tax credit, and once such person is blacklisted, the refund or input tax credit claimed against the invoices issued by him, whether prior or after such blacklisting, shall unless the registered buyer has fulfilled his responsibilities under section 73 be rejected through a self-speaking appealable order and after affording an opportunity of being heard to such person.”;

- (4) in section 26, in sub-section (3), after the brackets and figure “(2)”, the words, letters, figure and brackets “or under clause (a) or clause (b) of section 27” shall be inserted;

- (5) in section 30,—

- (a) in sub-section (1),—

(i) in clause (i), the word “and” shall be omitted; and

(ii) after clause (i), the following new clause shall be inserted, namely:—

“(ia) an Inspector Inland Revenue ; and”;

- (b) in sub-section (3), after the word “Officer”, occurring for the second time, the comma and words “, Inspector Inland Revenue” shall be inserted; and
- (c) in sub-section (4), after the word “Officer”, occurring for the second time, the comma and words “, Inspector Inland Revenue,” shall be inserted;
- (6) in section 30A, in the heading and in this section wherever occurring, for the letters “CBR”, the words “Inland Revenue” shall be substituted;
- (7) in section 38B, in sub-section (1), for the words “a Deputy”, the words “ an Assistant” shall be substituted;
- (8) in section 47A, for sub-section (4A), the following shall be substituted, namely:—
 

“(4A) Notwithstanding anything contained in sub-section (4), the Chairman FBR and a Member nominated by him may, on the application of an aggrieved person, for reasons to be recorded in writing, and on being satisfied that there is an error in order or decision, pass such order as may be deemed just and equitable.”;
- (9) in section 66, in the third proviso, for the full stop, at the end, a colon shall be substituted and thereafter the following new proviso shall be added, namely:—
 

“Provided also that no refund shall be admissible under this section if incidence of tax has been passed directly or indirectly to the consumer.”;
- (10) in section 74, after the proviso, the following explanation shall be added, namely:—
 

“*Explanation.*—For the purpose of this section, the expression “any act or thing is to be done” includes any act or thing to be done by the registered person or by the authorities specified in section 30 of this Act.”; and
- (11) in the Sixth Schedule,—

- (a) in Table-I, in column (1), serial numbers 29A, 29B, 30, 34, 35, 41, 42, 43, 44, 62, 64, 65, 66, 67, 68, 69 and 70 and the corresponding entries relating thereto in columns (2) and (3) shall be omitted; and
- (b) In Table-II, in column (1), serial number 5 and the corresponding entries relating thereto in columns (2) and (3) shall be omitted.

**6. Amendment of Ordinance XLIX, 2001.**—In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:—

(1) in section 2,—

- (a) in clause (5), after the word “includes”, the words and comma “provisional assessment,” shall be inserted; and
- (b) after clause (11B), the following new clause shall be added, namely:—

“(11C) “Collective Investment Scheme” shall have the same meanings as are assigned under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;”;

- (2) in section 18, in sub-section (1), in clause (d), for the semicolon and word “; and”, a full stop shall be substituted and thereafter the following Explanation shall be added, namely:—

“*Explanation.*—For the purposes of this clause, it is declared that the word ‘benefit’ includes any benefit derived by way of waiver of profit on debt or the debt itself under the State Bank of Pakistan, Banking Policy Department’s Circular No.29 of 2002 or in any other scheme issued by the State Bank of Pakistan;”;

- (3) in section 28, in sub-section (1), in clause (g), for the word “Corporation”, the letters and word “SME Bank” shall be substituted;
- (4) for section 62, the following shall be substituted, namely:—

**“62. Tax credit for investment in shares and insurance.**— (1) A resident person other than a company shall be entitled to a tax credit for a tax year either—

- (i) in respect of the cost of acquiring in the year new shares offered to the public by a public company listed on a stock exchange in Pakistan, provided the resident person is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan; or
- (ii) in respect of any life insurance premium paid on a policy to a life insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000 (XXXIX of 2000), provided the resident person is deriving income chargeable to tax under the head "salary" or "income from business".

(2) The amount of a person's tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely:—

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

where—

- A** is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part;
- B** is the person's taxable income for the tax year; and
- C** is the lesser of —
  - (a) the total cost of acquiring the shares, or the total contribution or premium paid by the person referred to in sub-section (1) in the year;
  - (b) fifteen per cent of the person's taxable income for the year; or
  - (c) five hundred thousand rupees.

(3) Where —

- (a) a person has been allowed a tax credit under sub-section (1) in a tax year in respect of the purchase of a share; and
- (b) the person has made a disposal of the share within thirty six months of the date of acquisition,

the amount of tax payable by the person for the tax year in which the shares were disposed of shall be increased by the amount of the credit allowed.”;

- (5) in section 63, in sub-section (2), in definition ‘C’,—
  - (a) in clause (ii), for the semicolon and word “; or”, a full stop shall be substituted; and
  - (b) clause (iii) shall be omitted;
- (6) in section 65C, in sub-section (1), for the word “five”, the word, “fifteen” shall be substituted;
- (7) after section 65C, the following new sections shall be inserted, namely:—

**“65D. Tax credit for newly established industrial undertakings.—**(1) Where a taxpayer being a company formed for establishing and operating a new industrial undertaking for manufacturing in Pakistan sets up a new industrial undertaking, it shall be given a tax credit equal to hundred per cent of the tax payable on the taxable income arising from such industrial undertaking for a period of five years beginning from the date of setting up or commencement of commercial production, whichever is later.

- (2) Tax credit under this section shall be admissible where—
  - (a) the company is incorporated and industrial undertaking is setup between the first day of July, 2011 and 30<sup>th</sup> day of June, 2016;
  - (b) industrial undertaking is managed by a company formed for operating the said industrial undertaking and registered under the Companies Ordinance, 1984 (XLVII of 1984) and having its registered office in Pakistan;
  - (c) the industrial undertaking is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an industrial undertaking established in Pakistan at any time before 1st July 2011; and

- (d) the industrial undertaking is set up with hundred per cent equity owned by the company.
- (3) The amount of credit admissible under this section shall be deducted from the tax payable by the taxpayer in respect of the tax year in which the plant or machinery referred in sub-section (1) is purchased and installed.
- (4) Where any credit is allowed under this section and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner inland Revenue that any of the condition specified in this section was not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall, so far as may be, apply accordingly.

**65E. Tax credit for industrial undertakings established before the first day of July, 2011.**—(1) Where a taxpayer being a company invests any amount, with hundred per cent equity investment, in the purchase and installation of plant and machinery for the purposes of balancing, modernization, replacement, or for expansion of the plant and machinery already installed in an industrial undertaking setup in Pakistan before the first day of July 2011, a tax credit shall be allowed against the tax payable in the manner provided hereinafter, in the same proportion, which exists between the total investment and such equity investment made by the industrial undertaking.

- (2) The provisions of sub-section (1) shall apply if the plant and machinery is purchased and installed at any time between the first day of July, 2011, and the 30<sup>th</sup> day of June, 2016.
- (3) The amount of credit admissible under this section shall be deducted from the tax payable by the taxpayer in respect of the tax year in which the plant or machinery referred in sub-section (1) is purchased and installed and for the subsequent four years.
- (4) Where no tax is payable by the taxpayer in respect of the tax year in which such plant or machinery is installed, or where the tax payable is less than the amount of tax credit, the amount of such credit or so much of it as is in excess thereof, shall be carried forward and deducted from the tax payable by the taxpayer in respect of the following tax year:



Provided that no such amount shall be carried forward for more than four tax years:

Provided further that deduction made under sub-section (1) and under this sub-section shall not exceed in aggregate the limit of the tax credit specified in sub-section (1).

- (5) Where any credit is allowed under this section and subsequently it is discovered, on the basis of documents or otherwise, by the Commissioner Inland Revenue that any of the condition specified in this section was not fulfilled, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the provisions of this Ordinance shall apply accordingly.”;
- (8) in section 111, in sub-section (1),—
  - (a) in clause (b), the word “or”, at the end, shall be omitted;
  - (b) in clause (c), for the comma at the end, a semicolon and word “;or” shall be substituted;
  - (c) after clause (c), amended as aforesaid, the following new clause shall be added, namely:—
    - “(d) any person has concealed income or furnished inaccurate particulars of income including—
      - (i) the suppression of any production, sales or any amount chargeable to tax; or
      - (ii) the suppression of any item of receipt liable to tax in whole or in part,”; and
  - (d) after the word “made” occurring for the second time, the words and commas “suppression of any production, sales, any amount chargeable to tax and of any item of receipt liable to tax” and after the word “expenditure”, occurring for the third time, the words and commas “suppressed amount of production, sales or any amount chargeable to tax or of any item of receipt liable to tax” shall be inserted.

(9) in section 113,—

- (a) in sub-section (2), in the proviso, for the word “three”, the word “five” shall be substituted; and
- (b) in sub-section (3), in clause (a), after the word “the”, occurring for the first time, the words “gross sales or” shall be inserted;

(10) in section 113B, in clause (b), for the words, letters figure and comma “Chapter III of the Sales Tax Special Procedure Rules, 2006”, the words, letters figure and comma “Chapter II of the Sales Tax Special Procedures Rules, 2007” shall be substituted;

(11) in section 114,—

(a) in sub-section (1),—

(i) in clause (ab), after semicolon at the end, the word “or” shall be added; and

(ii) in clause (ac), the word “and”, at the end, shall be omitted;

(iii) in clause (b),—

(a) in sub-clause (vi), the word “and”, at the end, shall be omitted;

(b) in sub-clause (vii) for the full stop at the end, a semicolon and the word “; or” shall be substituted; and

(c) after sub-clause (vii), amended as aforesaid, the following shall be added, namely:—

“(viii) is the holder of commercial or industrial connection of electricity where the amount of annual bill exceeds rupees one million.”;

(b) after sub-section (1), amended as aforesaid, the following shall be added, namely:—

“(1A) Every individual whose income under the head ‘Income from business’ exceeds rupees three hundred thousand but does not exceed rupees three hundred and fifty thousand in a tax year is also required to furnish return of income for the tax year.”;

(c) in sub-section (2),—

- (i) in clause (b), the word “and” , at the end, shall be omitted;
- (ii) in clause (c), for the full stop, at the end, a semi-colon shall be substituted; and
- (iii) after clause (c), the following clauses shall be added, namely:—
  - (d) shall be accompanied with evidence of payment of due tax as per return of income; and
  - (e) shall be accompanied with a wealth statement as required under section 116 .”; and

(d) in sub-section (6A),—

- (i) for the words “wishes to file”, the word “files” shall be substituted;
- (ii) in the first proviso, for the words “wishes to deposit”, the word “deposits” shall be substituted; and
- (iii) in the second proviso, for the words “wishes to revise”, the word “revises” shall be substituted;

(12) in section 115, in sub-section (4),—

- (a) the words, brackets, letters, comma and figure “clauses (a), (b) and (d) of sub-section (1)” shall be omitted;
- (b) for the words, brackets, letters and figures “clauses (a) and (c) of sub-section (1) of section 153” the words, brackets, letters and figures “clauses (a),(c) and (d) of sub-section (3) of section 153” shall be substituted; and
- (c) the words, brackets, letters and figures “clause (a) and (b) of sub-section (1) of section 233A” shall be omitted;

(13) in section 116,—

(a) in sub-section (2),—

- (i) after the word “taxpayer”, the words and commas, “,being an individual,” shall be inserted;
- (ii) for the word “five hundred thousand”, the word “one million” shall be substituted; and
- (iii) for the full stop, at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:—

“Provided that every member of an association of persons whose share from the income of such association of persons, before tax, for the year is one million rupees or more shall also furnish wealth statement and wealth reconciliation statement for the year along with return of income of the association.”; and

(b) for sub-section (2A), the following shall be substituted, namely:—

“(2A) Where a person, being an individual or an association of persons, files a return in response to a provisional assessment order under section 122C, such return shall be accompanied by wealth statement along with a wealth reconciliation statement and an explanation of source of acquisition of assets specified therein in the case of an individual and wealth statements of all members in the case of an association of persons and such wealth statements shall be accompanied by wealth reconciliation statements and explanation of source of acquisition of assets specified therein.”;

(14) in section 127, in sub-section (1), after the word “person”, occurring for the fifth time, the words, figure, letter and commas “,except a provisional assessment order under section 122C,” shall be inserted;

(15) in section 130,—

- (a) in sub-section (8A), for the word “Chairman”, the word “Chairperson” shall be substituted;
- (b) in sub-section (8AA),—



- (i) for the word "Chairman", occurring twice, the word "Chairperson" shall be substituted; and
- (ii) for the word "five", the word "one" shall be substituted;
- (16) in section 132, in sub-section (2), the words and commas "may, if it deems fit, dismiss the appeal in default, or" shall be omitted;
- (17) in section 137, in sub-section (2), in the proviso,—
  - (a) after the word "assessment", the word "order" shall be inserted; and
  - (b) after the word "payable", occurring for the second time, the word "immediately" shall be inserted;
- (18) in section 147, in sub-section (5B), in first proviso, for the word "seven", the words "twenty-one" shall be substituted;
- (19) in section 151, in sub-section (3), the words, brackets, letters, comma and figure "from transactions referred to in clauses (a), (b) and (d) of sub-section (1)" shall be omitted;
- (20) for section 153, the following shall be substituted, namely:—

**"153. Payments for goods, services and contracts.—**(1) Every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person—

- (a) for the sale of goods;
- (b) for the rendering of or providing of services;
- (c) on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing of services,

shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division III of Part III of the First Schedule.

- (2) Every exporter or an export house making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person for rendering of or providing of services of stitching, dying, printing, embroidery, washing, sizing and weaving, shall at the time of making the payment, deduct tax from the gross amount payable at the rate specified in Division IV of Part III of the First Schedule.
- (3) The tax deducted under clauses (a) and (c) of sub-section (1) and under sub-section (2) of this section, on the income of a resident person or permanent establishment of a non-resident person, shall be final tax.

Provided that,—

- (a) tax deducted under clause (a) of sub-section (1) shall be adjustable where payments are received on sale or supply of goods, by a,—
- (i) company being a manufacturer of such goods; or
  - (ii) public company listed on a registered stock exchange in Pakistan;
- (b) tax deducted shall be a minimum tax on transactions referred to in clause (b) of sub-section (1); and
- (c) tax deducted under clause (c) of sub-section (1) shall be adjustable if payments are received by a public company listed on a registered stock exchange in Pakistan, on account of execution of contracts.
- (4) The Commissioner may, on application made by the recipient of a payment referred to in sub-section (1) and after making such inquiry as the Commissioner thinks fit, may allow in cases where tax deductible under sub-section (1) is adjustable, by an order in writing, any person to make the payment,—
- (a) without deduction of tax; or
  - (b) deduction of tax at a reduced rate.
- (5) Sub-section (1) shall not apply to—

- (a) a sale of goods where the sale is made by the importer of the goods and tax under section 148 in respect of such goods has been paid and the goods are sold in the same condition as they were when imported;
  - (b) payments made to traders of yarn by the taxpayers specified in the zero-rated regime of sales tax (as provided under clause (45A) of Part-IV of the Second Schedule );
  - (c) a refund of any security deposit;
  - (d) a payment made by the Federal Government, a Provincial Government or a Local Government to a contractor for construction materials supplied to the contractor by the said Government or the authority;
  - (e) a cotton ginner who deposits in the Government Treasury, an amount equal to the amount of tax deductible on the payment being made to him, and evidence to this effect is provided to the "prescribed person";
  - (f) the purchase of an asset under a lease and buy back agreement by a modaraba, leasing company, banking company or financial institution; or
  - (g) any payment for securitization of receivables by a Special Purpose Vehicle to the Originator.
- (6) Where any tax is deducted by a person making a payment for a Special Purpose Vehicle, on behalf of the Originator, the tax is credited to the Originator.
- (7) In this section,—
- (i) "prescribed person" means—
    - (a) the Federal Government;
    - (b) a company ;
    - (c) an association of persons constituted by, or under law;

- (d) a non-profit organization;
  - (e) a foreign contractor or consultant;
  - (f) a consortium or joint venture;
  - (g) an exporter or an export house for the purpose of sub-section (2);
  - (h) an association of persons, having turnover of fifty million rupees or above in tax year 2007 or in any subsequent tax year; or
  - (i) an individual, having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent year;
- (ii) "services" includes the services of accountants, architects, dentists, doctors, engineers, interior decorators and lawyers, otherwise than as an employee;
  - (iii) "sale of goods" includes a sale of goods for cash or on credit, whether under written contract or not;
  - (iv) "manufacturer" means a person who is engaged in production or manufacturing of goods, which includes—
    - (a) any process in which an article singly or in combination with other articles, material, components, is either converted into another distinct article or product is so changed, transferred, or reshaped that it becomes capable of being put to use differently or distinctly; or
    - (b) a process of assembling, mixing, cutting or preparation of goods in any other manner; and
  - (v) "turnover" means—
    - (a) the gross sales or gross receipts, inclusive of sales tax and federal excise duty or any trade discounts shown on invoices, or bills, derived from the sale of goods;
    - (b) the gross fees for the rendering of services for giving benefits including commissions;



- (c) the gross receipts from the execution of contracts; and
  - (d) the company's share of the amounts stated above of any association of persons of which the company is a member.”;
- (21) in section 156B, in sub-section (1), in clause (b), for the figure and sign “25%”, the words “fifty per cent” shall be substituted;
- (22) in section 165,—
  - (a) in sub-section (1),—
    - (i) after the word, “a”, occurring for the second time, the word “monthly” shall be inserted;
    - (ii) in clause (a), after the word “name” the words and comma “Computerized National Identity Card Number, National Tax Number” shall be inserted, and for the word “quarter”, the word “month” shall be substituted;
    - (iii) in clause (b), for the word “quarter”, the word “month” shall be substituted; and
    - (iv) in clause (c), for the word “quarter”, the word “month” shall be substituted;
  - (b) for sub-section (2), the following shall be substituted, namely:—
 

“(2) Every prescribed person collecting tax under Division II of this Part or Chapter XII or deducting tax from a payment under Division III of this Part or Chapter XII shall furnish or e-file statements under sub-section (1) by the 15th day of the month following the month to which the withholding tax pertains.”;
  - (c) in sub-section (3),
    - (i) the word, “periodically” shall be omitted; and
    - (ii) for the colon , at the end, a full stop shall be substituted; and

- (d) after sub-section (5), the following new sub-section shall be added, namely:—

“(6) Every person deducting tax from payment under section 149 shall furnish to the Commissioner an annual statement in the prescribed form and manner:

Provided that annual statement shall also be filed where the income exceeds three hundred thousand rupees but does not exceed three hundred and fifty thousand rupees in a tax year.”;

- (23) in section 168, for sub-section (3), the following shall be substituted, namely:—

“(3) No tax credit shall be allowed for any tax collected or deducted that is a final tax under—

- (a) sub-section (7) of section 148;
- (b) sub-section (3) of section 151;
- (c) sub-section (1B) and (1BB) of section 152;
- (d) clauses (a), (c) and (d) of sub-section (3) of section 153;
- (e) sub-section (4) of section 154;
- (f) sub-section (3) of section 156;
- (g) sub-section (2) of section 156A;
- (h) sub-section (3) of section 233;
- (i) sub-section (5) of section 234; and
- (j) sub-section (3) of section 234A.”;

- (24) in section 169, in sub-section (1), in clause (b),—

- (a) for the words, brackets, letters, comma and figure “clauses (a), (b) and (d) of sub-section (1) of section 151” the words, brackets and figures “sub-section (3) of section 151” shall be substituted;

- (b) for the words, brackets and figures “sub-section (6) of section 153” the words, brackets, letters and figures “clauses (a),(c) and (d) of sub-section (3) of section 153” shall be substituted;
- (25) in section 176, in sub-section (5), for the words “rule of law” the words “law or rules” shall be substituted;
- (26) in section 182, in sub-section (1), in the Table, in column (1),—

- (a) against S.No.1, in column (3), for the full stop, at the end, a colon shall be substituted and thereafter the following shall be inserted, namely:—

*“Explanation.—For the purposes of this entry, it is declared that the expression “tax payable” means tax chargeable on the taxable income on the basis of assessment made or treated to have been made under sections 120, 121, 122 or 122C.”; and*

- (b) in sub-section (1), in the Table, in column No. 1 against Sr. No. 5, in column (2), the following new proviso shall be added, namely:

*“Provided that if the person opts to pay the tax due on the basis of an order under section 129 on or before the due date given in the notice under sub-section (2) of section 137 issued in consequence of the said order, and does not file an appeal under section 131 the penalty payable shall be reduced by 50%.”;*

- (27) in section 206A, in sub-section (3), for the full stop, at the end, colon shall be substituted and thereafter the following proviso shall be added, namely:—

*“Provided that this section shall not apply to a non resident tax payer having a permanent establishment in Pakistan.”;*

- (28) in section 209, in sub-section (1), for the full stop, at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:—

*“Provided that the Board or the Chief Commissioner, as the case may be, may transfer jurisdiction in respect of cases or persons from one Commissioner to another.”;*

(29) in section 236A, in sub-section (1),—

- (a) after the word “auction”, the words “or auction by a tender” shall be inserted; and
- (b) for the words “of Income Tax”, the words “Inland Revenue” shall be substituted;

(30) in section 216, in sub-section (5), for the word “Commissioner” the word “Board”, shall be substituted;

(31) in section 236B, after sub-section (2), the following new sub-sections shall be added, namely:—

“(3) The advance tax collected under sub-section (1) shall be adjustable.

(4) The advance tax under this section shall not be collected in the case of—

- (a) the Federal Government or a Provincial Government; or
- (b) a person who produces a certificate from the Commissioner Inland Revenue that income of such person during the tax year is exempt.”;

(32) in the FIRST SCHEDULE,—

(I) in Part I,—

(A) in Division I,—

(a) in clause (1),—

(i) the words, brackets and figures “to which sub-section (1) of section 92 applies” shall be omitted; and

(ii) for the TABLE, the following shall be substituted, namely :—



“TABLE

S.No.	Taxable Income.	Rate of tax.
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.350,000	0%
2.	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.500,000	7.50%
3.	Where the taxable income exceeds Rs.500,000 but does not exceed Rs.750,000	10%
4.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,000,000	15%
5.	Where the taxable income exceeds Rs.1,000,000 but does not exceed Rs.1,500,000	20%
6.	Where the taxable income exceeds Rs.1,500,000	25%”; and

(iii) the first proviso shall be omitted; and

(b) in clause (1A), for the TABLE, the following shall be substituted, namely:—

“TABLE

S.No.	Taxable Income.	Rate of tax.
(1)	(2)	(3)
1.	Where the taxable income does not exceed Rs.350,000	0%
2.	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.400,000	1.50%
3.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.450,000	2.50%
4.	Where the taxable income exceeds Rs.450,000 but does not exceed Rs.550,000	3.50%

(1)	(2)	(3)
5.	Where the taxable income exceeds Rs.550,000 but does not exceed Rs.650,000	4.50%
6.	Where the taxable income exceeds Rs.650,000 but does not exceed Rs.750,000	6.00%
7.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.900,000	7.50%
8.	Where the taxable income exceeds Rs.900,000 but does not exceed Rs.1,050,000	9.00%
9.	Where the taxable income exceeds Rs.1,050,000 but does not exceed Rs.1,200,000	10.00%
10.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,450,000	11.00%
11.	Where the taxable income exceeds Rs.1,450,000 but does not exceed Rs.1,700,000	12.50%
12.	Where the taxable income exceeds Rs.1,700,000 but does not exceed Rs.1,950,000	14.00%
13.	Where the taxable income exceeds Rs.1,950,000 but does not exceed Rs.2,250,000	15.00%
14.	Where the taxable income exceeds Rs.2,250,000 but does not exceed Rs.2,850,000	16.00%
15.	Where the taxable income exceeds Rs.2,850,000 but does not exceed Rs.3,550,000	17.50%
16.	Where the taxable income exceeds Rs.3,550,000 but does not exceed Rs.4,550,000	18.50%
17.	Where the taxable income exceeds Rs.4,550,000.	20.00%"; and
(B)	in Division VII, for the TABLE, the following shall be substituted, namely:—	

"TABLE

S. No.	Period.	Tax Year.	Rate of tax.
1.	Where holding period of a security is less than six months.	2011	10%
		2012	10%
		2013	12.5%
		2014	15%
		2015	17.5%
2.	Where holding period of a security is six months or more but less than twelve months.	2011	7.5%
		2012	8%
		2013	8.5%
		2014	9%
		2015	9.5%
		2016	10%
3.	Where holding period of a security is one year or more.	—	0%"; and

(II) in Part III, in Division IV, in clause (3) for the figure, brackets and letter "(1A)", the figure and brackets "(2)" shall be substituted; and

(III) in Part IV, in Division VI, for the figure "0.3", the figure "0.2" shall be substituted;

(33) in the SECOND SCHEDULE,—

(i) in Part I,—

(a) in clause (61), sub-clauses (xi) and (xxv) shall be omitted;

(b) clause (74A) shall be omitted;

(c) clause (93) shall be omitted;

(d) after clause (107), the following new clause shall be inserted, namely:—

"(107A) Any income derived by the Islamic Development Bank from its operations in Pakistan in connection with its social and economic development activities."; and

(e) clause (114A) shall be omitted;

- (ii) in Part II, in clause (5A), for the full stop, at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:—

“Provided that tax deducted on profit on debt from debt instruments, Government securities including treasury bills and Pakistan Investment Bonds shall be final tax on profit on debt payable to a non-resident person having no permanent establishment in Pakistan and the investments are exclusively made through a Special Rupee Convertible Account maintained with a Bank in Pakistan.”;

- (iii) in Part III, for clause (4), the following shall be substituted, namely:—

“(4) In respect of old and used automotive vehicles, tax under section 148 shall not exceed the amount specified in Notification No. S.R.O. 577(I)/2005, dated the 6<sup>th</sup> June, 2005.”;

- (iv) in Part IV,—

(a) in clause (11A), in sub-clause (i), after the figure and comma “2006,” the words, comma and figure “or a pension fund registered under the Voluntary Pension System Rules, 2005” shall be inserted;

(b) after clause (38B), the following new clause shall be inserted, namely:—

“(38C) The provisions of section 151, 152, 153 and 233 shall not apply to the Islamic Development Bank.”;

(c) in clause (42), for the brackets and figure “(6)” the brackets and figure “(3)” shall be substituted;

(d) in clause (46A), for the brackets and figure “(6)” the brackets and figure “(3)” shall be substituted; and

(e) for clause (47D), the following shall be substituted;



“(47D) The provisions of clause (a) of sub-section (3) of section 153 shall not apply to cotton ginner”; and

(34) in the SEVENTH SCHEDULE,—

(a) in rule 1, in clause (c),—

(i) after the figure and sign “1%” occurring for the second time, the words, figures, letters and sign “of total advances for a banking company and 5% of total advances for consumers and small and medium enterprises (SMEs)” shall be inserted; and

(ii) for the proviso the following shall be substituted, namely:—

“Provided that if provisioning is less than 1% of advances, for a banking company then actual provisioning for the year shall be allowed:

Provided further that if provisioning is less than 5% of advances for consumers and small and medium enterprises (SMEs) then actual provisioning for the year shall be allowed and this provisioning shall be allowable from the first day of July, 2010.”; and

(b) in rule 6, in the proviso, for the full stop, at the end, a colon shall be substituted and thereafter the following new proviso shall be added, namely:—

“Provided further that the “Dividend” received by a banking company from its asset management company shall be taxed at the rate of 20%.”.

**7. Amendments of the Federal Excise Act, 2005.**—In the Federal Excise Act, 2005, the following further amendments shall be made, namely:—

- (1) in section 2, in clause (16), in sub-clause (b), for the word and comma “snuff,” the words and commas “snuff or preparation of unmanufactured tobacco by drying, cutting and thrashing of raw tobacco,” shall be substituted;
- (2) section 3A shall be omitted provided in case of imports, such omission shall be deemed to have been made on 20th June, 2011;

- (3) in section 8, after the word “percent”, the words and comma “per annum ,” shall be inserted;
- (4) in section 14,—
  - (a) in sub-section (1), for the word “three”, the word “five” shall be substituted; and
  - (b) in sub-section (2), for the full stop, at the end, a colon shall be substituted and thereafter, the following new provisos shall be inserted, namely:—

“Provided that an order under this section shall be made within one hundred and twenty days of issuance of show cause notice or within such extended period as the Commissioner may, for reasons to be recorded in writing, fix, provided that such extended period shall in no case exceed sixty days:

Provided further that any period during which the proceedings are adjourned on account of a stay order or Alternative Dispute Resolution proceedings or the time taken through adjournment by the petitioner not exceeding thirty days shall be excluded from the computation of the periods specified in the first proviso.”;

- (5) in section 26, in sub-section (1), after the word “cigarettes”, wherever occurring, the words “or beverages” shall be inserted;
- (6) in section 27,—
  - (a) in the heading, after the word “cigarettes”, the words “or beverages” shall be inserted; and
  - (b) in sub-sections (1), (2) and (3), after the word “cigarettes”, wherever occurring, the words “or beverages” shall be inserted;
- (7) in section 29, in sub-section (2), in clause (a), for the acronym “CBR”, the words “Inland Revenue” shall be substituted;
- (8) in section 34, in the heading, the words “and Reference to High Court” shall be omitted;
- (9) in section 38, in sub-section (4), after the word “appropriate”, the words “within forty-five days of the receipt thereof” shall be inserted;

- (10) in section 43, after sub-section (2), the following explanation shall be added, namely:—

*Explanation.*—For the purposes of this section, the expression “any act or thing is to be done” includes “any act or thing to be done by the registered person or by the authorities specified in section 29 of this Act.”;

- (11) In the First Schedule,—

- (a) in Table I, in column (1),—

- (i) against serial numbers 4 and 5, in column (4), for the word “Twelve”, the word “Six” shall respectively be substituted;
- (ii) against serial number 6, in column (4), for the word “Ten”, the word “Six” shall be substituted;
- (iii) against serial number 7, in column (4), for the word “Five”, the word “Ten” shall be substituted;
- (iv) for serial numbers 9, 10 and 11 and the corresponding entries relating thereto in columns (2), (3) and (4), the following shall be substituted, namely:—

“9.	Locally produced cigarettes if their retail price exceeds twenty one rupees per ten cigarettes.	24.02	Sixty-five per cent of the retail price.
10.	Locally produced cigarettes if their retail price exceeds eleven rupees and fifty paise per ten cigarettes but does not exceed twenty-one rupees per ten cigarettes.	24.02	Six rupees and four paise per ten cigarettes plus seventy per cent per incremental rupee or part thereof.
11.	Locally produced cigarettes if their retail price does not exceed eleven rupees and fifty paise per ten cigarettes.	24.02	Six rupees and four paise per ten cigarettes”;

- (v) against serial number 13, in column (4), for the word "Seven", the word "Five" shall be substituted;
  - (vi) serial numbers 17, 18, 21, 26, 28, 29, 30, 39, 40, 46, 47, 48, 49, 51 and 52, and the corresponding entries relating thereto in columns (2), (3) and (4) shall be omitted;
  - (vii) against serial number 50, in column (4), for the words "one rupee per filter rod", the words and full stop "Twenty per cent *ad val.*" shall be substituted;
  - (viii) after serial number 52 and the corresponding entries relating thereto in columns (2), (3) and (4), omitted as aforesaid, the following new serial number and corresponding entries relating thereto shall be added, namely:—
- "53. White Crystalline Sugar 1701.9910 and 1701.9920.  
Eight per cent *ad val.*"; and
- (ix) in the *Restriction*, at the end, for the figures and hyphen "2010-11", the figures and hyphen "2011-12" shall be substituted; and
  - (b) in Table-II, serial number 12 and the corresponding entries relating thereto in columns (2), (3) and (4) shall be omitted; and
  - (12) in the Second Schedule, in the Table, in column (1), after serial number 2 and the entries relating thereto in columns (2) and (3), the following new serial number and the corresponding entries relating thereto shall be added, namely:—

"3.	White Crystalline Sugar	1701.9910 1701.9920".
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### THE SCHEDULE

[see section 2( 9 )]

### AMENDMENT IN THE CUSTOMS ACT, 1969 (IV OF 1969)

In the Customs Act, 1969 (IV of 1969), in the First Schedule, for the corresponding entries against "PCT Code", "Description" and "CD%" specified in columns (1), (2) and (3) appearing in chapters 1 to 99, the following corresponding entries relating to "PCT Code", "Description" and "CD%" specified in columns (1), (2) and (3) of the Table below shall be substituted, namely:—

"TABLE

PCT CODE	DESCRIPTION	CD%
(1)	(2)	(3)
2923.9010.	- - - Betaine	5
2930.9060	--- 0.0. diethyl 0-(3,5,6-trichloro 2-pyridyl) phosphorothioate	5
<b>74.04</b>	<b>Copper waste and scrap.</b>	
7404.0010	- - -Brass scrap	0
7404.0090	- - -Other	0
7407.1010	- - - Bars	5
7407.2100	- - Of copper-zinc base alloys (brass)	5
<b>87.10</b>	<b>Tanks and other armoured fighting vehicles, motorised, whether or not fitted with weapons, and parts of such vehicles.</b>	
8710.0010	- - -Armoured cash carrying vehicles	20
8710.0090	- - -Other	20
9918	Machinery, equipment, apparatus, appliances, components, sub-components and parts not produced or manufactured in Pakistan which are re-imported by industrial concerns after having been exported and have not undergone any process outside Pakistan since their exportation. In case the machinery, equipment, apparatus, appliances, components, sub-components and parts have undergone any alterations, renovations, additions or repairs prior to their re-import into Pakistan, the cost incurred on such alterations, renovations, additions or repairs (excluding the element of freight and other incidentals) shall be liable to duty as leviable under its respective PCT heading determined at the time of original import provided the same was or were, as the case may be, exported under a contract of alteration, renovation, addition or repairs and that the supplier and the receiver as well as the make, model, weight and other specifications remain the same as were at the time of the original import.	0"

**DECLARATION UNDER THE PROVISIONAL****COLLECTION OF TAXES ACT, 1931 (XVI OF 1931)**

The provisions of sub-section (9) of section 2, sub-section (11) of section 4 and sub-clauses (iii), (iv), (viii) and (ix) of clause (a) of sub-section (10) and sub-section (11) of section 12 of this Act shall have effect for the purposes of this declaration and of the provisions of Provisional Collection of Taxes Act, 1931 (XVI of 1931), as if they were provisions of imposition of duties and taxes of customs, sales tax and federal excise. It is hereby declared accordingly in terms of section 3 of the Provisional Collection of Taxes Act, 1931 (XVI of 1931), that it is expedient in the public interest that the aforesaid provisions of this Act shall have effect from the 4<sup>th</sup> June, 2011,

KARAMAT HUSSAIN NIAZI,  
*Secretary.*