

SALIENT FEATURES

CUSTOMS

1. Benefit of exemption from customs duty on import of all items for Ostomy use is being extended in addition to colostomy bags and appliances.
2. Existing 5% customs duty on import of newsprint is being exempted.
3. Customs duty on Plastic Moulding Compound is being reduced from 5% to 3%.
4. Customs duty on industrial inputs covered under (53 tariff lines) is being either removed or reduced and Additional Customs Duty on industrial inputs covered under 22 tariff lines is being removed. This measure will be implemented with effect from 31st March, 2019.
5. Regulatory Duty on industrial inputs covered under 30 tariff lines is being either removed or reduced.
6. Regulatory duty on smuggling prone items like Tyres, Padlocks, Groundnuts, Food / Chocolate preparations, Floor Coverings, Vacuum flasks falling under 24 tariff lines is being reduced.
7. Regulatory duty is being removed on input materials (approximately 200 tariff lines) imported under SRO 655(l)/2006 dated 05.06.2006 that are used for manufacturing of auto parts by local vendors.
8. Collection of duty and taxes on mobile phones is being rationalized through collection of all duty/taxes on uniform slabs based on C&F values at the fixed rates.
9. Regulatory duty leviable on export of lead, lead products, scrap of lead and copper scrap is being removed in respect of exports made under DTRE / Manufacturing Bond Schemes.
10. In order to facilitate exporters, especially SMEs, significant changes are being made in the Export-Oriented Schemes with a view to improve competitiveness of the export sector.

INCOME TAX

- **Simplified scheme for small shopkeepers**

In order to broaden the tax base this provision intends to empower the Federal Government to prescribe simplified schemes for small shopkeepers in specified cities and territories.

- **Incentives to banks for advancing loans to Micro & Small Enterprises**
Low-cost housing
Agricultural finance

Majority of the manpower in Pakistan is employed in Agriculture, Micro, Small & Medium Enterprises. Low-cost housing is also a priority area. It is proposed to provide incentive to the Banks to provide loans to these sectors and to low cost housing schemes to boost economic activities and generate employment. Banks' income arising from loans to these sectors in addition to loans in 2018 shall be taxed at 20% instead of 35% and shall be exempt from super tax.

- **Removal of Advance Income Tax on cash withdrawal and cash denominated instruments from banks for filers**

To provide relief to filers advance tax on cash withdrawal and sale of banking instruments has been totally abolished.

- **Enabling purchase of immovable property and vehicles by non-resident Pakistanis**

It is proposed to allow Non-resident Pakistanis holding international passports can purchase any motor vehicle and immovable property without filing requirements.

- **Enabling purchase of locally manufactured vehicles up to 1300 CC without filing requirement**

After amendments, the restriction on purchase of locally manufactured motor vehicles above 1300 cc is proposed to be abolished for non-filers.

- **Number of Withholding statements to be reduced from 12 to 2**

For furthering ease of doing business the frequency of monthly withholding statements has been done away with. Now businesses shall have to file biannual statements instead.

- **Reduced rate of Advance Tax on small marriage halls**

For small marriage halls, community halls etc with function area less 500 sqyd, the minimum advance tax has been reduced from Rs. 20,000 to Rs. 5,000.

- **Removal of Advance Tax on cash withdrawal from foreign remittance fed accounts**

To incentivize foreign remittance by overseas Pakistanis, advance tax on cash withdrawal on accounts solely fed by foreign remittance has been exempted.

- **Abolition of Super Tax on non-banking sector**

For Banks the rate of super tax at 4% as was previously has been maintained till tax year 2021 whereas for non-banking persons it is intended to abolish this tax from tax year 2020.

- **Reduction of tax on inter-corporate dividend in case of companies availing group relief**

For companies availing group relief, tax on inter-corporate dividend has been reduced to the extent of percentage of shareholding the recipient of dividend has in the distributing company.

- **Abolition of tax on undistributed profits**

To promote capital formation, the tax on undistributed profits is being abolished.

- **Abolition of withholding tax on members of stock exchange**

The tax on members of stock exchange in lieu of their commission has been abolished. Now their income from commission is to be taxed under normal law.

- **Allowance of carry forward of losses to persons dealing in shares and stocks**

The amendment intends to allow carry forward of losses from securities sustained in a year to subsequent three years.

- **Final Tax on imports by Commercial importers**

The advance income tax collected on imports by commercial importers is being made final tax liability instead of being part of the minimum tax regime.

- **Incentives for industrial undertakings set up for manufacturing of equipment used in generation of renewable energy**

Through this amendment exemption has been granted for five years to industrial undertakings set up for manufacturing of equipment used in generation of renewable energy if such undertaking is set up between 1st March 2019 and 30th June 2023.

- **Tax concession for teams participating in national & international sports tournament**

The advance tax at the time of auction of franchise rights, from participating teams in national and international sports tournament organized by any Sports Board or entity established by the Government is being abolished

- **Provisional assessment of offshore assets**

Through this amendment provisional assessment may be made in case of an offshore asset not declared earlier if such asset is discovered by the Commissioner or any department or agency of the federal or provincial government

SALES TAX AND FEDERAL EXCISE DUTY

- **Exemption on plant and machinery to Greenfield industries**

In order to encourage greenfield investment and industrialization, it is being proposed to grant exemption from payment of sales tax on imported plant and machinery, falling in chapter 84 and 85 of PCT excluding consumer durables and office equipment, to be used for setting up new industry for production of taxable goods. The exemption shall be subject to an exemption certificate to be issued by concerned Commissioner Inland Revenue. The Board will also circulate an indicative positive list of such machinery.

- **Payment of sales tax refunds through promissory notes**

Huge amounts claimed by taxpayers are stuck up in refunds. This causes liquidity crunch for businesses. These refunds have accumulated over a long time. Section 67A is proposed to be inserted in the Sales Tax Act, 1990, to provide for issuance of promissory notes to claimants at their option. The proposed Tenth Schedule provides for features and mechanism for issuance of these notes.

- **Simplification and rationalization of Tax Structure on Import of Mobile Phones**

The existing feature-based sales tax slabs on mobile phones in the Ninth Schedule to the Sales Tax Act, 1990, are complicated and also do not differentiate between inexpensive and expensive mobile phones. The current slabs are being replaced with import value based slabs.

- **Increase in FED on imported luxury cars / SUVs; and Levy of FED on local luxury cars / SUVs**
Federal Excise Duty is already imposed on imported cars and jeeps of engine capacity exceeding 1800cc at 20%. In order to further discourage the import of such luxury cars and jeeps, it is proposed to enhance the rate of Excise Duty from 20% to 25%, for such cars and jeeps up to capacity 3000 cc and to 30% for cars exceeding 3000 cc. Furthermore, it is proposed to levy Excise Duty at 10% on locally manufactured / assembled cars and SUVs etc with engine capacity exceeding 1800cc
- **Continuation of exemption on plant, machinery and equipment for Renewable Energy**
Exemption on machinery and equipment relating to renewable energy is already available under the Sixth Schedule to the Sales Tax Act, 1990. However, in order to provide for certainty and give confidence to investor, the continuity of exemption is being assured up to 30th June, 2023, by amending relevant provisions in the Sixth Schedule.
- **Relief for cancer patients**
The existing exemption in the Sixth Schedule of the Sales Tax Act, 1990, relating to ostomy procedures for cancer patients is restrictive and lacks clarity. The exemption is now being linked to ostomy related appliances and items listed under PCT heading 99.25. The said heading is being recast through amendment to the Customs Act, 1969, and comprehensive list of items is being included therein.