

Highlights

Banking Sector

Income Tax

- Provision for NPL for banking companies restricted to one percent of classified advances.
- The provisions relating to taxation on remittance of profits by branches of foreign companies now amended to provide for this levy on remittance.
- Cost of passenger transport vehicles (not plying for hire) for claiming depreciation restricted to Rs. 1.5 million
- Corporate sector induced to charitable donations by increasing threshold for tax credit.
- Minimum tax of one-half percent reintroduced for resident companies and banking companies.
- Time period for revision of return extended but taxpayer debarred once notice of amendment issued.
- Limitation period for amendment of assessment extended.
- Order of additional tax passed under section 205 made appealable.
- Commissioner Appeals obliged to pass order within specified time.
- Advance tax basis changed from tax assessed to Tax to Turnover Ratio for latest tax year.
- Withholding agent obliged to provide copies of challan or equivalent document with certificate of tax
- Filing requirements of annual statement of withholding taxes rationalised with the tax year of withholding agent.
- Time period for issue of refund order extended.
- Commissioner empowered to withhold refund for unlimited period in certain cases.
- Scope of provisions pertaining to concealment of income or furnishing of inaccurate particulars extended.
- Additional tax to be based on KIBOR plus 3% per quarter; Compensation of delayed refunds limited to KIBOR
- Enhanced powers given to board to condone any time limit or call for records.

Federal Excise

- Scope of FED on banking services extended and rate of FED enhanced.
- Exemption allowed to banks and NBFCs against certain services.

- The rate of default surcharge linked with the rate of KIBOR.
- Compensation for delayed refunds enhanced to KIBOR.

Customs

- The Appellate Tribunal restricted to pass any order to suspend recovery of duty and taxes without providing opportunity of being heard to the Respondents.
- Record should be retained for a period not less than five years or till the finalization of proceedings before any legal fore.

Capital Value Tax

- The rate of CVT on transfer of immovable property enhanced.

Stamp Act

- Stamp duty on registration of memorandum and articles of association in Islamabad Capital Territory deleted.

Miscellaneous

- A new DFI is to be established for industrial financing.
- Corporate Rehabilitation Act (CRA) being finalized to improve bankruptcy and insolvency regime.
- Proposals being finalized to address the issue of backlog of circular debt.

Highlights

Manufacturing Sector

Income Tax

- Cost of passenger transport vehicles (not plying for hire) for claiming depreciation restricted to Rs. 1.5 million..
- Corporate sector induced to charitable donations by increasing threshold for tax credit.
- Manufacturers registered under Sales Tax Act encouraged to make sales to sales tax registered person.
- Minimum tax of one-half percent reintroduced for resident companies and banking companies.
- Time period for revision of return extended but taxpayer debarred once notice of amendment issued.
- Limitation period for amendment of assessment extended.
- Order of additional tax passed under section 205 made appealable.
- Commissioner Appeals obliged to pass order within specified time.
- Advance tax basis changed from tax assessed to Tax to Turnover Ratio for latest tax year.
- Rate of withholding tax on imports increased from 2% to 4%.
- Final Tax Regime applicable to commercial importers, importer of edible oil & packing material, exporters and non-corporate services sector withdrawn, tax deducted / collected to be treated minimum tax
- Withholding tax from payments to distributors of cigarette or pharmaceutical product reduced.
- Companies involved in packing or re-packing process not to be treated as manufacturer.
- Withholding agent obliged to provide copies of challan or equivalent document with certificate of tax
- Filing requirements of annual statement of withholding taxes rationalised with the tax year of withholding agent.
- Time period for issue of refund order extended.
- Commissioner empowered to withhold refund for unlimited period in certain cases.
- Scope of provisions pertaining to concealment of income or furnishing of inaccurate particulars extended.
- Additional tax to be based on KIBOR plus 3% per quarter;

Compensation of delayed refunds limited to KIBOR

- Enhanced powers given to board to condone any time limit or call for records.

Sales Tax

- When computing the period allowed for adjudication, the period related to adjournment excluded from the period allowed for adjudication.
- National Tax Number or Computerized National Identity Card number of unregistered person to be provided on the sales tax invoice.
- Retention of sales tax record extended until disposal of pending litigation at any appellate forum.
- Rate of default surcharge changed.
- Rate of amount payable for delayed refund changed from 6% to KIBOR per annum.
- Exemption of sales tax on import and supply of potatoes and onions withdrawn.
- Import and local supply of direct material for assembly or manufacture of tractors, bulldozers and combined harvesters exempted.
- Zero rating of sales tax on import and local supply of

wheel chairs for special people.

- Import and local supply of Lysine Sulphate (as raw materials for poultry feed) exempted.
- Tariff headings for import and supply of plant, machinery and equipment specified where zero rating will not available.

Federal Excise

- Exemption allowed on specified motor cars/vehicles and viscose staple fibre.
- Rates of FED on cigarettes and allied products enhanced.
- The rate of default surcharge linked with the rate of KIBOR.
- Compensation for delayed refunds enhanced to KIBOR.

Customs

- The Appellate Tribunal restricted to pass any order to suspend recovery of duty and taxes without providing opportunity of being heard to the Respondents.
- Record should be retained for a period not less than five years or till the finalization of proceedings before any legal forum.
- Exemption / concessions of custom duty on import of

pharmaceutical raw materials, life-saving drugs and cancer diagnostics.

- Duty reduced on import of pharmaceutical packing material.
- Additional custom duty on import of components and sub components of auto sector.

Capital Value Tax

- The rate of CVT on transfer of immovable property enhanced.

Stamp Act

- Stamp duty on registration of memorandum and articles of association in Islamabad Capital Territory deleted.

Highlights

Oil, Gas and Power Sector

Income Tax

- Petroleum Exploration & Production companies excluded from taxation on remittance of branch profits.
- Cost of passenger transport vehicles (not plying for hire) for claiming depreciation restricted to Rs. 1.5 million..
- Alternate energy projects in corporate sector allowed first year allowance of 90% on eligible assets.
- Corporate sector induced to charitable donations by increasing threshold for tax credit.
- Manufacturers registered under Sales Tax Act encouraged to make sales to sales tax registered person.
- Minimum tax of one-half percent reintroduced for resident companies and banking companies.
- Time period for revision of return extended but taxpayer debarred once notice of amendment issued.
- Statement of final taxation filed on Commissioner's notice can be subject to Best Judgement Assessment.
- Limitation period for amendment of assessment extended.
- Order of additional tax passed under section 205 made appealable.
- Commissioner Appeals obliged to pass order within specified time.
- Advance tax basis changed from tax assessed to Tax to Turnover Ratio for latest tax year.
- Rate of withholding tax on imports increased from 2% to 4%.
- Final Tax Regime applicable to commercial importers, importer of edible oil & packing material, exporters and non-corporate services sector withdrawn, tax deducted / collected to be treated minimum tax
- Withholding agent obliged to provide copies of challan or equivalent document with certificate of tax
- Filing requirements of annual statement of withholding taxes rationalised with the tax year of withholding agent.
- Time period for issue of refund order extended.
- Commissioner empowered to withhold refund for unlimited period in certain cases.
- Failure to file return or statement of final tax regime or wealth statement to be considered as offence.
- Scope of provisions pertaining to concealment of income or furnishing of inaccurate particulars extended.
- Additional tax to be based on KIBOR plus 3% per quarter; Compensation of delayed refunds limited to KIBOR
- Enhanced powers given to board to condone any time limit or call for records.

Sales Tax

- When computing the period allowed for adjudication, the period related to adjournment excluded from the period allowed for adjudication.
- National Tax Number or Computerized National Identity Card number of unregistered person to be provided on the sales tax invoice.
- Retention of sales tax record extended until disposal of pending litigation at any appellate forum.
- Rate of default surcharge changed.
- Procedure of appeal by Appellate Tribunal aligned to related provisions of the Customs Act, 1969.
- Rate of amount payable for delayed refund changed from 6% to KIBOR per annum.

- Tariff headings for import and supply of plant, machinery and equipment specified where zero rating will not be available.

Federal Excise

- Exemption allowed on specified motor cars/vehicles and viscose staple fibre.
- The rate of default surcharge linked with the rate of KIBOR.
- Procedures of admitting, hearing and disposing of appeals synchronized with other indirect taxes.
- Compensation for delayed refunds enhanced to KIBOR.

Customs

- The Appellate Tribunal restricted to pass any order to suspend recovery of duty and taxes without providing opportunity of being heard to the Respondents.
- Record should be retained for a period not less than five years or till the finalization of proceedings before any legal forum.

Capital Value Tax

- The rate of CVT on transfer of immovable property enhanced.

Petroleum Products (Development Surcharge)

- Petroleum Development Levy is renamed as 'Carbon Surcharge', payable by refineries and oil companies at specified rates on such petroleum products produced by the refinery or purchased by the company for resale.
- Exorbitant rates of Carbon Surcharge proposed under Fifth Schedule to the Ordinance on specified petroleum products and CNG.

Stamp Act

- Stamp duty on registration of memorandum and articles of association in Islamabad Capital Territory deleted.

Highlights

Services Sector

Income Tax

- Taxation of profits remitted by branches of foreign companies operating in Pakistan rationalised.
- Cost of passenger transport vehicles (not plying for hire) for claiming depreciation restricted to Rs. 1.5 million..
- Corporate sector induced to charitable donations by increasing threshold for tax credit.
- Minimum tax of one-half percent reintroduced for resident companies and banking companies.
- Time period for revision of return extended but taxpayer debarred once notice of amendment issued.
- Statement of final taxation filed on Commissioner's notice can be subject to Best Judgement Assessment.
- Limitation period for amendment of assessment extended.
- Order of additional tax passed under section 205 made appealable.
- Commissioner Appeals obliged to pass order within specified time.
- Advance tax basis changed from tax assessed to Tax to
- Turnover Ratio for latest tax year.
- Rate of withholding tax on imports increased from 2% to 4%.
- Final Tax Regime applicable to commercial importers, importer of edible oil & packing material, exporters and non-corporate services sector withdrawn, tax deducted / collected to be treated minimum tax
- Tax rate on indenting commission enhanced from 1% to 5%.
- Withholding agent obliged to provide copies of challan or equivalent document with certificate of tax
- Filing requirements of annual statement of withholding taxes rationalised with the tax year of withholding agent.
- Time period for issue of refund order extended.
- Commissioner empowered to withhold refund for unlimited period in certain cases.
- Failure to file return or statement of final tax regime or wealth statement to be considered as offence.
- Scope of provisions pertaining to concealment of income or furnishing of inaccurate particulars extended.
- Additional tax to be based on KIBOR plus 3% per quarter ; Compensation of delayed refunds limited to KIBOR
- Tax collected from electricity bills exceeding Rs. 30,000 made adjustable for non-corporate users.
- Enhanced powers given to board to condone any time limit or call for records.

Federal Excise

- Exemption allowed on specified motor cars/vehicles and viscose staple fibre.
- FED introduced at the rate of 16% in VAT mode on port operators, terminal operators, and stockbrokers and advertisements in newspapers and periodicals and on hoarding boards, pole signs, sign boards and shop boards.
- Insurance services subjected to FED at enhanced rate.
- Rate of FED applicable on telecommunication services reduced
- SMS services attract levy of FED at paisas twenty per SMS.
- The rate of default surcharge linked with the rate of KIBOR.
- Procedures of admitting, hearing and disposing of appeals synchronized with other indirect taxes.

- FBR empowered to dissolve an ADRC and appointment of new Committee, in case of any failure to make recommendations within the stipulated or extended period.
- FBR required to give order on recommendation of ADRC within specified time.
- Compensation for delayed refunds enhanced to KIBOR.

Stamp Act

- Stamp duty on registration of memorandum and articles of association in Islamabad Capital Territory deleted.

Customs

- The Appellate Tribunal restricted to pass any order to suspend recovery of duty and taxes without providing opportunity of being heard to the Respondents.
- Record should be retained for a period not less than five years or till the finalization of proceedings before any legal forum.
- Import of fully dedicated CNG buses (CBU) exempted.
- Customs duty on import of mobile phones reduced.
- Duty enhanced on sanitary items, panels of LCD or LED, multimedia still cameras, etc.

Capital Value Tax

- The rate of CVT on transfer of immovable property enhanced.

Highlights

Trading Sector

Income Tax

- Taxation of profits remitted by branches of foreign companies operating in Pakistan rationalised.
- Loss for animals used in business be allowed on realisation basis.
- Cost of passenger transport vehicles (not plying for hire) for claiming depreciation restricted to Rs. 1.5 million..
- Corporate sector induced to charitable donations by increasing threshold for tax credit.
- Minimum tax of one-half percent reintroduced for resident companies and banking companies.
- Time period for revision of return extended but taxpayer debarred once notice of amendment issued.
- Statement of final taxation filed on Commissioner's notice can be subject to Best Judgement Assessment.
- Limitation period for amendment of assessment extended.
- Order of additional tax passed under section 205 made appealable.
- Commissioner Appeals obliged to pass order within specified time.
- Advance tax basis changed from tax assessed to Tax to Turnover Ratio for latest tax year.
- Rate of withholding tax on imports increased from 2% to 4%.
- Final Tax Regime applicable to commercial importers, importer of edible oil & packing material, exporters and non-corporate services sector withdrawn, tax deducted / collected to be treated minimum tax
- Withholding tax from payments to distributors of cigarette or pharmaceutical product reduced.
- Companies involved in packing or re-packing process not to be treated as manufacturer.
- Withholding agent obliged to provide copies of challan or equivalent document with certificate of tax
- Filing requirements of annual statement of withholding taxes rationalised with the tax year of withholding agent.
- Time period for issue of refund order extended.
- Commissioner empowered to withhold refund for unlimited period in certain cases.
- Failure to file return or statement of final tax regime or wealth statement to be considered as offence.
- Scope of provisions pertaining to concealment of income or furnishing of inaccurate particulars extended.
- Additional tax to be based on KIBOR plus 3% per quarter; Compensation of delayed refunds limited to KIBOR
- Enhanced powers given to board to condone any time limit or call for records.

Sales Tax

- When computing the period allowed for adjudication, the period related to adjournment excluded from the period allowed for adjudication.
- National Tax Number or Computerized National Identity Card number of unregistered person to be provided on the sales tax invoice.
- Retention of sales tax record extended until disposal of pending litigation at any appellate forum.
- Rate of default surcharge changed.
- Procedure of appeal by Appellate Tribunal aligned to related provisions of the Customs Act, 1969.

- Rate of amount payable for delayed refund changed from 6% to KIBOR per annum.
- Exemption of sales tax on import and supply of potatoes and onions withdrawn.
- Import and local supply of direct material for assembly or manufacture of tractors, bulldozers and combined harvesters exempted.
- Zero rating of sales tax on import and local supply of wheel chairs for special people.
- Import and local supply of Lysine Sulphate (as raw materials for poultry feed) exempted.
- Tariff headings for import and supply of plant, machinery and equipment specified where zero rating will not available.
- Exposed and developed cinematographic film exempted.
- Withdrawal of zero rating facility on import and supply of certain items.
- Amount of sales tax on activation or energization of cellular hand sets decreased.

Federal Excise

- Exemption allowed on specified motor cars/vehicles and viscose staple fibre.

- Rates of FED on cigarettes and allied products enhanced.
- The rate of default surcharge linked with the rate of KIBOR.
- Procedures of admitting, hearing and disposing of appeals synchronized with other indirect taxes.
- Compensation for delayed refunds enhanced to KIBOR.

Customs

- The Appellate Tribunal restricted to pass any order to suspend recovery of duty and taxes without providing opportunity of being heard to the Respondents.
- Record should be retained for a period not less than five years or till the finalization of proceedings before any legal forum.
- Exemption / concessions of custom duty on import of pharmaceutical raw materials, life-saving drugs and cancer diagnostics.
- Import of agricultural tractors exempted.
- Customs duty on import of mobile phones reduced.
- Duty reduced on import of pharmaceutical packing material.

- Duty enhanced on sanitary items, panels of LCD or LED, multimedia still cameras, etc.
- Additional custom duty on import of components and sub components of auto sector.

Capital Value Tax

- The rate of CVT on transfer of immovable property enhanced.

Stamp Act

- Stamp duty on registration of memorandum and articles of association in Islamabad Capital Territory deleted.

Highlights

Non-salaried Individuals and Association of Persons

Income Tax

- One time IDPs Tax introduced for tax year 2009 @ 5% of tax payable by individuals & AOPs with taxable income of one million or more.
- Loss of animals used in business be allowed on realisation basis.
- Cost of passenger transport vehicles (not plying for hire) for claiming depreciation restricted to Rs. 1.5 million.
- Thresholds improved for Tax credit on profit on debt utilised for construction or acquisition of new house.
- Manufacturers registered under Sales Tax Act encouraged to make sales to sales tax registered person.
- Every NTN holder obliged to file return of income.
- Time period for revision of return extended but taxpayer debarred once notice of amendment issued.
- Individuals & AOPs filing statement under FTR with tax payment of Rs. 20,000 or more to file wealth statement and reconciliation.
- Statement of final taxation filed on Commissioner's notice can be subject to Best Judgement Assessment.

- Limitation period for amendment of assessment extended.
- Order of additional tax passed under section 205 made appealable.
- Commissioner Appeals obliged to pass order within specified time.
- Advance tax basis changed from tax assessed to Tax to Turnover Ratio for latest tax year.
- AOP also required to discharge its advance tax obligations.
- Rate of withholding tax on imports increased from 2% to 4%.
- Final Tax Regime applicable to commercial importers, importer of edible oil & packing material, exporters and non-corporate services sector withdrawn, tax deducted / collected to be treated minimum tax
- Tax rate on indenting commission enhanced from 1% to 5%.
- Time period for issue of refund order extended.
- Commissioner empowered to withhold refund for unlimited period in certain cases.
- Failure to file return or statement of final tax regime or

wealth statement to be considered as offence.

- Scope of provisions pertaining to concealment of income or furnishing of inaccurate particulars extended.
- Additional tax to be based on KIBOR plus 3% per quarter; Compensation of delayed refunds limited to KIBOR
- Tax collected from electricity bills exceeding Rs. 30,000 made adjustable for non-corporate users.

Sales Tax

- When computing the period allowed for adjudication, the period related to adjournment excluded from the period allowed for adjudication.
- National Tax Number or Computerized National Identity Card number of unregistered person to be provided on the sales tax invoice.
- Retention of sales tax record extended until disposal of pending litigation at any appellate forum.
- Rate of default surcharge changed.
- Rate of amount payable for delayed refund changed from 6% to KIBOR per annum.

Federal Excise

- Exemption allowed on specified motor cars/vehicles and viscose staple fibre.
- FED introduced at the rate of 16% in VAT mode on port operators, terminal operators, and stockbrokers and advertisements in newspapers and periodicals and on hoarding boards, pole signs, sign boards and shop boards.
- The rate of default surcharge linked with the rate of KIBOR.
- Procedures of admitting, hearing and disposing of appeals synchronized with other indirect taxes.
- Compensation for delayed refunds enhanced to KIBOR.

Capital Value Tax

- The rate of CVT on transfer of immovable property enhanced.

Highlights

Salaried Individuals

Income Tax

- One time IDPs Tax introduced for tax year 2009 @ 5% of tax payable by individuals & AOPs with taxable income of one million or more.
- Bonus to certain corporate employees to be taxed as separate block @ 30% one time for tax year 2009.
- Thresholds improved for Tax credit on profit on debt utilised for construction or acquisition of new house.
- Employee with salary income of Rs. 500,000 or more required to e-file return of income and wealth statement with evidence of tax and reconciliation.
- Tax collected from electricity bills exceeding Rs. 30,000 made adjustable for non-corporate users.

Capital Value Tax

- The rate of CVT on transfer of immovable property enhanced.