

Highlights

Income Tax

- The provisions relating to taxation on remittance of profits by branches of foreign companies now amended to provide for this levy on remittance.
- Petroleum Exploration & Production companies excluded from taxation on remittance of branch profits.
- 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.
- 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.
- 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.
- 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.
- Minimum tax of one-half percent reintroduced for resident companies and banking companies.
- Every NTN holder obliged to file return of income.
- Time period for revision of return extended but taxpayer debarred once notice of amendment issued.
- Employees 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.
- 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.
- Chairman ITAT empowered to constitute as many Single Benches for certain cases.
- Time limitations to constitute ADRC, recommendations by ADRC and decision on recommendations by the FBR introduced.
- 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
- Withholding tax from payments to distributors of cigarettes and pharmaceutical products reduced.
- Companies involved in packing or re-packing process not to be treated as manufacturer.
- 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 and compensation on delayed refunds determined at KIBOR plus 3%.
- Tax collected from electricity bills exceeding Rs. 30,000 made adjustable for non-corporate users.
- Jurisdiction of income Tax Authorities rationalised.
- Enhanced powers given to board to condone any time limit or call for records.
- Allowance of provision for NPL for banking companies

restricted to one percent of classified advances.

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.
- Time limit for providing expert opinion to Alternate Dispute Resolution Committee [ADRC] enhanced.
- FBR empowered to dissolve an ADRC and appoint a new one in case the ADRC fail to make its recommendations within the stipulated or extended period.
- FBR to give order on recommendations of ADRC within 45 days.

- 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 be 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

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

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.
- Exemption / concessions of custom duty on import of pharmaceutical raw materials, life-saving drugs and cancer diagnostics.
- Import of agricultural tractors exempted.
- Import of fully dedicated CNG buses (CBU) 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.
- Regulatory duty maintained on import of luxury / non-essentials goods.
- Exemption / concessions of duty on import of more non-survey based goods.
- 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.

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.

Miscellaneous

- A new DFI is to be established for industrial financing.
- Corporate Rehabilitation Act (CRA) being finalized to improve bankruptcy and insolvency regime.
- Resolution Trust Corporation (RTC) being established to promote consolidation of industry.
- Allocation of Rs. 40 billion for export investment support fund to encourage exports.
- A Venture Capital fund of Rs.10 billion is proposed to assist citizens who need equity financing.
- To support access to credit for SME sector, a fund of Rs.10 billion is proposed for credit guarantees.
- Proposals being finalized to address the issue of backlog of circular debt.
- Comprehensive Energy/Power policy being implemented to address issues of load-shedding, etc.
- Pay and Pension Commission to finalize recommendations during the next fiscal year.
- Adhoc relief allowance of 15% of pay to serving government servants from 1 July 2009.
- Increase in allowance of Armed forces deployed on western front equal to one month's basic pay from 1 July 2009. Remaining Armed forces would be provided from 1 January 2010 and in interim period, adhoc allowance of 15% of pay to be given.
- Retired government servants and armed forces to get 15% increase in pensions from 1 July 2009.