

# **NOTES ON CLAUSES**

## **FINANCE BILL, 2016**

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

- Clause 2(1)(a)                      Seeks to amend sub-section (1) of section 19, to expand the scope of this section.
- Clause 2(1)(b)                      Seeks to amend sub-section (1) of section 19 to enable government in giving effect to its international obligations and commitments.
- Clause 2(2)                              Seeks to add two new clauses in section 155H, in order to share the trade data with trading partners under mutual agreement and to allow public disclosure of valuation data for the sake of transparency.
- Clause 2(3)                              Seeks to amend First Schedule of Pakistan Customs Tariff to the Customs Act.
- Clause 2(4)                              Seeks to amend the Fifth Schedule to the Customs Act.

## SALES TAX ACT, 1990

- Clause 3(1)(i)                      Seeks to substitute the word “ten” for the word “five” in clause (5AB) of Section 2.
- Clause 3(1)(ii)(a)                Seeks to omit the expression “and 26AA” in clause (9) of Section 2.
- Clause 3(1)(ii)(b)                Seeks to substitute for the semi-colon at the end, “and different dates may be specified for furnishing of different parts or annexures of the return” in clause (9) of Section 2.
- Clause 3(1)(iii)(a)                Seeks to add the word “and” at the end in clause (14) of Section 2.
- Clause 3(1)(iii)(b)                Seeks to omit clause (d) in clause (14) of Section 2.
- Clause 3(2)                            Seeks to substitute the words “by the date as prescribed in this respect” for the words “at the time of filing the return in respect of that tax period under Chapter-V” in sub-section (2) of Section 6.
- Clause 3(3)                            Seeks to add proviso in clause (i) in sub-section (2) of Section 7.
- Clause 3(4)                            Seeks to add “or he has not paid amount of tax due as indicated in his return” occurring at the end, after the word “return” in clause (l) in sub-section (1) of Section 8.

- Clause 3(5) Seeks to insert new sub-section (4A) after sub-section (4) of Section 11.
- Clause 3(6)(i) Seeks to substitute a comma for the word “and” occurring for the first time in clause (a) in sub-section (2) of Section 13.
- Clause 3(6)(ii) Seeks to insert the words “and matters relating to international financial institutions or foreign government-owned financial institutions” after the word “agreements” in clause (a) in sub-section (2) of Section 13.
- Clause 3(7) Seeks to omit sub-section (2) of Section 26.
- Clause 3(8) Seeks to insert new section 30DDD after Section 30DD
- Clause 3(9) Seeks to insert the words “or the rules made thereunder” after the word “Act” against serial number 19, in the entry in column (1), in the Table in Section 33.
- Clause 3(10) Seeks to substitute the existing sub-section (2) of Section 49.
- Clause 3(11) Seeks to substitute Section 56B.
- Clause 3(12) Seeks to insert a new entry after serial number 36 in column (1) in the Third Schedule.

- Clause 3(13) Seeks to omit the clauses (i) to (ix) and (xviii) in column (2), against serial number 12 in the Fifth Schedule.
- Clause 3(14)(a)(i) Seeks to insert new entries 100A and 100B entries relating thereto after serial number 100 in column (1) in Table-1 in the Sixth Schedule.
- Clause 3(14)(a)(ii) Seeks to omit serial number 111 and entries relating thereto in columns (2) and (3), in column (1) in Table-1 in the Sixth Schedule.
- Clause 3(15)(a)(iii) Seeks to insert new entries 130, 131, 132, 133 and entries relating thereto in columns (2) and (3) after serial number 129 in column (1) in Table-1 in the Sixth Schedule.
- Clause 3(16)(b) Seeks to insert the words “and dump trucks” after the word “pick-ups” in column (2), against serial number 4 in column (1) in the Annexure in Table-3 in the Sixth Schedule.
- Clause 3(15)(l)(A)(a)(i) Seeks to substitute the figure “2301.1000” (Meat and Bone Meal) for the figure “2301.2090” in column (3) against serial number 15, in column (1) in Table-1, in the Eighth Schedule.
- Clause 3(15)(l)(A)(a)(ii) Seeks to substitute the figure “2301.2090” for the figure “2301.2010” in column (3) against serial number 15, in column (1) in Table-1, in the Eighth Schedule.

- Clause 3(15)(I)(A)(a)(iii) Seeks to substitute the figure “2833.2940” for the figure “2833.2600” in column (3) against serial number 15, in column (1) in Table-1, in the Eighth Schedule.
- Clause 3(15)(I)(A)(a)(iv) Seeks to substitute the figure “2923.9010 (Betaine)” for the figure “2923.9000 (Betafin)” in column (3) against serial number 15, in column (1) in Table-1, in the Eighth Schedule.
- Clause 3(15)(I)(A)(b) Seeks to substitute the figure “10” for the figure “5” against serial number 15, in column (1) in Table-1, in the Eighth Schedule.
- Clause 3(15)(I)(B) Seeks to substitute the words “and equipment” for the words “equipment and specific items” in column (3) against serial number 20, in column (1) in Table-1, in the Eighth Schedule.
- Clause 3(15)(I)(C) Seeks to omit serial number 31 and insert a new serial numbers 32, 33 and corresponding entries relating thereto in Table-1 in the Eighth Schedule.
- Clause 3(15)(II) Seeks to insert the words “including silos” after the word “facilities” in column (2), against serial number 1, in column (1) in the Annexure, in Table-2 in the Eighth Schedule.

Clause 3(16)(a)                      Seeks to substitute in column (2) in S. No. 2, the figure “1000” for the figure “500” in column (3) and (4), in the table in the Ninth Schedule.

Clause 3(16)(b)                      Seeks to substitute in column (2) in S. No. 2, the figure “1500” for the figure “1000” in column (3) and (4), in the table in the Ninth Schedule.

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE,  
2001 (XLII OF 2001)

Clause 4(1)

Seeks to add two new sub-sections (2A) and (2B) in  
Section 3.

## AMENDMENT OF INCOME TAX ORDINANCE, XLIX OF 2001

- Clause 5(1)(a)                      Seeks to extend the applicability of Super Tax to tax year 2016.
- Clause 5(1)(b)                      Seeks to exclude the Brought forward business and depreciation losses, from the definition of 'Income' for the purposes of Section 4B.
- Clause 5(2)                              Seeks to insert new Sections 7C and 7D to stipulate taxation of income of builders and land developers.
- Clause 5(3)                              Seeks to amend section 8 to provide for final taxation under newly added Sections 7C and 7D.
- Clause 5(4)                              Seeks to add new sub sections (6) and (7) to Section 15 to provide a threshold of Rs. 200,000 for chargeability of tax for individuals and AOPs under the head 'Income from property'.
- Clause 5(5)                              Seeks to substitute the word "person" with the word "Company" to allow the deductions in computing the Income from Property only in case of companies.
- Clause 5(6)(a)                        Seeks to substitute clause (c) of section 21 to limit the disallowance in case of purchase of goods to 20% and to clarify that recovery of tax under sub-section 161 and 162 is not to be considered as payment.



Clause 5(6)(b)	Seeks to make a technical change.
Clause 5(6)(c)	Seeks to add a new Clause (o) to disallow any expenditure by pharmaceutical companies for promotion purposes in excess of 5% of turnover.
Clause 5(7)	Seeks to add an explanation to Section 22 to clarify depreciation allowance in exempt period.
Clause 5(8 )	Seeks to add an explanation to Section 37A to clarify that derivative products include future commodity contracts by members of Pakistan Mercantile Exchange.
Clause 5(9 )	Seeks to make a technical correction and to extend the scope of conditions in which the Federal Government can grant exemptions, pursuant to approval of the ECC.
Clause 5(10 )	Seeks to make a technical correction and to add a new sub Section (1A) to provide for allowance of loss for purposes of Group Relief under Section 59B.
Clause 5(11)	Seeks to insert new Section 62A, introducing tax credit for investment in health Insurance and its calculation.
Clause 5 (12)	Seeks to add a new proviso to clause (ii) of component C of sub section (2) of Section 63 to amend the calculation tax credit for contribution to an approved Pension fund.

- Clause 5(13) Seeks to increase the limit of deductible allowance for profit on debt from 1 million to 2 Million.
- Clause 5(14) Seeks to add new Section 64AB to provide deductible allowance for education expenses in case of taxable income of individuals is less than Rs. 1,000,000.
- Clause 5(15) Seeks to amend the section 64B to extend the tax credit for employment generation by manufacturers U/S 64B to tax year 2019 and to increase the limit of credit to 2% from 1% of the tax payable.
- Clause 5(16) Seeks to amend the section 65A to enhance the rate of tax credit to 3% from 2.5%.
- Clause 5(17) Seeks to enhance the period of tax credit for investment under Section 65B to Tax Year 2019.
- Clause 5(18) Seeks to amend the section 65C to extend the tax credit for enlistment to the next following tax year.
- Clause 5(19)(a) Seeks to add a new sub section (1A) of Section 65D to substitute the calculation of tax credit for newly established industrial undertakings.
- Clause 5 (19)(b) Seeks to extend the applicability of tax credit under Section 65D to Tax Year 2019.

Clause 5(19)(c)	Seeks to relax the condition of hundred percent equity to at least 70%.
Clause 5(19)(d)	Seeks to revoke credit under Section 65D if business is discontinued within five years.
Clause 5(20)(a)(b)(c) & (d)	Seeks to relax the condition of hundred percent equity to at least 70% for Section 65E and to insert sub section (3A) to provide for calculating the amount of credit.
Clause 5(20)(e)	Seeks to extend the applicability of tax credit u/s 65E to Tax Year 2019.
Clause 5(20)(f)	Seeks to amend sub section (6) to provide for disallowance of the Tax credit in case of discontinuance of business in subsequent five tax years after availing the credit.
Clause 5(21)	Seeks to allow apportionment of deductions and allowances under Section 67.
Clause 5(22)	Seeks to amend Section 68 for valuation of property.
Clause 5(23)	Seeks to add an explanation to clause (vb) of sub Section (2) of Section 80 to clarify that the definition of "Trust" includes the Foreign Trusts.
Clause 5(24)	Seeks to substitute Sub Section (1) of Section 107 to provide for more instruments and arrangements of international taxation and avoidance of double taxation agreements and to make technical corrections.

Clause 5(25)	Seeks to amend Section 108 to provide for documentation requirement in case of transactions with associates.
Clause 5(26)(a)(b)(c)&(d)	Seeks to reduce the condition of having turnover from rupees fifty million to rupees 10 million for individuals and AOPs for applicability of minimum Tax under Section 113.
Clause 5(26)(e)	Seeks to substitute the explanation after sub section (1) to clarify that tax payable or paid as Super Tax will not be considered for calculation of Minimum Tax.
Clause 5(27)	Seeks to omit Sections 113A and 113B.
Clause 5(28)	Seeks to substitute the third proviso to sub section (6) of Section 114 to provide that written approval by the Commissioner for revision of income tax Return will not be required in case of declaring higher income or lower losses.
Clause 5(29)	Seeks to substitute the first and second provisos to sub section (2) of Section 122C to amend the conditions in which the Provisional Assessment may not be treated as final.
Clause 5(30)	Seeks to make a technical correction and to add an explanation to clarify that tax assessed for calculation of Advance Tax includes alternate Corporate Tax.

- Clause 5(31) Seeks to introduce withholding tax on foreign produced commercials by inserting Section 152A.
- Clause 5(32)(a) Seeks to make tax deducted for advertising services a final tax.
- Clause 5(32)(b) Seeks to omit Clause (e) of sub section (5) of Section 153 which allowed option of self-withholding to cotton ginners.
- Clause 5(33) Seeks to add a new sub-section (4) to Section 169 to clarify that where separate rates for filers and non filers are given in case of final taxation then the excess tax for non filers will be adjustable.
- Clause 5(34) Seeks to amend conditions provided in Section 165B.
- Clause 5(35) Seeks to extend the time period for applying for Income Tax refunds under Section 170 to three years instead of tax years.
- Clause 5(36) Seeks to provide penalty for default of Section 165A and 165B.
- Clause 5(37) Seeks to provide for persecution for default of Section 107.
- Clause 5(38) Seeks to add an explanation to sub section (1) of Section 231A to clarify that the withholding on cash withdrawals are applicable on aggregate amount, if exceeding Rs. 50,000, from all the bank accounts in one day.

- Clause 5(39)(a)                      Seeks to make a technical correction and to add a proviso to sub section (1) of Section 231B to exempt the vehicles from Advance Tax on registration after Five years of the date of first registration.
- Clause 5(39)(b)                      Seeks to add a new sub section (1A) in Section 231B to stipulate that every leasing company or institution leasing a motor vehicle shall also deduct advance tax.
- Clause 5(40)                              Seeks to add a new sub section (3) in Section 236A to make the tax collected on lease of right to collect toll, a final tax.
- Clause 5(41)                              Seeks to amend Section 236C to extend the taxable period of capital gain on immovable property to five years.
- Clause 5(42)                              Seeks to amend Section 236E to broaden the scope of foreign TV plays subject to withholding tax.
- Clause 5(43)                              Seeks to amend Section 236O to make a technical correction.
- Clause 5(44)                              Seeks to add an explanation to sub section (3) of Section 236P to clarify that the tax deduction will be applicable on aggregate amount, if exceeding Rs. 50,000, from all the bank accounts in one day.

Clause 5(45)	Seeks to delete Section 236T to provide new regime of collection of tax by PMEX, insert new Section 236U to introduce taxation of Insurance Premium, insert new Section 236V for taxation of extraction of minerals and new Section 236W for taxation of non-filers registered with provincial sales tax authorities.
Clause 5(46)(A)(i)	Seeks to add new Division VIA for providing tax rates for income from property u/s 15.
Clause 5(46)(A)(ii)	Seeks to substitute schedule for differential tax rates for filers and non-filers earning capital gain from disposal of securities.
Clause 5(46)(A)(iii)	Seeks to substitute table of tax rates for capital gain from immovable properties.
Clause 5(46)(A)(iv)	Seeks to add Divisions VIII A and VIII B containing tax rates for the builders and developers.
Clause 5(46)(B)(i)	Seeks to revise tax rates for dividend earned by non-filers.
Clause 5(46)(B)(ii)(a)	Seeks to insert new sub clause (ab) after Clause (1) to provide for rate of tax deduction on Fast Moving Consumer goods.
Clause 5(46)(B)(ii)(b)	Seeks to amend the rate of tax deduction on advertising services.

Clause 5(46)(B)(iii)	Seeks to substitute table containing tax rates for deduction u/s 155 from rent.
Clause 5(46)(B)(iv)	Seeks to introduce differential tax rate for non-filers on prize bond or cross word puzzle.
Clause 5(46)(C)(i)	Seeks to amend tax rates of deduction on commission income from filers and non filers.
Clause 5(46)(C)(ii)	Seeks to amend tax collection rates by Stock Exchanges.
Clause 5(46)(C)(iii)	Seeks to revise tax collection rates for commercial electricity bill exceeding Rs. 20,000/-.
Clause 5(46)(C)(iv)	Seeks to enhance advance tax rates for sale and transfer of immovable property.
Clause 5(46)(C)(v)	Seeks to amend the rates of tax deduction on transaction of purchase of immovable property.
Clause 5(46)(C)(vi)	Seeks to make a technical correction regarding domestic electricity bill liable for tax deduction.
Clause 5(46)(C)(vii)	Seeks to amend the proviso to Division XXI to make a technical correction.
Clause 5(46)(C)(viii)	Seeks to omit the Division XXII related to tax collection by PMEX.



Clause 5(46)(C)(ix)	Seeks to introduce new Division XXV to provide for advance tax collection rates from non-filers on payment of insurance premium u/s 236U and on extraction of Minerals u/s 236V.
Clause 5(47)(A)(i)	Seeks to make a technical amendment.
Clause 5(47)(A)(ii)	Seeks to amend the clause (98) to entitle only government organizations established for the purpose of sports and games for exemption.
Clause 5(47)(A)(iii)	Seeks to amend the clause (103A) to exclude the companies entitled for group relief u/s 59B from exemption of inter-corporate dividend.
Clause 5(47)(A)(iv)	Seeks to insert new Clauses (126A), (126AA), (126AB) and (126AC) to exempt the income of China Overseas Port Holding Company Limited, its four operating companies, its lenders, its contractors & sub-contractors and profit and gains of businesses set up in Gwadar Free Zone Area.
Clause 5(47)(A)(v)(a)	Seeks to amend Clause (133) to extend exemption period for export of IT products.
Clause 5(47)(A)(v)(b)	Seeks to impose condition for remitting foreign exchange from IT exports through banking channels.

- Clause 5(47)(B)(i) Seeks to substitute the Clause (3) to provide for revised reduced tax rates for the services rendered and contracts executed outside Pakistan.
- Clause 5(47)(B)(ii) Seeks to add new sub-clause for introducing reduced tax rates for income of Pakistan Cricket Board from sources outside Pakistan.
- Clause 5(47)(C)(i) Seeks to insert new sub clause (xxvi) to Clause (11A) to provide exemption to China Ports Holding Company Ltd, China Overseas Ports Holding Companies Pakistan (Pvt) Ltd, Gwadar International Terminal Ltd, Gwadar Marine Services Ltd and Gwadar Free Zone Company for a period of twenty three years and new sub clause (xxvii) to exempt profits and gains for transmission line projects for eligible companies.
- Clause 5(47)(C)(ii) Seeks to withdraw exemption from withholding tax on inter- corporate dividend and profit on debt in the case of group relief companies under Section 59B.
- Clause 5(47)(C)(iii) Seeks to insert a new Clause (38AA) to exempt the China Ports Holding Company Ltd, China Overseas Ports Holding Companies Pakistan (Pvt) Ltd, Gwadar International Terminal Ltd, Gwadar Marine Services Ltd and Gwadar Free Zone Company from provision of Sections 150, 151 and 233.

Clause 5(47)(C)(iv)	Seeks to make technical correction in Clause (57) and to substitute the second proviso to amend the rate of Minimum Tax for Companies operating Large Trading Houses.
Clause 5(47)(C)(v)	Seeks to omit sub clause (i) of clause (59) to exclude the interest paid on a Capital Finance Certificate held by company from exemption of withholding tax under section 151.
Clause 5(47)(C)(vi)	Seeks to extend concession to Hajj Operators under Clause (72A) to 2016.
Clause 5(47)(C)(vii)	Seeks to provide for audit of companies availing exemption certificate under Clause (72B).
Clause 5(47)(C)(viii)	Seeks to omit Clause (82).
Clause 5(47)(C)(ix)	Seeks to amend Clause (86) to extend the exemption allowed to investment by a company industrial under taking from applicability of Section 111 till tax year 2019.
Clause 5(47)(C)(x)(xi)&(xii)	Seeks to make a technical correction by renumbering clauses (91), (92) and (93), as clauses (95), (96), (97).
Clause 5(47)(C)(xiii)(a)	Seeks to extend exemption allowed to certain filer companies engaged service provided till tax year 2017.

Clause 5(47)(C)(xiii)(b)	Seeks to include 'IT services and IT enable services' in exemption under clause (94).
Clause 5(47)(C)(xiii)(c)	Seeks to add new proviso to put a condition of presenting irrevocable under taking of submitting accounts to avail the concession of clause (94).
Clause 5(48)	Seeks to substitute rule (6B) of Fourth Schedule for computing the tax on profit and gains of mutual Insurance association.
Clause 5(49)	Seeks to amend Sixth Schedule to enhance the limit of employer annual contribution, deemed to be income receive by employee from rupees 100,000 to rupees 150,000.
Clause 5(50)	Seeks to amend rule (7C) of Seventh Schedule to extend provision of section 4b for banking companies till tax year 2016.
Clause 5(51)(a)	Seeks to insert new sub rule (1A) in Rule 1 of Eighth Schedule to provide for taxation of capital gain on disposal of unit of upon ended mutual fund and to which section 100b employees and clause (1B) to provide for taxation of gain or loss through trading of future commodity contract on Pakistan mercantile Exchange.

- Clause 5(51)(b)                      Seeks to make a technical correction in sub rule (2) in Rule 1 of Eighth Schedule.
- Clause 5(51)(c)                      Seeks to amend sub rule (3) of Rule 1 of Eighth Schedule to add a proviso regarding provision of information to NCCPL.
- Clause 5(51)(d)                      Seeks to add new sub rule (3A) in Rule 1 of Eighth Schedule to bind the Asset Management Companies, Pakistan mercantile exchange and any other person to furnish information required by NCCPL.

## FISCAL RESPONSIBILITY AND DEBT LIMITATION ACT, 2005

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|--------------|---|
| Clause 6(1)  | Seeks to amend long title and preamble.   |
| Clause 6(2)  | Seeks to amend certain definitions in Section 2.  |
| Clause 6(3)  | Seeks to amend sub-section (2) and substitute clauses (a), (b) & (c) of sub-section (3).                |
| Clause 6(4)  | Seeks to substitute a proviso in Section 4.   |
| Clause 6(5)  | Seeks to amend sub-section (2) of Section 6.  |
| Clause 6(6)  | Seeks to omit clause (c) of sub-section (3) and amend clause (e).                                       |
| Clause 6(7)  | Seeks to substitute proviso to Section 9.   |
| Clause 6(8)  | Seeks to make amendments to Section 10.   |
| Clause 6(9)  | Seeks to make consequential amendments to Section 13.   |
| Clause 6(10) | Seeks to replace the word “Minister” with “Federal Government” and amend sub-section (2) of Section 14. |

## FEDERAL EXCISE ACT, 2005

- Clause 7(1)                      Seeks to substitute the expression “and different dates may be specified for furnishing of different parts or annexures of the return” for the full stop at the end in clause (8a) in section 2.
- Clause 7(2)(a)                 Seeks to substitute the words “by the date as prescribed in this respect” for the words “at the time of filing of his return under sub-section (1)” in sub-section (2) in section 4.
- Clause 7(2)(b)                 Seeks to omit sub-section 3 in section 4.
- Clause 7(3)                      Seeks to insert new sub-section (2A) after sub-section (2) in section 6.
- Clause 7(4)(a)                 Seeks to substitute a comma for the word “and” in sub-section (2) in section 16.
- Clause 7(4)(b)                 Seeks to insert the words “and matters relating to international financial institutions or foreign government-owned financial institutions” after the word “agreements” in sub-section (2) in section 16.
- Clause 7(5)                      Seeks to add new sub-section (13) after sub-section (12) in section 19.
- Clause 7(6)                      Seeks to substitute Section 47B.

- Clause 7(7)(a)(i) Seeks to substitute the word “eleven” for the word “ten” in column (4) against serial numbers 4, 5 and 6 in column (1), in Table-1 in the First Schedule.
- Clause 7(7)(a)(ii) Seeks to substitute the serial numbers 9 and 10 in column (1) and the corresponding entries relating with new serial numbers 9a, 9b, 10a and 10b and corresponding new entries thereto in columns (2), (3) and (4) in Table-1 in the First Schedule.
- Clause 7(7)(a)(iii) Seeks to substitute the words “one rupee per kilogram” for the words “five per cent of the retail price” in column (4) against serial number 13 in column (1), in Table-1 in the First Schedule.
- Clause 7(7)(a)(iv) Seeks to omit serial number 53 in column (1) and entries relating thereto in column (2), (3) and (4) in Table-I in the First Schedule.
- Clause 7(7)(b) Seeks to add the following Note after Table-II in the First Schedule “The duty on the services as specified against serial numbers 1, 2, 2A, 5, 8, 11 and 13 shall not be levied on the services provided in a Province where the provincial sales tax has been levied thereon”.



- Clause 7(8) Seeks to omit serial number 3 in column (1) and entries relating thereto in columns (2) and (3) in the Second Schedule.
- Clause 7(9)(a) Seeks to omit serial number 18 in column (1) and entries relating thereto in columns (2) and (3) in Table-1 in the Third Schedule.
- Clause 7(9)(b) Seeks to add new serial numbers 19 and 20 in column (1) and corresponding entries relating thereto after the omitted serial number 18 in Table-1 in the Third Schedule.