

Government of Pakistan  
Revenue Division  
Federal Board of Revenue

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C.No.1(6)WHT/2009.

Islamabad, July 4, 2009.

To

All DG LTUs/RTOs

Subject: **CHANGES IN WITHHOLDING TAX PROVISIONS THROUGH FINANCE BILL, 2009**

I am directed to invite your attention to the following changes made in Withholding Tax rates through Finance Bill, 2009, with the request to please ensure that changes made may be brought to the knowledge of all stakeholders, immediately. The concerned Commissioners, who are responsible for monitoring of withholding taxes, may be advised to monitor the WHT on the basis of changed rates w.e.f. July 1, 2009:-

1. **Withholding Tax on imports – [Section 148]**

- (a) Section 148 sub-section 7(d)(i)&(iii) has been amended, and the large import houses will now be required paid up capital of Rs.250 million instead of Rs.100 million and the value of total assets of Rs.350 million instead of Rs.100 million at the close of the tax year, to qualify for non-deduction of tax under section 148. In the same section in sub-section 8 “packing material” has been added after the word “oil” and the final tax has been substituted by the **“minimum tax.”**
- (b) The rate of tax as per 148(1) is specified in Part II of the First Schedule. Previously the rate of tax was 2% of the value of the goods imported. The same has been changed to 4% on the value of goods imported. Furthermore a new sub-clause (9A) has been added to Part-III of the Second Schedule wherein tax under section 148 shall be collected @ 3% on import value of raw material imported by an industrial undertaking for its own use.

2. **Withholding Tax on payments for goods and services – [Section 153]**

- (a) Section 153(6) second proviso has been amended by replacing the full stop by “semicolon” adding “and” at the end by inserting a new sub-clause (iii) which reads as under:-

Provided that tax deducted under sub-clause (b) of sub-section (1) of section 153 shall be **“minimum tax”**. Thus a conceptual change has been brought in the withholding tax from final taxation to the **“minimum taxation”** regime in the services part of the section only.

- (b) Section 153(9) a new sub-clause “(cc)” has been added by including the non-profit organization into the list of prescribed persons. Furthermore in the expression “manufacturer” in clause (b), the commas and words “packing repacking” has been omitted.

3. **Withholding Tax on electricity consumption- [Section 235]**

Section 235(4) has been substituted as under:-

**Substituted “sub-section 4”**

- (a) In the case of a taxpayer other than a company, tax collected upto bill amount of thirty thousand rupees per month shall be treated as minimum tax on the income of such persons and no refund shall be allowed;
- (b) In the case of a taxpayer other than a company, tax collected on monthly bill over and above thirty thousand rupees per month shall be adjustable; and
- (c) In the case of a company, tax collected shall be adjustable against tax liability.

4. **Advance tax at the time of sale by auction – [Section 236A]**

A new section 236A has been inserted to lay to rest, the controversy between the ordinary sales of business and the sale by auction which “reads” as under:-

“Advance tax at the time of sale by auction – (1) Any person making sale by public auction, of any property or goods confiscated or attached either belonging to or not belong to the Government, any authority, a company a foreign association declared to be a company under sub-clause (vi) of clause (b) of sub-section (2) of section 80, or a foreign contractor or a consultant or a consortium or Collector of Customs or Commissioner of Income Tax or any other authority, shall collect advance tax, computed on the basis of sale price of such property and at the rate @ 5% of the gross sale price of any property or goods sold by auction from the person to whom such property or goods are being sold.”

5. **Advance tax on private motor vehicles [Section 231B]**

Section 231B covering the advance tax on purchase of motor cars and jeeps has been substituted as under:-

“Advance tax on private motor vehicles – Every motor vehicle registering authority of Excise and Taxation Department shall collect advance tax at the time of registration of a new locally manufactured motor vehicle, at the rates specified in Division VII of Part IV of the First Schedule.”

The proviso to this section has also been amended by including “local government” as an authority to which it will not apply.

6. **Exemption from Specific Provision [Part IV of the Second Schedule]**

A new clause "16A" has been inserted after proviso to clause 16 in Part IV of the Second Schedule wherein deductions under section 153(1)(b) shall not be made in respect of the advertising services, by the news print media. The clause is reproduced as under:-

"The provisions of section 153(1)(b) shall not be applicable to the news print media services in respect of the advertising services."

7. A new sub-section has been added to section 168 wherein the deduction of service charges on collection by the collecting agents, has been dealt which is reproduced as under:-

"In case any amount is deducted on account of service charges, by the person, the said person will be liable to pay the said amount to the Federal Government and all the provisions of this Ordinance shall apply in so far as they apply to the recovery of tax."

8. Kindly acknowledge receipt.

**(DR. MUHAMMAD IRSHAD)**  
Secretary (Withholding Tax)