

# A BRIEF ON FINANCE SUPPLEMENTARY (AMENDMENT) BILL 2018





The Finance Minister presented Finance Supplementary (Amendment) Bill 2018 in the National Assembly for amendment of certain provisions of the Federal tax laws.

We are pleased to summarize our comments containing our interpretation of the proposed legislation in this brief.

The proposed amendments shall take effect from the next date of assent given by the President. However, certain amendments in the Income Tax Ordinance, 2001 shall be effective from 01 July 2018.

We recommend that while considering their application to any particular case, reference be made to specific wordings of the relevant statutes.

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**SECTION  
(CLAUSE)****THE INCOME TAX ORDINANCE, 2001****214E****Closure of Audit**

The Bill proposes to insert this new section to allow closure of audit proceedings initiated against late return filers or return filers who have not paid the tax due. These cases were automatically selected for audit under section 214D of the Income Tax Ordinance, 2001 (the Ordinance) introduced through Finance Act, 2015 . Through Finance Act, 2018, Section 214D has been omitted.

Through this Amendment Bill the Government proposes to close all the audit cases that were automatically selected under deleted Section 214D of the Ordinance provided the:

1. taxpayer has been selected for audit under sub section (1) of the omitted section 214D;
2. notice under section 122 has not been issued;
3. the taxpayer has revised return voluntarily, by thirty first day of December 2018, along with payment of 25 percent higher tax than the tax paid with return on the basis of taxable income and where no tax is payable 2 percent of the turnover and where no turnover is declared penalty of Rs 20,000 has been paid voluntarily:

Provided that the condition of 25 percent higher tax or 2 percent of the turnover shall not apply, if the taxable income of the taxpayer includes only salary income or income subject to final taxation under sub-section (1) of section 169 or subject to taxation under Section 5, 5AA, 6, 7, 7A, or 7B.

An explanation has been added to this section which clarifies that only audit initiated as a result of automatic selection under the omitted section 214D shall stand abated under this section and audit initiated or to be initiated on the basis of definite information or otherwise as per provisions of section 177 or 214C shall be conducted independently.

**Section 227C****Restriction on purchase of certain assets**

A new section 227C was inserted through Finance Act, 2018 whereby a person who is not a "filer" was not entitled to processing of any application:

- a) For booking, registration or purchase of a newly manufactured vehicle or imported vehicle.
- b) From any authority responsible for registration, recording, attesting immovable property.

Through this Amendment Bill, section 227C is proposed to be omitted. As a result non-filers will now be able to purchase motor vehicles and immovable property.

**SECTION  
(CLAUSE)**                      **THE INCOME TAX ORDINANCE, 2001**

**FIRST SCHEDULE  
Part -1  
Division 1**                      **Tax rates for Individuals revised**

**Rates of tax**

**Rates of Tax for Salaried Individuals**

The income of an individual chargeable under the head "salary" exceeds fifty per cent of his taxable income, the rates of the tax to be applied shall be set out in the following table:

Rates of tax for Salaried Individual

The rates of tax imposed on the taxable income of every individual shall be as follows:

<b>Taxable Income</b>	<b>Rate of tax</b>
Where the taxable income does not exceed Rs. 400,000	0%
Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 800,000	Rs. 1,000
Where the taxable income exceeds Rs. 800,000 but does not exceed Rs.1,200,000	Rs. 2,000
Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,500,000	5% of the amount exceeding Rs. 1,200,000
Where the taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 4,000,000	Rs. 65,000 + 15% of the amount exceeding Rs.2,500,000
Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 8,000,000	Rs. 290,000 + 20% of the amount exceeding Rs.4,000,000
Where the taxable income exceeds Rs. 8,000,000	Rs. 1,090,000 + 25% of the amount exceeding Rs.8,000,000

SECTION  
(CLAUSE)

## THE INCOME TAX ORDINANCE, 2001

**Rates of Tax for Non-Salaried Individual**

The rates of tax imposed on the taxable income of every non-salaried individual shall be as follows:

<b>Taxable Income</b>	<b>Rate of tax</b>
Where the taxable income does not exceed Rs. 400,000	0%
Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 800,000	Rs 1,000
Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 2,000
Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	5% of the amount exceeding Rs. 1,200,000
Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 60,000 + 15% of the amount exceeding Rs. 2,400,000
Where the taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 150,000 + 20% of the amount exceeding Rs. 3,000,000
Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 5,000,000	Rs. 350,000 + 25% of the amount exceeding Rs. 4,000,000
Where the taxable income exceeds Rs. 5,000,000	Rs. 600,000 + 29% of the amount exceeding Rs. 5,000,000

The Finance Act, 2018 prescribed separate rates of taxation for individuals (salaried and non- salaried case) and Association of persons (AOP).

The Finance (Amendment) Bill, 2018 proposes to introduce changes to the applicable rates of taxes for Individuals. Separate rates have been introduced for other than salaried individuals and salaried individuals under clause 1 and 1A respectively. The separate clause 2 for AOPs as enacted by Finance Act, 2018 remains applicable. Please note Finance Act, 2018 brought significant reductions in the tax rates for all individuals. The Amendment Bill proposes to bring upward revision in the higher slabs.

FIRST SCHEDULE  
Part -IV  
Division XXI  
Section 236-P**Withholding Tax Rate on Banking Transactions Enhanced For Non-Filers – Section 236 P**

The Bill proposes to enhance the applicable withholding tax rates on banking transaction otherwise than through cash from 0.4% to 0.6% for non-filers.

Second Schedule  
Part -I**EXEMPTIONS FROM TOTAL INCOME**

The Bill proposes to insert and modify certain exemptions in Part - I of the Second Schedule, as listed below:

Clause (51), (52),  
(53)

The Bill proposes to withdraw exemptions available to Provincial Governors with respect to:

- I. Rent free government accommodation
- II. Free conveyance and entertainment allowance

**SECTION  
(CLAUSE)****THE INCOME TAX ORDINANCE, 2001**

The Bill also proposes to withdraw exemptions available to Federal Ministers with respect to

- I. Rent free government accommodation
- II. House rent allowance
- III. Free conveyance and entertainment allowance

Clause (61)(iv)

Taxpayers to be allowed direct deduction from taxable income on amount paid as donation to Supreme Court of Pakistan Diامر Bhasha & Mohmand Dams Fund

**Clause (66)(xii)**

Any income derived by Supreme Court of Pakistan Diامر Bhasha & Mohmand Dams Fund shall be exempt

**PART IV OF  
SECOND  
SCHEDULE****EXEMPTIONS FROM APPLICATION OF SPECIFIC PROVISIONS**

**Clause (107)**

The Bill proposes to exclude from the provisions of section 111 (unexplained income or assets) to persons giving donations to Supreme Court of Pakistan Diامر Bhasha & Mohmand Dams Fund from any inquiry regarding source of such donation.

**Clause (108)**

- I. Supreme Court of Pakistan Diامر Bhasha & Mohmand Dams Fund proposed to be exempted from application of minimum tax on turnover
- II. Provisions of withholding of taxes on profit on debt, cash withdrawals from bank and ta on transaction in banks shall not apply to Supreme Court of Pakistan Diامر Bhasha & Mohmand Dams Fund

**Clause (109)**

- III. Non-filer making donations to Supreme Court of Pakistan Diامر Bhasha & Mohmand Dams Fund proposed to be exempted from the provisions of section 236P( collection of advance taxes from non-filers on transfer of funds through banking transaction )

**SECTION  
(CLAUSE)**

**SALES TAX ACT, 1990**

**Sixth Schedule  
(Table -1)**

**Exemptions Proposed under Sixth Schedule**

The Amendment Bill seeks to add new headings in serial number 112 to provide exemption from sales tax on import and local supplies of certain medical and surgical goods. The following are the details:

In entry A after serial number 6 the following new serials number shall be added are as under:

Serial No.	Description of Goods	PCT Heading
112	<b>A. ANGIOPLASTY PRODUCTS</b>	Respective heading
	7. Optical Coherence Technology (OCT) System 8. OCT Catheters 9. Intravascular Ultrasound (IVUS) 10. Fractional Flow Reserve (FFR/IFR) System 11. IVUS / FFR / IFR Catheters and wires 12. Support Micro Catheters (Straight and Angled) 13. Drug Coated Angioplasty Balloon 14. Coronary and Peripheral Micro Coils 15. Thrombectomy Device 16. Thrombus Aspiration Catheters 17. Covered Stents (Coronary/Peripheral) 18. Vessel Closure Devices 19. Embolic Protection Devices 20. Renal Stents 21. Vena-cava Filters 22. Coronary and Peripheral Snares 23. Athrectomy Devices 24. IABP Consoles & Catheters 25. Intracardiac Echocardiography Machine & Catheters	

In entry B after serial number 6 the following new serial number shall be added are as under:

**B. ANGIOGRAPHY PRODUCTS**

- 7. Wrist Bands for Radial Vessel Closure];

In entry H after serial number 3 the following new serials number shall be added are as under:

**H. CARDIAC ELECTROPHYSIOLOGY PRODUCTS**

- 4. Excimer Laser System with Accessories
- 5. Laser Sheath, Occlusion Balloons, Dilator Sheaths (Rotation & Manual)
- 6. Intra Cardiac Echocardiography (ICE) System and Accessories
- 7. Lead Locking Devices and Accessory Kit
- 8. Remote EP Monitoring Device and Accessories
- 9. Ablation catheters
- 10. 3-D Cardiac Mapping System
- 11. Cryoballoon System and Accessories

Respective heading

SECTION  
(CLAUSE)

## SALES TAX ACT, 1990

In entry J after serial number 5 the following new serial number shall be added are as under:

Serial No.	Description of Goods	PCT Heading
112	<b>J. CARDIAC SURGERY PRODUCTS</b>  6. High-Flow, Low-Profile Percutaneous Heart Pump PHP Console and Catheters. 7. Tandem Heart / Tandem Lung and Accessories 8. Ventricular Assist Device System  ➤ Heart Mate-II ➤ Heart Mate-III ➤ Centri Meg LEOV  9. Beating Heart Surgery stabilizers & Coronary Shunts 10. Minimally invasive surgery equipment & Instruments 11. RF Ablation equipment for AF (Surgical) 12. Heart Lung Machines	Respective heading

In entry K after serial number 4 the following new serial number shall be added are as under:

<b>K. EQUIPMENT</b>	Respective heading
5. Left Ventricular Assist Device / System (LVAD) and Catheters 6. MitraClipTranscatheter Mitral Valve System 7. MitraClip Guide Catheter, Clip and Delivery System 8. Patent Foramen Ovale (PFO) Closure Device 9. Left Atrial Appendage (LAA) Occluder 10. Transcatheter Aortic / Heart Valve System (TAVI/TAVR) 11. Cerebral Retrievable Stents 12. Aortic Stent Grafts 13. Embolization Coils, Delivery System Filling Coil 14. Abdominal Aortic Aneurysm (EVAR) System and Accessories/ thoracic EVAR/ extension 15. Insertable Cardiac Monitor (ICM) 16. Carotid Stents 17. Vascular Clips 18. MRI Compatible Cardiac Monitor Infusion Pump, Anesthesia Machine with Accessories	



**SECTION  
(CLAUSE)**

**SALES TAX ACT, 1990**

**Sixth Schedule  
(Table -2)**

**Exemptions Proposed under Sixth Schedule**

The Amendment Bill seeks to add new serial numbers and entries after serial number 23 to provide exemption from sales tax on local supplies only of following items under Table-II of Sixth Schedule to the Sales Tax Act, 1990.

Serial No.	Description of Goods	PCT Heading
24	LED or SMD lights and bulbs meant for conservation of energy.	8539.5010 8539.5020 9405.1030 and 9405.4020

**Sixth Schedule  
(Table -3)**

**Exemptions Proposed under Sixth Schedule**

The Amendment Bill also seeks to extend scope of exemption on import of parts/components for manufacturing of LED bulbs.

**Eighth Schedule**

**Goods subjected to reduce rate of sales tax**

The reduced rate of 12% is proposed to apply for RLNG in addition to LNG. The existing clause shall read as follows:

**(Table -1)**

S. No	Description of Goods	Rate of Sales Tax	PCT Heading	Condition
51	LNG/RLNG	12%	2711.1100 and 2710.2100	If supplied to gas transmission and distribution companies.

Further the rate applicable on Potassium Chlorate (KCLO3) is proposed to be enhanced as follows:

S.No	Description of Goods	Rate	
		Existing	Proposed
56	Potassium Chlorate (KCLO3)	17% alongwith rupees 40 per kilogram	17% alongwith rupees 65 per kilogram

**FIFTH SCHEDULE CUSTOMS ACT, 1969 (IV OF 1969)**

**PART I (Serial No 23)** The Amendment bill proposes to include LED Bulbs along with LED Lights so as to make the parts and components for manufacturing of both LED Lights and Bulbs zero rate.

**PART III (Serial No 96)** It is proposed to replace PCT code 7606.9220 with the PCT code 7606.9290 which relates to Coils of aluminum alloys, change implies that the PCT code 7606.9220 is no more under the Customs Tariff 2018-2019.

**PART III (Serial No 107)** It is further proposed that the size of the sheet in inches specified for the Holy Quran previously being 20x36 has been substituted with 23x36 in relation to the custom tariff of the paper for printing the Holy Quran.

**PART III (Serial NO 108)** The Amendment Bill proposes to include Single mode Optical Fiber along with Multimode Optical Fiber for the purpose of reduced Customs duty of 5%. Existing Customs duty on Single mode Optical Fiber is 20% under PCT Code 9001.1000

**PART VII TABLE C** Proposed new insertion reducing Customs duty on miscellaneous industrial raw materials or industrial inputs.

Sr. No	Description	PCT CODE	Existing Customs Duty%	Proposed Customs Duty%	Conditions
1	Tallow	1502.1000	11	5	Nil
2	Other	2835.3900	11	5	Nil
3	Acetone	2914.1100	16	11	Nil
4	Ethyl acetate	2915.3100	20	16	Nil
5	n-Butyl acetate	2915.3300	20	16	Nil
6	sec-Butyl acetate	2915.3930	20	16	Nil
7	Oxalic acid	2917.1110	11	5	Nil
8	Citric acid	2918.1400	11	5	Nil
9	Other	3203.0090	16	11	Nil
10	Other	3204.1590	16	11	Nil
11	Dyes, sulphur	3204.1910	16	11	Nil
12	Dyes, synthetic	3204.1990	16	11	Nil
13	Other	3206.2090	16	11	Nil
14	Ultramarine and preparations based thereon	3206.4100	16	11	Nil
15	Lithopone	3206.4210	16	11	Nil
16	Pigments and preparations based on cadmium compounds	3206.4920	16	11	Nil
17	Greases	3403.1910	20	16	Nil
18	Other	3403.1990	20	16	Nil
19	Other	3403.9990	20	16	Nil
20	Activated carbon	3802.1000	11	5	Nil
21	With a basis of amylaceous substances	3809.1000	16	11	Nil
22	Of a kind used in the paper or like industries	3809.9200	16	11	Nil
23	Compound plasticizers for rubber or plastics	3812.2000	16	11	Nil
24	Non refractory mortars and concretes	3824.5000	20	16	Nil
25	Reinforced only with metal	4010.1100	16	11	Nil
26	Reinforced only with textile materials	4010.1200	16	11	Nil
27	Containing 85 or more by weight of cotton	5207.1000	11	8	Nil
28	Other	5207.9000	11	8	Nil
29	Of aluminum alloys	7606.1200	11	5	Nil
30	Aluminum lids for cans of carbonated soft drinks	8309.9010	11	5	Nil
31	Of plastics, not covered with textile material	9606.2100	20	16	Nil
32	Button blanks	9606.3020	20	16	Nil
33	Fitted with chain scoops of base metal	9607.1100	20	16	Nil
34	Other	9607.1900	20	16	Nil

**FIFTH SCHEDULE CUSTOMS ACT, 1969 (IV OF 1969)**

**SECTION FEDERAL EXCISE ACT, 2005  
(CLAUSE)**

**Section 2(24A)** The Amendment Bill seeks to introduce a definition of “un-manufactured tobacco” which means that tobacco useable for manufacture of cigarettes as manufactured by Green Leaf Threshing Units after processing and conversion of tobacco green leaf.

**Section 19(10),26(1),27** The Amendment Bill proposes to introduce the provision of penalty and seizures whereby the person engaged in manufacture or production of un-manufactured tobacco in the manner contrary to provision of Federal Excise Act, 2005 [FE Act] or to evade duty, the goods shall be liable to outright confiscation. The goods shall be destroyed in such manner as may be approved by the Commissioner without any compensation.

On account of evasion of duty of un-manufactured tobacco, the owner shall be given an option to pay penalties and fines for release of such un-manufactured tobacco in lieu of confiscation provided that if such release is not claimed or availed no reduction or abatement in respect of amounts of duty, penalties and fine shall be admissible in case such un-manufactured tobacco are auctioned.

Moreover the Amendment Bill proposes the destruction of un-manufactured tobacco which is unfit for the human consumption, in the manner deemed appropriate by the Commissioner.

**FIRST SCHEDULE FEDERAL EXCISE DUTY RATES**

**TABLE-I** Proposed new FED rates are as under:

Sr. No	Description of goods	Existing FED Rate	Proposed FED Rate
7	Unmanufactured tobacco	Rs. 10 per kilogram	Rs. 300 per kilogram
9	Locally produced cigarettes if their on-pack printed retail price exceeds four thousand five hundred rupees per thousand cigarettes.	Rs. 3,970 per 1000 cigarettes	Rs. 4,500 per 1000 cigarettes
10	Locally produced cigarettes if their on-pack printed retail price exceeds two thousand nine hundred and twenty-five rupees per thousand cigarettes but does not exceed four thousand five hundred rupees per thousand cigarettes.	Rs. 1,776 per 1000 cigarettes	Rs. 1,840 per 1000 cigarettes
10a	Locally produced cigarettes if their on-pack printed retail price does not exceed two thousand nine hundred and twenty-five rupees per thousand cigarettes.	Rs. 854 per 1000 cigarettes	Rs. 1,250 per 1000 cigarettes
55	Imported motors cars, SUVs and other motor vehicles of cylinder capacity of 1800cc or above, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars of cylinder capacity of 1800cc or above.	10%	20%

**THIRD SCHEDULE Exemption Withdrawn**

**TABLE-I (Serial No 16)** The Amendment Bill proposes to withdraw the exemption on un-manufactured tobacco. Presently, exemption is available on un-manufactured tobacco manufactured in-house by a registered person.

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