

GOVERNMENT OF PAKISTAN  
REVENUE DIVISION  
CENTRAL BOARD OF REVENUE

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C.No.1(6)WHT/2006

Islamabad, June 27, 2006.

- To:
1. Mr. Abrar Ahmad,  
Regional Commission of Income Tax,  
Corporate/Southern Regions, Karachi.
  2. Mr. S.M. Athar Zaidi,  
Regional Commissioner of Income Tax,  
Central Region, Multan
  3. Mr. Qudratullah,  
Regional Commissioner of Income Tax,  
Northern Region, Islamabad.
  4. Haji Ahmed,  
Regional Commission of Income Tax,  
Eastern Region, Edward Road, Lahore.
  5. Malik Bashir Ahmad  
Director General, LTU, Karachi
  6. Mr. Umar Farooq  
Director General, LTU, Lahore

SUBJECT: **CHANGES IN WITHHOLDING TAX PROVISIONS THROUGH FINANCE BILL, 2006.**

I am directed to invite your attention to the following changes made in Withholding Tax rates through Finance Bill, 2006, 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 ensure WHT on the basis of change rates w.e.f. July 1, 2006:-

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

- (A) WHT at reduced rate of 1% has been provided through clause (13G), Part II of Second Schedule, on the following items, on the import value as increased by customs duty and sales tax, (if any leviable thereon):

- i. Capital goods;
- ii. Cement;
- iii. Coal;
- iv. Gold;
- v. Mobile telephone sets;
- vi. Silver;
- vii. Sugar;
- viii. Wheat;
- ix. Raw wood;
- x. Trucks in CBU condition having Gross Vehicle Weight exceeding 5 tons classified under PCT headings 8704.3290 and 8704.9090;
- xi. Dump trucks classified under PCT heading 8704;
- xii. Buses and tractors classified under PCT heading 87.01, 8702.1090;
- xiii. The following items covered by SRO. 567(I)/2006 dated 05.06.2006 under the Customs Act, 1969 :
  - (a) Disinfectants used in poultry business
  - (b) pre-fabricated structures for poultry farms
  - (c) live stock and raw materials and intermediaries goods as used in the manufacture of packing material for the packing of dairy products.
  - (d) medicines for cancer, drugs used for kidney dialysis and kidney transplant, all type of vaccines for Hepatitis, Interferon and other medicines for Hepatitis, all vaccines/anti-sera, cardiac medicines, injection anti-D Immunoglobulin, blood bags CPDA.1, all medicines for HIV/AIDS and all medicines for Thalassemia.
  - (e) News print
- xiv. The following items covered by SRO. 575(I)/2006 dated 05.06.2006 under the Customs Act, 1969 :
  - (a) medical, surgical, dental or veterinary machinery/

equipment, fixtures, fittings, furniture and diagnostic kits (not manufactured locally).

- (b) equipments relating to call centers (not manufactured locally).
- (c) ripening chambers, hot water treatment plant, vapor hot treatment plant, modern cold storage, packing machinery, power generating sets of 10 – 25 KVA and battery operated fork lift trucks used in horticulture and floriculture business.
- (d) processing and packing machinery/equipment required for fish farming.
- (e) Broadcasting equipments.

xv. Computer hardware, parts and accessories of items classified under PCT heading 8471.

(B) Clause (13H), Part II of the Second Schedule has been added to collect reduced rate of WHT @ 2%, on the following items, on import value as increased by customs duty and sales tax, (if any leviable thereon):-

- (i) raw material for steel industry including re-meltable; and re-rollable scrap;
- (ii) raw material for manufacture of poultry feed; and
- (iii) stationery.”;

2. For the purpose of section 148, an explanation has been added to define the expression “capital goods” as below:-

“Explanation.- Capital goods mean any plant, machinery, equipment, spares and accessories, classified in Chapters 84, 85 or any other Chapter of the Pakistan Customs Tariff, required for,-

- (i) the manufacture or production of any goods, and includes refractory bricks and materials required for setting up a furnace, catalysts, machine tools, packaging machinery and equipment, refrigeration equipment, power generating sets and equipment, instruments for testing, research and development, quality control, pollution control and the like;

- (ii) use in mining, agriculture, fisheries, animal husbandry, floriculture, horticulture, live stock, dairy and poultry industry;
- (iii) service sector as defined in Customs Act, 1969;

### 3. **RATIONALIZATION OF WITHHOLDING TAX ON SERVICES.**

[Section 153]

Every prescribed person making a payment for rendering or providing of services is liable to deduct tax from the gross amount payable at the following rates:-

- (i) in the case of transport services = 2%
- (ii) in any other case = 5%.

The rate of WHT is prescribed @ 6% in the case of a contract –

- (i) for the supply of supervisory activities in relation to project; or
- (ii) for services rendered other than contract; and
- (iii) for advertisement services rendered by TV Satellite Channels.

Uniformity has been introduced in rate now and services rendered or provided including transport services has also been subjected to WHT @ 6% on the analogy of WHT rate on contracts, which shall also be the final discharge of liability under PTR. However, companies providing or rendering services will remain outside the ambit of PTR. Clause (iv) of SRO.600(I)/91 has been omitted.

### 4. **SERVICES OF SIZING AND WEAVING TO BE DEEMED AS EXPORTS.**

[Section 153 (1A)]

Services of stitching, dying, printing, embroidery and washing rendered or provided to an exporter or an export house was treated as export and chargeable to tax at the rate equal to the rate of tax applicable to the exporter on export of goods to which such services relate as specified in Division IV of Part III of the First Schedule [SRO.946(I)/2005 dated September 12, 2005]. This measure was taken in conformity with the parameters given in the Trade Policy 2005. Sizing

and weaving have also been treated as export and export rate shall be applicable to such services under Presumptive Tax Regime.

Amendment in law has been made to specify exporter or export house as “prescribed person” for the purposes of WHT on such services.

5. **ENHANCING WHT RATE – WHERE NTN/CNIC IS NOT DISCLOSED.**  
[Section 153(8A)]

A new provision has been incorporated to provide that where supplier of goods and services as well as a person executing a contract does not disclose NTN/CNIC, WHT will be enhanced by 2% over and above the normal rate of withholding tax.

6. **WITHHOLDING TAX ON CASH WITHDRAWALS FROM BANKS.**  
[Section 231A]

A withholding tax @ 0.1% was levied in 2005 on cash withdrawals from the banks exceeding Rs.25,000/-.

The rate of withholding tax has been enhanced from 0.1% to 0.2% of the amount withdrawn. The limit of Rs.25,000/- per transaction has been changed to per day basis.

7. **WITHHOLDING TAX ON COMMISSION AND BROKERAGE**  
[Section 233]

Brokerage or commission was subject to withholding tax as below:-

- In the case of indenting commission agents, advertising agents and yarn dealers. 5% of the amount of the payment
- In the case of others 10%

Tax deducted on aforesaid commission was the final discharge of tax liability.

Withholding tax rate of commission including indenting commission and yarn dealers commission has been made uniform @ 10%. Advertising agents will, however, be liable @ 5% under clause (26) of Part II of Second Schedule. Under the previous law, final tax regime is applicable to commission/brokerage received by resident agents only. The law has been amended to provide similar treatment to non-residents also.

8. **TAXATION OF STOCK MARKET TRANSACTIONS.**  
**[Second Schedule, Part I, Clause (99)]**

Income Tax was introduced through the Finance Act, 2004, to stock market in the form of withholding tax, as under:

(i)	Purchase of shares in lieu of commission earned by members	0.005%
(ii)	Sale of shares in lieu of commission earned by members	0.005%
(iii)	Value of the shares traded (Sale)	0.005%
(iv)	Financing of carry over trade (Badla) in shares by the members of stock exchanges on amount of carry over charge	10%
(v)	Capital Value Tax (CVT) on the purchase value of shares @	0.01%

Rate of WHT on all trading transactions made in the stock exchanges has been increased as under:

(i)	in case of purchase of shares	0.01% of purchase value
(ii)	in case of sale of shares	0.01% of sale value
(iii)	in case of trading of shares	0.01% of traded value

In case of financing of carry over trades (Badla)/**cfs** the existing rate of 10% has been retained. However, CVT on purchase value of shares has been enhanced from the 0.01% to 0.02%.

9. **WITHDRAWAL OF 1% WITHHOLDING TAX ON SUPPLIES OF RAW HIDES AND SKINS**

Withholding tax at reduced rate of 1% was prescribed on supplies of raw hides and skin. SRO.600(I)/91 dated July 2, 1991 prescribed persons (being exporters of goods) making payments on account of supply of goods as are purchased in respect of goods exported outside Pakistan, are not required to withhold tax on supplies. However, where special rates of tax deduction have been specified, as in the case of raw hides & skins, the prescribed person has to deduct tax at source under the law.

The special rate for deduction of tax, on supplies of raw hides and skins as provided in clause (i) of SRO.600(I)/91 dated July 2, 1991 has been withdrawn, w.e.f. July 1, 2006 so that all suppliers making supplies to exporters get same treatment.

10. Kindly acknowledge receipt.

**(Dr. Muhammad Irshad)**  
Secretary (Withholding Tax)  
Ph:051-9201448

Copy to:

Member (FATE), CBR with the request that publicity campaign may kindly be launched amongst the Withholding tax Agents so that there is no default of Withholding tax, right from the first day of new financial year.

Secretary (Withholding Tax)