Commentary on Changes made in
Income Tax, Sales Tax & Federal Excise Laws

by

FINANCE ACT,
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COMMENTARY BY THE TEAM OF SOFTAX

"The Act" means Finance Act, 2013.

The amendments will take effect from 1st day of July, 2013 except otherwise provided.

INCOME TAX

1. Dividend received by a company *[Sections 8, 169]*

Finance Act, 2007 excluded companies from Presumptive Tax Regime (PTR) on account of receipt of dividend, now the Act re-activated the Presumptive Tax Regime for companies, means the tax deducted on dividend income of a company will be the final discharge of tax liability.

2. Income from Property *[Sections 15, 15A, Division IV, Part I, 1st Schedule]*

Before amendments made through Finance Act, 2006, the property income was taxed under Normal Tax Regime.

Section 17 of the Income Tax Ordinance, 2001 (the Ordinance) was omitted by Finance Act, 2006 resultantly expenses and allowances available for deduction under this head were withdrawn and the gross amount of rent became taxable as separate block of income and taxed at the straight rate of 5%. The Individual and AOP having rental income of less than Rs. 150,000/- and did not have any other income was not required to pay such tax.

Subsequently Finance Act, 2008 substituted 5% straight rate of tax with a progressive slab rates.

Now the Act withdrawn the treatment of property income as "Separate Block" by omitting progressive slab rates and inserting section 15A, which is the ditto copy of previously omitted section 17. It means from Tax Year 2014 and onward the property income will be taxed under Normal Tax Regime.

The Individual / AOP having net rental income (Gross less allowable expenses & allowances) upto Rs. 400,000/- shall be exempt from tax, previously this exemption was available to the person having gross rental income upto Rs. 150,000/-.

3. Set off of losses *[Section 56]*

A person sustaining loss under any head of income (Salary, Business, Property, Capital Gain, Other source) was entitled to set off against his income, means loss under one head was adjustable against income of other head except capital and speculation losses. The Act restricted the adjustment of losses against salary and property income of the person.

4. **Group Taxation & Group Relief** *[Section 59AA, 59B]*

Currently the Group Taxation and Group Relief facilities are available to the groups complying with corporate governance requirements as specified by SECP. The Act extended the requirement of compliance from "Corporate Governance" to "Group Designation Rules or Regulations", like "Group Companies Registration Regulations, 2008".

5. **Person** *[Section 80]*

The Act amended the definition of company by extending the scope towards a non-profit organization, an entity or a body of persons established or constituted by or under any law for the time being in force.

6. **Unexplained income or assets [***Section 111]*

If a person made any investment or incurred any expenditure and offers no explanation about the nature and source of investment or funds for expenditure, such amount is included in his income chargeable to tax.

People owning agricultural property, normally take credit of agricultural income without matching the income with the amount of tax paid under provincial laws like "The Punjab Agricultural Income Tax Act, 1997".

In order to check the misuse of law, the Act inserted a new provision where the credit of agricultural income shall be given only if provincial income tax on such income has been paid.

7. **Minimum tax on the income of certain persons** *[Section 113]*

Finance Act, 2012 decreased the rate of minimum tax from one percent to one half percent for Tax Year 2013, now the Act reverted the rate to one percent from Tax Year 2014.

The facility of carry forward of Unadjusted Minimum Tax was restricted to the corporate sector which was discriminatory to the non-corporate sector. In order to provide a level playing field to all taxpayers, this facility is extended by the Act to Individuals and AOPs.

8. **Minimum tax on builders** *[Section 113A, 115(4), Division 1A, Part I, 1st Schedule]*

Section 113A deals with Turnover Tax of Retailers having turnover upto rupees five million for any tax year, they have the option to pay tax @ 1% of the turnover without adjustment of withholding tax paid during the year. The option has been withdrawn from retailers. The parallel amendment is also made section in 115(4) where the retailer were required to submit annual statement in lieu of return of income. Now the retailers will be required to submit normal return of income. Division 1A, Part I of 1st Schedule has also been omitted where 1% rate of tax was provided.

After substitution of 113A by the Act, now the builders will pay minimum tax as notify by the Federal Government in the Official Gazette, whenever the Finance Bill, 2013 proposed Rs. 25/- per sq foot.

9. Minimum tax on land developers *[Section 113B, 115(4)]*

Section 113B deals with Turnover Tax of Retailers having turnover exceeding rupees five million for any tax year, the Retailers have to pay minimum tax @ 0.5 and 0.75 percent of the turnover without adjustment of withholding tax paid during the year. The Act withdrawn this regime for Tax Year 2014 and onward. The parallel amendment has also been made in section 115(4) where the retailers were required to submit annual statement in lieu of return of income. Now the retailers will be required to submit normal return of income.

After substitution, now the land developers will pay minimum tax as notify by the Federal Government in the Official Gazette , whenever the Finance Bill, 2013 proposed Rs. 50/- per sq yard.

10. Return of Income *[Section 114, 182]*

The holder of commercial or industrial connection of electricity where the amount of annual bill exceeds rupees one million was required to submit annual return of income. The Act reduced the threshold of rupees one million to rupees Five Hundred Thousand.

The Act added sub-clause (ix) in clause (b) of sub-section (1) of section 114, resultantly the person registered with any Chamber of Commerce and Industry or any trade or business association or any market committee or any professional body including Pakistan Engineering Council, Pakistan Medical and Dental Council, Pakistan Bar Council or any Provincial Bar Council, Institute of Chartered Accountants of Pakistan or Institute of Cost and Management Accountants of Pakistan is required to submit annual return of income.

Sub-section (1A) of section 114 requires mandatory filing of return by the person having income from business exceeding Rs. 300,000/- but does not exceed Rs. 350,000/-. This sub-section was inserted by Finance Act, 2011 when the exemption threshold was increased from Rs. 300,000/- to 350,000/-. The Finance Act, 2012 increased the exemption threshold from Rs. 350,000/- to 400,000/-, but this clause was not corrected accordingly, which is now corrected. Now every individual having business income from Rs. 300,000 to Rs. 400,000 will submit annual return of Income.

Currently the Commissioner may by notice in writing require any person to submit return of income within 30 days from the date of service of notice or such longer period as may be specified in such notice. Now the Act inserted words “or shorter” after the word “longer”, which means the minimum period of 30 days has been reduced to the extent of Commissioner’s discretion.

The taxpayer can revise the return subject to the conditions specified in sub-section (6) of section 114, the Act inserted another harsh condition of Commissioner’s approval in writing for revision which is parallel to the revision conditions of the Sales Tax Return.

The Act substituted the penalty for non-filing of return of income from:

"0.1% of the tax payable for each day of default subject to a minimum penalty of Rs. 5,000 and a maximum of 25% of the tax payable in respect of that tax year" to "0.1% of the tax payable in respect of that tax year for each day of default subject to a maximum penalty of 50% of the tax payable provided that if the penalty worked out as aforesaid is less than twenty thousand rupees or no tax is payable for that tax year such person shall pay a penalty of twenty thousand rupees".

11. Person not required to furnish a return of income *[Section 115]*

The salaried taxpayer having salary income less than Rs. 500,000/- was not required to submit annual return of income subject to submission of Annual Withholding Statement by the Employer.

The Act withdrawn this special provision of filing of return by the salaried individual resultantly the salaried individual shall file return of income under section 114, means mandatory filing of return if income exceeds Rs. 400,000/-.

Parallel provision is also inserted in section 118 where e-filing of return by salaried taxpayer having income exceeding Rs. 500,000/- is mandatory.

12. Wealth Statement *[Section 116, 182]*

Currently the individual filing return of income showing income of Rs. 1 million or more or the individual falling under Presumptive Tax Regime paying tax amounting to Rs. 35,000/- or more during the year are required to submit wealth statement alongwith wealth reconciliation.

Now the Act withdrawn these thresholds and require every taxpayer furnishing return of income to submit wealth statement alongwith wealth reconciliation statement from Tax Year 2013 and onward.

The Act further substituted the penalty for non-furnishing of wealth statement or wealth reconciliation statement as required u/s 114, 115 and 116 from:

"0.1% of the tax payable for each day of default subject to a minimum penalty of Rs. 5,000 and a maximum of 25% of the tax payable in respect of that tax year" to "Penalty of Rs. 100 for each day of default".

Additionally the Act also introduced INCOME SUPPORT LEVY ACT, 2013, the main features of the new levy are as under:

<u>Charge and rate of Levy</u>
Income Support Levy has been levied from tax year 2013 on the value of net moveable wealth held by a person on the last date of the tax year @ 0.5% of net moveable wealth exceeding Rs. 1 million.

Net moveable wealth = Moveable Assets – Liabilities relevant to Moveable Assets

<u>Time and manner of payment of Levy</u>
The levy is payable along with wealth statement, late payment of levy will attract default surcharge @ 16% of the payable amount.

<u>Power to make rules</u>
The Federal Board of Revenue may, by notification in the official Gazette, make rules for carrying out the purposes of this proposed Act.

13. Method of furnishing returns and other documents [*Section 118]*

The act shifted the proviso of sub-section (1) of section 115 related to e-filing of return by salaried taxpayers having income exceeding Rs. 500,000/- to section 118.

14. Extension of time for furnishing returns and other documents *[Section 118, 119]*

The concept of furnishing Employer Certificate in lieu of annual return of income was withdrawn by Finance Act, 2008, the parallel provisions were not accordingly updated at that time, now the bill proposed to omit the words "Employer's Certificate" and "Certificate" wherever occurring in section 118 and 119.

15. Investment Tax on Income *[Section 120A]*

Section 120A was inserted by Finance Act, 2008, by using the power of section 120A the Federal Board of Revenue introduced Investment Tax Scheme, 2008. Now the Act withdraw this power from Federal Board of Revenue to further introduce any such type of Amnesty Scheme in respect of undisclosed income, or amount representing any investment made in movable or immovable assets.

16. Provisional Assessment *[Section 122C]*

Section 122C was inserted by Finance Act, 2010, the same was made by Finance (Amendment) Ordinance, 2010 which was originally introduced by Finance (Amendment) Ordinance, 2009. Under this section the provisional assessment is treated as final assessment after the expiry of sixty days from the date of service of order.

Now the Act reduced this period of sixty days to forty five days.

17. Appointment of the Appellate Tribunal *[Section 130]*

Sub-section (3) & (4) of section 130 listed the eligible persons who may be appointed as "Judicial Member" and "Accounting Member" of the Tribunal respectively.

The Act added the Law Graduate Officer of Inland Revenue Service in BS-20 or above in the list of eligible person for appointment of "Judicial Member" of Appellate Tribunal and a Chartered Accountant having not less than 10 years professional experience of practice as "Accountant Member".

Normally the Judicial Member was appointed as Chairperson of the Tribunal and the Accountant Member was appointed as Chairperson in special circumstances. The Finance Act, 2012 authorized Federal Government to appoint Accountant Member as Chairperson in the normal circumstances, now the Act again restricted the appointment of Accountant Member as Chairperson in the special circumstances.

18. Advance tax paid by the Taxpayer *[Section 147]*

Before amendment the person having property rental income was not required to pay quarterly advance tax, now the act inserted the person having property rental income in the list of taxpayers required to pay quarterly advance tax u/s 147, because the property rental income will be taxed at normal rates instead of "Separate Block of Income" as provided in amended section 15 of the Ordinance.

19. Import *[Section 148, Part II, 1st Schedule]*

The Act inserted clause (e) in sub-section (7), resultantly the tax deducted @ 12% on foreign produced films imported for the purposes of screening and viewing shall be considered as Final Tax of the importer.

The 5% rate of advance tax collected at import stage by Collector of Customs is substituted as follows:

i. 5% of the value of goods in the case of industrial undertakings;
ii. 5% in all other cases of companies; and
iii. 5.5% in case of all taxpayers other than those covered at (i) and (ii) above.

20. Salary *[Section 149, Division I, Part I, 1st Schedule]*

Section 149 deals with deduction of tax from salary by the employer at the time of payment after adjustment of tax credits u/s 61-64 and other tax withheld from employee under other heads.

The Act extended the scope of withholding agent from "Employer" to "Any person responsible for payment of salary".

The Original Finance bill, 2013 proposed to withdraw the authority of employer to give adjustment of tax credits u/s 61-64 and other tax withheld from employer under other heads, which is not approved by the Finance Act, 2013, meaning by, the existing provision of adjustment will continue as before.

The new progressive slab rates for salaried Individual were introduced by Finance Act, 2012 with six brackets, now the Act extended the brackets from six to eleven:

Old Rates for Tax Year: 2013, the provision of Marginal Relief was available.

S. #	Taxable Income	Rate of Tax
1	0 to 400,000	0%
2	400,000 to 750,000	5% of the amount exceeding Rs. 400,000/-.
3	750,000 to 1,500,000	Rs. 17,500 + 10% of the amount exceeding Rs. 750,000/-.
4	1,500,000 to 2,000,000	Rs. 95,000 + 15% of the amount exceeding Rs. 1,500,000/-.
5	2,000,000 to 2,500,000	Rs. 175,000 + 17.5% of the amount exceeding Rs. 2,500,000/-.
6	2,500,000 and above	Rs. 420,000 + 20% of the amount exceeding Rs. 2,500,000

New Rates for Tax Year: 2014, the provision of Marginal Relief has been omitted.

S.No.	**Taxable income**	**Rate of tax**
(1)	**(2)**	**(3)**
1	Where the taxable income does not exceed Rs.400,000	0%
2	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.750,000	5% of the amount exceeding 400,000
3	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,400,000	Rs.17,500 + 10% of the amount exceeding Rs.750,000
4	Where the taxable income exceeds Rs.1,400,000 but does not exceed Rs.1,500,000	Rs.82,500 + 12.5% of the amount exceeding Rs.1,400,000
5	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.1,800,000	Rs.95,000 + 15% of the amount exceeding Rs.1,500,000
6	Where the taxable income exceeds Rs.1,800,000 but does not exceed Rs.2,500,000	Rs.140,000 + 17.5% of the amount exceeding Rs.1,800,000
7	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.3,000,000	Rs.262,500 + 20% of the amount exceeding Rs.2,500,000
8	Where the taxable income exceeds Rs.3,000,000 but does not exceed Rs.3,500,000	Rs.362,500 + 22.5% of the amount exceeding Rs. 3,000,000

9	Where the taxable income exceeds Rs.3,500,000 but does not exceed Rs.4,000,000	Rs.475,000 + 25% of the amount exceeding Rs. 3,500,000
10	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.7,000,000	Rs. 600,000 + 27.5% of the amount exceeding Rs.4,000,000
11	Where the taxable income exceeds Rs.7,000,000	Rs.1,425,000 + 30% of the amount exceeding Rs.7,000,000

21. Payments to non-residents *[Section 152]*

The Act omitted reference of section 155 from sub-section (3) of section 152 whereby the payment of rent to a non-resident will be subject to tax @ 20%.

Sub-section (2A) was inserted by Finance Act, 2012 where the prescribed person making payment to a permanent establishment in Pakistan of a non-resident person was required to deduct tax. The prescribed person was not defined in section 152. The Act now after lapse of one year defined the word prescribed person "as defined in section 153".

22. Payments for goods, services and contracts *[Section 153, Division III, Part III, 1st Schedule]*

Section 153 deals with deduction of tax on sale of goods, rendering or providing of services and execution of contracts. Currently Federal Government, Companies, Non-Profit Organizations, Foreign Contractors, Consultants, Consortium or Joint Venture, Individuals and AOPs having turnover of Rs. 50 million or above are the prescribed withholding agents.

Now the Act extended the scope of withholding agent (prescribed person) for deduction of tax u/s 153 to all sales tax registered persons including Individuals and AOPs irrespective of their turnover threshold, which seems to impractical for small and medium size organizations, because they don't have the sufficient facilities to handle withholding tax complicated matters.

The rate of withholding tax on payment against sale of goods u/s 153(1)(a) is 3.5%, which is now substituted as follows:

i. 3.5% of the gross amount payable in the case of companies; and
ii. 4% of the gross amount payable in the case of other taxpayers

The rate of withholding tax on payment against rendering of or providing of services u/s 153(1)(b) is 6% which is now substituted as follows:

i. 6% of the gross amount payable in the case of companies; and
ii. 7% of the gross amount payable in the case of other taxpayers

The rate of withholding tax on payment against contract u/s 153(1)(c) is 6% which is now substituted as follows:

i. 6% of the gross amount payable in the case of companies; and
ii. 6.5% of the gross amount payable in the case of other taxpayers

23. Payment to Traders and Distributors *[Section 153A, 236G, 236H, Division XIV/XV, Part IV, 1st Schedule]*

Section 153A was substituted by Finance Act, 2012 whereby a new transaction subject to withholding of tax was introduced. The manufacturer was required to collect 0.5% tax at the time of sale to distributors, dealers and wholesalers. Section 153A was suspended uptill 30-06-2013 through S.R.O # 1487/(I)/2012 dated December 24, 2012.

Now the Act omitted section 153A, but parallel two sections 236G & 236H are inserted.

236G - Every **manufacturer** or **commercial importer** of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to distributors, dealers and wholesalers, shall collect adjustable advance tax @ 0.1% of the gross amount of sales.

236H- Every **manufacturer, distributor, dealer, wholesaler or commercial importer** of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to retailers, shall collect adjustable advance tax @ 0.5% of the sale amount

24. Income from Property *[Section 155, Division V, Part III, 1st Schedule]*

Section 155 deals with deduction of tax from payment of rent. The prescribed withholding agents under this section are Federal, Provincial and Local Governments, Companies, Non-Profit Organizations and diplomatic mission of a foreign state.

Now the Act extended the scope of withholding agent under this section to Private Educational Institutions, Boutiques, Beauty parlors, Hospitals, Clinics, Maternity homes. Additionally the Individuals / AOPs paying gross rent of Rs. 1,500,000/- and above in a year are also required to deduct tax from payment of rent.

The progressive rate of tax to be deducted from property rental u/s 155 was introduced by Finance Act, 2009 with four brackets for Individual / AOP and three brackets for Companies in the following manner:

Old Rates for Individual/AOP

S.No.	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.150,000.	Nil.
(2)	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.400,000.	5 per cent of the gross amount exceeding Rs.150,000.

(3)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs,1,000,000.	Rs.12,500 plus 7.5 per cent of the gross amount exceeding Rs.400,000.
(4)	Where the gross amount of rent exceeds Rs.1,000,000	Rs.57,500 plus 10 per cent of the gross amount exceeding Rs.1,000,000.

Old Rates for Company

S.No.	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.400,000.	5 per cent of the gross amount of rent.
(2)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 7.5 per cent of the gross amount of rent exceeding Rs.400,000.
(3)	Where the gross amount of rent exceeds Rs.1,000,000	Rs.65,000 plus 10 per cent of the gross amount of rent exceeding Rs.1,000,000.

The Act provided the following new rates of tax to be deducted from payment of rent:

New Rates for Individual/AOP

S.No.	Gross amount of rent	Rate of tax
(1)	Where the gross amount of rent does not exceed Rs.150,000.	Nil.
(2)	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.1,000,000.	10 per cent of the gross amount exceeding Rs.150,000.
(3)	Where the gross amount of rent exceeds Rs.1,000,000	Rs.85,000 plus 15 per cent of the gross amount of rent exceeding Rs.1,000,000.

New Rate for Companies – 15% of the gross amount of rent

25. Certificate of collection or deduction of tax *[Section 164]*

Tax deduction Certificate issued by the Withholding Agent under rule 42 of the Income Tax Rules, 2002 was considered as sufficient evidence of the collection or deduction of tax for availing credit u/s 168 (adjustment against final tax liability).

Now the act withdrawn this provision, resultantly the certificate will no longer be the sufficient evidence of tax collected or deducted by the taxpayer, whenever the CPR numbers are mentioned on the certificate and the department may verify from its own computerized data. This will increase extra work load and cost to the withholding agent while providing copies of CPRs alongwith Certificates.

26. **Statements** *[Section 165, 182]*

The Act made the provision of submission of withholding statement with prescribed particulars as "Overriding" to all conflicting provisions contained in the Protection of Economic Reforms act, 1992, the Banking Companies Ordinance, 1962, the Foreign Exchange Regulation Act, 1947 and the regulations made under the State Bank of Pakistan Act, 1956 in so far as divulgence of information under this section is concerned.

The bill further proposed to omit the requirement of submission of Annual withholding Statement of tax deducted from salary where salary income of employees exceed Rs. 300,000/- but does not exceed Rs. 350,000/- in a tax year.

The Act also substituted the penalty for non-furnishing of statements as required u/s 115, 165 or 165A within due date from:

"0.1% of the tax payable for each day of default subject to a minimum penalty of Rs. 5,000 and a maximum of 25% of the tax payable in respect of that tax year" to "Penalty of Rs. 2,500 for each day of default subject to a minimum penalty of fifty thousand rupees"

27. **Furnishing of information by banks** *[Section 165A]*

The Act inserted an overriding provision for banking companies to provide following information to the Board in prescribed form and manner:

(a) online access to its central database containing details of its account holders and all transactions made in their accounts;
(b) a list containing particulars of deposits aggregating rupees one million or more made during the preceding calendar month;
(c) a list of payments made by any person against bills raised in respect of a credit card issued to that person, aggregating to rupees one hundred thousand or more during the preceding calendar month;
(d) a consolidated list of loans written off exceeding rupees one million during a calendar year; and
(e) a copy of each Currency Transactions Report and Suspicious Transactions Report generated and submitted by it to the Financial Monitoring Unit under the Anti-Money Laundering Act, 2010 (VII of 2010).

The Act further provides that the banking companies shall nominate a senior officer at the head office to coordinate with the Board for provision of any information and documents in addition to those listed above. The banking companies and their officers shall not be liable to any civil, criminal or disciplinary proceedings against them for furnishing information required under this Ordinance. The information received under this section shall be used only for tax purposes and kept confidential.

28. Additional payment for delayed refunds *[Section 171]*

The Act inserted explanation to remove the doubt regarding additional payment for delayed refunds, the refund becomes due from the date refund order is made and not from the date the assessment of income treated to have been made by the Commissioner under section 120.

This explanation seems to be inserted in response to the judgment of Appellate Tribunal reported as 2010 PTD 519 (Trib) held that the 60 days time-frame is to be reckoned from the date the deemed assessment is finalized u/s 120(1) of the Ordinance.

29. Representative *[Section 172]*

Section 172(3) prescribed the person having business connection with the non-resident person as representative of such non-resident person. The Act explained the expression "business connection" which includes transfer of an asset or business in Pakistan by a non-resident.

30. Audit *[Section 177]*

The Act removed the doubt regarding powers of Commissioner under this section which are independent of the powers of the Board u/s 214C (Selection for audit by the Board) and nothing contained in section 214C restricts the powers of the Commissioner to call for the record or documents including books of accounts of a taxpayer for audit and to conduct audit under this section, meaning by the Commissioner is not bound to call for records only to the cases selected for audit by the Board.

31. Assistance to Commissioner *[*Section 178]

Section 178 prescribed the list of officers required to assist the Commissioner in the discharge of Commissioner's functions under this Ordinance.

The Act omitted Federal Excise and Sales Tax Officers from above mentioned list, because under Inland Revenue Services (IRS), no separate designations for Federal Excise and Sales Tax Officers exist.

32. Taxpayer's registration *[Section 181]*

The Act authorized board to allow in case of individuals to use their CNIC (Computerized National Identity Card) in place of NTN (National Tax Number).

33. Displaying of National Tax Number *[Section 181C, 182]*

Currently Rule 83 of the Income Tax Rules, 2002 requires that every person deriving income from business chargeable to tax who has been issued with a National Tax Number Certificate shall display the person's National Tax Number at a conspicuous place at every place of business of the person.

Now the Act inserted section 181C and provide legal binding to the above rule. Additionally a new penalty for non-displaying the NTN Certificate u/s 181C is levied at Rs. 5,000/-.

34. Offences and Penalties [Section 182]

Penalties for non-compliance with the provision of section 177 (Audit) of the Ordinance are increased from Rs. 5,000, Rs. 10,000 and Rs. 50,000 to Rs. 25,000, Rs. 50,000 and Rs. 100,000 respectively.

On non-furnishing of information required u/s 176 the penalties of Rs. 5,000 and Rs. 10,000 for first and subsequent defaults are increased to Rs. 25,000 and Rs. 50,000 respectively.

35. Prosecution for unauthorized disclosure of information by public servant [Section 198]

The Act levied penalty of Rs. 500,000/- and increased the period of imprisonment from six months to one year on disclosure of any particulars in contravention of section 216 by a public servant.

36. Selection for audit by the Board [Section 214C]

The Act inserted an overriding provision where the Board shall keep confidential, the parameters for selection of audit.

The Act further provided the parallel provision as inserted in section 177 regarding powers of the Commissioner independent of the powers of the Board under this section.

37. Reward to Inland Revenue officers and officials [Section 227A]

The Act provided rewards for the Inland Revenue Officers for their commendable conduct in the cases of concealment and evasion of income tax and other taxes and the informer providing credible information leading to such detection. The Board may prescribe the procedure and specify the apportionment of reward sanctioned for individual performance or to collective welfare of the officers and officials of Inland Revenue.

38. Directorates General [Part II & III of Chapter XI]

The Act substituted the headings “Directorate-General of Internal Audit” and Directorate-General of Withholding Taxes” to “Directorates-General”.

39. Directorate-General of Law and Research and Development [Sections 230B & 230C]

The Act introduced two new Directorates, one Directorate-General of Law second Directorate-General of Research and Development.

40. Collection of Tax by NCCPL [Section 233AA, Division IIB, Part IV, 1st Schedule]

The Act enhanced the scope of advance tax from the members of Stock Exchange by inserting margin financiers, trading financiers and lenders in respect of margin financing in share business or providing of any margin financing, margin trading or securities lending under Securities (Leveraged Markets and Pledging) Rules, 2011 in share business.

The rate of collection of tax shall be 10% of profit or mark-up or interest earned by the member, margin financier or securities lender.

The Act further provided that the provisions of this section shall not be applicable to any Mutual Fund specified in clause 57(2), Part I of 2nd Schedule.

41. Tax on Motor Vehicles [Section 234, 168, 169, Division III Part IV, 1st Schedule]

The act introduced a lumpsum payment scheme of advance tax payable at the time of payment of motor vehicle tax, which is adjustable against final tax liability of the taxpayer. The new rates are as follows:

a.	Upto 1000cc	Rs. 7,500
b.	1001cc to 1199cc	Rs. 12,500
c.	1200cc to 1299cc	Rs. 17,500
d.	1300cc to 1599cc	Rs. 30,000
e.	1600cc to 1999cc	Rs. 40,000
f.	2000cc and above	Rs. 80,000

The Act further provided that the tax collected under this section shall be adjustable against final tax liability of the taxpayer, previously the tax collected on goods transport vehicles used for plying or hiring out was treated as final tax.

42. Advance tax on functions and gatherings [Section 236D, Division XI, Part IV, 1st Schedule]

The Act widened the advance tax regime. The owner, lease-holder, operator or manager of a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for wedding related event, seminar, workshop, session exhibition concert show, party or any other gathering held for such purpose will collect adjustable advance tax @ 10% of the amount of bill.

43. Advance tax on foreign-produced films, TV plays and serials [Section 236E]

In continuity of widening advance tax regime and documentation of economy, a new transaction is introduced where adjustable advance tax will be collected at Rs. 1,000,000/- for Foreign-produced film, Rs. 100,000/- per episode of Foreign-produced TV drama serial and Rs. 100,000/- for single episode Foreign-produced TV play by censoring or certifying authority.

42. **Advance tax on cable operators and other electronic media** [Section 236F, Division XIII, Part IV, 1st Schedule]

The Act provided that PEMRA will collect adjustable advance tax at the time of issuance of license for distribution services or renewal of license to a licensee at the rates specified in Division XIII, Part IV of the First Schedule.

The rate of tax to be collected under section 236F in the case of Cable Television Operator shall be as follows:-

License Category as provided in PEMRA Rules 2009	Tax on License Fee	Tax on Renewal
H	Rs. 7500	Rs. 10,000
H-I	Rs.10,000	Rs.15,000
H-II	Rs.25,000	Rs.30,000
R	Rs.5,000	Rs.30,000
B	Rs.5,000	Rs.40,000
B-1	Rs.30,000	Rs.50,000
B-2	Rs.40,000	Rs.60,000
B-3	Rs.50,000	Rs.75,000
B-4	Rs.75,000	Rs.100,000
B-5	Rs.87,500	Rs.150,000
B-6	Rs.175,000	Rs.200,000
B-7	Rs.262,500	Rs.300,000
B-8	Rs.437,500	Rs.500,000
B-9	Rs.700,000	Rs.800,000
B-10	Rs.875,500	Rs.900,000

The rate of tax to be collected by PEMRA u/s 236F in the case of IPTV, FM Radio, MMDS, Mobile TV, Mobile Audio, Satellite TV Channel and Landing Rights, shall be 20% of the permission fee or renewal fee, as the case may be.

43. **Collection of advance tax by educational institutions** [Section 236I, Division XVI, Part IV, 1st Schedule]

The Act inserted section 236I where the educational institutions will collect adjustable advance tax @ 5% of the fee. This section will only be applicable to the cases where annual fee exceeds Rs. 200,000/-

44. **Advance tax on dealers, commission agents and arhatis etc** [Section 236J, Division XVII, Part IV, 1st Schedule]

The Act provided that every market committee shall collect adjustable advance tax from dealers, commission agents or arhatis, etc. at the time of issuance or renewal of licenses in the following manner:

Group or Class A	Rs. 10,000 pa
Group or Class B	Rs. 7,500 pa
Group or Class C	Rs. 5,000 pa
Any other category	Rs. 5,000 pa

43. **Reference to Authorities** [Section 239B]

After IRS (Inland Revenue Services), the old designations were substituted with new. Section 239B covered the whole Income Tax Ordinance, 2001 regarding reference of old designations (Regional Commissioner of Income Tax, Commissioner of Income Tax etc.) to be considered as new (Chief Commissioner Inland Revenue, Commissioner Inland Revenue etc.).

Now the Act inserted the reference of any other law in force at the time of promulgation of this Ordinance where old designations will be referred with new.

44 **1st Schedule**
Rates of taxes not specified in earlier portion of the commentary:

(a) The new progressive slab rates for Individual other than salaried individual and AOP were inserted in Budget 2012 with five brackets, now the Act extended the brackets from five to seven:

Old Rates – For Tax Year: 2013

S. No.	Taxable Income	Rate of Tax
1	**2**	**3**
1	Where taxable income does not exceed Rs. 400,000	0%
2	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 750,000	10% of the amount exceeding Rs. 400,000
3	Where the taxable income exceeds Rs. 750,000 but does not exceed Rs. 1,500,000	Rs. 35,000 + 15% of the amount exceeding Rs. 750,000
4	Where the taxable income exceeds Rs. 1,500,000 but does not exceed Rs. 2,500,000	Rs. 147,500 + 20% of the amount exceeding Rs. 1,500,000
5	Where the taxable income exceeds Rs. 2,500,000	Rs. 347,500 + 25% of the amount exceeding Rs. 2,500,000

New Rates – For Tax Year: 2014

S.No.	Taxable income	Rate of tax
(1)	**(2)**	**(3)**
1	Where the taxable income does not exceed Rs.400,000	0%

2	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.750,000	10% of the amount exceeding Rs.400,000
3	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.1,500,000	Rs.35,000 + 15% of the amount exceeding Rs.750,000
4	Where the taxable income exceeds Rs.1,500,000 but does not exceed Rs.2,500,000	Rs.147,500 + 20% of the amount exceeding Rs.1,500,000
5	Where the taxable income exceeds Rs.2,500,000 but does not exceed Rs.4,000,000	Rs.347,500 + 25% of the amount exceeding Rs.2,500,000
6	Where the taxable income exceeds Rs.4,000,000 but does not exceed Rs.6,000,000	Rs. 722,500 + 30% of the amount exceeding Rs.4,000,000
7	Where the taxable income exceeds Rs.6,000,000	Rs. 1,322,500 + 35% of the amount exceeding Rs.6,000,000

b. The Act reduced the rate of tax for companies other than banking companies from 35% to 34% for Tax Year 2014.

c. The tax on a prize on prize bond or cross-word puzzle is deducted @ 10% of gross amount. The Act increased the rate from 10% to 15%. *[Division VI, Part III, 1st Schedule]*

d. The rate of tax in case of financing of carry over trades (Badla) as per clause (d) of sub-section (1) of section 233A was 10% of the carry over charge, which was omitted by Finance Act, 2012, now the rate has been deleted from clause IIA, Part IV of 1st Schedule.

e. The rate of tax in case of subscriber of mobile or sales telephone and prepaid telephone card or sale of units through any electronic medium or whatever form has been increased from 10% to 15%.

f. The rate of tax on cash withdrawal from bank was reduced from 0.3% to 0.2% by Finance Act, 2011, now the Act reinstated the old rate i.e. 0.3% *[Division VI, Part IV of 1st Schedule]*

g. The Act increased the adjustable rate of tax payable at the time of registration of new cars and jeeps u/s 231B in the following manner:

Engine capacity	Old Rates	New Rates
upto 850cc	7,500	10,000
851cc to 1000cc	10,500	20,000
1001cc to 1300cc	16,875	30,000
1301cc to 1600cc	16,875	50,000
1601cc to 1800cc	22,500	75,000

1801cc to 2000cc	25,000	100,000
Above 2000cc	50,000	150,000

h. The Act also increased the rate of tax from 5% to 10% collected at the time of sale by auction u/s 236A.

45. 2nd Schedule
Exemptions and Tax Concessions

Part I – Exemption from total income

a. Clause 53A(i)– The Act withdrawn the exemption of free or concessional passage provided by transporters including airlines to its employees (including the members of their household and dependents)

b. New Insertion of Clause 58A & Omission of Clause 92 – The Act restricted the exemption on income of a university or other educational institution "being run by a non-profit organization" existing solely for educational purposes and not for purposes of profit.

c. Clause 98A – The Act withdrawn the exemption on income derived by International Cricket Council Development (International) Limited (IDI), International Cricket Council (ICC), employees, officials, agents and representatives of IDI and ICC, officials from ICC members, players, coaches, medical doctors and officials of member countries, IDI partners and media representatives, other than persons who are resident of Pakistan, from ICC Champions Trophy, 2008 hosted in Pakistan.

d. Clause 103B – The Act also withdrawn the exemption on any dividend in specie derived in the form of shares in a company, as defined in the Companies Ordinance, 1984 (XLVII of 1984)

e. Clause 126E –substituted:

Existing
Corporate income tax holiday for a period of five years for projects from the date of start of commercial operations, and for developers of the Zone for a period of ten years from the date of start of development activity in the Special Economic Zones as announced by the Federal Government.

Substituted
Income derived by a zone enterprise as defined in Special Economic Zones Act ,2012 (XX of 2012) for a period of ten years starting from the date the developer certifies that the zone enterprise has commenced commercial operation and for a period of ten years to a developer of zone starting from the date of signing of the development agreement in the special economic zone as announced by the Federal Government.

Part II – Reduction in tax rates

f. The Act inserted a new clause 28A where reduced rate of tax is introduced for import of Hybrid cars in the following manner:

i.	Upto 1200cc	100%
ii.	1201 to 1800cc	50%
iii.	1801 to 2500cc	25%

Part III – Reduction in tax liability

g. The Act restricted the treatment of Flying Allowance to be taxed @ 2.5% as separate block of income where the amount of allowance does not exceed the amount equal to the basic salary.

h. The Act also reduced the percentage of tax reduction available to full time teachers and researchers from 75% to 40%.

i. 80% reduction in tax liability payable u/s 113 was available to companies engaged in the business of distribution of cigarettes manufactured in Pakistan, now the Act extended this facility to Individuals and AOPs.

Part IV – Exemption from specific provisions

j. New Clause (56A) - The provisions of section 148(7) and 169(1)(a) (Final Discharge of Tax Liability) shall not be applicable to a person who is liable to withholding of tax under newly proposed section 236E (Advance tax on foreign-produced films, TV plays and serials).

k. Clause (59((iv)(a) – Exemption of tax u/s 151 on profit paid on DSC, SSC, Savings Accounts or Post Office Savings Accounts, or TFCs, where such deposit does not exceed 150,000/- has been withdrawn

l. New Clause (72A) – The provisions of clause (l) of section 21 (Payments exceeding Rs. 10,000/- should be made through cross cheque), section 113 (Minimum tax on turnover) and 152 (Payment to non-resident) shall not apply in case of Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3,500 per Hajji for the tax year 2013 and Rs.5,000 per Hajji for the tax year 2014 in respect of income from Hajj operations.

m. New clause (72B) – The provisions of section 148 (Advance tax at import stage) shall not apply to an industrial undertaking if the tax liability for the current tax year, on the basis of determined tax liability for any of the preceding two tax years, whichever is the higher, has been paid and a certificate to this effect is issued by the concerned Commissioner.

46. 3rd Schedule
Depreciation

a. Through Finance Act, 2012 the rate of initial allowance on building was reduced from 50% to 25%, now the Act reduced the initial allowance on plant and machinery from 50% to 25%.

SALES TAX

1. CREST *[Section 2(5AC)]*

The Finance Act, 2013 (the Act) inserted definition of "CREST"[Computerized Risk-based Evaluation of Sales Tax]. The link is already available at FBR Web-site and discrepancies through CREST are communicated to registered persons by FBR, but the term "CREST" was not defined in the Sales Tax Act, 1990. Now it is defined that CREST is the program for analyzing and cross-matching of the sales tax returns.

2. Provincial Sales Tax [*Section 2(22A)]*

The Act substituted the definition of Provincial Sales Tax. Currently the definition covers "the Provincial & ICT Sales Tax on Services Ordinances promulgated in 2000 and 2001 respectively. After substitution of the definition, the tax paid under provincial sales tax laws shall only be available for credit, if notified by the Federal Government in Official Gazette, to the best of our knowledge no such notification is issued, means the input tax paid at provincial level is restricted till issuance of notification by the Federal Government.

3. Supply Chain *[Section 2(33A)]*

The Act inserted definition of "Supply Chain" to elaborate as the series of transactions between buyers and sellers from the stage of first purchase or import to the stage of final supply. The word "Supply Chain" is used at different places of the Act but the definition was missing.

4. Time of supply [Section 2(44)]

The Act amended the definition of "Time of Supply", and extended the scope of "Time of Supply" from delivery of goods to receipt of payment.

Before amendment under this sub-clause, only delivery of goods was considered as time of supply but after amendment, delivery of goods or payment received whichever is earlier shall be considered as the time of supply.

Finance Act, 2007 omitted the condition of receipt of payment from the definition of "time of supply" in the light of superior courts decisions.

The Act also inserted the proviso after sub-clause (c) of clause (44) of section 2 of the Sales Tax Act, 1990 where the part payment will also be accounted for in the return for that tax period and in case of exempt supply, it shall also be accounted for in the return for the tax period during which the exemption is withdrawn from such supply.

5. Scope of tax [Section 3]

The Act increased the standard rate of sales tax from 16% to 17% by amending clause (a) of sub section (1) of section 3 of the Sales Tax Act, 1990 w.e.f June 13, 2013.

The Act also inserted sub section (1A) of section 3 of the Sales Tax Act, 1990 wherein a further tax @ 1% (which was proposed @ 2% by Original Finance Bill, 2013 and reduced by 1% through Amendments in Finance Bill, 2013 issued on June 22, 2013) shall be charged, where taxable supplies are to be made to a person who is not registered under Sales Tax Act, 1990. A Proviso added after sub section (1A) wherein power given to Federal Government to exclude any taxable supplies in respect of which the further tax shall not be charged. This provision is also effective from June 13, 2013.

Act inserted sub section (1B) of section 3 of the Sales Tax Act, 1990 wherein power is given to the Federal Board of Revenue to charge sales tax on the production capacity of plant, machinery, undertaking, establishment or installation producing or manufacturing such goods or tax on fixed basis instead of 17% standard sales tax.

The Act also inserted a new sub-section (8) in section 3 of the Sales Tax Act, 1990 wherein Gas Distribution companies will collect 9% sales tax in addition to 17% in lieu of value addition from CNG Stations, this provision is already available in the first proviso of clause (c) of sub-rule (2) of Rule 20 of the Sales Tax Special Procedures Rules 2007. This extra charge is also applicable w.e.f June 13, 2013.

6. Tax credit not allowed [Section 8]

The Act inserted clause (caa) in sub section (1) of section 8 of the Sales Tax Act, 1990 wherein a registered person shall not be entitled to reclaim or deduct input tax on purchases in respect of which a discrepancy is indicated by CREST or input tax of which is not verifiable in the supply chain. This provision is also applicable w.e.f June 13, 2013.

7. De-registration, blacklisting and suspension of registration [Section 21]

Sub section (3) of section 21 deals with inadmissibility or rejection of input tax or refund relating to invoices issued by registered person prior or after blacklisting unless the registered buyer has fulfilled his responsibilities under section 73.

The Act omitted words and figure "unless the registered buyer has fulfilled his responsibilities under section 73" from sub section (3) of section 21 of the Sales Tax Act, 1990.

Means to disallow input tax claimed on invoices issued before or after blacklisting, whether section 73 is complied or not.

The Act also inserted sub section (4) in section 21 of the Sales Tax Act, 1990 wherein FBR, the concerned Commissioner or any officer authorized by the FBR may block the refunds or input tax adjustment of the person who is engaged in issuing fake or flying invoices, claiming fraudulent input tax or refunds etc and direct the concerned Commissioner having jurisdiction for further investigation and appropriate legal action.

8. Record [Section 22]

The Act declared inward & outward gate passes and transport receipts as legal document which shall be retained by the registered person alongwith other records as prescribed in section 22 of the Sales Tax Act, 1990. The same amendment is also made in Federal Excise Act, 2005.

9. Access to record, documents, etc [Section 25]

The Act inserted explanation after sub-section (5) of section 25 of the Sales Tax Act, 1990 for removal of doubt that the powers of the Board, Commissioner or Officer of Inland Revenue under section 25 (Access to record, documents, etc), 38 (Authorized officers to have access to premises, stocks, accounts and records), 38A (Power to call for information), 38B (Obligation to produce documents and provide information) and 45A (power of the Board and Commissioner to call for records) are independent of powers of the Board under section 72B [Selection for audit by the board] and the powers of the Board, Commissioner or Officer Inland Revenue cannot be restricted with Board's powers u/s 72B. This amendment is in line with amendments made in Income Tax and Federal Excise Laws.

10. Posting of Inland Revenue Officer [Section 40B]

The Act inserted the words "or Chief Commissioner" after the word "Board" in section 40B of the Sales Tax Act, 1990 wherein the Board or Chief Commissioner may post Officer of Inland Revenue to the premises of registered person or class of registered person to monitor production, sale of taxable goods and the stocks position. Previously only Board has the power to post the Officer Inland Revenue for such purpose. This insertion is applicable w.e.f June 13, 2013.

Under section 40B the Commissioner already has the power to post the officer at the business premises of the registered person for such purpose subject to availability of some material evidence regarding evasion of sales tax or tax fraud, no change is made by the Act in this regard.

11. Monitoring or tracking by electronic or other means [Section 40C]

The Act also inserted section 40C wherein the Board may specify registered person or class of registered persons or any good or class of goods for monitoring or tracking of production, sales, clearance, stocks or any other related activity through electronic or other means, the same parallel provision is also made in Federal Excise Act, 2005.

12. Appeals [Section 45B]

The Act inserted sub section (1A) in section 45B wherein the Commissioner (Appeals) has given powers to grant stay of 30 days, if feel that it'll cause hardship to the taxpayer. Previously Commissioner (Appeals) was authorized to grant stay of 30 days under Income Tax ordinance, 2001 only. Now these powers are extended to the cases of Sales tax and Federal Excise.

13. Rectification of mistake [Section 57]

The Act substituted section 57 and extended the scope of this section. Previously clerical or arithmetical errors may be corrected by Officer of Inland Revenue appearing in his own order. Now the Officer of Inland Revenue, Commissioner, the Commissioner (Appeals) or the Appellate Tribunal may amend their order. This amendment is made to harmonize the concept of rectification of mistake in line with the provisions of the Income Tax Ordinance, 2001.

14. Reward to Inland Revenue officers and officials [Section 72C]

The Act inserted new section 72C to allow provision of cash reward to officers and officials of Inland Revenue in case of detection of concealment and evasion of sales tax and to the informer providing credible information leading to such detection. This facility is also proposed in the Income Tax and Federal Excise Laws.

15. Certain transactions not admissible [Section 73]

The Act amended explanation of section 73 to clarify the procedure of declaring Business bank account. Now the Business Bank Account means a bank account used for business transactions declared to the Commissioner through Form STRI at the time of registration or Change of Particulars.

16. Third Schedule

Following new items are added in the Third Schedule of the Sales Tax Act, 1990, whereby the manufacturer will charge sales tax at retail price w.e.f June 13, 2013.

S #	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
22	Finished or made-up articles of textile and leather, including garments, footwear, and bed ware, sold in retail packing	Respective Headings
23	Household electrical goods, including air conditioners, refrigerators, deep freezers, televisions, recorders and players, electric bulbs, tube-lights, fans, electric irons, washing machines and telephone sets	Respective Headings
24	Household gas appliances, including cooking range, ovens, geysers and gas	Respective Headings

	heaters	
25	Foam or spring mattresses, and other foam products for household use	Respective Headings
26	Auto parts and accessories sold in retail packing	Respective Headings
27	Lubricating oils, brake fluid, transmission fluid, and other vehicular fluids and maintenance products in retail packing	Respective Headings
28	Tyres and tubes	Respective Headings
29	Storage batteries	Respective Headings
30	Arms and ammunition	Respective Headings
31	Paints, distempers, enamels, pigments colours, varnishes, gums, resins, dyes glazes, thinners, blacks, cellulose lacquers and polishes sold in retail packing	Respective Headings
32	Fertilizers	Respective Headings
33	Cement sold in retail packing	Respective Headings
34	Tiles sold in retail packing	Respective Headings
35	Biscuits, confectionary, chocolates, toffees and candies	Respective Headings
36	Other goods and products sold in retail packing	Respective Headings

17. The Sixth Schedule

Entry # 25 in column # (1) and entries relating thereto are omitted from Table-I of the Sixth Schedule of the Sales Tax Act, 1990 which deals with exemption of goods from sales tax w.e.f June 13, 2013.

Amendment made in Table-I of the Sixth Schedule		
S #	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
25	Milk preparations obtained by replacing one or more of the constituents of milk by another substance, whether or not packed for retail sale.	1901.1000, 1901.9020 and 1901.9090

18. The Sixth Schedule

Entry # 12 in column # (1) and entries relating thereto are omitted from Table-II of the Sixth Schedule of the Sales Tax Act, 1990 w.e.f June 13, 2013.

Amendment made in Table-II of the Sixth Schedule		
S #	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
12	Supply against international tender	Respective headings

19. Effect of changes proposed by Finance Bill, 2013 from June 13, 2013

Levy, Collection and payment of sales tax under section 3, 8, 40B, Third Schedule and Sixth Schedule as proposed by Finance Bill, 2013 have been taken effect on and from the 13th day of June, 2013

FEDERAL EXCISE DUTY

1. Duties specified in the First Schedule to be levied *[Section 3(3A)]*

The Act levied further duty of 2% in addition to Federal Excise duty levied under sub-section (1), (3), (4) & (5) of section 3 on the value of excisable goods and services supplied to a person not obtained registration number under the Federal Excise Act, 2005. This further tax shall be charged, levied and collected as notified by the Federal Government.

2. Records *[Section 17]*

Every person registered for the purposes of Federal Excise shall maintain and keep records for a period of six years, the Act added further records to be kept by the registered person, like gate passes (inward or outward) and transport receipts.

3. Appeal to Commissioner (Appeals) [Section 33]

In line with conformity with Income tax and sales tax laws, the Act provided stay facility at Commissioner (Appeals) level. If the Commissioner (Appeals) is of the opinion that the recovery of tax levied under this Act, shall cause undue hardship to the taxpayer, he, after affording opportunity of being heard to the Commissioner or officer of Inland Revenue against whose order appeal has been made, may stay the recovery of such tax for a period not exceeding thirty days in aggregate

4. Powers of Board or Commissioner to pass certain orders [Section 35]

In line with amendments made in Income Tax Ordinance, 2001 and the Sales Tax Act, 1990 the Act removed the doubt regarding powers of the Board, Commissioner or Officer of Inland Revenue u/s 35, 45 and 46 which are independent of the powers of the Board u/s 42B (Selection for audit by the Board) and nothing contained in section 42B restricts the powers of the Board, Commissioner or Officer of Inland Revenue under these sections or to conduct audit under these sections.

5. Reward to Inland Revenue officers and Officials [Section 42C]

In line with insertion of Reward policy in Income Tax and Sales Tax Laws, the Act also provided cash reward policy for the Inland Revenue Officers for their commendable conduct in the cases of concealment and evasion of excise duty and other taxes and to informer providing credible information. The Board may prescribe the procedure and specify the apportionment of reward sanctioned for individual performance or to collective welfare of the officers and officials of Inland Revenue.

6. Access to records and posting of Inland Staff etc. [Section 45(2)]

The Act inserted the words “or Chief Commissioner” after the word “Board” in sub-section (2) of section 45 of the Federal Excise Act, 2005 wherein the Board or Chief Commissioner may post Officer of Inland Revenue to the premises of registered person or class of registered person to monitor production, sale of taxable goods and the stocks position. Previously only Board has the power to post the Officer Inland Revenue for such purpose. This insertion is applicable w.e.f June 13, 2013.

The Commissioner already has the power to post the officer at the business premises of the registered person for such purpose subject to availability of some material evidence regarding evasion of excise duty, no change is made by the Act in this regard.

7. Monitoring or tracking by electronic or other means [Section 45A]

The Act inserted section 45A wherein the Board may specify registered person or class of registered persons or any good or class of goods for monitoring or tracking of production, sales, clearance, stocks or any other related activity through electronic or other means, the same parallel provision is also made in the Sales Tax Act, 1990.

8. FIRST SCHEDULE
TABLE I
(EXCISABLE GOODS)

The Act made following changes in Table I of the First Schedule of the Federal Excise Act, 2005:

S. No.	Description of goods	Heading/ sub-heading Number	Rate of duty	Proposed	Notes
4.	Aerated waters	2201-1020	~~Six~~ Nine percent of the retail price	Increased	Act amended S. No. 4, 5 and 6 of Table-I of the First Schedule and increased rate of FED from 6% to 9% on aerated beverages.
5	Aerated waters, containing added sugar or other sweetening matter or flavored	2202-1010	~~Six~~ Nine percent of the retail price	Increased	
6	Aerated waters if manufactured wholly from juices or pulp of indigenous vegetables, food grains or fruits and which do not contain any other ingredient, indigenous or imported, other than sugar, coloring materials, preservatives or additives in quantities prescribed under the West Pakistan Pure Food Rules, 1965	Respective Headings	~~Six~~ Nine percent of the retail price	Increased	

9	Locally produced cigarettes if their on pack printed retail price exceeds rupees two thousand two hundred and eight six per thousand cigarettes	24.02	Rs. 2,325/- per thousand cigarettes	Substituted	Act substituted S. No. 9 & 10 of Table-I of the First Schedule and replaced three tier structure with two tier specific structure for chargeability of FED on cigarettes
10	Locally produced cigarettes if their on pack printed retail price does not exceed rupees two thousand two hundred and eight six per thousand cigarettes	24.02	Rs. 880/- per thousand cigarettes	Substituted	
11.	Locally produced cigarettes if their retail price does not exceed eleven rupees and fifty paisa thirteen rupees and thirty six paisas per ten cigarettes.	24.02	Six rupees and four paisa Seven rupees and two paisa per ten cigarettes	Omitted	Act omitted S. No. 11 as a corrective measure to allow two tier specific structure for chargeability of FED on cigarettes
54.	Oilseeds	Respective Headings	Forty Paisa per KG	Inserted	Act charged FED on oilseeds
55.	Motor cars, SUVs and other motor vehicles of cylinder capacity of 1800 cc 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 1800 cc or above.	87.03	Ten per cent Ad value	Inserted	Act charged FED on motor vehicles

9. **TABLE II**
(EXCISABLE SERVICES)

The Act made following changes w.e.f June 13, 2013 in Table II of the First Schedule of the Federal Excise Act, 2005:

Sr. #	Description of goods	Heading/sub-heading Number	Rate of duty	Notes
7.	Services provided or rendered in respect of insurance to a policy holder by an insurer, including a reinsurer in case where direct insurance service has been provided. (i) Goods insurance (ii) Fire insurance (iii) Theft insurance (iv) Marine insurance (v) Other insurance	9813.1000 9813.1100 9813.1200 9813.1300 9813.1400 9813.1500	Sixteen percent of gross premium paid.	Omitted, The Act clubbed all financial services for chargeability of FED.
8	Services provided or rendered by banking companies, insurance companies, cooperative financing societies, modarabas, musharikas, leasing companies, foreign exchange dealers, non-banking financial institutions, Assets Management Companies and other persons dealing in any such services.	98.13	Sixteen per cent of the charges.	The Act charged FED on all types of financial services as specified in PCT heading 98.13

10. THIRD SCHEDULE

The Act deleted serial number 5, 7 and 8 from Table I of the 3rd Schedule which deals with exemptions, means exemption of following goods are withdrawn w.e.f June 13, 2013:

S. # 5 - Hydraulic cement imported or purchased locally by petroleum or energy sector companies or projects subject to the same conditions and procedures as are applicable for the purposes of exemption of customs duty.

S # 7 - Lubricating oil if supplied to Pakistan Navy for consumption in its vessels

S # 8 - Transformer oil if used in the manufacture of transformers supplied against international tenders to a project financed out of funds provided by the international loan or aid giving agencies.

The Act deleted serial number 8 from Table II of the 3rd Schedule, means exemption of the Services provided by Asset Management Companies with effect from June 13, 2013 has been withdrawn.

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This document contains comments, which represent our interpretation and point of view, and it is recommend that while considering their application to any particular case, reference be made to the specific wordings of the relevant statutes.

Further we accept no responsibility or liability for any losses occasioned as a result of reliance on the information included in this document.

SOFTAX'S SOLUTION TEAM