

TAXATION

(Weekly Tax Journal)

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Published by Huzaima Bukhari, printed at Mairaj Din Printers, Fish Market, Circular Road, Lahore

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Kind regards,

Huzaima Bukhari

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VIEWPOINT: Tax evading MNAs and MPAs

by
Saida Fazal

A press report points out what we have always known: that our rich and powerful do not pay their dues to the State. Nearly half, ie, 47 percent, of the members of our ruling elites who entered the current assemblies in last May's elections paid zero tax on their incomes while 12 percent of them didn't bother even to acquire a National Tax Number. In several cases involving top leaders tax declarations made in nomination papers are contested by the FBR.

These tax evaders are almost evenly distributed among all the major parties proportionate to the number of their seats. Clearly, the issue has less to do with any one party's brand of politics and is more a product of an exploitative culture.

Barring a rare exception or two all MNAs and MPAs fall within the category of rich. Yet they refuse to pay their dues while governments beg the US for financial assistance. At one point, the former US secretary of state Hillary Clinton got so tired of getting requests for money that she used a public forum discussion in Washington to offer this advice, "Pakistan should first tax its own rich before asking for American tax payers' money." Yet like the beggars on our streets who get used to taking insults, the then government continued to look towards Washington for money. There, of course, are no free lunches in this world. The Americans pay only for services required, irrespective of our needs and best interests.

That one good advice from Washington remains unheeded. Like its predecessors, the present government has shown no interest in expanding the tax net by taxing the rich. In a country of over hundred and eighteen million there are only 1.7 million income tax payers. They are either the captive salaried class or the corporate sector.

Meanwhile, ever newer shopping malls selling imported high-end fashion and luxury products keep springing up in big cities like Lahore and Karachi. Even such symbols of affluence as Hermes Birkin bags (price range: \$7,400-\$150,000) are available. There obviously are enough people in these cities and other parts of the country - including rural areas from where come big landowners dominating our assemblies - to make this activity profitable. Between them, these two cities should have potential taxpayers double the number of the existing national total.

Yet, members of the highest legislative forums at the centre and in the provinces who, among other things, decide bread and butter matters for the entire nation, don't fulfil their own obligations. A large number of them hide behind exemptions they have given themselves. To name a name, KPK Senior Minister Jamaat-e-Islami's Sirajul Haq is among those who don't possess a national tax number. When questioned he justified his position saying he draws a small salary as minister which is not taxable, and that the

rest of his income comes from an area which is tax exempt. Many of the present and past legislators claim exemption on similar grounds. For example, the head of Parliament's Public Accounts Committee in the outgoing National Assembly Nadeem Afzal Chann proudly declared during a television discussion a while ago that he had paid Rs 80,000 tax on income earned from a petrol station he owned in an urban area. To those wondering how could anyone with that kind of taxable income make it to the National Assembly, he explained that a large part of his income comes from agriculture which, he said, is not taxable. That in fact is a standard excuse most tax evaders use in the present assemblies.

The claim is based on a half-truth, rather deceit. Agriculture income tax laws do exist in all the four provinces, but they are virtually ineffective. Since majority of the legislators belong to the landed class they have been amending and bending these laws to suit themselves. Under the existing laws, agriculturalists are required to pay tax on the basis of acreage - which basically is land revenue rather than income tax - or progressive rates tax on net income, whichever of the two is higher. Invariably, the anomaly is used to hide real incomes and avert the required payables.

Mindful of the need for reform, the Punjab government recently announced its decision to revise the province's Agricultural Income Tax Act - but after another two years. Since the leadership comes from an urban, industrial background, it may sincerely want to make the necessary changes in the law. But for obvious reasons it is afraid of displeasing rich land owners dominating the assembly. It would be well-advised to remember that for any government to make hard decisions the time is the first year in power. Besides, given the legal bar on floor-crossing, these tax evaders are not going to go away anywhere. Likewise, the other provincial governments, especially Sindh, must do the needful to bring its agriculturalist legislators into the tax net.

Notably, under the election law, wrong declaration of income or assets can lead to disqualification. Misdeclaration of assets is a common affliction, too, among our legislators. The declaratory requirement is applicable not just at the time of filing nomination forms. The candidates also give a signed undertaking that "... failure to give details regarding any item of this form shall render my nomination to contest election invalid, or if any information given herein above is found incorrect at any time, my election shall stand void ab initio." Those making wrong statements under oath clearly are guilty of perjury.

The problem is so widespread that bringing the liars and perjurers to account would upset the entire system. Yet, this must not become an accepted practice. The way out of this unsavoury situation would be to give a one-time amnesty to tax evaders as long as they are willing to clear their dues; and for future to put in place an effective mechanism for the scrutiny of candidates' income and assets declarations. The system of taxing the poor and the captive salaried class to finance the rich as well as the habit of going to foreign friends with a begging bowl must come to a stop.

Registration of a foreign company in Pakistan

by
*Zafar Azeem**

This write-up provides guidance for registration and operating of a foreign company in Pakistan within the framework of Pakistan's Laws.¹ The information given here be read along with the provisions of Companies Ordinance, 1984, (hereinafter referred to as Ordinance) and wherever one is unsure of its understanding seek a legal advice.

Overview

The ordinance defines a foreign company as a company incorporated or formed outside Pakistan and which intends to establish a place of business in Pakistan or which has established a place of business in Pakistan and continues to have a place of business in Pakistan.²

A foreign company may carry on business in Pakistan by incorporating itself as a local company or by registering itself as a foreign branch under the Ordinance.³

The Company's Ordinance lays down certain duties and obligations for a foreign company such as:

- (i) Registration of the company in accordance with provisions of the Ordinance;
- (ii) Specifying particulars of persons, residing in Pakistan and authorised to accept service on behalf of the foreign company along with authority letter;
- (iii) Providing the details of the place of business in Pakistan;⁴
- (iv) Updating the Registrar about the information required under the law;

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¹ See Sections 450-464 of the Companies Ordinance, 1984.

² See Section 450 of the Companies Ordinance, 1984.

³ See requirements of registration in Section 451 of the Company Ordinance, 1984: A branch is merely an extension of the parent company; it does not have its own shares or its own board of directors.

⁴ A place of business includes branch, management, share transfer or registration office, factory, mine or fixed place of business but does not include an agency unless the agent exercises a general authority to negotiate and conclude contract or maintains stock of merchandise on behalf of the company.

Following are the exceptions: (i). Company shall not be deemed to have an established place of business in Pakistan merely because it carries on business dealings in Pakistan through a bona fide broker or general commission agent acting in the ordinary course of his business.

(ii). The fact that a company has a subsidiary which is incorporated, resident, or carrying on business in Pakistan, shall not of itself constitute the place of business of that subsidiary an established place of business of the company.

- (v) Maintenance of accounts in accordance with the law; and
- (vi) Informing the registrar for registration in case of cessation of business in Pakistan.¹

Local registration requirements

A foreign company for its registration is required to deliver the following documents within 30 days of commencement of its business in Pakistan.²

- (a) Copies of the charter, statute or memorandum and articles of the company, or instruments defining the constitution of the company, written in the English or Urdu languages, or a certified translation thereof in the English or Urdu language;³
- (b) The address of the registered office of the company;
- (c) List of the directors, chief executive and secretaries (if any) of the company;⁴
- (d) Name, surname, father's name, present and former nationality, designation and full address in Pakistan of the principal officer of the company.⁵
- (e) Names and surnames, father's name, the name of her husband or deceased husband (in case of a woman), present and former nationality, occupation and full addresses in Pakistan of the authorised persons who can accept, on behalf of the company, service of process and any notice or other document required to be served on the company together with his consent to do so; and⁶
- (f) The full address of its principal place of business in Pakistan.⁷

Steps for registration

For a Foreign Company to register two steps are required, that is, seeking of the availability of company name, and submission of required documents.

Step 1

The first step in the process of registration of a Foreign Company is to seek availability of name of the proposed company from the registrar.⁸ The name of the proposed company should not be:

Inappropriate Deceptive.

¹ 5. Section 451, Companies Ordinance 1984. The documents are required to be submitted to the registrar assigned the duties of registration.

² Id.

³ Id.

⁴ Id.

⁵ Id.

⁶ Id.

⁷ Id.

⁸ Fees for seeking availability of company name through online processing is Rs 200 and for offline processing is Rs 500.

Designed to exploit or offend the religious susceptibilities of the people.

Identical or having close resemblance with already existing company.

Suggesting connection with any government or its organisation or any international organisation.

Step 2

After seeking availability of the company name, next step is submission of documentation, under the provisions of the Ordinance; following documents are required to be submitted to the appropriate authority.¹

Certified copy of the charter, statute or Memorandum and Articles of the company.

Address of registered office or principal office of the company.

Particulars of directors, chief executive and secretary, if any, of the company.

Particulars of principal officer of the company in Pakistan.

Particulars of person(s) resident in Pakistan authorised to accept service on behalf of the foreign company along with the certified copy of the appointment order, authority letter of board of directors' resolution and consent of the principle officer.

Address of principal place(s) of business in Pakistan of the foreign company.²

An Authority letter in the name of authorised representative of the foreign company.

Fee challan showing the deposit of required fee in the government treasury.³

Permissions

A foreign company is required to obtain permission from the Board of Investment with a specific validity period for opening and maintaining of its branch or liaison office in Pakistan.⁴

Renewal or extension of the permission to open or maintain a branch or liaison office is also required to be obtained from the Board of Investment on the expiry of the validity period of the permission originally granted. Whenever such renewal or extension is granted, a copy must be furnished to the registrar concerned.⁵

Authorised local person for service of summons etc.

¹ The appropriate authority for this purpose is the registrar of registration.

² For the purpose of ease see forms 38 to 43 prescribed under rules and the same are required to be filled.

³ These documents are prescribed under the Rules. For fees consult Schedule 6 of the Ordinance.

⁴ Copy of such permission letter is required to be furnished with the documents meant for registration.

⁵ Id.

A foreign company is required to appoint one or more persons who are resident in Pakistan to be its agents in order to accept on its behalf service of process and notices required to be served on the company. Being a local agent for a foreign company the agent has to:

- a) Continue being an authorised person until ceasing to be one;
- b) Be answerable for the doing of all acts, matters and things as are required to be done by the foreign company under the Ordinance.¹

Where a default is made by a foreign company in complying with the provisions of the Ordinance, the company and its officers who are responsible knowingly and wilfully for such default including the agent are liable to fine and default penalty.²

Place of business in Pakistan

Place of business in Pakistan includes a branch, management office, factory, mine or other fixed place of business.³

Informing the Changes:

In case of change or alteration the registrar of registration is to be notified of the particulars of change. These may include:—⁴

- a) The charter, statutes, memorandum or articles of the parent company or other instrument lodged with the Registrar;
- b) The identities or particulars of the directors of the parent company;⁵
- c) The identities or particulars of agents;⁶
- d) The registered office address of the Pakistan branch and in its place of incorporation or origin of the parent company;⁷
- e) Parent company name;⁸
- f) Powers of any directors resident in Pakistan who are on the board of parent company;⁹
- g) Share capital.¹⁰

Accounts

A foreign company is required to file each year the following information:¹

¹ See the provision of Section 458 of the Ordinance. Such authorised person can only cease being an agent after the expiration of a period specified in the Registrar's notice.

² See the provision of Section 459 of the Ordinance.

³ See Sub-Section (C) of Section 460 of the Ordinance.

⁴ See the provisions of Sections 37 to 41 read with Section 457 of the Ordinance.

⁵ Id.

⁶ Id.

⁷ Id.

⁸ Id.

⁹ See the provisions of Section 456 of the Ordinance.

¹⁰ Id.

- (i) List of Pakistani members.
- (ii) Debenture holders.
- (iii) Place of business.
- (iv) Balance sheet.
- (v) Balance sheet of the company relating to its country of incorporation.
- (vi) Accounts required for being a public company.

Audited statement showing the assets and liabilities arising out of the company's operations in Pakistan and a duly audited profit and loss account are to be lodged with the registrar.²

Where it is not possible to meet the deadlines, extension in time may be sought from the registrar.³

Cessation of business

Where a foreign company ceases to have place of business in Pakistan, it is required to give notice⁴ to the registrar concerned at least 30 days before it intends to cease to have any place of business in Pakistan⁵ and to publish a notice of such intention at least in two daily newspapers circulating in the Province(s) in which such place(s) of business is situated.

All obligations of the company to deliver documents to the registrar concerned ceases from the date of such intention to cease the place of business in Pakistan, except that the foreign company does not have any other place of business in Pakistan.

Yet another tax under Sales Tax Act, 1990

by
*Qaisar Mufti**

Sub-section (5) of section 3 of the Sales Tax Act (Act) empowers charging another specie of sales tax, up to 17% of value of supplies, in addition to tax levied under sub-section (1) of this section. Besides this, sub-section (1A) of section 3 imposes levy of 'Further Tax' at the rate of 1% of the value of supply. This is payable by a registered person to the exchequer in case supplies are made to non-registered persons.

¹ See the provisions of Section 453 of the Ordinance.

² Id.

³ Id.

⁴ See the provisions of Section 458 of the Ordinance.

⁵ Notice is to be given on prescribed Form 46.

* The writer is former Chairman of ICAP & ICMAP Joint Committee and former Vice President of ICSP and is a counsel practicing corporate laws.

Rule 58T of Special Procedures for Payment of Extra Sales Tax on Specified Goods Rules, 2007 (rules), in terms of authority by section 3 of the Act, provides for levy of 'extra tax' at the rate of 2% on supplies of the 'specified goods' by manufacturers and importers. Onward supplies of goods by manufacturers and importers, which have been subjected to 'extra tax', do not attract sales tax. For the purpose sub-rule (5) provides:

"The specified goods on which extra sales tax has been paid in the aforesaid manner shall be exempt from payment of sales tax on subsequent supplies including those as made by a retailer."

Suppliers other than retailers are not authorised to make input tax adjustment in relation to this extra tax. If a registered supplier also deals in goods other than the 'specified goods', he is entitled to input tax adjustment only in respect of taxable supplies of goods other than goods specified by rule 58S. To this end the sub-rule (7) provides:

"If a registered person, other than a retailer, who buys the specified goods on payment of extra sales tax under this Chapter, also deals in sale and purchase of other goods, he shall discharge his liability in respect of such other goods under sub-section (I) of section 3 and other relevant provisions of the Act and shall also be entitled to input tax adjustment only in respect of taxable supplies of such other goods."

The rule viz. 58T is part of Chapter-XIII of Sales Tax Special Procedure Rules. This Chapter has been inserted in Sales Tax Special Procedure Rules, 2007 by virtue of SRO No 525(I)/2008 dated 11 June, 2008. It may be interesting to note that rule 58T dawned through SRO No 525(I)/2008 dated 01 July, 2008. However, it makes liable to 'extra tax goods' which are identified by words of rule 58S. These words in rule 58S are provided by SRO No 896(I)/2013 dated 04 October, 2013. Earlier provision in rule 58S read:

"The provisions of this Chapter shall apply to the supplies of electric home appliances namely, television sets, refrigerators, freezers, air conditioners, electric ovens, microwave ovens, washing machines, spin dryers, and DVD/CD players of all types, hereinafter referred to as specified electric goods in this Chapter."

The denial of input tax adjustment right to suppliers of goods listed by the subject rule 58S is legal sanctity section (8)(1)(c) of the Act, which reads:

"the goods under sub-section (5) of section 3."

Title of the section 8 is 'Tax credit not allowed'.

This seeks to put an embargo on suppliers' of the relevant goods right to input tax adjustment otherwise available under section 7 of the Act.

SRO No 896(I)/2013 not only raised the rate of extra tax from 0.75% to 2%, it also changed the list of goods which attract this tax. It is a matter of debate whether rule 58S can validly be used to raise 'extra tax' because the list is not the same on which this specie of sales tax (extra tax) was imposed.

Rule 58S declares the following as 'specified goods' subject to extra tax:

1. 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.
2. Household gas appliances, including cooking range, ovens, geysers and gas heaters.
3. Foam or spring mattresses and other foam products for household use.
4. Auto parts and accessories.
5. Lubricating oils, brake fluids, transmission fluid, and other vehicular fluids and maintenance products.
6. Tyres and tubes.
7. Storage batteries.
8. Arms and Ammunitions.
9. Paints, distempers, enamels, pigments, colours, varnishes, gums resins, dyes, glazes, thinners, blacks, cellulose lacquers and polishes sold in retail packing.
10. Tiles.
11. Biscuits, confectionery, chocolates, toffees and candies.

As stated hereinbefore, this list has been introduced by SRO No 896(I)/2013 dated 4th October, 2013. Earlier these goods were part of Third Schedule of the Sales Tax Act. These were removed from the Third Schedule by SRO No 895(I)/2013 of the same date viz. 04 October, 2013.

N.S. Bindra, "General Clauses Act" (10th Edition - Page-379), states:

"It is well settled that if an earlier legislation is incorporated into a later legislation, the provisions of the earlier law, incorporated into the later law, become a part and parcel of the later law as if written in it with pen or printed therein, and the moment those clauses are so incorporated in the later Act, there is no occasion to refer to the earlier Act at all."

That be true. It is not plausible that an earlier law should record existence of and provide sanctity to a law introduced at a later date, in future. A tax law viz. sub-rule (1) of rule 58T, coming into being on 11 June, 2008 cannot inflict a levy on 'specified goods' identified on 04 October, 2013.

Intriguing in the arrangement is that, to safeguard against confusion and contraventions, the aforesaid specified goods are not identified by their PCT numbers. Thus eye brows are raised on what or what not 'goods' mentioned by the list are.

The extra tax on manufacturers and importers of the specified goods is:

"..... in addition to the tax payable under sub-sections (1) and (2) of section 3 of the Act, as the case may be."

so reads rule 58T of the rules.

Recording relevance of sub-sections (1) and (2) of section 3 of the Sales Tax Act, the rule cited above does not mention sub-section (1A) of section 3 of the Act.

Relevant words of sub-section (1A) are:

“..... where taxable supplies are made to a person who has not obtained registration number, there shall be charged, levied and paid a further tax at the rate of one percent of the value in addition to the rate specified in sub-sections (1), (1B), (2), (5) and (6).”

In the event of rule 58T of the rules being invoked ie after charging extra tax applicable to both registered and unregistered persons, Further Tax is not relevant. It is not required to be levied'. Rationale for this argument advanced by some tax gurus is that in view of subject rule 58T not mentioning sub-section (1A) of the Sales Tax Act, Further Tax, otherwise leviable under sub-section (1A) of section-3, cannot be charged to an unregistered person. Other things remaining the same an unregistered person is to be charged tax on the specified goods @ 19%, inclusive of 2% extra tax. So is the finding.

However, in view of what follows hereinbelow, this scribe's view is at variance with such formulations. This scribe's formulation is that the figure, be instead read 20% after taking into account 'Further Tax'. Such 20% does not include other forms of sales tax provided by the Act:

1. Sales Tax, Further Tax and Extra Tax are different taxes under the sales tax regime steered by Sales Tax Act, 1990. Of these, Sales Tax Act provides for two, through different sub-sections of its charging section viz. (1) and (1A). For the third, recourse is to delegated legislation ie rule 58T of the rules.

Accordingly, the three species under focus viz. sales tax, further tax and extra tax are leviable under independent, separate, distinct provisions of the Act.

Were it not so, this scribe would challenge extra tax also because the words used by section 3(1A) are “in addition to the rate specified in sub-sections (1), (1B), (2) (5) and (6)”. The words used herein are “rate specified in sub-sections”. These words do not legitimise levy of tax through a rule framed by virtue of a sub-section in the Act. Whereas the extra tax owes its existence to rule 58S through SRO No 525(I)/2008 11 June, 2008, in pursuance of sections 3 and 4 in the Act, the SRO does not have the words ‘and the rules framed thereunder’.

Sub-section (1A) seeks imposition of ‘further tax’ and validly so does, independently without recourse to words outside text of the Act. Sub-section (1A) seeks to enforce ‘Further Tax’ - not like ‘extra tax’ owing birth to a set of rules framed under sections 3 and 4 of the Act.

2. ‘Further tax’ in terms of sub-section (1A) of section 3 of the Act is a distinct, valid legislation.

3. Relevant provision in the Act and in the cited SRO deal with:

(a). Goods - specified by rule 58S in Special Procedures for Payment of Extra Sales Tax on Specified Goods.

(b). Persons - not registered, not covered by section 2(25) of the Sales Tax Act.

Accordingly, they address different subjects. Their geneses are different.

4. For both, levy of a tax or for exemption from a levy, support of law framed by the legislature, through clear words, is required.

This can also be achieved by reference to a provision catering the same by words of the legislated law.

5. A shift in the position of a (legislated) law, expressed in clear terms, cannot be effected through a delegated legislation, rules, executive order etc.

6. A delegated legislation becomes redundant on its coming into conflict with a legislation framed by the legislature. Vice versa would not be valid.

An SRO can make no shift in the status of an Act/Ordinance.

7. Introduction of 'extra tax' through the subordinated legislation is in pursuance of sub-sections (5) in section 3 of the Act. Sub-sections (5) & (6) of section 3 empower the Federal Government so to do.

It is a different subject that sub-section (6) becomes relevant only "in lieu of the tax under sub-section (1)", which is not the case with the 'extra tax' - over and above tax under sub-section (1).

There is no limit to species of taxes under the (overall) Sales Tax Act, 1990.

8. Provisions of a subordinate legislation viz. special procedure for payment of Sales Tax on Specified Goods cannot extend exemption from a taxing provision provided in text of the Act. Exemption from section 3(1A) of the Act cannot be claimed on the basis of a mischief in the subject rules or any other set of rules.

No (assumed) obscurity can be helpful in this respect.

Validity of the extra tax is not impaired by the fact that sub-section (6) enables tax in lieu of tax under sub-section (1) of the Act and the fact that same has not been invoked to bring into being rule 58T.

With sub-section (6) of the Act redundant for the purpose of providing base to the sub-rule authorising levy of 'extra tax', legality to rule 58T is extended by invocation of section 3 of the Act for issuing SRO No 480(I)/2007 dated 09-06-2007 under which the extra tax has been introduced.

SRO No 480(I)/2007 dated 09-06-2007 introducing/enforcing the 'Special Procedures Rules-2007' reads:

"In exercise of the powers conferred by sections 3 & 4 the Federal Government is pleased to make the following rules, namely: The Sales Tax Special Procedure Rules-2007."

This is reference to the two sections of the Act, not to a sub-section.

Rules relating to 'Special Procedure for Payment of Sales Tax on Specified Goods' are part of 'Sales Tax Special Procedure Rules-2007'.

9. Chapter-XIII of Sales Tax Special Procedure Rules relating to 'Special Procedure for Payment of Extra Sales Tax on Goods' was inserted by SRO No 525(I)/2008 dated 11-06-2008, reported as PTCL 2008 St. 1872.

At the time of above insertion in 2008, sub-section (1A) in section 3 of the Act did not exist. The (present) sub-section (1A) in section 3 was introduced by the Finance Act-2013, reported as PTCL 2013 BS. 832. Consequential change should have been made in the rules after the aforesaid introduction of sub-section (1A) in the Act, which is not done.

Above cited omission on the part of FBR persists. Alongside sub-sections (1) and (2) of section 3 of the Act, sub-section (1A) is not mentioned in sub-rule (1) of rule 58T.

This is a simple, innocent omission, which, in the opinion of this scribe, does not absolve/exempt a registered person from liability under sub-section (1A) of section 3.

It is altogether a different matter that no relationship can be clearly formed between provisions of section 3(2) of the Act and the provisions which seek to give vent to 'extra tax'.

This too does not lead to the conclusion that subject exemption from levy of Further Tax to one subjected to Extra Tax can be or is in place.

10. There can be no concept of 'exemption' from a new law on the ground that the old law had not referred to the same.

The 'touching' need in old law ie rule 58T could not be done also because the later levy viz. extra tax was not conceived at that time.

11. Obligations laid down by an act or ordinance stay intact unless the later (legislated) law explicitly does away with or modifies the same.

Tax collection shows 25pc increase in December: Dar

Finance Minister Muhammad Ishaq Dar on Friday expressed satisfaction over 25 percent increase in tax collection so far in December.

He was chairing a meeting at his office to review the implementation and progress made so far on the reforms and economic targets set by the PML-N Government. He also expresses satisfaction over the pace of implementation of reforms and urged the officials to redouble their efforts to achieve the targets.

The finance minister directed the commerce ministry to ensure that the recent concession of GSP Plus by the European Union is utilized optimally and the exporters are facilitated and provided all necessary assistance in this regard.

Chairman Federal Board of Revenue, Tariq Bajwa informed the finance minister that the number of tax returns filed this year were 814,981 as compared to 744,866 last year. Bajwa said that on December 20, 2012 the revenue collected was Rs 91.5 billion, whereas an amount of Rs 114 billion has been collected in the corresponding period this year, which shows an increase of 25 percent.

He also informed the Finance Minister that the necessary Statutory Revision Orders (SROs) relating to the incentives scheme announced by Prime Minister Nawaz Sharif have been issued. Secretary Finance, Dr Waqar Masood gave an update on the austerity measures and savings made to date.

Adviser to Finance Ministry, Rana Asad Amin briefed the Finance Minister on the progress made so far on the issue of sovereign bonds and said efforts were being made to streamline and increase remittances. The foreign exchange reserves are likely to improve which will have a favourable impact on the value of rupee, he added.

Dar has also urged ministries of foreign affairs and commerce to inform foreign investors about opportunities available in Pakistan as the government rolls its programme of disinvesting public sector entities. He was chairing a meeting here on Friday to explore new initiatives to attract investment in the country.

Dar urged the need to focus in the areas of energy, engineering and technology so that not only the issue of unemployment in the country is addressed, but a foundation can also be laid for a sustainable growth in the country. He expressed the need to work

out a comprehensive strategy to attract foreign investors in view of the economic measures taken by the PML (N) Government to improve the macro-economic imbalances.

The meeting was attended by Khurram Dastagir, Minister of State for Commerce, Zubair Umar, chairman Privatisation Commission, Tariq Fatimi, Special Assistant to Prime Minister and senior officials of the Finance Ministry. – *Courtesy Pak Tribune*

Salaried class: first quarter WHT collection up 21.5 percent

The Federal Board of Revenue has witnessed an increase of 21.5 percent in withholding tax collection from salaried class during the first quarter of (2013-14) against the same period of last fiscal year, mainly after revision in salary slabs.

According to the FBR latest quarterly report pertaining to first quarter (2013-14), withholding tax collection from salaries stood at Rs 12.137 billion during first quarter (2013-14) against Rs 9.989 billion in same period last fiscal, reflecting an increase of 21.5 percent. Similarly, the increase of 21.5 percent from salary can be attributed to revision of salary slabs and increase in the salaries of the government servants as well as better monitoring of the private salaried class.

The withholding tax has been the major contributor to gross income tax collection. The share of WHT in gross collection has substantially increased from 58.3 percent to 67.5 percent in Q1: 13-14 mainly due to establishment of Regional Withholding Units which resulted in better monitoring.

Within WHT, the major share in the collection has been from major sources, namely, contracts/supplies (21.1 percent), imports (26.5 percent), salary (10.3 percent), telephone (8.7 percent), bank interest/ securities (8.6 percent) and exports (4.9 percent). Among these sources, negative growth of 8.9 percent in collection has been recorded in electricity bills. The collection will improve in the next quarter mainly due to increase in electricity tariff and consumption. Increase in contract and supplies can be attributed to following reasons: Firstly, enhanced allocation and activity in PSDP has improved WHT collection. Secondly, the scope of prescribed person for the purpose of section 153 has been extended to a person registered under the Sales Tax Act 1990. It means that every person registered under the Sales Tax Act shall also deduct income tax at the prescribed rate.

The telephone has shown a phenomenal growth of 431.3 percent mainly due to increase in rate from 10 percent to 15 percent in the case of subscribers of mobile telephone and pre-paid cards and also due to the fact that refunds were paid back in July 2012 against the advances taken in June, 2012-13.

Similarly, more than 44.1 percent growth was recorded in WHT on imports due to increase in rates through rationalisation of tariff and introduction of WeBOC, which is a more automated and transparent system and better for monitoring by directorate of withholding taxes. Growth of 33.2 percent in bank interest is due to consistent good performance by the banking sector. The increase in the collection of dividends by 70.3 percent is mainly due to declaration of dividend by the companies due to increased economic activities and change in section 8 of Income Tax Ordinance through which dividend received by a corporate taxpayer is now taxable at the rate of 10 percent as fixed & final tax. The increase of 59.6 percent in the collection from cash withdrawals is due to increased liquidity in economy and increased rates of cash withdrawals in the budget during current fiscal year, the FBR added. – *Courtesy Business Recorder*

Gas: first quarter FED collection down three percent

The collection of Federal Excise Duty (FED) from natural gas has shown a decline of 3 percent during the first quarter of 2013-14. The FBR quarterly report issued on Saturday revealed that the federal excise duty is levied at import and domestic stage like sales tax. The federal excise duty is dependent on the revenue generation of only a few items.

The contribution of FED in total collection has been 6 percent despite a narrow base tax. The collection under FED has been Rs 31.1 billion during July-September, 2013-14 entailing a growth of 38.6 percent. It is clear that 88 percent of the collection is emanated from only 5 items. Only cigarettes contributed 43 percent of the total federal excise collection followed by beverages (14 percent), natural gas (12 percent), services (10 percent) and cement (9 percent).

The remaining portion covers other items. The cigarette is the top contributor of FED with 43 percent share in total collection of FED. Its collection has recorded a growth of 6.1 percent during the first quarter of 2013-14. Moreover, the rates of cigarettes were rationalised in the Budget 2013-14.

The collection of FED from services has been Rs 2.6 billion during first quarter of 2013-14 as compared to Rs 1.5 billion in the corresponding period last year. The collection from services grew by around 10 percent. This item includes foreign air travel. The collection from cement has exhibited low growth in the collection due to low production of cement during first quarter of 2013-14 as compared to corresponding period of last year. Similarly, the collection from beverages has reflected a robust growth of 28.5 percent mainly due to 17 percent growth in the production of beverages. The collection from natural gas has shown a decline of 3 percent, the FBR added. – *Courtesy Business Recorder*

Collection of extra-duties: Afghan CG assures Khyber Pakhtunkhwa chief minister of resolving exporters' issue

Peshawar-based Afghan Consul-General, Syed Mohammad Ibrahimkhel on Saturday assured Chief Minister Khyber Pakhtunkhwa for the resolution of the grievances of Pakistani exporters on collection of extra-duties at Pak-Afghan border. The Consul-General of Afghanistan called on the Chief Minister, Khyber Pakhtunkhwa and discussed matters of mutual interests with him.

He assured that he would talk to his government in this regard. Advisor to Chief Minister, Khyber Pakhtunkhwa on Economic Affairs Rifaqatullah Babar and other authorities were also present. The envoy of Afghanistan thanked the provincial government for facilitating stay of millions of Afghan refugees in this province despite enough financial and other internal problems of the provincial government. He also lauded comprehensive reforms agenda of the KP government and bringing about positive changes in all sectors of life, saying that like locals, the Afghan citizens staying here are also liking such good governance in Khyber Pakhtunkhwa.

Speaking on the occasion, chief minister, Pervez Khattak thanked Afghan consul-General for the compliments said that Pak Afghan people shared centuries old trade and cultural relations. "Being neighbouring country, the people of KP and Afghanistan besides having strong linguistic, cultural, religious and trade links, even enjoyed close family relations on both sides", he maintained and underlined the need of further cementing such mutual cordial relations on both government and people-to-people level by providing maximum facilities to each other.

He assured that their government would provide all possible facilitation to the Afghan refugees in camps here but it would be so good if Afghan government arrange for their education here. He said lack of education coupled with poverty and employment were the core reasons behind the current issues of unrest and terrorism on both sides. He said though these were not addressed in the past but even then positive changes were expected if we took it seriously. – *Courtesy Business Recorder*

FBR toothless to recover Rs 94.12 million FED from cosmetics firm

Federal Board of Revenue (FBR) has appeared toothless to recover evaded Federal Excise Duty (FED) amounting to Rs 94.12 million from a cosmetics company after lapse of over a month period; it was learnt here on Friday. Sources said Regional Tax Office (RTO)-III after detecting serious discrepancies in the ledgers of the company issued notice to recover said evaded FED.

Talking to *Business Recorder* Moin Aziz Mirza, a private investigator, who brought this case to light, said that tax office was earlier keen to settle the issue under the table but strong resistance compelled them to issue show cause notice to the company. He said that despite the issuance of notice, the department had so far not taken any action for the recovery of evaded FED with the best reason known to the department.

According to the notice, the company had not paid single penny on account of FED but showed Rs 26.8 million paid as FED. Besides that company, which has no manufacturing unit, has also claimed 50 percent sales tax exemption under SRO 117(1)/2011, which is applicable only for manufacturers.

Therefore, the said amount is recoverable under relevant sections of Sales Tax and Federal Excise Acts and the department is liable to take legal action against the company, the notice said. When contacted, official sources confirmed to have issued notice to the company, saying that department had served notice of hearing on the company but no representative has so far appeared before the concerned authority. They also dispelled the impression of any illegal effort to protect the company, adding that action would be taken against the company after the lapse of statutory period. – *Courtesy Business Recorder*

FBR Member Shahid promoted

The government has promoted Shahid Hussain Asad, Member Inland Revenue Policy, Federal Board of Revenue (FBR), from BS-21 to BS-22, a competent professional who will help strengthen the tax machinery in policy formulation, revenue generation documentation of economy utilising his vast experience.

It is learnt that the promotion of the existing FBR Member Inland Revenue Policy to the next grade of BS-22 is the step in right direction by FBR. He would be instrumental in suggesting dynamic policy measures to the Finance Ministry for broadening the tax base in 2013-14, IR officials of the Board opined.

Most of the senior FBR officials were of the view that the government could benefit from the valuable experience of Shahid for drafting models like investment scheme to attract foreign investment and expand the tax net by encouraging tax compliance. Recently, the special selection board meeting, held under the chairmanship of Prime Minister Nawaz Sharif, had approved promotion of the said official from BS-21 to BS-22.

Shahid Hussain Asad, a BS-22 officer of Inland Revenue Service is actively working as FBR Member IR Policy. During his tenure as FBR Member Inland Revenue, the Board achieved revenue collection targets during 2011-12. The FBR showed remarkable progress in revenue collection as average collection growth was over 25 percent during 2011-12.

Shahid has also worked as FBR Member Inland Revenue Operations, Director General Intelligence and Investigation Inland Revenue FBR and at key positions in the field formations of the Board. As head of the intelligence agency of the FBR, he introduced the concept of 'Red Alerts' preventing fraudulent sales tax refunds to the tune of billions on monthly basis.

Similarly, he also started first ever exercise of documentation of potential persons across the county. Major policy reforms were initiated during his tenure which was appreciated by the business and trade. He also worked as Additional Secretary Ministry of Production in past. – *Courtesy Business Recorder*

47 pc of Pakistani lawmakers do not pay taxes

Forty-seven per cent of 1,070 lawmakers elected to Pakistan's national and provincial assemblies earlier this year did not pay income tax and 12 per cent do not even have a National Tax Number.

Members of the National Assembly or lower house of parliament who did not pay taxes belong to all the major parties, according to a media report today.

The PML-N has the lion's share with 54 parliamentarians. Imran Khan's Pakistan Tehrik-e-Insaf follows with 19 non-taxpaying MPs.

The Pakistan People's Party has 13, the Jamiat Ulema-e-Islam seven and the Muttahida Qaumi Movement five.

Parliamentarians whose tax declarations were contradicted by the Federal Board of Revenue include big names like Prime Minister Nawaz Sharif, Imran Khan, his party's vice chairman Shah Mehmood Qureshi, National Assembly Speaker Ayaz Sadiq, JUI chief Maulana Fazlur Rehman, MQM parliamentary leader Farooq Sattar, The News daily reported.

Capt (retired) Muhammad Safdar, Sharif's son-in-law, is among those who do have a National Tax Number.

Of 550 lawmakers who declared tax payments in their nomination papers, 31 per cent include top leaders whose official records show that they either exaggerated the amount or paid zero tax.

The record of 54 lawmakers was not available for checking, the report said.

Of 680 members who declared their incomes in their nomination papers, 25 per cent were identified as showing lower earnings to the Federal Board of Revenue for tax deduction.

Imran Khan figured in this list with Interior Minister Chaudhry Nisar Ali Khan.

In a recent newspaper article, Britain's outgoing High Commissioner Adam Thomson said foreign aid is not a long-term solution and asked Pakistan to widen its tax net to include the elite who "can afford luxury cars and foreign trips but can't afford to pay their taxes".

"The problem starts at the top. By paying their fair share of taxes and backing tax reform, businesses, wealthy individuals and elected politicians in Pakistan can lead by example," he wrote.

According to the Federal Board of Revenue, less than 0.5 per cent of Pakistanis pay income tax. That is just 750,000 individuals out of a population of some 180 million.

Tax revenue in Pakistan, as a proportion of GDP, is around nine per cent, compared with 14 per cent for countries with similar per capita incomes. – *Courtesy Business Standard*

FBR withdraws capacity tax on two beverage companies

The Federal Board of Revenue (FBR) Monday conveyed a policy decision to the two leading beverage manufacturers that the 'capacity tax' would be withdrawn before January 1, 2014, as they failed to show 25 percent increase in FED/sales tax under fixed tax regime during the current fiscal year (2013-14).

Sources told here on Monday that the series of meetings with the two beverage manufactures concluded at the FBR House with the decision to withdraw 'capacity tax' on the beverage industry as the manufacturers failed to fulfil their commitment of showing 25 percent growth in revenue during 2013-14. Moreover, difference of opinion between the two companies also resulted in withdrawal of the 'capacity tax' in coming days.

The FBR is expected to take away the new tax regime of 'capacity tax' before January, 2014 by rescinding rules relating to the capacity tax. Following rescinding the Capacity Tax Rules, the FBR will restore old sales tax and FED collection mechanism for the beverage manufacturers to check shortfall in the said sector.

There was also no consensus among the two leading beverage manufacturers on the issue of 'capacity tax'. One company proposed that they are ready to make net payment of tax without seeking input of the FED. But the company was not ready to increase fixed tax during manufacturing of aerated water on the basis of installed No of spouts/tilling machines. The second company, wanted to retain input tax on beverage concentrate and proposed that the input tax should not be withdrawn. On the other hand, the company is ready to increase the fixed rate of the FED/sales tax on the basis of installed No of spouts/tilling machines.

The proposals of both the companies clashed during the FBR's meeting resulting in withdrawal of the 'capacity tax', sources maintained. Sources said that the two companies failed to develop consensus on any uniform tax regime for replacement of the 'capacity tax' or its continuation. This also facilitated the tax authorities to withdraw the 'capacity tax' as per Board's desire. The companies have also not jointly worked out the methodology to tackle with the FBR for continuation of the 'capacity tax'.

Sources said that the FBR has already given several chances to the companies to explain reasons for not showing 25 percent increase in revenue during 2013-14. The Board has also directed the companies to submit mechanism to ensure 25 percent increase in

revenue during 2013-14. In this regard, a number of meetings were recently convened between the two sides.

The beverage manufactures failed to give assurance of 25 percent increase in revenue under 'capacity tax' and the FBR now decided to restore the old system of collection of sales tax and Federal Excise Duty (FED). In budget (2013-14), the rate of federal excise duty on aerated water was enhanced from 6 to 9percent by amending S. No 4, 5 and 6 of Table I of the First Schedule to the Federal Excise Act, 2005. The enhanced rate came into effect on July 1, 2013. However, later the manufacturers of beverages and aerated water were allowed to pay 'capacity tax' in lieu of the sales tax and Federal Excise Duty (FED) on the basis of production capacity of plants and machinery of units.

The rules of 'capacity tax' were made applicable to all manufacturers of aerated waters in Pakistan from July 1, 2013. Under this arrangement, the FBR will levy and collect federal excise duty and sales tax on the basis of production capacity of plants, machinery, undertakings, establishments or installations manufacturing aerated waters, in lieu of the federal excise duty and sales tax leviable. SRO No 649(1)/2013 dated 9.7.2013 will be abolished and the old regime would be reinstated with enhanced rate of sales tax/FED to recover the loss of revenue already incurred during first five months of the year, sources added. –
Courtesy Business Recorder

FBR upgrades three posts

The Federal Board of Revenue (FBR) has upgraded three BS-21 posts to BS-22 with immediate effect. According to a notification issued here on Monday, the posts of Member Inland Revenue (IR) Policy, FBR (HQ), Islamabad; Member Humand Resource Management (HRM), FBR (HQ), Islamabad and Director General, Post Clearance Audit, Islamabad have been upgraded from BS-21 posts to BS-22.

Through another notification, transfers/postings of the following officers of Pakistan Customs Service (BS-21) are made with immediate effect and until further orders:- Humayun Khan Sikandri (PCS/BS-21) has been transferred and posted from Director General, Directorate General of Post Clearance Audit Islamabad to Director General, Directorate General of Internal Audit (Customs),Islamabad and Muhammad Nazim Saleem (PCS/BS-21) Director General, Directorate General of Internal

Audit (Customs), Islamabad has been given new assignment as Director General, Directorate General of Customs Valuation, Karachi.

In pursuance of approval of the competent authority conveyed vide Establishment Division's U.O. No 7/1/2013-CP-VI dated 19.12.2013, the following BS-21 officers of Inland Revenue Service are promoted to BS-22 in the same service and posted with immediate effect and till further orders: Yasmin Saud, Member (HRM) FBR (HQ), Islamabad and Shahid Hussain Asad, Member (IR-Policy), FBR (HQ), Islamabad, notification added. – *Courtesy Business Recorder*

GSP+ status: HS Codes to be synchronised with EU Codes

The Federal Board of Revenue has decided to synchronise eight-digit HS Codes of Pakistan Customs Tariff (PCT) with the EU Codes to bring clarity and remove any type of confusion during export of Pakistani textile products to EU countries after GSP Plus status. Sources told here on Monday that the decision has been taken in a recent meeting held at the Textile Industry Division, Ministry of Commerce & Textile Industry on the GSP Plus status.

More than 600 items mainly textile products will enter 27 members EU countries duty-free from January 1, 2014 for ten years. According to the decision, synchronisation of eight-digit HS Codes with EU Codes, or alternatively, would be done to establish equivalences. In this regard, guidance of the FBR Chairman has been sought to find the best solution.

The synchronisation of Pakistani HS Codes with EU Tariff Codes would ensure smooth clearance of consignments to be exported to EU under the GSP plus status, sources said. A meeting was held at the Textile Industry Division with representatives of Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA), Pakistan Hosiery Manufacturers Association (PHMA), Pakistan Cotton Fashion Association (PCFA), Pakistan Sweater & Knitwear Association (PAKSEA) and Pakistan Textile Exports Association (PTEA) to develop a strategy for maximising benefits from GSP+ scheme. Secretary Textile Division, Additional Secretary Commerce Division and other officers of the Ministry were present.

The authorities of Commerce Ministry congratulated the members of Apparel Associations on the country's acquisition of GSP+

status. They stated that the role of the Ministry was to facilitate the textile supply chain for higher value-addition, and increased export earnings. They stressed that this window of opportunity should be availed to the maximum in the first year, ie 2014, so that higher thresholds could be achieved in later years.

The meeting also decided that the data of the Pakistan Revenue Automation Limited (Pral) would be shared by FBR with Textile Division to monitor performance of exports on a daily basis under the GSP Plus status. Textile Division would move a request to the FBR on urgent basis.

It has been decided that a GSP+ Facilitation Committee to be set up for removal of regulatory bottlenecks related to Customs, ANF, FBR, SBP, Labour Departments, etc Textile Division would initiate the process in this regard to ensure early setting up of the committee. The meeting also decided the role of Associations in attestation of 'Certificates of Origin' for collection of shipment data on daily basis. It has also been decided that a new SRO to be drafted, or amendments be made to SROs 492 & 410 so that the import of fabrics and materials would be allowed for re-export of value-added exports and product diversification. – *Courtesy Business Recorder*

Elections-2013: FBR tracing details of 10,794 non-NTN holder candidates

The Federal Board of Revenue is trying to trace the details of 10,794 non-National Tax Number (NTN) holders, candidates/politicians, who contested general elections-2013, but their Computerised National Identity Card Numbers (CNICs) or permanent addresses are not available.

Sources told here on Monday that the Election Commission of Pakistan (ECP) had send profiles of 24,268 contesting candidates to the FBR to verify their tax declarations for the last three tax years. The data included NTN, statement of assets and liabilities and income tax paid during last three assessment years. The FBR had duly processed these cases and returned them to the ECP. Out of 24,268 cases, the number of non-NTN holder candidates stood at 10,794. It is nearly 43 percent of the total candidates, who had filed nomination papers with the ECP. However, the NTN-holders contesting candidates were 13,474. Of 13,474 NTN-holders, who contested elections, 8,642 have not filed their returns for Tax

Years 2010, 2011 and 2012. On the other hand, 8,432 had filed their returns for the said tax years.

In case of 10,794 non-NTN holders, who were contesting candidates/politicians, the FBR had repeatedly asked the ECP to share their basic particulars with the FBR, so that they could be brought into the tax net. Despite repeated requests of the relevant tax officials, the ECP has yet not provided the requisite information to the Board. The FBR data can verify the record with the help of basic identification of CNIC or NTN. Without CNIC/NTN, the FBR data cannot identify any person for bringing them into the tax net. The system needs some basic identification number for tracing tax record. The cases cannot be processed by the FBR in the absence of the basic particulars for checking through Integrated Tax Management System (ITMS).

Similarly, the nomination papers uploaded by the ECP on its website were also incomplete in many cases. The annexures of assets and income were not uploaded along with nomination papers. The FBR had also requested the ECP to provide complete details of the nomination papers including details of assets and income for further processing of the cases. The ECP has yet not shared the said data with the FBR. The FBR require at least CNIC of the non-NTN holder to check from its database, as CNIC is the tax identifier for the purpose of levying duties/taxes. If the ECP provide CNIC and addresses of the non-NTN holder candidates, it would be very easy for the tax department to bring them on the Tax Roll. The relevant Regional Tax office can trace the non-NTN holder politician on the basis of CNIC and address.

Apart from the non-NTN holders, the FBR has also communicated the cases of NTN holders contestant for scrutiny. For this purpose, the cases of NTN-holder contestants have been divided into various categories. In the first category, the FBR has directed the field formations to enforce filing of income tax returns in cases of non-filers. The second category of candidates/politicians is the one where there is a mismatch between the income declared and tax paid by the politicians. The FBR has directed the RTOs to securitize such cases in detail and if exemption is claimed, the same be verified whether it is admissible or not. The third category of candidates/politicians is related to those cases where tax demand is outstanding against the contestants. The FBR has instructed its field formations to initiate immediate recovery measures in such cases.

As far as elected parliamentarians are concerned, the FBR is in the process of verifying the information declared in the nomination papers and with the FBR's internal database. Out of over and above 100 cases of NTN-Holders politicians, 25-30 profiles of politicians have already been dispatched to the field formations for verification. The jurisdiction-wise cases of the NTN-holders were dispatched to the regional Tax Offices to analyse the tax-related details of the politicians.

So far, the FBR field formations have not taken effective action for taxation of the income and assets of the parliamentarians declared in the nomination papers filed by the contesting candidates during the last elections. The Board had implemented a full-fledged strategy at national level for verification of tax details in the nomination papers filed by the contesting candidates in the last elections. After successful completion of the exercise, these details were forwarded to the FBR field formations for further verification and initiation of legal action in cases of glaring discrepancies. In a number of cases, the FBR itself noted glaring discrepancies and asked the field formations to take legal action in such cases. However, despite the lapse of more than seven months, the field formations have failed to report cases where notable action has been taken or taxes recovered. The inaction by the FBR field formations is nullifying the whole exercise of verification and proper taxation of the parliamentarians.

Apart from the bulk details of the income declared by the contesting candidates of Elections 2013, the field formations have also been provided detailed reports about glaring instances of tax evasion in a number of cases. During the Elections-2013, the FBR compiled data related to the income declared and tax paid by the contesting candidates for the last three years. This data is available on the website of the Election Commission of Pakistan (ECP).

The inability of the FBR field formations to properly tax the defaulting politician despite availability of all the relevant data about their income, assets and even election expenditure (available with ECP) raise serious questions about their sincerity in bringing an across the board taxation system. This is particularly true in cases where the detailed reports have been communicated to the FBR field formations for initiating proceedings but no action has so far been taken for the reasons best known to the field formations. – *Courtesy Business Recorder*

CREST programme: RTO offers LTBA to impart training to its members

Chief Commissioner Regional Tax Office (RTO-I) Shafqat Mahmood has offered the Lahore Tax Bar Association (LTBA) to impart training to its members about Computerised Risk Evaluation of Sales Tax (CREST). Shafqat Mahmood recently asked the LTBA to refer its members to the RTO so as to training could be imparted to them about CREST by the experts of the Federal Board of Revenue (FBR).

This was disclosed at a meeting of the LTBA held here the other day which was attended by the LTBA President Habib-ur-Rehman Zuberi, Vice President Aamir Younus, General Secretary Ali Ahsan Rana, Finance Secretary Shahbaz Siddique and many others. LTBA president appreciated the CREST programme and also acknowledged the efforts put in by the Chief Commissioner RTO-I Shafqat Mahmood to make the programme successfully. He said that the LTBA would extend full co-operation to him in this regard.

LTBA General Secretary Ali Ahsan Rana thanked the Chief Commissioner Shafqat Mahmood for extending the offer and stressed the need that young lawyers must get training of this programme. Habib-ur-Rehman Zuberi also formulated a list of the members of the association for the training of CREST. – *Courtesy Business Recorder*

FBR to enforce restaurant monitoring

Thursday, December 26, 2013 - Islamabad—In an apparent bid to bring the big restaurants into tax net, the Federal Board of Revenue (FBR) has decided to enforce Restaurant Invoicemonitoring system (RIMS). The source told here on Wednesday that this decision has been taken when tax authority learnt that hundreds of big hotels in the federal capital are not paying tax on their income. Therefore a new mechanism has been adopted by the FBR and authority has categorized these hotels into four categories for their registration with FBR.

The source said that there are 444 restaurants in the jurisdiction of regional tax office Islamabad and out of these only 115 are tax payers while rest are least bothered to file their sales tax returns. The tax authority has decided to check the income of these hotels. – *Courtesy Pakistan Observer*

Secret tax survey: over 1100 undocumented outlets found in Blue Area

A secret tax survey of the Blue Area, biggest business hub of federal capital revealed 1,106 undocumented businesses/outlets and vendors of electronics/ computer/mobiles, etc, without National Tax Numbers (NTNs) out of 2,246 prominent business establishments in this posh area. Sources told here on Wednesday that the Directorate General of Intelligence and Investigation Inland Revenue conducted this exercise through tax mapping of the Blue Area Islamabad.

Most interesting aspect of the survey was that the special teams of the directorate have conducted surveys of the area without physical interaction with the owners of retail outlets, business establishments and other big sellers of electronics, computers, mobile phones and travel agents, etc. It was a cumbersome exercise to collect details of the businesses without contacting the owners of the businesses. It was also ensured that the survey should be kept secret to intelligently collect necessary data of the biggest business area of the federal capital. Special teams took pictures and made videos of prominent businesses in Blue Area and registered all particulars displayed outside the shops/outlets, etc. The information was collected and dully matched with the tax management system of the FBR to verify the data. Results of the survey revealed that 1,106 businesses, outlets and vendors are not registered with the tax department. They have not even obtained the basic tax document, ie, NTN.

The agency has communicated the information to the FBR for necessary action against the un-registered businesses. These units would be brought into the tax net after fulfilment of legal procedure laid down in the tax laws. It is astonishing to note that the rich businessmen of Blue Area are not ready to obtain NTN. They are not even ready to file income tax returns and wealth statements where applicable. Most of the key businesses have been established in Blue Area without paying any tax in the national kitty.

Sources said that the Directorate General I&I-IR initiated an exercise for discreet tax mapping of the businesses located in Blue Area Islamabad which yielded potentially useful information for checking tax evasion and non-compliance.

Particulars of 2,246 businesses were recorded during the exercise and internally processed by the Directorate General I&I-IR

Islamabad. Cross matching of the businesses was carried with the information available on the FBR database to know their tax status.

The exercise has revealed that as many as 1106 businesses of Blue Area Islamabad are not on tax roll. List of these 1106 cases have been shared with the FBR for bringing them into the tax net. On January 17, 2013, Traders Association of Blue Area admitted a loss of Rs 80 million per day which means that their daily income comes to Rs 80 million. This was admitted by the Traders Association of Blue Area in a press conference at the time of long march. The basic compliance of tax was not made by these businessmen making hue and cry on their daily loss due to long-march. The monthly income of Rs 2.4 billion is an extraordinary amount for the shops located in whole of the Blue Area, but they failed to comply with the basic tax laws, sources added. – *Courtesy Business Recorder*

New customs value fixed for headphone, hands-free

For checking massive underinvoicing, Directorate General of Customs Valuation Karachi has fixed \$0.30 per piece as new customs value on the import of headphone/earphone/hands-free for mobile for accurate assessment of customs duty. Sources said on Wednesday that the directorate has issued a valuation ruling in exercise of the powers conferred under Section 25-A of the Customs Act, 1969.

It was brought to the notice of Directorate General of Customs Valuation that headphone/earphone/hands-free for mobile were being imported at underinvoiced values causing loss of revenue to government. Therefore, an exercise to determine the customs value of the subject goods under Section 25-A of the Customs Act, 1969 was initiated.

Valuation methods provided in Section 25 of the Customs Act, 1969 were followed. Transaction value method provided in Sub-Section (1) of Section 25 was found inapplicable because requisite information was not available as per law. Identical/similar goods value methods provided in Sub-Section (5) & (6) of Section 25 *ibid* were also not found applicable for determination of the customs values due to unreliable and variable values, Consequently, findings of market enquiry as envisaged under Sub-Section (7) of Section 25 of the Customs Act, 1969 were adopted to determine custom values for headphone/earphone/hands-free for mobile, ruling said.

Meetings were fixed with the stakeholders. However, no one attended the meetings. Accordingly, results of market enquiry were utilised in terms of Sub-Section (7) of Section 25 of the Customs Act, 1969 to determine the customs values of the goods in question.

In cases where declared/transaction values are higher than the customs value determined in the ruling, the assessing officers shall apply those values in terms of Sub-Section (1) of Section 25 of the Customs Act, 1969. In case of consignments imported by air, the assessing officer shall take into account the differential, between air freight and sea freight while applying the customs values determined in the ruling. The value determined vide the ruling shall be the applicable customs value for assessment of subject imported goods until and unless it is rescinded or revised by the competent authority in terms of Sub-Sections (1) or (3) of Section 25-A of the Customs Act, 1969. – *Courtesy Business Recorder*

Customs value of viscose filament yarn revised

The Collectors of Customs could assess customs duty on the import of viscose filament yarn fine count (below 75 denier) from India and China as per new customs valuation ruling of the Directorate General of Customs Valuation Karachi. It is learnt that the directorate has revised customs value on the import of viscose filament yarn fine count (below 75 denier), ranging between \$5.50 and \$8 per kg.

According to the latest ruling, in exercise of the powers conferred under Section 25-A of the Customs Act, 1969, the customs values of fine count “Viscose Filament Yarn 30D to 60D” are determined. The customs value of “Viscose Filament Yarn (75 Denier & Above)” were determined under Section 25-A vide Valuation Ruling No 478, dated 19.10.2012. Since the said ruling does not cover viscose filament yarn of the counts (below 75 Denier), therefore, an exercise to determine the customs value of the same under Section 25A of the Customs Act, 1969 was initiated. To determine the customs value, methods given in section 25 of the Customs Act, 1969, were followed. Transaction value method provided in sub-section (a) of section 25 was found inapplicable because sufficient information was not available as per law. Identical/similar goods value methods provided in Sub-sections (5) & (6) of section 25 ibid provided some reference values for determination of the customs values. Deductive value method under Section 25(7) was applied,

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but it was not found helpful due to undocumented market. Computed value method provided in sub-section (8) of section 25 was not applicable. Therefore, customs value of Viscose Filament Fine Count below 75 Deniers was determined under sub-section (9) of section 25 of the Customs Act, 1969.

Meetings were held with the stakeholders and feedback regarding valuation of subject goods was provided by Pakistan Yarn Merchants Association (Karachi & Gujranwala). In case where declared/transaction values are higher than the customs value determined in this Ruling, the assessing officers shall apply those values in terms of sub-section (1) of section 25 of the Customs Act, 1969. In case of consignments imported by air, the assessing officer shall take into account the differential between air freight and sea freight while applying the customs values determined in this ruling.

The values determined vide this ruling shall be the applicable customs value for assessment of subject imported goods until and unless it is rescinded or revised by the competent authority in terms of sub-section (1) or (3) of Section 25-A of the Customs Act, 1969.

A review petition may be filed against this Ruling, as provided under Section 25-D of the Customs Act, 1969, within 30 days from the date of issue, before the Director, General Directorate General of Customs Valuation, 7th Floor, Customs House, Karachi, it added. The collectors of Customs may ensure that the value given in the Ruling is applied by the concerned staff without fail. The customs values of viscose filament yarn (75 denier and above) determined vide Valuation Ruling No 478, dated 19.10.2012 shall remain applicable for the said goods. – *Courtesy Business Recorder*

First 24 days of December: provisional ST collection stands at Rs 61.834 billion

The provisional sales tax collection stood at Rs 61.834 billion during first 24 days of December 2013 against Rs 47.233 billion in the same period last year, reflecting a handsome increase of 31 percent. Sources told here on Tuesday that the sales tax collection at the import stage was Rs 28.456 billion during the period against Rs 22.418 billion, depicting an increase of 26.9 percent.

Sales tax collection on domestic consumption amounted to Rs 33.377 billion during the first 24 days of December 2013 against

Rs 24.816 billion during the corresponding period of last fiscal year, showing an increase of 34.5 percent. The collection of domestic taxes (direct taxes, sales tax and the FED) was Rs 101.551 billion during December 2013 against Rs 80.385 billion in the same period last fiscal, reflecting an increase of 26.3 percent.

The provisional direct taxes collection amounted to Rs 31.650 billion in December 2013 against Rs 26.366 billion during the same period of last fiscal year, showing an improvement of 20 percent. Out of direct taxes collection, withholding tax at the import stage was Rs 6.014 billion during December 2013 against Rs 4.423 billion in the same period last fiscal year.

The customs duty collection stood at Rs 12.421 billion during first 24 days of December 2013 against Rs 11.210 billion in the same period of last fiscal year, reflecting an increase of 10.8 percent. The provisional collection of the Federal Excise Duty (FED) was 8.067 billion during the period under review against Rs 6.787 billion, depicting an increase of 19 percent. The FBR Chairman had reportedly informed the Finance Minister that revenue collected stood at Rs 91.5 billion in December 2013 whereas an amount of Rs 114 billion has been collected in the corresponding period this year, which shows an increase of 25 percent. – *Courtesy Business Recorder*

FBR to issue 400 taxpayer privilege cards in March

The Federal Board of Revenue (FBR) will issue around 400 privilege cards to top tax paying individuals and companies after completion of the income tax returns filing process that will be completed by the end of February 2014, a senior FBR official said on Wednesday.

“The privilege cards will be issued in March 2014 to 100 top taxpayers in four different categories,” Shahid Hussain Asad, Member Inland Revenue (Policy), told The News.

The distribution of privilege cards is a part of the scheme announced by the prime minister to incentivise the taxpayers and promote tax culture in the country.

Under the scheme, top 100 taxpayers will be issued privilege / recognition cards falling in the categories included CEOs of companies; salaried individuals; non-salaried individuals; and member of association's of persons (AOPs).

The top taxpayers will avail of the benefits of the card, including use of VIP lounges at airports, fast track clearance and immigration counters and issuance of gratis passports.

The benefits of the cards also included increase in the baggage allowance from \$500 to \$2,500, annual dinner with the prime minister at excellence award ceremonies, invitation for ceremonies for March 23, August 14 and other state banquets.

The member said that the government will also confer with excellence awards to top 10 taxpayers in each category.

Asad said that the FBR had discussed with all other government departments for the issuance of the privilege cards, including immigration department, civil aviation and passport issuing authorities.

Before issuing the privilege cards, the revenue body had also launched different incentive / amnesty schemes for the taxpayers for ensuring income tax returns filing for the tax year 2013 and broadening the tax base.

In line with the announcement of the prime minister on November 28, the FBR issued a statutory regulator order (SRO) to launch the scheme, including incentives to promote investment, incentives to dormant NTN holders and incentives to new taxpayers.

Prior to this, the FBR had also announced immunity from the audit for existing taxpayers for ensuring improved outcome in the income tax returns filing.

Presently, the total NTN holders in the country are around 3.6 million, of which only 800,000 taxpayers filed their income tax returns by December 16. The filing of income tax returns for corporate entities is December 31 that will increase the total number.

Furthermore, the incentives to the taxpayers will also help in big number of returns filing by February end.

“The NTN holders and persons having taxable income but not on the tax roll have been given a chance to avail of the opportunity,” Asad said, adding that otherwise the FBR had decided not to give further relaxation after cutoff date of incentives package and would initiate legal action against non-compliant taxpayers and tax evaders. – *Courtesy International The News*

Family petitions: PHC issues stay order against income support levy tax

A stay order was issued by the Peshawar High Court (PHC) on Thursday against the collection of income support levy taken by the Federal Board of Revenue (FBR).

The court also asked the board for a full report on it. The 0.5% tax is imposed on income of individuals who earn more than one million rupees a month.

A single-member bench of Justice Nisar Hussain Khan was informed by the petitioner's counsel, Advocate Rehman Shah, that his clients, Salim, Humayun Saifullah and their family, were paying regular tax to the FBR and had their own National Tax Numbers. Shah added the court, however, had issued stay orders in other family member's petitions.

The advocate claimed his clients were paying their taxes, but this year, under the Income Support Levy Act of 2013, they were being asked to pay 0.5% more.

Justice Khan said the stay order issued on the other petitions expired on December 16 and the advocate should have reached the court earlier. After the expiration, the petitioner is liable to penalty.

Advocate Shah replied that if the stay order was not extended, then his client would have to pay a 16% surcharge in addition to the levy tax. He added the amount was too huge so the stay order should be extended.

After hearing the arguments, the judge issued a stay order till January 7 and stopped the FBR from collecting the levy tax from the Saifullah family.

Early retirement

In a separate case, Justice Khan also sought a report from the Ministry of State and Frontier Regions and Khyber Agency's political agent over the forced retirement of a naib subidar. This stopped officials from taking any further action against the petitioner.

Advocate Aminur Rehman informed the court his client Amjid Ali had been serving as a naib subidar in the agency and was 39 years old. The retirement requirement age for the post is 55. Rehman claimed that Ali had received an order from the political administration to retire from December 31. He added the

administration had told his client he was temporarily promoted to the post of naib subidar from that of a hawaldar. Rehman claimed that even if his client was being forced to retire from that, then the retirement requirement age for a hawaldar was 43.

The court heard the preliminary arguments, accepted a writ petition and sought reports from the political agent and ministry. –
Courtesy The Express Tribune

Plan to phase out tax relief finalised: SROs list readied

The government Thursday finalised the list of Statutory Regulatory Orders (SROs) and exemptions granted through federal tax laws to curtail the existing cost of exemptions in income tax, sales tax, customs and federal excise duty (FED) from over Rs 450-500 billion to a reasonably low level in 2013-14.

Sources told The Finance Minister Ishaq Dar chaired a high-level meeting at the FBR House to review concessionary regime granted through SROs, notifications and fiscal laws of direct and indirect taxes. The FBR Chairman, Secretary Finance, Secretary Commerce and senior officials of National Tariff Commission (NTC) and ministries gave their input on the concessionary regime during the detailed meeting. The final plan would be presented before Prime Minister Nawaz Sharif for execution to withdraw exemptions in a phase-wise manner.

Top officials of Finance Ministry and the FBR jointly reviewed the impact of concessionary SROs in the light of specific suggestions made by officials of Commerce Ministry and NTC.

Sources said that the cost of sales tax exemption is around Rs 242 billion, customs duty nearly Rs 161 billion and if cost of income tax exemptions comes to over and above Rs 50 billion, total cost of exemptions cross Rs 500 billion. So far, the estimated cost of income tax exemptions stood at over Rs 31 billion. Similarly, exemptions and concessions of the excise duty for specific sector is also causing revenue loss. The actual cost of exemptions is much higher as compared to the tax expenditures of Rs 239.5 billion mentioned in the Economic Survey (2012-13).

This huge cost of exemptions to the tune of Rs 450-500 billion can only be reduced by withdrawing sales tax and customs duty exemptions where cost of exemptions is Rs 242 billion and Rs 161 billion respectively.

The committee on concessionary regime reviewed the SROs, Sixth Schedule of the Sales Tax Act 1990 and Second Schedule of the Income Tax Ordinance 2001 to identify exemptions to be withdrawn in future. The withdrawal of exemptions under SROs and amendments through Sales Tax Act 1990 and Income Tax Ordinance 2001 would be simultaneously done in a systematic manner, sources added.

Under the three-year plan to phase out exemptions, some exemptions may be withdrawn from January 2014. Certain exemptions would be taken away in next federal budget (2014-15). The remaining exemptions would be taken away in subsequent two fiscal years. However, the plan would be finalised by December 31, 2013 to withdraw unnecessary sales tax concessions and exemptions.

Sources said that the committee has also identified all such SROs which are creating distortions in the taxation regime. The committee also reviewed all such SROs for possible withdrawal along with the impact of each of the notification on relevant taxes. The committee finalised the SROs causing revenue loss to the national exchequer and distorting the entire taxation regime.

Taking into account the observations of Ministry of Finance, Commerce Ministry and NTC, the FBR reviewed the list of SROs and exemptions/concessions. On approval of the plan to withdraw exemptions, senior officials of Finance Ministry and the FBR would give presentation to Prime Minister Nawaz Sharif in next 1-2 days.

Sources said the sensitivity of the issue to withdraw exemptions can be judged from the fact that the matter would be taken up to the highest level of Prime Minister for approval.

The major sales tax concessionary SROs in 2012-13 were SRO.727(I)/2011 (plant and machinery); SRO.549(I)/2008 (zero percent sales tax on specific goods); SRO.811(I)2009 (zero-percent sales tax on polyethylene and polypropylene); SRO.575(I)/2006 (machinery, equipment, apparatus and items including capital goods); SRO.492(I)/2009 (temporary imports); SRO.551(I)/2008 (exemption from sales tax on imports of certain goods); SRO.863(I)/2007 (zero-rating of specific goods); SRO.69(I)/2006 (levy of sales tax on rapeseed) and Sixth Schedule of the Sales Tax Act, 1990.

It was also discussed to reduce the number of concessionary Statutory Regulatory Orders (SROs) regarding customs duty and

allow reduced rates/duties under Pakistan Customs Tariff (PCT) to end disputes related to interpretation of SROs. There are certain exemptions and concessions of customs duty which are available in the SROs as well as under the PCT. The availability of the tariff concessions under the PCT would end the disputes on calculation of customs duty through interpretation of SROs. Secondly, it will bring simplification in the customs duty regime.

There are SROs which also provide industry specific concessionary/reduced rates of customs duty. As a policy measure, the FBR wanted to reduce the number of such SROs. The exemptions and concessions available under the SROs would be shifted to the PCT so that the reduced rates will be available under standard tariff regime.

Instead of giving concessions through the SROs, it would be more appropriate to bring all such concessionary items under the relevant headings of the Pakistan Customs Tariff. – *Courtesy Business Recorder*

‘Political will needed to curb under-invoicing, smuggling’

Chief Collector Customs Lutfullah Virk has said that administrative action, fiscal measures and above all political will are needed to curb under-invoicing and smuggling that are the biggest threats to the economy. He was speaking at the Lahore Chamber of Commerce and Industry (LCCI) on Thursday.

LCCI President Engineer Sohail Lashari, Vice President Kashif Anwar, former presidents Iftikhar Ali Malik, Mian Anjum Nisar, former vice presidents Aftab Ahmad Vohra, Shafqat Saeed Paracha and executive committee members were also present on the occasion.

The Chief Collector Customs said that the menace of smuggling/under-invoicing was not only eating up huge government revenue but also hitting the genuine businessmen very hard and a number of anti-smuggling measures are afoot to tackle this issue.

Lutfullah said that the Customs Department is a bridge between Federal Board of Revenue and the private sector, therefore, all the genuine demands of the business community would be addressed. About the complaints of valuation, the Customs Chief clarified that review provision was the best tool to deal with wrong valuation, therefore, the LCCI should activate its valuation committee by inducting more professionals in it.

The Customs Chief said that it was heartening to note that no organised duty evasion or misdeclaration was found in Lahore and its revenues registered a surge of 28 per cent for, which the credit goes to the private sector.

He said that the Customs department always needed business community feedback, therefore, the Lahore Chamber should strengthen its liaison with customs officials.

When his attention was drawn towards dilapidated condition of the T10 section of the Railway Station and the challenges being faced by the business community while dealing with NLC, Lutfullah Virk said that he would look into the issues to get them resolved at the earliest. Over the issue of DTRE, the Customs Chief said he has given necessary directions to the concerned officials to resolve the issue.

LCCI President Sohail Lashari and Vice President Kashif Anwar urged the Customs Chief that the up-country businessmen should be taken on board while determining the value of the goods as the higher valuation of goods and raw materials is not only jacking up cost of doing business in the country but encouraging corruption and smuggling.

The LCCI office-bearers said that undue interference of Customs Intelligence officials into the smooth running of businesses was not only creating troubles for private sector but was also adversely affecting the revenues, therefore, a mechanism should be adopted to put this practice to an end.

They urged the Chief Collector Customs to ensure that any action taken by the Customs Department should not be against the interests of the business community who are major contributor towards the national exchequer.

They also urged the Collector Customs to convene, at the earliest, the meeting of the committee constituted by the Ministry of Commerce under the headship of Customs Collector comprising members from NLC, Rangers, National Bank of Pakistan, TDAP and an LCCI nominee in order to improve the day-to-day working at the Wahga Border.

They said that it was very unfortunate since the constitution of the committee, no meeting had been called.

Kashif Anwar said that the Lahore Chamber had received a number of complaints from its members that consignments for exports are damaged during the forwarding process and importers

often complain about receipt of less quantity than mentioned in the packaging list, invoice, therefore, a probe should be launched to stop this wrong doing. – *Courtesy Business Recorder*

Steel sector businessman arrested for ST evasion

Regional Tax Office (RTO) Lahore has arrested an influential and powerful businessman in steel sector for his alleged involvement in sales tax evasion to the tune of Rs 100 million. Official sources told here on Thursday that an FIR has been registered against the accused and judicial remand has been obtained from the magistrate against the alleged tax evader.

Further investigation is underway which would result in arrest of more persons in steel sector involved in tax frauds. Details of the case revealed that the accused had been hoodwinking all kinds of Inland Revenue (IR) set-up in Lahore. It is learnt that he is either front man or advisor to chronic sales tax evaders in steel sector or operating with different business names. Interestingly, he is said to be a close relative of some officer of IRS in Lahore. Sources further disclosed that in last meeting of Special Steel Committee appointed by Finance Minister one of the persons from the committee was critical of not putting hands on this influential accused. It was learnt that the department was already working on this person and discovered that the person had been running different concerns in the steel sector (steel melters or re-rollers).

RTO Lahore during exercise regarding crackdown on tax evaders in steel melting and re-rolling sector decided to take such persons to the task irrespective of their financial or political clout. The team of RTO Lahore diligently worked and found that this person apart from working as a front man for different tax evaders in the steel sector is running concerns in his name which alone committed tax fraud of Rs 100 million. – *Courtesy Business Recorder*

Provincial Excise & Taxation Departments to be linked with FBR Databank

The Federal Board of Revenue (FBR) is planning to link all four Provincial Excise & Taxation Departments with the FBR Databank to electronically collect motor vehicles data for registration of vehicle owners and maintaining withholding tax deduction data.

Sources told here on Thursday that the initiative has been taken by Chief Executive Officer (CEO) Pakistan Revenue Automation Limited (PRAL) to ensure electronic transmission of data from the Provincial Excise & Taxation Departments to the FBR. Formal approval of the tax authorities have been obtained for implementation of the plan. Senior Manager Operations PRAL Karachi, Lahore, Islamabad, Peshawar and Quetta would meet the Provincial Excise & Taxation Departments to finalise modalities to establish electronic linkage between the provincial departments and the FBR.

Details revealed that the issue of motor vehicle registration-electronic transmission of data to FBR was discussed threadbare during the last meeting of the Chairman, FBR with Secretaries, Provincial Excise & Taxation Departments, at the FBR House on November 27, 2013. A consensus was developed among the stakeholders to electronically maintain data of the newly registered vehicles for documentation as well as deduction of tax purposes. It was also agreed that the FBR will obtain an electronic link with the Provincial Excise & Taxation Departments to facilitate broadening of tax-base exercise.

CEO PRAL has directed its field formations to visit the Director General, Excise & Taxation Department of the respective Province/Islamabad Capital Territory, Islamabad and conduct a study regarding electronic communication of motor vehicles data from the respective Excise & Taxation Department to FBR with a view to ensuring that the data can constitute the monthly withholding tax statement and may be useful for computation of tax deducted.

The FBR has already informed the Provincial Excise & Taxation Departments about the withholding income tax rates on registration of new locally manufactured vehicles and withholding tax collected along with motor vehicle tax on old ones under section 234 & 231B of Income Tax Ordinance, 2001.

Through Finance Act, 2013 the rates of adjustable advance tax collected by every motor vehicle registering authority, at the time of registration of new locally manufactured motor vehicle have been revised. As per section 234 of the Income Tax Ordinance, 2001 any person at the time of collecting motor vehicle tax shall also collect advance tax at the rates specified in Part IV of the First Schedule. If the motor vehicle tax is collected in instalments, the advance tax shall also be collected in instalments. – *Courtesy Business Recorder*

Exemptions phaseout plan: SROs on commodities, pharma to be retained

The government has decided to do away with all the SROs that provide exemptions to various sectors, except those pertaining to essential commodities, goods and pharmaceuticals from the fourth quarter of the current fiscal year, it is learnt. Sources said the meeting chaired by Finance Minister Ishaq Dar and attended by the senior officials of Federal Board of Revenue ran through the entire list of SROs that were issued by successive governments to provide exemptions to various sectors.

The items have been categorised for withdrawal of exemptions under the phase-wise plan for sales tax, income tax and customs duty and the first phase will be implemented from April 1, 2014. The Finance Ministry has to deal with exemptions to meet one of the performance criteria of the International Monetary Fund under \$6.64 billion Extended Fund Facility. It is expected that the plan would be submitted to the IMF for consideration.

FBR Chairman Tariq Bajwa informed the meeting about the efforts to achieve the revenue targets projected in the budget for the current fiscal year. He also briefed the meeting on a plan being prepared by the FBR for withdrawal of Statutory Regulatory Orders (SROs). A detailed discussion was also held on the existing SROs issued for concessions in income tax, customs and sales tax.

The chairman informed the Finance Minister that the plan would be finalised under the broad guidelines discussed during the meeting by December 31, 2013. The meeting was attended by Secretaries Finance and Commerce, Advisor on Finance/Senior officials of FBR, Finance and National Tariff Commission.

When contacted, sources said the Second Schedule (Exemption Schedule) of the Income Tax Ordinance, 2001 needs to be seen within the context of the exemptions granted under different government policies and commitments. For example, income tax exemption has been granted to the Independent Power Producers (IPPs) under the sovereign guarantees and commitment of the government of Pakistan. It is not possible to withdraw such income tax exemption given under sovereign guarantees. Similarly, exemption on pensions cannot be withdrawn. The retired persons are drawing pensions and the same cannot be withdrawn under government policy. At the same time, exemptions are available to any profit on debt derived from foreign currency accounts and profit on debt derived from a rupee account held with a scheduled

bank in Pakistan by a citizen of Pakistan residing abroad, where the deposits in the said account are made exclusively in foreign exchange remitted into the said account.

However, NPOs are exempted from tax but this does not mean that they cannot operate as withholding agents. There is a need to tighten tax laws for the NPOs to ensure that they should properly deduct tax and deposit the same in the exchequer. The NPOs have to operate as withholding agent for deduction of tax, wherever applicable. The FBR will propose enforcement measures to strictly regulate the NPOs for withholding tax purposes.

Thus, all such essential income tax exemptions need to be retained in future as per government policy. Sources added that the SROs providing exemptions/concessionary rates of sales tax and customs duty for essential commodities and items would be brought to the Sixth Schedule of the Sales Tax Act, 1990 or Pakistan Customs Tariff (PCT) under the plan to do away with the SROs.

Sources told here on Friday that at present, only very essential SROs are governing the exemption regime. The concessionary or exemption SROs pertaining to sales tax and customs duty would be rescinded under the plan. For this purpose, the first step is to rescind the relevant SRO. However, if the SRO contains essential commodities and items, the location of the items or commodities would be changed from sales tax SRO to Sixth Schedule of the Sales Tax Act, 1990.

In this way, the SRO would be rescinded and items would be shifted to the Sales Tax Act without bringing any change in the rate of sales tax. Secondly, if the SRO is related to the customs duty, the items would be shifted to the Pakistan Customs Tariff. The items subjected to the concessionary rate of customs duty would be transferred from the SRO to the PCT with the same rate. Thus, the whole exercise would not have any major revenue implications. Sources said it has also been agreed to rescind Pakistan Customs Tariff headings mentioned in the SROs of items, which are not in use. Such kind of items subjected to the concessionary rates of duty would be transferred from the SROs to the PCT. – *Courtesy Business Recorder*

Provisional figures: Rs 937.450 billion revenue collected till December 27

The Federal Board of Revenue has provisionally collected Rs 937.450 billion during July-December 27 (2013-14) against Rs

794.483 billion in the corresponding period of 2012-13, reflecting a growth of 17 percent. According to the revenue collection figures compiled by the FBR here on Friday, the collection of domestic taxes stood at Rs 835.985 billion during July-December 27 (2013-14) against Rs 694.993 billion in the same period of last fiscal, showing an improvement of 20.3 percent.

The direct taxes collection amounted to Rs 314.956 billion during this period against Rs 264.392 billion in July-December 27 (2012-13), showing a growth of 19 percent. The provisional sales tax collection was Rs 466.316 billion during July-December 27 (2013-14) against Rs 379.910 billion in the corresponding period of 2012-13, reflecting an increase of 22 percent. Sales tax collection on imports amounted to Rs 238.647 billion against Rs 202.318 billion, showing an increase of 18 percent. Sales tax collection on domestic consumption was Rs 227.669 billion against Rs 177.591 billion, reflecting an improvement of 28 percent.

The customs duty collection was Rs 101.465 billion during July-December 27 (2013-14) against Rs 99.850 billion, showing an improvement of 11 percent. The collection of federal excise duty (FED) was Rs 54.713 billion during the period under review against Rs 50.691 billion in the last fiscal, reflecting an improvement of 7 percent.

The FBR has paid refunds and rebates to the tune of Rs 48.823 billion during the period under review against Rs 39.419 billion in the same period previous fiscal, showing a decrease of 4.4 percent. The monthly collection in first 27 days of December 2013 was Rs 137.574 billion against Rs 108.992 billion in the same period of 2012, depicting an increase of 26.2 percent. Direct taxes collection was Rs 43.971 billion against Rs 31.890 billion, showing an increase of 37.9 percent. Sales tax collection was Rs 71.355 billion against Rs 56.734 billion, reflecting an increase of 25.8 percent. The collection of the FED was Rs 8.378 billion against Rs 7.667 billion, depicting a growth of 9.3 percent. The customs duty collection was Rs 13.871 billion against Rs 12.701 billion, showing an improvement of 9.2 percent. – *Courtesy Business Recorder*

Customs asks US to provide details: military equipment stolen from Nato/Isaf reverse cargoes

The customs department has approached the US authorities seeking description of military equipment stolen from Nato/Isaf reverse cargoes in Karachi, it is learnt on Friday. According to sources, the

customs department has sent a letter to the US authorities asking for details of the military equipment stolen from Nato/Isaf reverse cargoes as the department appears clueless about the nature of equipment, sources told BR on a condition of anonymity.

A team of Customs Preventive during a raid at the yard of the authorised bonded carrier 'M/s Water Link Pakistan (Pvt) Ltd' on December 7, 2013 recovered auto parts of Armoured Personnel Carrier (APC), which were being offloaded from Nato/Isaf retrograde container No: LMSU 1400780. Customs officials had also found two more Nato/Isaf containers - USAU-2059417 and MBIU-8260838 - which were filled with sandbags by unscrupulous elements after stealing all the sophisticated military equipment.

The sources added that after lapse of over 20 days, the customs department was still unable to recover sophisticated equipment stolen from these two containers. Therefore, the department has now approached the US authorities. Replying to a question, the sources said: "Although Pakistani government has restricted the US and Nato/Isaf forces not to transport lethal military equipment through Pakistani soil, we have no idea whether they are following these instructions or not." "The possibility of arms and ammunition in the reverse cargos could not be ruled out," sources added.

"Presently, we have not reached any logical conclusion in the case as we are waiting for the US authorities' response," sources said. Needless to mention, Customs Preventive had received a complaint against M/s Water Link. The complaint accused the company of illegally opening Nato/Isaf retrograde containers by removing rivets from the doors of the containers and then stealing Nato/Isaf military equipment without touching the seal and re-riveting containers.

Reacting to this, a team of Customs Preventive officers had raided the yard of the company to verify the claim of the complainant. During raid, customs had found three Nato/Isaf reverse cargoes, all sophisticated military equipment from two of three containers had been de-stuffed, but they had recovered auto parts of APC from the container. – *Courtesy Business Recorder*

Corporate return filing: banks open till 9pm on 30th, 31st

To facilitate the corporate return filers, the government has made special arrangements to receive tax payments for Tax Year 2013 at banks till 9pm on December 30-31, 2013. In this regard, the Federal Board of Revenue (FBR) has issued instructions to the

Chief Commissioners of the Large Taxpayer Units (LTUs) and Regional Tax Offices (RTOs) on Friday for collection of returns Duties/Taxes on 30th and 31st December, 2013.

According to the FBR instructions, the last date for filing of income tax returns for corporate taxpayers and closing of second quarter (October-December) is December 31, 2013. The designated bank branches of State Bank of Pakistan and National Bank of Pakistan will remain open as under: State Bank of Pakistan, December 30-31, 2013 till 05:00 pm. National Bank of Pakistan, December 30-31, 2013 till 09:00 pm.

However, State Bank has made special arrangements that all payment received/deposited till 08:00 pm up to December 31, 2013 be cleared on the same date. All LTUs/RTOs including Tax Facilitation Kiosks and Tax Facilitation Centre (TFCs) will remain open on 30th & 31st December, 2013 up to 9pm for receiving of tax returns and collection of duties/taxes, FBR maintained. Chief Commissioners Inland Revenue have been directed to submit a report on returns/statements; No of Income Tax Returns/Statements received up to 29th December, 2013; No of Income Tax Returns/Statements received on 30th and 31st December, 2013 and tax paid along with Returns/up to 29th December, 2013. Tax paid along with Returns on 30th and 31st December, 2013, the FBR added. – *Courtesy Business Recorder*

FBR clarification

The official spokesman of the FBR has clarified that reports circulating in various sections of the press regarding discrepancies in the tax declarations of the parliamentarians are not released by FBR. Reports have recently surfaced in the press wherein it has been claimed that the income and tax declared by various parliamentarians were contradicted by the FBR. FBR's official spokesman has clarified that these reports may have been individually worked out by various persons and as a source FBR has not been used in these reports.

The spokesman of the FBR clarified that during the Elections 2013 the FBR, along with SBP and NAB, was asked by Election Commission of Pakistan (ECP) to verify the credentials of the contesting candidates. The FBR only shared information regarding the income declared and tax paid by the contesting candidates for the three immediately preceding tax years ie 2010, 2011 and 2012 on the format devised by the ECP. However, this information was

posted by the ECP on its website. Subsequently, the ECP also posted the nomination papers of the contesting candidates on its website. The reports circulating in the press are probably based on the analysis of the above information which has been taken from the website of the ECP.

The official spokesman further clarified that FBR had placed stringent security checks on the data available on its database due to which there was virtually no possibility of leakage of information. It has therefore been categorically pointed out that no leakage of official data/information available in the FBR database has taken place and the data given in the reports circulating in the press was in all likelihood based on information available on ECP website. – *Courtesy Business Recorder*

NIFT to provide special clearing facility on December 31

In order to facilitate the tax collection, NIFT will provide special clearing facility on December 31. According to the State Bank of Pakistan (SBP) BPRD Circular Letter No 34 of 2013, in terms of Federal Board of Revenue (FBR) request, it has been decided that in order to facilitate the collection of taxes, NIFT will provide special clearing facility on Tuesday (December 31).

Therefore, banks are advised to open their related clearing branches on December 31, (Tuesday) till such time that is necessary to facilitate special clearing by NIFT only for collection of taxes/duties to be held at 8:00pm on December 31. – *Courtesy Business Recorder*

C.No.4(3)ST-L&P/2011-170724 Islamabad, the 19th December, 2013

SALES TAX GENERAL ORDER NO. 55/2013

Subject: **Amendment in STGO 16/2007 dated 13-09-2007 – allowing facility of zero-rating on supply of gas.**

In exercise of the powers conferred by clause (d) of section 4 of the Sales Tax Act, 1990, the Federal Board of Revenue is pleased to make the following further amendments in its Sales Tax General Order No. 16 of 2007 dated 13th September, 2007, namely:–

In the aforesaid General Order, in the Table, against serial numbers 484 and 846 in column (1), in column (2), for the words “**Naqshbandi Industries Limited**” the words “**Feroze 1888 Mills Limited**” shall be **substituted**;

C.No.4(3)ST-L&P/2011-171881 Islamabad, the 20th December, 2013

SALES TAX GENERAL ORDER NO. 56/2013

Subject: **Amendment in STGO 16/2007 dated 13-09-2007 – allowing facility of zero-rating on supply of gas.**

In exercise of the powers conferred by clause (d) of section 4 of the Sales Tax Act, 1990, the Federal Board of Revenue is pleased to make the following further amendments in its Sales Tax General Order No. 16 of 2007 dated 13th September, 2007, namely:–

In the aforesaid General Order, in the Table, –

- (a) after S.No. 100 in column 91), in column (4), after the figure “1118896680(5)” the figure “5711831000(2)” shall be **added**;
- (b) after serial number 1021 in column 91) and the entries relating thereto in columns (2), (3) and (4), the following new serial numbers and the entries relating thereto shall be **added**, namely:–

S #	Name of Unit	Registration No.	Consumer No.
1022	M/S T.F. Apparel	1200620065373	4827339526(8)