

TAXATION

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This special email service from Monday to Friday, part of subscription package, is aimed at keeping you informed about tax and fiscal matters. It contains news, legislative changes, case-law, in-depth articles and analyses covering all areas of taxes at domestic and international level. On every Saturday evening, we email weekly compilation of the entire material. Every month, *Taxation* in printed form, is sent through post and digital version of *Tax Review International* is made available for download at www.huzaimaikram.com.

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STATUTES

S.R.O. 968(I)/2013, dated November 06, 2013.

SECP Circular No. 21 of 2013, dated November 08, 2013.

Sales Tax General Order No. 47 of 2013, dated November 21, 2013.

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No.PRA/Caterers.21/2012, dated November 25, 2013.

Income Tax Circular No. 13 of 2013, dated November 27, 2013.

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Kind regards

Mrs. Huzaima Bukhari

Editor

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Afghan trade

by
Nafeesa Hashmi

Afghanistan has evolved to one of Pakistan's top three trade partners. The volume of bilateral trade between the two countries has increased manifold during the last few years and has increased from US \$1110.9 million in 2005-06 to US \$2.4 billion in 2011-12. Exports from Pakistan to Afghanistan have increased from US \$1063.4 million to US \$2449 million during the said period. Main exports include pharmaceutical products, foods, textile, petroleum products and building material. Pakistan also represents a major export market for Afghan products, with roughly about US \$71 million exported to Pakistan every year, equal to 21.8 percent of all Afghan exports. Much of Afghanistan's exports are raw materials, which are processed or used in manufacturing in Pakistan. Apart from the formally recorded flows there is also evidence of a large-scale informal trade between the two countries.

Afghanistan-Pakistan Transit Trade Agreement (APTTA) was signed in 2010. APTTA allows Afghan trucks to carry Afghan products to the huge markets of India and China as well as the rest of the world through the seaports of Karachi, Port Qasim and Gwadar. In July 2012, Afghanistan and Pakistan agreed to extend APTTA to Tajikistan as first step for establishment of North-South trade corridor. The trade between Pakistan and Afghanistan is expected to reach \$5 billion by 2015.

The two states also signed an MoU on the construction of rail tracks in Afghanistan to connect with Pakistan railways which has been in the making since at least 2005. According to APTTA, the entry points for the Afghan trade cargo into Pakistan are Karachi Port and Port Qasim. The exit points are Torkhum in Khyber Pakhtunkhwa (KP) and Chamman in Balochistan.

Other than these two existing trade routes, a third proposed trade route is still under discussion. The proposed third trade corridor is a three-branched route originating from Karachi and ending in Kabul. APTTA stimulated employment and business inside Pakistan as services and logistical businesses support to Afghan trucks. Afghan freight forwarders and transport operators are also allowed to establish business in Pakistan to support trade and transit activities.

Historically, Afghanistan has been a major trading partner of Pakistan. Following the Soviet invasion of Afghanistan in 1979, and the subsequent period of civil war, formal trade between Pakistan and Afghanistan ceased but informal trade between the two countries remained substantial. Since the end of Taliban regime in 2001 and resumption of normal trade relations, documented trade between the two countries has expanded rapidly. Between 2002 and 2010, there was a seven-fold increase in Pakistan's exports to Afghanistan.

The US and Nato have been transporting large quantities of logistic goods to Afghanistan for sustenance of their troops and conduct of operations. Since Pakistan afforded an easy access to Afghanistan, so it was an obvious and convenient choice for the US and Nato forces to transit its military equipments, reconstruction material and logistic cargo to Afghanistan via Pakistan. For sustaining the force in a land-locked Afghanistan, the US and Nato needed to import a wide range of materiel into Afghanistan, the bulk of which routed through the port of Karachi.

Businessmen and common people who are attached with trade and business activities across Afghanistan and Pakistan are generating handsome profits though there are few complications involved like insecurity, corruption and poor road infrastructure. By removing the barriers both government and businesspeople can get maximum profit. Most people in KPK and Balochistan are dependent on trade with Afghanistan.

Another major issue is the smuggling of goods and commodities which is harming the formal trade. Additionally the volatile security in Afghanistan is a huge obstacle for trade. Traders are worried about this issue also. After the start of withdrawal of Nato forces from Afghanistan, that is due to end by the close of 2014, major trade of Nato goods between Afghanistan-Pakistan will be closed and only civilian trade will be left. There is an estimate that currently 17 percent cargo moving to Afghanistan through Pakistan is Afghan Cargo (Non Commercial which pertains to humanitarian aid) and 83 percent is Nato cargo.

The post-2014 US exit scenario presents opportunities and challenges for Pakistan-Afghanistan relations. If we look at the opportunities, the reconstruction in Afghanistan is major opportunity for Pakistani industrialists. All other goods and service sectors will also be able to take benefit of this. And if we look at the challenges, the major challenge will be insecurity that will adversely affect trade.

Pakistan is already facing economic problems and losing transit trade with Afghanistan that will harm its economy. Pakistan and Afghanistan have great prospects to cooperate not only in the fields of politics and security but also in the fields of trade and economy. The question is: how can we safeguard the trade between Afghanistan-Pakistan after the exit of Nato forces?

Recuperate tax justice system

by
Huzaima Bukhari & Dr. Ikramul Haq

The existing tax appellate system—hopelessly redundant, painfully unproductive and marred with inefficiency and inordinate delays—needs complete restructuring so that fiscal disputes between the State and taxpayers get settled within a year at the latest. The 4-tier
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appeal system under the tax laws—direct and indirect—consumes so much time for final settlement that the very purpose of seeking remedy becomes infructuous—justice delayed is justice denied aptly applies to the existing tax appellate system. The government has wasted billions of rupees—large sums of money borrowed from the World Bank and other donors—for the ill-directed tax reforms (sic), but no effort has been made to revamp the ailing tax appellate system for rapid disposal of tax disputes and reduction in unnecessary litigation.

Tax system should be credible and equitable—as is the case in UK where out of population of 60 million, 30 million file income tax returns and hardly 20 appeals go to the level of high court—the system is highly credible and not susceptible to undue litigation wasting precious time and money of the State and taxpayers alike. Latest data released by Her Majesty Revenue and Customs shows the number of people liable for the 40 and 50 per cent tax rate has increased from 3.25 million in 2010-2011 to 4.13 million in 2012-13. Their share of the income tax burden has risen from 54.2 per cent in 2010-11 to 61.3 per cent in 2012-13. The wealthiest one per cent of taxpayers, nearly 300,000 people who earn more than £150,000 a year, are shouldering 26.5 per cent of the income tax burden. In Pakistan, in 2012 only 10280 non salary individuals (business and professional individuals) declared Income exceeding one million rupees whereas 63,500 salary individuals declared this level of taxable incomes.

Presently, the following four-tier appeal process is in vogue under the direct and indirect tax codes (we have made analysis of existing conditions and suggested ways for restructuring):

1. A taxpayer, if aggrieved, files an appeal against the order of the Taxation Officer/Assistant Collector of Customs/Sales Tax before the Commissioner of Appeals/Collector Appeals who works under the administrative control of Federal Board of Revenue (FBR). It is a travesty of justice that he has to seek relief from the departmental authorities. How can FBR-controlled men do justice? They act as helping hands for their brothers in service for collection of irrational and harsh demands to meet budgetary targets. They do give relief but when the case is undoubtedly in favour of the taxpayer, but even for this “favour” appellant has to “oblige”. The Annual Confidential Reports (ACRs)—vital for further promotion in the service—of these “appellate” (sic) authorities are written by their bosses in FBR. Due to this constraint, they cannot impart justice even if they want to do so. **The first-tier of appeal in view of this fact alone should be abolished immediately.**
2. The next tier is the Appellate Tribunal Inland Revenue and Customs Appellate Tribunal. The Appellate Tribunals (dealing with direct and indirect taxes) are under the Ministry of Law

which is against the principle of "independence of judiciary". Working as single, double or full (in special cases) benches, members are chosen from the legal fraternity or judicial services (Member Legal) and the tax department (Member Account/Technical Member). Member Accounts/Technical Members work with heavy heart as they are sent against their consent. They are the "dumped ones"—not liked by the Department hence condemned to go on deputation to Tribunal. A Judicial Member's salary is even lower than that of a civil judge. Why should he work in such pathetic conditions? Tribunal is the final fact-finding authority and no further appeal lies to the High Court unless question of interpretation of law is required. Such an important forum dealing with federal statutes is financially dependent on Ministry of Law. The status of Tribunal should be that of Federal Tax Court (see text in *Business Recorder*, August 23/24, 2013) and appeal against its decisions should go directly to the Supreme Court as is the case with Service Tribunal. The existing Income Tax and Customs Tribunals should be merged and renamed as National Tax Court. The right of intra-court appeal should be provided and then final appeal under Article 185 should lie with the Supreme Court. Judges for national Court should be recruited in the same manner as judges of the High Courts with Chief Justice of Pakistan—under whose administrative control they would be—the final say in the selection.

3. Tax codes are federal statutes but references against the orders of the Tribunals go the High Court that work within the provinces. A person filing reference in Lahore High Court may get a different order on an identical issue filed in Sindh High Court. On identical issues, there is no certainty of uniform orders at the level of High Courts. It is therefore, better to establish National Tax Court directly under the Supreme Court. Presently thousands of tax references are lying in the High Courts of the country. It takes years and years at this forum for taxpayers to get to get the first hearing—what to talk of final decision that may take more than ten years.
4. The final court of appeal—as for all other matters—is the Supreme Court that ends the tumultuous journey of FBR or taxpayer on any disputed legal issue requiring the interpretation of law. If National Tax Court is established by just elevating the status of the Income Tax and Customs Tribunal, there will be drastic reduction in litigation—the National Court at its own can also elicit the opinion of the apex court on any important legal issue settling the controversy without proliferation of appeals on the same issue.

The existing 4-tier tax appeal system—marred with inordinate delays—is also expensive. The taxpayers and FBR spend enormous money on issues that can be solved easily through mutual agreement procedure. The office of Tax Ombudsman—once headed by able persons like Justice Saleem Akhtar—can be utilized for this purpose [ref. section 33 of the Federal Ombudsman Ordinance]. Unfortunately, the important office of Tax Ombudsman is now headed by an ex-bureaucrat! This is how government intentionally destroys an established institution that passes strictures against its highhandedness. Now FBR has itself become de facto adjudicator through the process of alternative dispute resolution whereas this should be the exclusive domain of Tax Ombudsman.

How tax cases are decided in our country can be illustrated in the light of Supreme Court's decision in the case of *Assistant Collector of Central Excise & Land Customs v. Mst. Siddiqan Afzal & Others* 2008 PTR 34. This is a classical case of inefficiency and apathy on the part of the tax department and inordinate delay in dispensation of justice in Pakistan. The honourable apex court after taking into account the legal and factual position held:

“Show cause notice to owner was issued after fifteen years of seizure of gold and eight years after coming into force of the Customs Act, 1969, gold now become liable to be returned to owner after two months of coming into force of Customs Act, 1969 as no notice was issued within the time prescribed.”

For this act of blatant maladministration tax department in any civilized society would have been taken to task by asking to pay substantial pecuniary damages to the family. The accused passed away during litigation and his widow was unnecessarily and compulsively dragged in a long-drawn legal battle, which must have not only been costly but also agonizing for her in terms of time consumed. This exposes the efficacy of our tax judicial system. One wonders if it really should be called a “judicial system” where proceedings started in 1963 were ultimately settled in 2007.

Another such instance is the case of *Crescent Distributors v. Customs, Excise & Sales Tax Appellate Tribunal & Others* (2009 PTR 52). In the Karachi High Court, a simple dispute relating to whether a particular chemical item was exempt from sales tax or not was eventually decided in favour of the taxpayer after 9 years of struggle! Considering that sales tax law is applied on daily transactional basis it is indeed a pity that it took such a long time for the taxpayer to seek justice for a consignment imported almost nine years back.

Since there are innumerable cases there appears no point in discussing the merits and demerits of the system at this juncture. Finding an appropriate solution is more important rather than mere criticism as with the changing realities there is also an urgent need to revamp the system in such a way that justice is actually done in the shortest possible

time and with the least amount of frustration for the justice seekers, whether taxpayer or tax department.

Without any iota of doubt, the four-tier appellate structure discussed above has become out-dated, ineffective—fraught with innumerable encumbrances. Replacement of the entire system as suggested above—in line with prevailing judicial remedies in other departments of the government—is the only way out. To quote an example, one can easily refer to the Civil Service Act of 1973 under which government employees can approach the Services Tribunal to settle all the disputes pertaining to their service matters. Appeal against any order of the Service Tribunal lies directly to the Supreme Court. This should also be the case for tax matters. There should only be direct appeal to Tribunal (should be renamed as National Tax Court) with the right of intra-court appeal and then direct appeal before the Supreme Court.

It may be noted that 65% of the appeals in tax matters before Tribunals are by the Department. The system can be revamped by introducing the process of e-filing with the departmental appeals which may later be made optional for the taxpayers as well. Eventually, this will help in achieving a paperless Tax Court which will add to its efficiency and speed.

If the tax appellate system is redesigned on two-tier appeal system (National Tax Court and Supreme Court), the following advantages will emerge:

- Post of the Commissioner/Collector Appeals will stand abolished and their services will be utilised in the field where there is scarcity of officers.
- Direct appeals will be filed in National Tax Court having registry offices all over Pakistan (present offices of Income Tax & Customs Appellate Tribunals could be utilised and more can be opened). In this way, taxpayers will face no difficulty in going to far flung areas.
- Order of a bench of National Tax Court can be assailed by filing intra-court appeal.
- Against the order in intra-court appeal one can go directly to the Supreme Court where leave to Court is a prerequisite for admission.
- Taxpayers as well as the department will be relieved of the burden of pursuing their cases at four different levels.
- Tax authorities will also be relieved of passing biased judgements and worrying about the future of their careers.
- Tribunals after conversion into National Tax Court and selection of judges by the Supreme Court will be better equipped to give quality and speedy decisions.

- The High Courts would be relieved of the continuously rising number of tax cases that remain undecided for many years because of the huge pendency of other civil and criminal cases and non-availability of specialised tax judges.
- If the above reforms are implemented, there will be very few tax cases going to the apex court as only those will be heard where leave to appeal is granted in which important issues of legal interpretation are involved.

Tax Appellate system—like all other judicial institutions—should be independent in the true sense of the word. The honourable apex court of Pakistan has elaborated this principle in *Government of Baluchistan v Azizullah Memon* PLD 1993 SC 31 by holding that “**separation of judiciary from executive is the cornerstone of independence of judiciary**”. This should be equally applicable to tax appellate fora.

The right of access to justice to all is a well-recognized inviolable right enshrined in the Constitution of Pakistan—it means “the right to be treated according to law, the right to have a fair and proper trial and right to have an impartial court or tribunal”. Justice in tax matters, therefore, can only be done if there is an independent judiciary which shall be separate from executive and not dependent on it—PLD 1982 SC 146. It is imperative that the status of Income Tax and Customs Tribunals should be that of National Tax Court directly under the Supreme Court. This alone can ensure speedy, satisfactory and reliable settlement of tax disputes leading to credibility of tax system—ultimately achieving the cherished goal of tax-compliant culture. The present structure up to the level of Tribunal—not be independent—is violative of law laid down by the apex court in *Government of Baluchistan v Azizullah Memon* PLD 1993 SC 31. If it is not restructured by the government as suggested above, a petition will be filed in the Supreme Court.

Challenges before new CJP

by

Huzaima Bukhari & Dr. Ikramul Haq

With the appointment of Justice Tassaduq Hussain Jillani as the next Chief Justice of Pakistan from December 12, 2013, on the retirement of Chief Justice, Iftikhar Muhammad Chaudhry, there is enthusiasm in official circles that the “era of undue intervention in civil-military administrative affairs and political arena” will come to an end. It is hoped that Justice Jillani, known as “the gentleman judge” for his mild manner, would maintain focus on rights but “steer clear of intervening in government policy”. It is mentioned in various reports that “Justice Tassaduq Hussain Jillani “avoided the high-profile political cases that Chief Justice Iftikhar Chaudhry revelled in”. Analysts say Justice Tassaduq Hussain Jillani as Chief Justice of Pakistan would prefer

“judicial vigilance” over “judicial populism”. “If the courts fail to maintain this delicate balance, none else but people’s confidence in the judiciary would be the worst victim”, Justice Tassaduq Hussain Jilani observed in a recent ruling.

While the controversies and debates over the role and legacy of out-going Chief Justice, Iftikhar Muhammad Chaudhry, would continue, it is the time that new Chief Justice starts some fundamental reforms in the existing judicial system—‘**Pride and Justice**’, *The News*, October 27, 2013. Our judicial structure, dating back to the British colonial era, has not changed except patchwork of so-called Islamic laws and establishment of Federal Shariat Court by General Ziaul Haq. Two conflicting legal systems have given undue advantage to the police alone for self-aggrandizement rather than serving any useful purpose for dispensation of justice in the real sense of the word. The maxim ‘justice delayed is justice denied’ most aptly describes the essence of our judicial system which desperately needs reforms at all levels.

On August 14, 1947, we inherited a strong and independent judiciary having unquestionable reputation of competence and integrity. Mian Abdul Rashid, the first Chief Justice of Pakistan, was a man of unimpeachable character, who restrained from attending government gatherings and public functions. His successor, Justice Muhammad Munir, for his judgements in Maulvi Tamizuddin case [PLD 1955 Federal Court 240] and few others did become controversial, though his critics seldom realise that it was actually the failure of the political elite that paved the way for recurrent unconstitutional rules for which judiciary could not alone be blamed. One cannot, however, forget some of his great successors like Justice Shahabuddin and Justice A.R. Cornelius, who demonstrated high standards of judicial conduct even in the earlier tumultuous years of our political history.

In post-independence years, the dilemma of our judiciary remained perpetual failure of political leadership as it was approached many a times to determine the validity or otherwise of capturing State power by men in uniform. In *The State v Dosso* [PLD 1958 SC 533], Chief Justice Munir called it a “successful revolution”, but Justice Hamoodur Rehman in *Asma Jilani v Government of Punjab* [PLD 1972 Sc 139] called it “usurpation” of people’s rights. In *Begum Nusrat Bhutto v Chief of Army Staff* [PLD 1977 SC 657] came yet another endorsement of the doctrine of necessity wherein “intervention” was declared lawful “in the best and larger interest of the nation. General Musharraf not only got three years but also the right to amend the Constitution! However, defiance and an emphatic ‘NO’ by Iftikhar Muhammad Chaudhry to same Musharraf, many allege it was a personal affair, changed the entire judicial landscape.

For judiciary, November 3, 2007 was the beginning of a new era. A dictator imposed judiciary-specific martial law—this time the victims were not politicians but the judges. For the first time, it was issue of

survival for those who always sided with men in uniform against politicians. The effectiveness of people's street power that reigned from March 9, 2007 to July 20, 2007, from November 3, 2007 to March 16, 2009—culminated in the second restitution of Iftikhar Muhammad Chaudhry as the Chief Justice of Pakistan on March 22, 2009. As March 16, 2009 brought “justice” for Iftikhar Muhammad Chaudhry, the Supreme Court as an institution conveyed a change of mind in its decision of July 31, 2009 as under:

“Before parting with the judgment, we would like to reiterate that to defend, protect and uphold the Constitution is the sacred function of the Supreme Court. The Constitution in its preamble, inter alia, mandates that there shall be democratic governance in the country, wherein the principles of democracy, freedom, equality, tolerance and social justice as enunciated by Islam shall be fully observed; wherein the independence of judiciary shall be fully secured. While rendering this judgment, these abiding values have weighed with us. We are sanguine that the current democratic dispensation comprising of the President, Prime Minister and the Parliament shall equally uphold these values and the mandate of their oaths”.

The above judgement highlighted the real dilemma faced by Pakistan since its existence—a daunting challenge of establishing true democratic polity based on constitutional supremacy, rule of law and equity. The long military rules—backed by foreign masters—and in between experiments of “controlled democracy” denied the people of Pakistan their sovereign right of self-governance, for which a long struggle was waged to secure independence from the British *raj*. The dictatorial rules stifled all the State organs—especially judiciary that became an approving arm for many unconstitutional rules.

Supreme Court, after restitution of Iftikhar Muhammad Chaudhry started taking up many cases, some using *suo muto* powers, causing panic in many circles. Political polarization diluted valiant common struggle waged by all segments of society, most notably by lawyers, media, social and political activists, for restoration of an independent judiciary. The PPP government alleged that apex court was transgressing its constitutionally-defined limits. Chief Justice, Iftikhar Muhammad Chaudhry, said that if people were not getting their rights, the judiciary was bound to be proactive.

It is undeniable fact that in the post-March 16, 2009 scenario, the Judiciary under Chief Justice Iftikhar Muhammad Chaudhry failed to deliver to the people as no reform agenda was implemented to remove snags in the dispensation of justice. The justice system remained hopelessly redundant, painfully unproductive and marred with inefficiency and inordinate delays. Since March 2009 apex court is in conflict with all other state institutions. There will be a great challenge before Justice Tassaduq Hussain Jilani as the next Chief Justice of

Pakistan—his will retire on July 6, 2014—to restore the “balance” he has openly spoken about. The real goal should be to make the judicial system capable of delivering justice without delays and heavy costs to litigants.

No doubt the apex court and higher courts are constitutionally obliged to curtail arbitrary exercise of powers by any organ of the State as their main role is protection of fundamental rights of citizens under all circumstances. It should remain their first and foremost duty. While maintaining the supremacy of Constitution, a sanctimonious document representing and expressing the supreme will of the people, the court should also ensure quick disposal of conflicts pending with them.

Tragically, our courts are still following the outdated procedures and methods whereas many countries have adopted e-system for filing of cases and their quick disposal through fast-track follow up using the offices of magistrates at grass root levels. The main aim of judicial reforms should be elimination of unnecessary litigation and facilitating smooth running of affairs between the State and its citizens. Once both learn to act within the four corners of law, there would be no need for enormous litigation. It is shameful that presently the government is the main litigant. It usurps the rights of people and then drags the poor citizens in courts. First of all, the apex court under new Chief Justice should establish a commission to determine the reasons for this morbid state of affairs. The principles underlying reforms should not mean forcing unnecessary litigation and then its quick disposal but to help reduce its occurrence in the first instance.

Tax incentives may have no negative impact on collection: Prime Minister to announce package on November 26

The government's economic reforms and incentive package for the business community may cover tax incentives for specific sectors without having negative impacts on the revenue collection of the Federal Board of Revenue (FBR) during 2013-14.

Sources told *Business Recorder* here on Sunday that fines and penalties would be waived off for those who would voluntarily come into the tax net and file their income tax returns under the documented regime. Such persons need to be encouraged to voluntarily come into the formal regime for carrying out businesses, sources said and added such kind of incentives would expand the tax base on both the income tax and sales tax sides.

The government is actively taking input of federal tax authorities along with that of Ministry of Commerce, Ministry of Industries, Board of Investment (BoI) and other ministries for devising an incentive package for the business and trade.

Proposals are being discussed to encourage foreign investment in the country. In this regard, meetings are being held at the Ministry of Finance which would continue on Monday (today) and final decisions would be announced by Prime Minister Nawaz Sharif during his visit to Karachi on Tuesday (November 26).

The Prime Minister had reportedly said that the government has prepared economic reforms and incentive package for the business community to attract maximum investment while addressing the opening session of "1000-plus consultation" conference on next five-year plan as well as Vision 2025.

According to the sources, the government would address the procedural and legal issues of the business community in the taxation matters. Based on the past experience of business community with tax department along with recommendations of the ministries etc, changes in tax laws are expected to be made to facilitate local as well as foreign investment.

However, no such proposal would be part of the government's economic reforms and incentive package which would have negative impact on revenue collection of the FBR. The FBR's revenue collection plan through budgetary measures would remain intact during 2013-14, but procedural and technical amendments would be introduced in tax laws where ever required.

The taxation measures of Rs 200 billion including administrative and enforcement actions would continue in the remaining quarters of 2013-14.

However, the government is also examining some proposals to encourage investment of private sector in vocational training so that young trained professionals can do jobs within the country or outside Pakistan. The issues of the agriculture and poultry sectors are also being examined by the concerned authorities.

The government is also holding consultations with the representatives of agriculture sector to introduce reforms. –
Courtesy Business Recorder

Increasing revenue collection mechanism: FBR ready to facilitate provinces

The Federal Board of Revenue (FBR) has assured provinces of full assistance towards strengthening provincial revenue authorities through introduction of tax reforms including drafting of tax laws/regulations for tax enforcement and increasing sales tax collection from services' sector.

Sources told *Business Recorder* here on Sunday that the issue of FBR's co-ordination with provinces in fiscal matters was discussed during the last meeting of the provincial finance secretaries on 'Creation and Appropriate Use of Additional Fiscal Space by provinces' held at Finance Division.

The finance secretary, Balochistan shared that the provincial revenue authority would be established in the province for collection of sales tax on services whereas the tax authorities assured that the FBR is ready to facilitate all four provinces to increase their revenue collection mechanism.

As services is provincial subject, the FBR will assist provinces by helping them in drafting effective rules and regulations for implementation at the provincial level for expanding the tax base with increased revenue collections, sources said.

According to sources, tax authorities gave valuable suggestions for improving the general sales tax (GST) collection and assured full co-operation to strengthen provincial revenue authorities in terms of framing appropriate tax laws/regulations, further refinement of definition of tax bases, risk based audits, tax enforcement and sharing of data. The FBR's official has assured the provinces of full co-operation in improving GST on services.

On the issue of increasing revenue from the traditional provincial taxes (UIPT, AIT, Stamp duties, MVT, etc), the FBR's authorities underscored the importance of proper valuation of properties as per prevailing market rates which could provide the provincial governments a sizeable and predictable revenue stream. Tax authorities of the FBR view that if provincial governments could disaggregate the existing expenditure in social sector, they would be able to meet the requirements of non-salary Operations & Maintenance (O&M) social spending as envisaged in the policy matrix, with relative ease.

The meeting decided that provinces will provide one-page briefs to Finance Division on proposed reforms for increasing revenues from GST and traditional sources.

The meeting also decided that the provinces will calculate the non-salary expenditure in education and health sectors to come up with exact figures of such spending in the said sectors. This will give a clearer picture on the required efforts from provincial governments.

It has also been decided that Inter-Provincial Revenue Committee would be formally notified along with their terms of references (ToRs).

During the meeting, Finance Secretary highlighted that external inflows have decreased over the last few years. He added that 7th NFC Award and the 18th Constitutional amendment have resulted in transfer of a larger portion of divisible pool taxes to the provinces. This has increased the consolidated fiscal deficit (both federal and provincial) to unsustainable levels and lowering the deficit to more sustainable levels requires urgent actions from each government in the federation.

The Finance Secretary informed the meeting that Finance Division is currently in discussion with the World Bank for a Development Policy Credit (DPC). The policy matrix being finalised with the bank requires preparation of a roadmap to be finalised with provinces for (i) generating additional revenues from the harmonised expansion of the scope of services taxed by the General Sales Tax on Services (GSTS); (ii) increasing by no less than 20% the budget allocations to non-salary education and health spending; and (iii) expanding the primary education linked conditional cash transfers (CCTs) in no less than 20 districts covering all provinces with a benefit of Rs 200 per child with effective co-financing arrangements with provincial governments.

Chairman, FBR pointed out that given large increase in salary bills, non-salary expenditure continues to be inadequate. Tax authorities, therefore, emphasised the need of curtailing salary bills by provinces to create more fiscal space.

The Finance Secretary, Punjab informed the meeting that although after the 7th NFC Award provinces are getting a larger share but at the same time, their responsibilities have also been multiplied. He informed that the Punjab Government has initiated an austerity drive by imposing a 15% cut on expenditures. It was added that Punjab Revenue Authority has the collection target of Rs 62 billion for the current fiscal year and highlighted the commitment of the chief minister for keeping the development budget intact.

The finance secretary, Balochistan informed the meeting that managing finances in the province is becoming increasingly difficult in the present scenario. Despite that they have thrown up a budget surplus. He further informed that they have already increased spending considerably in health and education sectors and was of the view that they could meet the target of 20% spending in these sectors. He, however, conveyed the inability for contributing in conditional cash transfers (CCTs) under BISP. He added that Balochistan is contemplating establishment of a Provincial Revenue Authority for which a study will first be undertaken.

The secretary Khyber Pakhtunkhwa informed that their Revenue Authority was established in 2012 and a tax survey project has also been planned. He added that for enhanced social protection, special initiatives like stipends for students and treatment facility for special diseases have been undertaken. He informed that they are providing subsidies on wheat, etc while a considerable portion of their budget is spent to maintain law and order. Given above, he was of the view that no fiscal space is available with the Khyber Pakhtunkhwa Government for contribution as indicated in the policy matrix.

The finance secretary, Sindh informed that they have also curtailed their expenditure and in current fiscal year no vehicle has so far been purchased. He added that Sindh Revenue Authority is working satisfactorily and revenue collection is on an increasing trajectory. He appreciated the idea of CCTs and assured co-operation, sources added. – *Courtesy Business Recorder*

IT returns: PTBA demands extension in deadline

Following the malfunctioning of web-portal of Federal Board of Revenue (FBR), the Pakistan Tax Bar Association (PTBA) has demanded to extend the date of e-filing of income tax returns by December 15, 2013. In its letter sent to chairman FBR Tariq Bajwa, PTBA said that filing of income tax returns within extended deadline appears to be impossible, due to severe problems in FBR's web-portal. It said that nominal number of taxpayers was able to perform their statutory obligations because of these issues.

Therefore, the PTBA has demanded the board to extend the date of e-filing of tax returns by December, 15 2013 or allow filing of manually filled tax returns for the tax year 2013 which should be punched by the FBR employees to facilitate the taxpayers of the country in order to get the tax returns / wealth statements in a proper manner otherwise it is impossible to meet the deadline. PTBA further said that taxpayers had kept requesting that tax return form should be hassle free.

However, it has been observed that board always delays the issuance of tax return forms and later extends the date of filing of income tax returns. It said that taxpayers should have been given sufficient time to fill income tax forms when it was due on July 1, 2013.

PTBA said that tax return forms were finalised only a month ago following the deadline ie November 30, 2013, which in PTBA's opinion, was illegal as law gives three months from the date of finalisation of the tax return form. – *Courtesy Business Recorder*

Smuggled Iranian petrol: 61 illegal petrol pumps demolished in Karachi

Pakistan Customs on Sunday said that it had demolished 61 illegal petrol pumps, selling Iranian smuggled gasoline in the city.

According to a press release of Customs department, in compliance with the directives of Supreme Court of Pakistan regarding co-ordinated and joint efforts against illegal movement of smuggled and contraband goods, a number of meetings were arranged by the Attorney General for Pakistan, which were attended by Chairman, Federal Board of Revenue, Pakistan Rangers, Sindh, Director General Anti-Narcotics Force, Director General Pakistan Coast

Guards, Director General Maritime Security Agency and Chief Secretary Sindh.

In a recent crackdown against availability of smuggled POL products in the city, a joint operation has been launched by Pakistan Customs against illegally constructed petrol pumps along the Northern Bypass and Karachi West.

The following agencies/ department aided Pakistan Customs in the operation:

- i. Pakistan Rangers (Sindh)
- ii. District Administration
- iii. Sindh Police
- iv. Municipal Commissioner

The operation was started in the morning and the teams started co-ordinated field operations on November 24. As a result, some 61 illegal petrol pumps were demolished and illegally-constructed and installed plant machinery was removed and confiscated by District Administration. – *Courtesy Business Recorder*

Move to curb under-invoicing

The Federal Board of Revenue is identifying several import items that are prone to under-invoicing in a move to assess their actual value for levying customs duty and allied taxes.

Wrong declarations and under-invoicing result in a significant loss of revenue.

The Board's exercise is driven by the dip in customs duty collection over the first four months of this fiscal year. However, checking under-invoicing will also help address complaints of manufacturers whose products turn uncompetitive in the domestic market because of cheaper, partially duty- and tax-evaded imports.

FBR Chairman Tariq Bajwa says that products at high risk of being under-invoiced are being identified. The Board, he said, has already given a presentation to Finance Minister Ishaq Dar for formal approval of the FBR's proposal.

The declaration of low value by importers for assessment of duty and taxes results in a huge revenue loss to the national exchequer. This not only helps importers save customs duty, but also 17 per cent sales tax that is slapped on the duty paid value, and the six

per cent advance income tax that is paid on the sales tax-paid value of goods.

Under-invoicing is rampant because the customs department has yet to issue a ruling for bringing the maximum number of products under its ambit across the country. The ruling can bring uniformity for clearance of goods at all ports and minimise chances of tax evasion.

In the absence of such a ruling, it is at the discretion of customs officers to either accept the importer's declared value as it is, or to do the same of their own choice. In both cases, the involvement of customs officials in corruption cannot be ruled out.

This situation suggests that the FBR can bring the ruling on values of under-invoiced products. The ruling can be issued under section 20A of the Customs Act, but this would need the government's commitment to generate more revenue. The rulings will help the customs department create a reference book of values for all products.

While, for the customs department, the increase in the value of imports is a matter of raising revenue; for the industrialists, cheaper under-invoiced goods are equally a serious issue. These goods are crowding out domestically manufactured goods from the domestic market. This menace is believed to be one of the reasons for closure of local industries, which has left thousands workers jobless.

The importer disposes his stock at under-invoiced landed cost, but the real retail price of that item is much higher than the under-invoiced cost. This works out to a competitive advantage for the importer of a commodity, and to the detriment of the locally manufactured product.

Local auto manufacturers have raised this issue time and again, but no efforts have been made by the government to tackle it.

On an individual basis, some local manufacturers have approached the National Tariff Commission for blocking products dumped in the domestic market. During 2002- 2009, protection was provided to local manufacturers of only 23 products against cheaper imports.

In the last five years, no other case was finalised for tariff protection because of the cumbersome procedures and bureaucratic red tape.

However, some customs officials believe that increasing the value of imported products for duties and taxes may make these goods attractive for smuggling. The usual channel that has been used for dumping smuggled goods into the domestic market is the Afghan Transit Trade.

Much of the goods imported under the transit trade, either through Iranian or Pakistani ports, ultimately land in the Bara market of Peshawar.

Tackling under-invoicing does not appear to be a simple issue. There is a need to carefully study it and then come up with an approach to enforce the true valuation of imported goods. The FBR will have to fine tune its policy of value assessment while keeping in view the constant global price fluctuations, and also improve its governance accordingly.

And to fully implement its trade-defensive laws like anti-dumping and countervailing duties etc., and to provide a quick remedy to the domestic industry against cheap imports, the tariff commission needs to be restructured. – *Courtesy Dawn*

Customs proposes cut in forex cap for travellers

Customs department has proposed to the State Bank of Pakistan (SBP) to reduce foreign currency cap from US \$10, 000 to \$3000 for itinerants. “Yes, we have given a proposal to the central bank and Federal Board of Revenue (FBR) to revise foreign currency cap from US \$10, 000 to US \$3000,” senior Customs official disclosed while talking at Customs House here on Monday.

The proposal aimed at averting flight of foreign currency besides deflecting currency depreciation, Collector Preventive Tariq Huda elaborated.

He said that foreign currency cap of US \$10, 000 was creating draconian impact on country’s economy, due to immense number of itinerants, who were around 5 million per annum.

Replying to a question, he said the proposal was tabled before SBP and FBR for consideration and hoped if this proposal was approved, it would be fruitful for economic revival and currency stability.

Customs has also recommended the authority to impose ban on youth, below 15, to bring foreign currency during foreign trips.

He said that we had also proposed the authority to restrict the limit of foreign currency cap to US \$1000 for youth between 15 to 18 years.

It appeared that government's imprudent policies had not only made the authorities unable to stop flight of foreign currency but also caused to provide rooms for money laundering.

In the same way, the Karachi Regional Tax Offices (RTOs) keep proposing the authority to remove section 111(4) of the Income Tax Ordinance, 2001 and make tax officials enable to monitor foreign remittances through banking channels. However, the authority kept mum over the proposal with the best reason known to them.

Presently, all black-income - either generated by extortion mafia, land grabbers, tax evaders - can easily be laundered through Hawala-Hundi as section 111(4) of the Income Tax Ordinance, 2001 provides immunity from probe to the recipients of foreign remittances through proper banking channels. – *Courtesy Business Recorder*

Individuals asked to pay balance tax

The Federal Board of Revenue (FBR) has asked salaried individuals who have paid less tax in view of the judgment of the Sindh High Court (SHC), should calculate the short paid tax and deposit the balance amount by November 30 to avoid default surcharges.

FBR, in a press release issued on Tuesday, stated that the Supreme Court suspended the judgment of the SHC regarding the rates of tax on Monday. FBR had filed an appeal before the apex court against the judgment.

“As per suspension of Sindh High Court decision, now the rates of tax as already provided in clause (1A) of Division 1 of Part 1 of the First Schedule to the Income Tax Ordinance 2001 will apply to all salaried individuals,” the FBR said.

On the other hand, FBR has decided that all the model customs collectorates will remain open and observe normal working hours on Saturdays till further orders in order to facilitate the trade and industry in getting their cargo cleared for imports, exports and payment of duty and taxes.

FBR has directed all the chief collectors to coordinate with management of State Bank and National Bank of Pakistan to

provide banking facility by its designated branches on Saturdays to ensure collection of taxes and duties in this regard. – *Courtesy Dawn*

FBR asks short tax payers to deposit the same upto Nov 30

A Spokesman of Federal Board of Revenue (FBR) Tuesday said that those persons who have paid less tax in view of the judgment of the Sindh High Court and have filed the returns, may calculate the short paid tax and deposit the same upto 30.11.2013 to avoid default surcharge etc.

In a statement issued here Tuesday, the FBR said that the salaried individuals are informed that on 25.11.2013 the Supreme Court of Pakistan has suspended the judgment of the Sindh High Court that was announced in C.P NO.D-2342/2013 dated 25.10.2013.

The FBR has filed a CPLA before the Supreme Court against the judgment of the Sindh High Court.

The effect of the suspension of the Sindh High Court judgment referred above is that now the rates of tax as already provided in clause (1A) of Division I of Part I of the First Schedule to the Income Tax Ordinance 2001 shall apply to all salaried individuals.

Those persons who have paid less tax in view of the judgment of the Sindh High Court (above) and have filed the returns, may calculate the short paid tax and deposit the same upto 30.11.2013 to avoid default surcharge etc, the statement said. – *Courtesy Business Recorder*

Smuggling, underinvoicing and refunds: FBR sets up two committees to resolve LCCI problems

The Federal Board of Revenue has constituted two high-level committees for taking appropriate measures to control smuggling, underinvoicing and issuing sales tax refunds besides resolving the issues facing the steel industry. It is learnt on Tuesday that the FBR has issued a letter to the Lahore Chamber of Commerce and Industry (LCCI) for constitution of special committees to resolve problems of the business community.

In this regard the FBR has nominated senior officials for the special committees. According to the FBR, the special committee to look into steel industry issues would comprise Muhammad Ashraf

Khan, Member (IR-Operations), Federal Board of Revenue, Islamabad and Shafqat Mahmood, Chief Commissioner Inland Revenue, Regional Tax Office, Lahore.

Sources said that the committee would check payment of sales tax by steel sector under Sales Tax Special Procedure and normal tax payment procedure. The committee would further investigate as to how many units are operating under the Sales Tax Special Procedure and their actual contribution in the form of sales tax whereas, how many units are making sales tax payment under normal tax payment procedure.

The committee on smuggling, underinvoicing and refunds would comprise Nisar Muhammad, Member (Customs), Federal Board of Revenue, Islamabad and Junaid Akram, Collector, Model Collectorate of Customs (Preventive), Lahore. The FBR has asked the LCCI to co-ordinate with the representatives of FBR while fixing the meetings of the special committees. The FBR has further directed Chief Commissioner Inland Revenue, Regional Tax Office, Lahore and Collector, Model Collectorate of Customs (Preventive) Lahore for having liaison with the LCCI in this regard. – *Courtesy Business Recorder*

Swiss accounts information: FBR may exercise powers under Article 25(1) of ADTT

The Federal Board of Revenue is planning to exercise powers under Article 25(1) of the Avoidance of Double Taxation Treaty (ADTT) to get information of Pakistanis maintaining accounts in Switzerland, it is learnt on Tuesday. According to sources, it is high time for the FBR to obtain all information under Article 25(1) of the ADTT between Pakistan and Switzerland regarding Pakistanis maintaining accounts in the Switzerland.

The sources said that this has recently been done by many countries such as India, Philippine, Nigeria, Peru, Kazakhstan, Mexico, Mali, Argentina, USA, Germany, UK, etc. The sources said the board was presently considering establishing a special cell in Karachi to invoke the provision of Article 25(1) by seeking the information regarding the bank accounts maintained by Pakistanis in various banks of Switzerland.

They said that information obtained from Switzerland would not only be processed for levying taxes but would also help the department identify potential taxpayers. Replying to a question,

they said the Swiss Parliament had passed a bill “Return of Illicit Assets Act, 2010” on October 10, 2012, which would enable the developing countries, including Pakistan to recover billions of dollars of black money shifted by unscrupulous individuals and companies to Switzerland. After this enactment, it will now be possible to retrieve the tax evaded money from Switzerland, which makes it obligatory upon Switzerland to provide information regarding Pakistanis who are maintaining accounts in Switzerland, the sources said. – *Courtesy Business Recorder*

Sack Kraft Paper: NTC approached for increase in duty, re-imposition of FED

The local manufacturers have approached the National Tariff Commission (NTC) for increase in customs duty on finished Sack Kraft Paper from 15 to 25 percent and re-impose Federal Excise Duty on the said item to control deforestation and environmental pollution.

In a communication to the Tariq Bajwa Chairman Federal Board of Revenue (FBR) here on Tuesday, the manufacturers of Polypropylene Cement Sacks said that the manufacturers of High-Tech Polypropylene Laminated Block Bottom, valve Cement Sack, an environment friendly, degradable, reusable and recyclable alternate to Kraft Paper Sack have suffered for the past many years due to their disadvantageous position on account of customs duty anomaly between, Sack Kraft Paper, a finished product and Polypropylene granules, basic raw material. Despite having the low customs duty advantage that renders local units uncompetitive has now been coupled with massive under invoicing of Sack Kraft Paper.

A petition has been filed with the National Tariff Commission for the increase of customs duty on finished Sack Kraft Paper from current 15 percent that is applicable on semi-finished goods having over 15 percent value addition to 25 percent being the duty on finished goods having 5 percent value addition and re-imposition of excise duty to save deforestation and environmental hazards emitted from used Kraft Paper Cement Sack upon degradation and its use to make shopping bags to package food items at cost of health of our masses. In the light of above, the FBR has been requested to investigate the underinvoicing of Sack Kraft Paper and inadmissible grant of customs duty concession to sack paper assembly plants in the Gadoon Amazai Industrial Estate. – *Courtesy Business Recorder*

Court asks FBR to act against smuggling

The Supreme Court directed the federal authorities on Wednesday to devise a mechanism to beat the menace of duty evasion on imported goods and smuggling of arms and drugs “with zero tolerance” for sustainable peace in Karachi.

The court rejected a report submitted by the Customs authorities on duty collection and directed the chairman of the Federal Board of Revenue to appear in court to explain the measures taken in this regard.

The bench, headed by Chief Justice Iftikhar Muhammad Chaudhry and comprising Justices Jawwad S. Khawaja, Mian Saqib Nisar, Amir Hani Muslim and Ejaz Afzal Khan, was seized with the implementation proceedings of the Karachi suo motu judgment case.

The court was utterly disappointed and dissatisfied with three different reports filed by the customs authorities, one of them on behalf of the FBR chief, and termed them “eyewash”.

Justice Chaudhry observed that the black money generated through duty evasion and smuggling of weapons and drugs was used in criminal activities not only in Karachi but also across the country.

The judges asked the customs officials whether black money generated by evading taxes and levies was being controlled at Karachi Port and Port Qasim.

The court observed that the customs authorities had failed to satisfy it “by making a statement that 100 per cent recovery of taxes is being made and there is no evasion”.

The bench directed the FBR chief to put up a concise statement showing daily clearance of goods separately from ports along with a complete record, manifest correspondence, a clearance of the customs department with a certificate that there was no evasion, particularly of goods which were cleared on Wednesday.

The court ordered the customs authorities to deliver copies of their reports/statements in the offices of Attorney General Munir A. Malik. The attorney general, along with Sindh Advocate General Khalid Javed, would go through them and give their opinion in respect of transparency in making evaluation and recovery of taxes.

The judges also inquired of the customs authorities about the flow of arms and ammunition into the country through vessels or launches. They directed the FBR chief and the director general of the Pakistan Coast Guards to place on record documents to show the process of smuggling.

The customs officials conceded that the department was unable to recover 100pc duty.

They also referred to a customs intelligence report and said that there were dens of smuggled arms and ammunition in the Sohrab Goth area. Smuggled weapons were stored in certain residential projects, including Al Asif Square. However, he said, customs alone was unable to clean the area.

“Tax evasion and illegal weapons and drugs have brought the country to the brink of destruction,” the chief justice observed, directing the customs to ensure eradication of smuggling and duty evasion.

The bench issued notices to chairmen of the Pakistan Telecommunication Authority and the Frequency Allocation Board, along with six cellular companies, for issuing unauthorised SIMs and SIMs of other countries, including Afghanistan.

The court observed that illegal arms and SIM cards were key elements in creating a law and order situation.

It was informed that activated SIM cards of Afghan companies were being sold and operated in the country for use in anti-social activities.

The attorney general informed the bench that he had taken up the matter of Afghan SIMs with higher authorities. He said there existed a roaming agreement between two companies, by which a local company provided roaming facility to the company of a foreign country. He said the PTA and any local company could not block the SIM cards of foreign companies, including those of Afghanistan.

The bench issued a notice to Ramzan Bhatti, who was appointed as head of one-man commission to make findings on duty evasion and weapons and drug smuggling, to appear in court to explain why he incorporated into his findings observations which had found mention in a report submitted by the Federal Tax Ombudsman.

Earlier, at the outset the advocate general submitted a performance and progress report regarding targeted operations conducted by police and Rangers.

Expressing satisfaction over the performance of law-enforcement agencies, the court expressed apprehension that achievement made by them might not sustain if those arrested were not put on trial.

The hearing was adjourned to Thursday.

Balochistan missing persons' case

Meanwhile, a three-member bench headed by the chief justice observed that the Frontier Constabulary had to play a role in the missing persons' case, but no remarkable progress had so far been made.

The bench was hearing a petition of the president of Balochistan High Court Bar Association and other human rights cases regarding missing persons.

Advocate Shahid Hamid, appearing on behalf of the Balochistan government, submitted a report about progress in the cases of missing persons.

The bench noted with concern that relatives of missing persons had travelled on foot from Quetta to Karachi, facing harsh winter weather to launch a protest for recovery of their near and dear ones.

The court directed the deputy attorney general to procure the attendance of a responsible person so that, if need be, appropriate directions could be made to ensure the recovery of missing persons in light of the report submitted by the provincial government.

The court will continue the hearing on Thursday. – *Courtesy Dawn*

Members given powers under various fiscal statutes: FBR

The Federal Board of Revenue has delegated powers and functions of the Board under various fiscal statutes administered by the FBR to the Members of the Board for smooth functioning and administration of the tax machinery and effective implementation of income tax, sales tax, federal excise duty and customs duty.

Sources told on Wednesday that the proper delegation of powers and functions from the FBR to its members under various statutes and the FBR Act, 2007 was imperative for smooth functioning of the Board and for effective implementation of fiscal statutes.

Accordingly, in exercise of powers conferred by Section 8 of the Federal Board of Revenue Act, 2007 read with Rule 3(1) of FBR Rules, 2007, the Board-in-Council has delegated the powers and functions of the Board under various fiscal statutes administered by the FBR to the Members of the Board and prescribed their job descriptions.

Under FBR Act 2007, Board has delectated its powers to the Members to give legal backing to certain functions of the existing FBR Members, sources said.

It has also been decided that any power exercised or any job done by a FBR Member mistakenly or inadvertently or in case of exigency, which falls outside the powers delegated or job prescribed, shall not be void due to such mistakes or inadvertence. However, the same shall be subject to ratification by the Board-in-Council. Resultantly, Member (Admn) FBR shall issue a notification of delegation of powers effective from 08-11-2013 in line with minutes of the Board-in-Council.

FBR Chairman Tariq Bajwa highly appreciated the efforts of Chaudhry Safdar Hussain FBR Member (Legal) and Dr Muhammad Iqbal Special Assistant to Chairman for their valuable contribution in chalking out delegations of powers and job descriptions in consultation with other Members of the Board.

According to the FBR's delegation of powers to the Members, the FBR has delegated following powers to its Members under FBR Act, 2007:

The FBR Member (Customs) will exercise powers and perform functions of the Board under the following provisions of Customs Act, 1969: Sections 2 (ai), 4 with approval of Chairman, 5,6,8,9,10,11, 18E, 20, 21, 21A(1), 21A(2), 22A, 25C, 25(12), 26(3), 26A, 27A, 32B, 35(2), 37, 38, 43, 45, 45(2), 50, 53, 54, 65, 67, 68(5), 71, 76(1)(a), 78, 79(I)(a), 79(3), 82 (after approval of FG), 85, 86 (I)(b), 90(2), 90(3), 98(1), 98(2), 99(2), 100(2), 107(1), 110, 121 (2) & (3), 125, 129 (A), 131 (a), 131(2), 131(2) proviso, 147, 155 (G), 174 [2nd Proviso], 177(1), 179(2), 179(4), 181 [1st Proviso], 181 [2nd Proviso], 182, 185(F), 193(2), 194 A, 195, 195 C (2), 195 C (3A), 195C (4), 195C (7), 201(1) (1A), 202 (5), 202B(2) with approval of Chairman, 203 (A), 211 (2), 217, 219 and 224.

He will also exercise powers and perform functions of the Board under the following provisions of Customs Notifications; S.R.O.71(1)/95, S.R.O.554(I)/98 , S.R.O. 678(1)/2004, S.R.O. 575(1)/2006, S. R.O. 41(1)/2009, S.R.O.809(1)/2009, SRO

565(1)/2006, SRO 576(1)/2006, SRO 655(1)/2006, SRO 656(1)/2006, SRO 450(1)/2001, S.R.O.75(I)/2006, S.R.O.327(I)/2008, S.R.O. 559(I)/2008, S.R.O. 492(1)/2009 and S.R.O. 413(1)/2012.

The FBR Member (Inland Revenue-Policy) will exercise powers and perform functions of the Board under the following provisions of Sales Tax Act, 1990: Sections 2(46)(g), 3 (1B), 3(6), 4(d), 8B Proviso, 9, 10(1) Provisos, 14, 22(1)(f), 22(2), 23(1), 23(3), 23(4), 26 (1) 1st & 2nd provisos, 26(5), 50(1), 61, 61A, 63, 72C with approval of Chairman and Clause 48 of 6th Schedule.

He will also exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001: Sections 2(29C)(b), 27(c), 28(3) to the extent of formulating criteria of approval of leasing companies etc, 32(3), 46(d), 59AA(6), 61(5), 67(2), 74(2A), 76(11), 77(6), 100B(2)(e), 111(5), 114(2A) in consultation with Member(IT), 148(2), 155(3)(vii), 159(3) to the extent of exempting persons, class of persons. goods or class of goods from withholding tax, 181(3), 181(3) Proviso, 183, 206, 206A, 227A with approval of Chairman, 237(1), Clause 12 of Part I of 2nd Schedule, Clause 1 3(iii) of Part I of 2nd Schedule, Clause 53A of Part I of 2nd Schedule and Clause 57 of Part I of 2nd Schedule. He can also exercise powers and perform functions of the Board under the following provisions of Federal Excise Act, 2005; Sections 3(3), 4(2) proviso, 4(5), 4(8), 5(2), 5(3), 6(3), 7(1), 12(5), 17(1)(g), 18(3), 18(4), 18(5), 40(1) and 42C with approval of Chairman.

He will also exercise powers and perform functions of the Board under following provisions of Income Tax Rules, 2002: Rules 19A, 19B, 19C, 19D, 19E, 19F and 231A. He can also exercise powers and perform functions of the Board under the following provisions of Federal Excise Rules, 2005: Rules 31(2), 32(2), 33(1), 33(2), 33(3), 40(7), 41A (15), 43(6) and 79.

He can also exercise and perform functions of the Board under the following provisions of Sales Tax Rules, 2006: Rules 18 and 150.

FBR Member (Inland Revenue-Operations) will exercise powers and perform functions of the Board under the following provisions of Sales Tax Act, 1990: Sections 2[5AA(f)], 2(9), 6(2), 8A, 10(3), 13(2)(b), 21(1), 21(4), 22(IA), 26(1), 27(a), 31, 32(1)(a) &(b), 37A, 37B(13), 371, 38(1), 38B(3), 40B, 40C, 45A, 47A, 47A(4), 48(IA), 55, 62 and 74.

He can exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001: Sections 26(2), 28(3) to the extent of granting approvals in the light of

criteria of leasing companies, etc, 74(11), 80(2)(b)(vi), 134A(2), 134A(4), 165(3), 180, 181A, 202, 209(1) except for CIR (A), 209(2), 212 to the extent of powers conferred on him by this distribution/delegation of powers order, 214A except for appellate body and 217(1) in consultation with Member (IT).

He will exercise powers and perform functions of the Board under the following provisions of Federal Excise Act, 2005: Sections 16(3), 22(1), 23(1), 29(3), 35(1), 38(1) to (4), 43, 45(2), 45(3), 45A and 46(1).

He can exercise powers and perform functions of the Board under the following provisions of Income Tax Rules, 2002: Rules 90, 94, 109, 220B and 231C.

He will exercise powers and perform functions of the Board under the following provisions of Federal Excise Rules, 2005: Rules 2(b), 2(g), 3(5), 5(1), 5(4), 25, 26, 28, 31(1), 33(4) in consultation with Member (IR-Policy), 36(4), 40A(3), 41A(2), 53, 54, 55, 56, 57, 58, 64, 74(3), 76, 77 and 78.

He can exercise powers and perform functions of the Board under the following provisions of Sales Tax Rules, 2006: Rules 5, 6, 10, 12, 27, 28, 30, 41, 44, 52, 62, 64, 65, 66, 67, 68, 69 and 150F.

FBR Member (Legal) can exercise powers and functions under the following provisions of Customs Act, 1969: Sections 185G (2) and 193 A (3) [1st Proviso].

He can exercise powers and perform functions of the Board under the following provisions of Sales Tax Act, 1990: 45A (to the extent of orders by CIR (A) and 74 to the extent of granting condonation to CIR(A) in respect of appellate matters.

He will exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001: Sections 209(1) to the extent of CIR (A), 214A in respect of orders by CIR (A) and 223(7).

He can exercise powers and functions under the following provisions of Federal Excise Act, 2005: Sections 35(1) and 43 - to the extent of appellate orders.

The FBR Member (Administration) will exercise powers and perform functions of the Board under the following provisions of Customs Act, 1969: Sections 3, 3A, 3AA, 3B, 3BB, 3C, 3CC, 3D, 3DD and 3DDD (all with the approval of chairman).

He can exercise powers and perform functions of the Board under the following provisions of Sales Tax Act, 1990: Sections 30 with approval of Chairman and 30(1) with approval of Chairman.

He will exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001: Section 208(1) with the approval of Chairman. He can exercise powers and perform functions of the Board under the following provisions of Federal Excise Act, 2005: Section 29(1) with approval of Chairman.

The FBR Member (FATE) can exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001: 181B and 216(5).

The FBR Member (Taxpayers Audit) can exercise powers and perform functions of the Board under the following provisions of Sales Tax Act, 1990: Sections 32A and 72B to the extent of actual selection on the basis of criteria approved by Board-in-Council.

He can also exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001: Sections 177(8) and 214C to the extent of actual selection on the basis of criteria approved by Board-in-Council. He can also exercise powers and perform functions of the Board under the following provisions of Federal Excise Act, 2005: Sections 42B (1) to the extent of actual selection on the basis of criteria approved by Board-in-Council and 45(4).

The FBR Member (Information Technology) can exercise powers and perform functions of the Board under the following provisions of Sales Tax Act, 1990: Sections 2(5AAA) in consultation with Member (IR-Operations), 22(2A) in consultation with Member (IR-Operations), 22(3) in consultation with Member (IR-Operations), 26(1) 3rd Proviso in consultation with Member (IR-Operations), 50A in consultation with Member (IR-Operations) and 52A in consultation with Member (IR-Operations). He can exercise powers and perform functions of the Board under the following provisions of Income Tax Ordinance, 2001: Section 237A in consultation with Member (IR-Operations).

He can exercise powers and perform functions of the Board under the following provisions of Federal Excise Act, 2005: Sections 4(6) in consultation with Member (IR-Operations) and 17(2) (b) in consultation with Member (IR-Operations). He will exercise powers and perform functions of the Board under the following provisions of Income Tax Rules, 2002: Rules 73(2), 73(6) and 229.

He can also exercise powers and perform functions of the Board under the following provisions of Federal Excise Rules, 2005: The electronic Filing of Federal Excise Rules, 2005. He can also exercise powers and perform functions of the Board under the following provisions of Sales Tax Rules, 2006: Rules 150B, 150D, 150G, 150I, 150J, 150K, 150L and 150O. – *Courtesy Business Recorder*

PSEs not deducting WHT from fees paid to directors: TI Pakistan

Public Sector Enterprises (PSEs) are acting illegally by not deducting WHT from the fees paid to directors of the boards as well as attending committee meetings, which is against the IT Ordinance 2001, according to Transparency International Pakistan.

In a letter sent to Federal Board of Revenue Chairman Tariq Bajwa on November 26, Advisor, TI-Pakistan, Syed Adil Gilani, has cited Pak Oman Investment Company, Sui Southern Gas Company Ltd, Sui Northern Gas Pipelines Limited, and several other companies who have reportedly not deducted WHT since last ten years or so, causing loss to the exchequer which may run into billions of rupees.

This act of the Board of Directors of such PSEs is defined as corruption and corrupt practices in the National Accountability Ordinance, 1999, the letter says.

Section 9 (a)(vi) and 10 (a) of the National Accountability Ordinance, 1999 [as amended by National Accountability Bureau (Amendment) Ordinance, 2002] quoted below are punishable for rigorous imprisonment which may extend up to 14 years.

Corruption and corrupt practices: 9 (a) A holder of a public office, or any other person, is said to commit or to have committed the offence of corruption and corrupt practices-(vi) 2[if he misuses his authority so as to gain any benefit or favour for himself or any other person, or 3[renders or attempts to render] 4[or wilfully fails to exercise his authority to prevent the grant, or rendition of any undue benefit or favour which he could have prevented by exercising his authority].

Adil Gilani has requested the FBR Chairman to look into the matter and get the accounts of all PSEs checked for non-deduction of WHT from the fees paid to the respective directors. In case of

violation of law, action may be taken to re-characterise the income, and recover the WHT from all the directors of such companies for the past years, and also penalise PSEs as per provisions of IT Ordinance 2001, he said.

Copies of the letter have been forwarded for the information and action under their mandate to: Secretary to Prime Minister, Islamabad, Senator Ishaq Dar, Minister of Finance, with request to take immediate action, Chairman, NAB, Islamabad, this may be act of undue favour under NAO 1999, Article 9(a) (vi), Federal Tax Ombudsman, Islamabad, and Registrar, Supreme Court of Pakistan, Islamabad. – *Courtesy Business Recorder*

Salaried class tax rates: FBR plea accepted; SHC order suspended by SC

An appeal filed by the FBR has been accepted by the Supreme Court and the order passed by Sindh High Court on tax rates prescribed for salaried individuals through Finance Act, 2012, has been suspended by the apex court. To avoid default surcharge, salaried individuals are required to pay the tax as per Finance Act, 2012. In this regard, the Federal Board of Revenue has made an announcement here on Tuesday.

Sources told that the FBR has filed a CPLA in the Supreme Court against the judgment of Sindh High Court (SHC) and the Supreme Court of Pakistan has suspended the judgment of the SHC that was announced in C.P No D-2342/2013 dated 25.10.2013. Earlier, SHC while deciding a constitutional petition has declared tax rates prescribed for salaried individuals in the First Schedule to the Income Tax Ordinance, 2001 through Finance Act, 2012 illegal, ultra vires of the Constitution and Income Tax Ordinance, 2001.

The SHC had also directed the tax department to issue tax refund to all the salaried individuals whose tax has been withheld and deposited in the treasury pursuant to incorrect amount of tax under Finance Act 2012, within a period of one month from the date of filing such return. Sources said the SHC has declared that the anomaly in the calculation and quantification of tax at S.No 4, 5 and 6 of the Table-B has crept due to incorrect arithmetic calculation as there is no rational basis or reasonableness whatsoever in such determination of the tax liability. The amount of tax as calculated under slabs of taxable income at S.No 4, 5 and 6 of table "B" is without any conscious application of mind. It also lacks certainty of charge and is devoid of any rationale basis and

has resulted in creation of additional burden of tax upon a particular group of salaried individuals without legal sanction.

The FBR has issued a press release on Tuesday which says, "The salaried individuals are informed that on 25.11.2013 the honourable Supreme Court of Pakistan has suspended the judgment of the honourable Sindh High Court that was announced in C.P NO.D-2342/2013 dated 25.10.2013. The FBR has filed a CPLA before the honourable Supreme Court against the judgment of the Sindh High Court.

The effect of the suspension of the Sindh High Court judgment referred above is that now the rates of tax as already provided in clause (1A) of Division I of Part I of the First Schedule to the Income Tax Ordinance 2001 shall apply to all salaried individuals. Those persons who have paid less tax in view of the judgment of the Sindh High Court (above) and have filed the returns, may calculate the short paid tax and deposit the same upto 30.11.2013 to avoid default surcharge, etc," the FBR added. – *Courtesy Business Recorder*

'Difference between business assets, liabilities subject to ISL'

The Federal Board of Revenue (FBR) has held that difference between value of business assets and business liabilities would only be subject to Income Support Levy (ISL).

Entire business assets as such, are not subject to ISL and business capital is calculated by deducting liabilities of business from assets of the business.

In the Income Tax Circular No 13/2013 issued by the FBR, it has been clarified that clarification has been sought from the board as to what would constitute business capital for the purpose of calculating net movable assets for the payment of ISL. Queries have been raised whether business capital comprises entire business assets. The matter has been considered and it is clarified that valuation of movable assets has been explained in Rule (5) of the ISL Rules, 2013. As per Rule (2) of Rule (5) of the ISL Rules, 2013, the value of any movable asset shall, for the purpose of computing levy, be the value as declared by the person in the wealth statement.

Business capital is distinct and separate from business assets, business capital is the difference between entire business assets

and entire business liabilities. Entire business assets as such, are not subject to ISL and business capital is calculated by deducting liabilities of business from assets of the business.

Charge of levy: There shall be charged for every tax year commencing on and from tax year 2013 a levy, in respect of value of net moveable assets held by a person on the last date of the tax year at the rate specified in Section 9 and in the manner specified hereunder.

Time and manner of payment of levy: A person who is liable to pay the levy under this act shall pay the levy along with wealth statement.

Assessment of levy: The officer of Inland Revenue shall, by an order in writing, determine the levy payable, and shall serve upon the person a notice of demand specifying the sum payable and the time within which it shall be paid and thereupon such sum shall be paid to such account and in such manner as may be prescribed, within the time specified in the notice.

Default surcharge: Without prejudice to any liability under any other law for the time being in force, where a person fails to pay Levy as provided under Section 4 or the levy so paid is less than the amount payable, he shall be liable to pay default surcharge at the rate of 16 percent per annum on the amount not paid or the amount by which the levy paid falls short of the amount payable, calculated from the date it was payable to the date it is paid or the date of an order under Section 5, whichever is earlier.

Recovery of levy: The provisions of the ordinance shall, so far as may be practicable, apply to the collection of Levy under this act as they apply to the collection of tax under the Ordinance Appeals, revisions and rectifications.

The provisions of the ordinance shall, so far as may be practicable, apply to an appeal against, or revision or rectification of, an order under this act as they apply to an appeal, revision or rectification under the ordinance.

Rate of levy: The rate of levy payable under this act shall be 0.5 percent of the net moveable wealth exceeding Rs 1.0 million.

Power to make rules: The FBR may, by notification in the official gazette, make rules for carrying out the purposes of this act. –
Courtesy Daily Times

SC directs FBR to ensure 100pc tax recovery

The Supreme Court of Pakistan on Thursday directed the Chairman Federal Board of Revenue to ensure the recovery of 100 percent tax and import duty to curb the generation of black money that was the main cause of lawlessness in the city.

Hearing the Karachi law and order suo moto implementation case, the SC five-member bench headed by Chief Justice Iftikhar Muhammad Chaudhry observed that most financial issues would be resolved tax evasion is controlled, and nothing is above the economy of the country.

Chairman FBR Tariq Bajwa submitted that his department has recovered Rs 2.75 billion revenue only yesterday from Karachi ports while duties collected have increased by 24 percent despite a decrease of 29 percent in imports this year.

To a court's query, he admitted that 100 percent checking of containers at ports would not be possible. However, he said that the Customs authorities will conduct such exercise to the extent of specific consignments of high risk.

The court directed the attorney general of Pakistan and Advocate General Sindh to go through the FBR reports on daily recovery of tax and suggest measures to adopt adequate measures to ensure that 100 percent tax is recovered. Attorney General of Pakistan Munir A Malik suggested formation of commission that could examine the technical aspects of mis-declaration of goods, under valuation and classification of goods for achieving the purpose.

The FBR chairman submitted that government was considering to restore the powers of coast guards and maritime security agency to deal with the anti-smuggling in their respective areas. Dealing with the unauthorised SIMs issue, the court observed that availability of unauthorised SIMs in open market has become great source of facilitating the accused for committing the crimes and directed cellular phone companies to cancel all unauthorised SIMs after scrutiny.

Chairman Pakistan Telecommunication Authority Ismail Shah said that there were estimated 125 million SIMs were operating in the market. He said that PTA has dismantled 224 illegal telephone exchanges/gateway during the year by conducting 54 raids in different parts of the country. AIG Karachi Shahid Hayat informed the court that thousands of SIMs could easily be activated through a smuggled device that was easily available in the market.

He said that 50 percent of extortion and kidnapping for ransom crimes could be stopped due to restriction on use of unauthorized SIMs. AIG Balochistan Mir Zubair also disclosed that thousands of SIMs could be activated in Bahwalpur mere just on Rs 50 mentioning that such unauthorized SIMs were used in Waziristan and other areas by the criminal elements due to lack of check by the regulators. He suggested that a task force be constituted with the PTA and cellular phone companies for making a mechanism to control used of unauthorised SIMs.

The court observed that police and other law enforcement agencies were facing difficulties due to such unauthorized SIMs and directed cellular companies to take initiative for cancelling SIMs of users who have more than five SIMs. The court directed PTA, cellular phone companies and representatives of law enforcement agencies to furnish a transitory solution for blocking an unregistered SIMs on Friday.

The court also directed the Chairman Pakistan Telecommunication Authority to submit a compliance report about the efforts being taken to control the grey trafficking. On drug smuggling issue, the Chief Justice observed that ANF authorities are aware about the drug barons involved drug smuggling but no action was being taken against them.

The CJP observed that billions of rupees are involved in drug trafficking in Karachi and such black money has damaging the country. The court directed ANF to assist the Custom authorities for clearing Sohrab Goth and other areas from drug trafficking and contrabands. ANF DG submitted that its force have conducted 73 operations in Karachi and 682 suspects were arrested in these raids besides 58 kilograms heroin was recovered from a container from Karachi port.

To court query, he admitted that despite recovery of heroin powder no arrest has so far been made in the case. The court also ordered to expunge some paragraphs in the Ramzan Bhatti's commission report after the objection raised by the FBR that mentioned that commission had exceeded its assigned task in the report and unnecessarily discussed the Afghan transit scam which case is already pending before the accountability courts. The bench, comprised of Chief Justice Iftikhar Mohammad Chaudhry, Justice Jawad S Khawja, Justice Mian Saqib Nisar, Justice Amir Hani Muslim and Justice Ejaz Afzal Khan will resume hearing on Friday. – *Courtesy International The News*

Job descriptions of all FBR Members revised

The Federal Board of Revenue has legally empowered the FBR Member Inland Revenue-Policy to frame budget proposals for Finance Act and take decisions on policy matters pertaining to Income Tax, Sales Tax, Federal Excise Duty, Income Support Levy, Capital Value Tax, Wealth Tax and Corporate Asset Tax.

Sources told here on Wednesday that the FBR has revised the job descriptions of all FBR Members. According to the new job description of FBR Member Inland Revenue-Policy, he would deal with all policy matters, rules, regulations, interpretation of relevant laws and perform all allied functions, relating to Income Tax, Sales Tax, Federal Excise Duty, Income Support Levy, Capital Value Tax, Wealth Tax and Corporate Asset Tax; including exemptions and Avoidance of Double Taxation Agreements.

He would formulate and present proposals regarding Income Tax, Sales Tax, Federal Excise Duty, Income Support Levy and Capital Value Tax for annual Finance Bill and liaise with international organisations/ agencies on matters relating to Inland Revenue.

He would be empowered to supervise all inter-ministerial issues relating to Inland Revenue; co-ordinate in matters relating to Inter Provincial Co-ordination Committee; process, short list and nominate officers of IRS for IRS specific training; exercise powers and perform functions of the Board under the provisions of Sales Tax Act 1990, Income Tax Ordinance 2001, Federal Excise Act 2005, Income Tax Rules 2002, Federal Excise Rules 2005 and Sales Tax Rules 2006, as delegated by the Board:

He will also perform any other duty or task assigned by the Chairman, FBR.

As per new job description of FBR Member Customs, he would deal with all policy matters, rules, regulations, interpretation of relevant laws and perform all allied functions, relating to Customs, including exemptions, duty drawbacks, rebates, changes/modifications in Pakistan Customs Tariff and judicial/legal matters.

He would formulate and present proposals relating to Customs for annual Finance Bill and liaise with international organisations/agencies on matters relating to Customs; Achieve revenue targets and manage operations relating to Customs.

He would process, short list and nominate officers of Customs for Customs specific foreign training; Supervise all inter-ministerial

issues relating to Customs; exercise powers and perform functions of the Board under the provisions of Customs Act 1969, Customs Rules 2001 and Customs Notifications as delegated by the Board and perform any other duty or task assigned by the Chairman, FBR.

Under the revised job description of FBR Member Inland Revenue-Operations, he would be responsible for achieving the revenue targets and manage operations relating to Inland Revenue.

He would supervise revenue collection by Chief Commissioners of all RTOs / LTUs who shall report to him.

He would also monitor enforcement and Withholding Tax activities relating to Inland Revenue and deal with the Law & Procedure except matters falling in the purview of Member (IR-Policy).

He would liaise with the Member Customs for WHT on imports; exercise powers and perform functions of the Board under the provisions of Sales Tax Act 1990, Income Tax Ordinance 2001, Federal Excise Act 2005, Income Tax Rules 2002, Federal Excise Rules 2005 and Sales Tax Rules 2006, as delegated by the Board and perform any other duty or task assigned by the Chairman, FBR. As per new job description of FBR Member (Legal), he would be empowered to grant approval for filing of appeals/ references before High Courts and CPLAs before the Supreme Court.

He would co-ordinate with field offices to ensure representation, filing of Para-wise comments, and pursuing litigation in various courts; co-ordinate with field offices and FTO office to ensure submission of reports to FTO, implement FTO recommendation, file representation before the President and review before the FTO and also co-ordinate with Law Division and Attorney General of Pakistan.

He would also co-ordinate with field offices in matters relating to recommending names of advocates to the Ministry of Law for their nomination on FBR Panel, appointment of ASCs and AORs in tax cases, assigning cases to and monitor performance of Legal Advisors and Advocates on panel and their fee matters.

He would maintain and update list of pending cases before the Supreme Court and High Courts through Appeal Management Processing System and Litigation Management System.

He would monitor performance of Task Forces constituted for the purpose of liquidation of sub-judice cases before the Supreme Court and High Courts; monitor performance of CIR (A) and

Collector (A) and rationalise their work load and circulate important judgements of courts to the field offices and place the same on web. He would also exercise powers and perform functions of the Board under the provisions of Customs Act 1969, Sales Tax Act 1990, Income Tax Ordinance 2001 and Federal Excise Act 2005, as delegated by the Board and perform any other duty or task assigned by the Chairman FBR.

Under the revised job description of FBR Member (Administration), he would manage administration of Federal Board of Revenue; recruitment of officers/officials of FBR; transfer/posting of officers (BS-17 and above) of Inland Revenue and Customs in consultation with the concerned Line Members and with the approval of the Chairman and also do transfer/Posting of Commissioners (Appeal) and Collectors (Appeal) in consultation with Member (Legal).

He would short list and nominate officers of FBR for mandatory training such as MCMC, SMC, NMC and NDU; deal with promotion/ disciplinary/litigation cases of FBR employees; manage record of FBR employees; manage sanctioned strength of FBR employees and be responsible for the development budget and its expenditure under PSDP. FBR Member (Administration) would manage current budget of FBR; administer expenditure budget of field formations; process all matters relating to official/gratis passports and Exit Control List (ECL) and co-ordinate in matters relating to the National Assembly, Senate Standing Committees on Revenue and Finance, Cabinet Decisions and other Ministries/Divisions.

He would manage logistics, vehicles, library, buildings, internal/external security and procurements pertaining to their repairs/maintenance at FBR (HQ); process all matters relating to purchase/condemnation of vehicles at FBR (HQ) and field offices; process hiring, do-hiring and rent payment of office buildings at FBR (HQ) and field offices; process hiring, de-hiring and rent payment of residential accommodations for employees at FBR (HQ) and process re-imburement of medical claims of employees at FBR (HO) and field offices.

He would also manage all administrative and co-ordination arrangements for Annual Revenue Budget; perform/initiate welfare activities for FBR employees; exercise powers and perform functions of the Board under the provisions of Customs Act 1969, Sales Tax Act 1990, Income Tax Ordinance 2001 and Federal

Excise Act 2005, as delegated by the Board and perform any other duty or task assigned by the Chairman, FBR.

As per new job description of FBR Member SPR&S, he would formulate revenue targets and do strategic planning for their achievements, in consultation with line members and provide analysis of data relating to collection of taxes ie Direct Taxes, Indirect Taxes, Customs Duty, etc and fiscal updates on revenue generating efforts.

He would conduct studies, as suggested by other Wings, particularly sectoral analysis on tax contributions; co-ordinate with other financial institutions and perform any other duty or task assigned by the Chairman, FBR.

Under the revised job description of FBR Member Accounting, he would deal with all matters relating to PAC/DAC on Audit Reports/Performance Audit reports/Special Studies Reports; deal with all matters relating to PAC/DAC on Appropriation Accounts (Grants with AGPR) and also deal with all matters relating to DAC on management/MFDAC (Memorandum for Departmental Accounts Committee) reports and Financial Attest of Financial Statements (Revenue Components) for each financial year; co-ordinate with Auditor General of Pakistan and Public Accounts Committee in matters relating to Audit and Vice Versa and perform any other duty or task assigned by the Chairman, FBR.

According to the revised job description of FBR Member Facilitation and Taxpayer Education (FATE), she would facilitate and educate taxpayers through development and execution of Media Campaigns on operational and policy matters of FBR.

She would conduct Awareness Campaigns, Conferences, Workshops, Seminars, etc for taxpayers; publish FBR's News letter; assist taxpayers by addressing their queries through Call Centre/ Helpline/emails/Fax, etc; update and print all the statutes administered by FBR; manage and update FBR's official website; comply with the provisions of the Freedom of Information Act; process taxpayers' grievances under Section 7 of FBR Act, 2007; disseminate explanatory literature, brochures, FAQs for taxpayers and exercise powers and perform functions of the Board under the provisions of Income Tax Ordinance 2001, as delegated by the Board. She would also perform any other duty or task assigned by the Chairman, FBR.

As per revised job description of FBR Member (Taxpayers Audit), he would responsible to plan and design audit procedures; evaluate

tax audits for all domestic taxes; devise and implement Annual National Audit Plan; prepare selection criteria for audit coverage of higher risk areas; spearhead the process of developing the audit methodology to assure audit quality; exercise powers and functions of the Board under Sales Tax Act 1990, Income Tax Ordinance 2001 and Federal Excise Act 2005, as delegated by the Board and perform any other duty or task assigned by the Chairman, FBR.

Under the revised job description of FBR Member Information Technology, Member would prepare plan and strategy for FBR in the field of Information & Communication Technology (ICT); provide support and assistance to the Senior Management in taking informed decision in the field of ICT; forecast and budget procurement of Software/Hardware/Networks, in co-ordination with PRAL and manage all ICT projects, including contract and Vendor Management, preparation of Bidding Documents/RFPs /Bid Evaluation Reports, Consultants' TORs, etc, for award of contracts for procurement of Software/Hardware, Networks, in co-ordination with Pral.

Member would monitor and control software development and implementation by PRAL/external vendors and grant mandatory prior approval for initiating new or modifying/enhancing/shelving existing software application; undertake periodic System Audits for Quality Assurance, especially security of the Operational Software, under development or developed and deployed, and resource Management for such System Audits; constitute user groups for various ICT activities; liaise with other Wings of FBR for Business Need Analysis and co-ordinate with Directorates General (T&R) for ICT Training of end-users.

Member would oversee cleansing of existing data; supervise Pral's overall management, including administrative, financial and technical activities; monitor and evaluate overall performance of CEO, PRAL; serve as an essential interchange for all communications between PRAL and FBR(HQ)/ its field offices; spearhead the process of developing the audit methodology to assure audit quality; deal with all legal, administrative and financial matters relating PRAL, including agreement/contract and verification of invoices raised by PRAL; deal with all matters relating to SAP, including renewal of Licenses, Training and implementation, etc in FBR and field offices; exercise powers and perform functions of the Board under the provisions of Sales Tax Act 1990, Income Tax Ordinance 2001, Federal Excise Act 2005,

Income Tax Rules 2002, Federal Excise Rules 2005 and Sales Tax Rules 2006, as delegated by the Board and perform any other duty or task assigned by the Chairman, FBR.

As per revised job description of FBR Member Enforcement & WHT, he would be engaged in preparation of Annual integrated Enforcement Action Plan; analysis of data obtained from field formations regarding enforcement activities, including data of withholding taxes, arrears, etc; quarterly presentation of findings and recommendations based on aforementioned analysis before Board-in-Council; liaison with Member (IR-Operations) regarding collection of withholding taxes and plan and design procedures regarding taxpayer registration including control of non-registration; tax declarations including control of non-filing; tax payments; collection of tax arrears and collection of withholding taxes. He would also perform any other duty or task assigned by the Chairman, FBR.

Under the revised job description of FBR Member (HRM), he would process, short list and nominate officers for local and foreign training, other than mandatory training and IRS specific and Customs specific training; deal with all matters relating to Policies & Procedures for Performance-linked Bonus Schemes, Voluntary Severance Scheme, Job Descriptions and Organisational Structure, work force planning; conduct awareness campaigns regarding changes and issues relating to human resource and perform any other duty or task assigned by the Chairman, FBR. – *Courtesy Business Recorder*

Auto Industry Policy to be finalised next week

The government committee on auto-policy 2013 has scheduled a meeting next week with all stakeholders, including used car importers, to give a final shape to the new policy with the objective of reducing car prices by encouraging greater competition.

Proposals from manufacturers, dealers and vendors operating in the auto industry would be sought during the consultative meeting to be convened at Board of Investment (BoI) office next week before the finalisation of the draft of auto-policy 2013, Chairman BoI Mohammad Zubair told.

The Auto Industry Policy (AIP) is being formulated and its first draft will be discussed in the upcoming meeting. The meeting will review the existing facilities being offered to the auto industry, the need for

new entrants in the sector, the existing duty structure on import of motor vehicles, the Engineering Development Board (EDB) standards, the requirement of a long term policy framework etc.

Chairman BoI said initially the government was looking into the claims that car assemblers continued to sell at high prices despite enjoying incentives from the government. They were also allegedly earning hefty profits on the advance deposited by consumers before their cars are even delivered, he added.

He said that used car importers had also been invited to the meeting in discussions to determine if used car imports should be continued in future.

On October 2, 2013, the ECC constituted a committee comprising the minister of water and power, chairman Board of Investment, chairman Federal Board of Revenue, industries secretary and chief executive Engineering Development Board to finalise the policy draft within 45 days and submit it to the committee.

The committee did not finalise the auto policy in the given time. Chairman BoI said that a comprehensive auto policy required additional time and they would seek more time from ECC.

Sources said that the government wanted to provide tariff protection for five or seven years to new entrants in the auto industry to break the monopoly of existing players and wanted to create an environment of competition by bringing more auto players in Pakistan which might result in decline in vehicle prices.

Chairman BoI said the committee was also looking into the causes why European car manufacturers were not interested in investing in our auto sector despite incentives.

He said that the government had introduced a policy for new entrants in the motorcycle industry, and had a plan for car manufacturers which would bring new investment into Pakistan.

Existing car manufacturers are lobbying to impose ban on used cars which could lead to further increase in prices. However officials said that the government had no plans to impose a ban on used cars. In the meeting, Federal Board of Revenue and the BoI would also jointly review request of Japanese companies seeking exemption for automobile industry from turnover tax, reducing the rate of advance tax from 5 to 1.5 percent on imports made by the automobile manufacturers and speeding up procedure for acquiring advance tax exemption certificate. – *Courtesy Business Recorder*

Physical infrastructure: FBR awards contracts to Nespak under WB-funded RMP

The Federal Board of Revenue has awarded contracts to M/s Nespak under World Bank-funded Resource Mobilisation Programme (RMP) to review and assess physical infrastructure requirements of the FBR and its field formations.

The FBR issued instructions to the field formations, here on Thursday.

According to the FBR, the Board has awarded contracts to the said company to review and assess physical infrastructure needs of the FBR and its field formations. In order to carry out the said assignment, M/s Nespak is visiting the field offices to accomplish the assignment.

The field formations have been requested to extend full co-operation to M/s Nespak so that this important study could be completed smoothly, the FBR added. – *Courtesy Business Recorder*

FBR urged to extend ST returns deadline

Lahore Tax Bar Association (LTBA) has urged the Federal Board of Revenue (FBR) to extend the date of filing of income tax returns by December 31, 2013 as the e-portal of the board is not working properly thus causing hardships to the taxpayers.

The demand was raised by the LTBA office-bearers at a meeting of the association held here on Thursday with its President Qari Habib-ur-Rehman Zuberi in the chair. The meeting observed that the FBR would never be able to achieve the revenue target if it would not redress the issue with the portal at the earliest.

Zuberi stated that the taxpayers were facing severe hardships in filing their returns and feared that large number of taxpayers might not be able to do so causing huge revenue loss to the government.

He alleged that the PRAL officers were not telling truth about the portal and even if their statements about the problems are admitted, taxpayers could not file their income tax returns and wealth statement in time. – *Courtesy Business Recorder*

Customs valuation guidelines termed illogical

Valuation guidelines issued by Pakistan Customs are creating problems for the stakeholders in the clearance of containers at

ports; it was learnt here on Friday. While talking, Arshad Jamal, chairman Pakistan Economic Forum, termed the said guidelines as illogical, saying that these guidelines issued by Pakistan customs, could not practically be implemented, causing problems for stakeholders in the clearance of the containers at ports.

He said that these guidelines would not only put excessive financial burden in terms of demurrages on the business fraternity but would also create congestion at ports. Therefore, it has been requested to the chairman Tariq Bajwa to look into the matter and take appropriate measures to resolve the grievances of the stakeholders. – *Courtesy Business Recorder*

25 percent more tax for TY13; FBR spells out audit process

The Federal Board of Revenue will exclude cases from selection process for audit (Tax Year 2013) through computer ballot, where taxpayers would pay 25 percent more tax for the Tax Year 2013 against tax paid or assessed previous year.

Official sources told here on Friday that the selection process of cases for audit through computer ballot would not be applicable to taxpayers, who would pay 25 percent more tax for the Tax Year 2013 against previous year. The computer balloting would not be applicable to the existing registered persons, who are ready to pay 25 percent more tax as compared to same period last year.

With the aim of enhancing income tax collection and simultaneously facilitating the existing taxpayers by providing an option to them to avoid tax audit, the Prime Minister had announced immunity from tax audit for those taxpayers who pay 25 percent more tax for the Tax Year 2013 than the tax paid or assessed for the previous year. In this regard, taxpayers who have already furnished their returns will be eligible to file revised returns to avail the facility of exemption from audit.

However, this facility would not be applicable on the cases selected for audit through random computer balloting for Tax Year 2012. The FBR has no intention to give any kind of relief to cases selected for audit through random computer ballot for Tax year 2012. The audit immunity would be restricted to the tax returns filed for the period of Tax Year 2013.

The Board had selected a total of 41,727 cases for audit without applying any parameters through random computer balloting. The Board had conducted computer ballot for selection of Income Tax,

Sales Tax and Federal Excise Returns (both corporate and non-corporate) cases for audit.

A total of 5 percent of the total return filers were selected for audit on random basis without any specific parameters. The computer ballot selected 5 percent or 41,727 out of the total 834,563 tax returns filed for income tax, sales tax and federal excise duty. However, the Board had excluded cases of salaried class and Final Tax Regime (FTR) from random computer ballot for selection of cases for audit. – *Courtesy Business Recorder*

Implementation of budgetary measures: government admits failure

The government Friday conceded that it was unable to implement taxation measures announced in the Budget to broaden the tax base due to pressure from some 'influential people' and issued 25 SROs in current fiscal year. This was admitted by a senior Federal Board of Revenue Member here while speaking at a seminar on tax reform in Pakistan. The FBR Member Policy Shahid Asad said tax authorities were unable to stand against some 'influential people' and issued a large number of SROs to mutate tax proposals announced in the Budget in their favour.

He said the issue of SRO had compelled him during the last few months to discuss the matter with the chairman. He said he had suggested the chairman that power of issuance of SROs must be withdrawn from the FBR and given to the Parliament because powerful people are not allowing the FBR to implement the budget. He said documentation of economy is the only way to broaden the tax base and also acknowledged that 17 percent GST rate is very high. The Member said that the tax leakage can be minimised by lowering the rate. Shahid said the total number of SROs issued so far during current fiscal year stood at 25 mostly relating to the Inland Revenue.

Ministry of Finance consultant on Medium Term Budgetary Framework (MTBF) Noman said different governments have allowed extensive tax exemptions, concessions and preferential treatments. He added that revenue leakage of 3 to 4 percent of GDP is estimated due to SPOs, equivalent to Rs 600 to Rs 800 billion. Total revenue collection of 13 percent is lowest in the emerging economic and insufficient to meet public expenditure 20 percent of GDP over the past five years. As a result, the government was borrowing to bridge the gap and consequently

propelled the country into a 'debt-trap'. Noman maintained that in fiscal year 2012-13, more than 60 percent of total revenue was spent on debt servicing.

He pointed out that out of a total workforce of 58 million less than 2 million are registered taxpayers, and last year only 0.7 million people actually paid income tax. Noman asserted that of the total income tax collected, more than 60 percent is collected through withholding tax which is not a good international practice.

Noman added that it is important that tax system is seen as fair, adequate, simple, transparent, and administratively easy to comply with and tax leakage control can increase around 6 percent of GDP revenue collection. – *Courtesy Business Recorder*

Excisable commodities: printing of security features to boost FED collection

The Federal Board of Revenue can easily improve Federal Excise Duty (FED) collection in 2013-14 by introducing printing of security features on cigarettes, soft drinks, pharmaceutical products, tea and other excisable commodities.

Sources told here on Friday that an international company has carried out research on the excisable commodities in Pakistan and proposed security marks, fiscal stamps and security labels etc on excisable items.

According to the company, one of the most difficult challenges facing governments today is the rapidly increasing growth in illicit trade. While traditionally limited to knock offs of branded goods (such as handbags, watches and sunglasses): today, illicit traders are exploiting consumable products including tobacco, alcohol, pharmaceutical and food products. This has very serious consequences for governments and citizens. The World Customs Organisation estimates that trade in counterfeit goods is worth \$512 billion annually - 7 percent of total world trade.

Illicit trade not only deprives governments of essential revenue, it also poses a considerable threat to consumers because of the substandard and often dangerous nature of illicit products, particularly pharmaceuticals, beverages and tobacco.

The company said that Pakistan, like many other countries, is vulnerable to the scourge of illicit trade in tobacco products. Counterfeiting, smuggling and non-compliance not only result in considerable revenue loss, but also represent a significant health

threat to citizens, since illicit products often contain dangerous substances which are used to “bulk up” the products. It is estimated that 11 percent of the global cigarette market is illicit.

Excise taxes represent almost 40 percent of the government of Pakistan’s revenue and close to 4 percent of that is from cigarettes. While the FBR has issued a series of warnings over the past few months to curb unchecked smuggling, some cross-border brands are being sold openly in the domestic market. Illicit trade is a growing threat that robs the Government of Pakistan of essential revenue and impacts the financing of key programmes, such as educational, social and health projects.

Referring to the soft drinks, sources said that the soft drink market is growing in Pakistan; according to Euro-monitor, sales in Pakistan are expected to increase 39.8 percent from 2009 to Rs 19.5 billion by 2014. The Government of Pakistan has imposed a new capacity tax on the local manufacturers of soft drinks in its 2013-14 Budget. This means companies will pay sales tax and federal excise duty on production potential of the machinery (determined by number of filling valves) instead of actual output.

Currently, this market is under threat by criminals who want to make a profit and not pay tax on their counterfeit soft drink products. They are producing low quality, adulterated, unhygienic drinks that are sometimes harmful to the health of the Pakistani people.

In an industry where even the industry members themselves say owners of local beverage companies have thrived on tax evasion, it is possible this new capacity tax may inadvertently increase illicit trade in soft drinks as local manufactures try and further avoid paying these taxes.

About the illicit trade in pharmaceuticals, company said that the criminal organisations (often the same ones involved in illicit trade in tobacco and alcohol) have been quick to exploit vulnerabilities in pharmaceutical supply chains. Fraudulent medicines pose a considerable public health threat as they can fail to cure, may harm and even kill patients. They are making their way into legitimate supply chains and can be extremely difficult to distinguish from genuine products.

It is estimated that up to 40 percent of medicines sold in Pakistan are counterfeit and further, Pakistan has been identified as one the top 13 countries in the world where fake medicines are being manufactured in large quantities.”

Sources said that the black tea is indeed a favourite hot beverage enjoyed in Pakistan, so popular that the country has one of the highest per capita tea consumption rates globally, and still growing at an estimated 2 percent annum. However, a large and cost-conscious consumer market combined with the lucrative revenue incentive to evade Customs duties and taxes has created a substantial illicit trade for black tea products in Pakistan. It is estimated that approximately half of all tea consumed in Pakistan is illicit and smuggled into Pakistan to evade duties and taxes. – *Courtesy Business Recorder*

S.R.O. 968(I)/2013, Islamabad, the 6th November, 2013.– In exercise of the powers conferred by Section 40B read with clause (u) of subsection (4) of Section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Commission of Pakistan hereby gives the following directive to all registered life insurers under the Insurance Ordinance, 2000:

1. Whereas section 6(8) of the Insurance Ordinance 2000 (the Ordinance) describes the requirements to be submitted by a life Insurer intending to carry on life insurance business. The Commission is pleased to notify detailed product submission requirements after considering a holistic view of Section 6(8) and section 13 of the Ordinance, Rule 26(1)(a) of the Takaful Rules, 2012, the Guidelines for Bancassurance – 2010 and the Guidelines for Life Insurance and Family Takaful Illustrations – 2009 and Circular No. 6 of 2006 as amended by Circular No. 7 of 2011 on Maximum Management Expense Limits for Life Insurers.
2. **Application:** This Directive is applicable to all life insurers (including family takaful operators) offering individual life (including health) insurance products whether in conventional bundled non-linked form or as investment contracts (i.e. unit linked and universal life) through any distribution channel. This Directive is also applicable to group life (including health) insurance products.
3. **Submission Requirements:**
A life insurer is required to submit the documents as per Annexure 1 on the following instances:
 - (a) Introduction of new products or riders/supplementary benefits; and
 - (b) Amendments in existing products or riders/supplementary benefits
4. **Group Life Business:** A specific risk such as death due to any cause, critical illness, or hospitalization expense reimbursement etc. shall be considered to be a product for the purpose of this Directive. It is clarified here that offering of a particular risk to different corporate clients through the same master policy document shall not be considered a different product even a different marketing name is used.
5. **Allotment of Unique Product/Rider Registration Number:** After carrying out the due evaluation of the documents submitted, the Commission shall allot a unique product/rider registration number which shall be used in all future correspondence with the Commission. If a same product is offered through different distribution channels (or through different banks) with a different brand name, the unique product registration number shall be different for each brand name.

- 6. Withdrawal of a product/Rider:** An insurer may withdraw an existing product/rider from the market after informing the Commission the reasons of withdrawal, within 14 days from the date of such withdrawal.
- 7. Timeframe for Product Registration:** The Commission shall communicate to the insurer that the product has been registered or not, as the case may be, within 30 days of receipt of an application for product submission. However, if an insurer does not receive any query from the Commission within 30 days since the date of submission of the product, it shall be permissible for the insurer to market the product. If the Commission send notice to the applicant before the expiry of thirty days, the period of thirty days shall be extended unless the Commission explicitly communicates its clearance. If the application for product submission is not complete then, it shall not be treated as received until the insurer completes the application from all aspect.
- 8. Post-Registration Implementation Certificate:** After getting the product registered with the Commission but before the commencement of selling the Product, a life Insurer is required to submit a post-registration implementation certificate that the Product has been implemented on the administrative systems of the insurer in accordance with the documents submitted to the Commission. Such a certificate shall be signed by the appointed actuary of the insurer.
- 9. Effective Date:** This Directive shall be effective from **December 1, 2013**. All life insurers (including family takaful operators) are required to submit their products in accordance with this Directive.

Annexure I

Life Insurance Product Submission Requirements

Description	Conventional Products Non-Linked	Investment Products (Unit Linked & Universal Life)
(A) Statement of Rates	(A1) Premium rates, basis, and methodology	(A2) Schedule of mortality (morbidity) rates, basis and methodology
		(A3) Description of other charges in terms of: (i) Type (i.e. Front-end/Black-end/Recurring); (ii) Basis for determination (iii) Scale/Rate; (iv) Frequency; (v) Basis for increase
(B) Statement of Advantages	(B1) Description of built-in riders/supplementary benefits	
	(B2) Description of optional riders/supplementary benefits attached with the product	
	(B3) Description of death (or any other main) benefit design including any death benefit deferral period	
	(B4) Description of surrender value	
	(B5) Description of maturity benefits	
	(B6) A sample illustration as per illustration Guidelines 2009	
	(B7) Bonus	(B8) Yearly schedule of proportion of premium allocated to policy

	distribution (including planned rates of reversionary & terminal bonuses)	holders' investment or unit account (B9) Loyalty rewards/bonus allocation/maturity bonus and the accounting policy to recognize the resulting liability (B10) Surplus distribution mechanism for Takaful products
	(B11) Policy loan, interest rate and repayment	(B12) Description of partial withdrawal eligibility, limits, charges and any consequent impact on death benefit
(C) Statement of Terms and Conditions	(C1) Statutory Fund to which the policies under the product shall be referable	
	(C2) Life assured persons(s) (i.e. single life or joint life, or blanket cover of family etc.	
	(C3) type of coverage (death due to any cause, critical illness etc.)	
	(C4) The basis on which surrender value is determined	
	(C5) Minimum and maximum age at entry, term, premium and maximum maturity age	
	(C6) Automatic non-forfeiture options	
	(C7) Settlement options for claim, surrender, maturity proceeds (e.g. annuity option)	
	(C8) Distribution channels(s), remuneration structure, incentives, distribution agreement, sales process	
	(C9) Minimum and maximum financial protection component	
	(C10) Indexation of sum cover and/or premium, indexation basis (simple or compound) and rate;	
	(C11) Any proposed deviation from standard underwriting approach and associated extra loading	
	(C12) Reinsurance arrangement applicable to the product (name of the reinsurer, applicable reinsurance treaty, risk retention-cession structure, any special terms negotiated with the reinsurer etc.)	
	(C13) Policy document to be attached	
C(14) Long term investment policy of the relevant statutory fund	(C15) Investments to which the policy is linked (including a description of any investment guarantees and/or other guarantees and the associated accounting policy to recognize the resulting liability)	
	(C16) Frequency with which and basis by which the unit values are determined; and the values attributed to units at the time of purchase and sale.	
	(C17) the basis on which expenses attributed to the policy are determined (for example at aggregate statutory fund level)	
(D) Statement of Appointed Actuary	(D1) A statement by the appointed actuary that the terms and conditions of the life insurance contracts proposed to be entered into are sound and workable (including a statement that the product satisfies the maximum management expense limits as prescribed under Circular No. 6 of 2006 or any modification thereof.)	
(E) Shariah Compliance Certificate	(E1) Only for family takaful operator as per rule 26(1)(a) of the Takaful Rules, 2012);	

Reference No: ID/PRDD/PW-II/LIPSR/2013/18126,

Islamabad, the 8th November, 2013

SECP CIRCULAR NO. 21/2013

Subject: **Live Insurance Product Submission Requirements.**

In exercise of the powers conferred by Section 40B read with clause (u) of subsection (4) of Section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Commission of Pakistan hereby gives the attached directive to life insurers through SRO No. 968(I) dated November 6, 2013 on the subject.

2 The aforementioned directive is placed at the following URL:

http://www.secp.gov.pk/circulars/pdf/Cir_2013/Directive-Life-Insurance-Product-Submission-Requirements.pdf

3 All life insurers and family takaful operators are required to submit a list of their currently active individual life and group life products, riders or supplementary benefits to the Commission to get the registration number with the following particulars:

- (a) Brand name of the product
- (b) Technical name of the product
- (c) Type of the product (i.e. individual life or group life)
- (d) The distribution channel (through which it is currently being sold)

4 The above mentioned list should be provided on or before December 1, 2013. All new products or amendments in existing products on or after December 1, 2013 shall be submitted to the Commission in accordance with the aforementioned directive.

C.No.4(1)ST-L&P/2011-156406-R Islamabad, the 21st November, 2013

SALES TAX GENERAL ORDER NO. 47/2013

Subject: **Amendment in STGO 10/2007 dated 13-09-2007 – withdrawal of facility of zero-rating on supply of electricity.**

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. 10 of 2007 dated 13th September, 2007, namely:–

In the aforesaid General Order, in the table, following serial numbers, in column (1) and entries relating thereto in columns (2), (3) and (4) shall be **omitted**:

S #	S. No. in the STGO	Name of Registered Person	Sales Tax Registration #	Reason
1.	49	Excellent Woolen Weaving	0407630100137	Non Filer
2.	96	Lodhi Cotton Industries	0407230604519	Non Filer
3.	159	M/S Roomi Cotton Factory	0407520125719	Exemption of cotton lint
4.	175	M/S Lodhi Cotton Industries	0707230604519	Exemption of cotton lint
5.	189	M/S Roomi Cotton Factory No. 3	0407520191964	Exemption of cotton lint
6.	197	Millat Seed Corporation (PVT) LTD	0408520114082	Non Zero rating
7.	239	Manthar Ginners (PVT) LTD	0408520111764	Non Zero rating
8.	244	M/S Pak Cotton Waste	0407520206164	Exemption of cotton lint

C.No.4(4)ST-L&P/2011-156406 Islamabad, the 21st November, 2013

SALES TAX GENERAL ORDER NO. 48/2013

Subject: **Amendment in STGO 11/2007 dated 13-09-2007 – withdrawal of facility of zero-rating on supply of electricity.**

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. 11 of 2007 dated 13th September, 2007, namely:–

In the aforesaid General Order, in the table, following serial numbers, in column (1) and entries relating thereto in columns (2), (3) and (4) shall be **omitted**:

S #	S. No. in the STGO	Name of Unit	Registration No.	Reason
1	30	AYESHA SPINNING INDUSTRIES	0904550100755	Non Filer
2	146	MIAN SILK FACTORY	0900521000146	Non Filer
3	235	AIMA TEXTILE IND	0900590000764	Non Filer
4	240	DATE CORPORATION	0904100600337	Non Filer
5	343	AMIN WEAVING FACTORY	2500520802082	Non Filer
6	475	WASAL SILK FACTORY	2500500701364	Non Filer
7	532	MUNAWAR SILK FACTORY	2500500403528	Non Filer

C.No.4(5)ST-L&P/2011-156406 Islamabad, the 21st November, 2013

SALES TAX GENERAL ORDER NO. 49/2013

Subject: **Amendment in STGO 08/2007 dated 13-09-2007 – withdrawal of facility of zero-rating on supply of electricity.**

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. 08 of 2007 dated 13th September, 2007, namely:–

In the aforesaid General Order, in the table, following serial numbers, in column (1) and entries relating thereto in columns (2), (3) and (4) shall be **omitted**:

S #	S. No. in the STGO	Name of Unit	Registration No.	Reason
1	38	AL-KARAM TANNERIES (PVT) LTD.	0309411100228	Non Filer
2	96	AWAN DYEING (PVT) LTD	0305620073746	Non Filer
3	108	B.K. TEXTILE INDUSTRIES (PVT) LTD.	0302520500564	Non Filer
4	113	BALAJ TEXTILE MILLS (PVT) LTD	0304520201491	Non Filer
5	124	BISVIL SPINNERS LTD	0301570300137	Non Filer
6	197	ENDEAVOR (PRIVATE) LIMITED	0302620000591	Non Filer
7	214	FAZAL IBRAHIM SILK MILLS (PVT) LTD	0301511103573	Non Filer
8	257	HALEEM FABRICS (PVT) LTD.	0304610300146	Non Filer
9	294	INTERHOM WEAVING PRIVATE LIMITED	0309580200155	Non Filer
10	360	MADINA DYEING	0301511100273	Non Filer
11	368	MANZOOR TEXTILE MILLS LIMITED	0305550500191	Non Filer
12	428	NEWAGE PRIVATE LIMITED	0309602282464	Non Filer
13	457	PLATINUM SPINNING MILLS	0300999982519	Non Filer
14	517	SALAAM TEXTILE (PVT) LIMITED	0302520505773	Non Filer
15	530	SHADMAN COTTON MILLS LIMITED	0308520206655	Non Filer
16	633	YAQOOB INDUSTRY	0301411100128	Non Filer
17	689	FARAJ SPINING MILLS (PVT) LTD	0307590000264	Non Filer
18	692	AYESHI WEAVING MILL	0304520805319	Non Filer
19	700	REHMAN BROTHERS & CO.	0305420301082	Non Filer
20	705	SKD SUPER POLYESTER INDUSTRY	0301550300319	Non Filer
21	733	QUALITY INDUSTRIES (PVT) LTD	0302610302146	Non Filer

C.No.4(6)ST-L&P/2011-156406 Islamabad, the 21st November, 2013**SALES TAX GENERAL ORDER NO. 50/2013**

Subject: Amendment in STGO 09/2007 dated 13-09-2007 – withdrawal of facility of zero-rating on supply of electricity.

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. 09 of 2007 dated 13th September, 2007, namely:–

In the aforesaid General Order, in the table, following serial numbers, in column (1) and entries relating thereto in columns (2), (3) and (4) shall be **omitted**:

S #	S. No. in the STGO	Name of Unit	Registration No.	Reason
1	112	AWAIS TEXTILES CO.	0890999121428	Non Filer
2	464	PUNJAB SIZING INDUSTRIES	0804520807591	Non Filer
3	650	ZEESHAN WEAVING FACTORY	0801520889382	Non Filer
4	663	AN TEXTILE	0803520836555	Non Filer
5	676	HASEEB WEAVINGS	0801520810246	Non Filer
6	684	LIAQAT AMIN WEAVING FACTORY	0801520883755	Non Filer
7	700	PACIFIC TEXTILE INDUSTRIES	0802520808928	Non Filer
8	703	REHMAN INTERNATIONAL	0890999913446	Non Filer
9	728	FARAN TRADING CORPORATION	0880840001291	Non Filer
10	747	SHAH JAMAT WEAVING FACTORY	0801520896473	Non Filer
11	757	WAHAB TEXTILES PVT LTD	0304511104382	Non Filer
12	783	STRONGMAN MEDIFUR SYSTEMS PRIVATE Ltd	0701901801855	Non Filer
13	899	JAVAID IMRAN WEAVING FACTORY	0803520837055	Non Filer
14	903	KUNDAN TEXTILES	0800520808455	Non Filer
15	916	MUHAMMAD SALEEM WEAVING FACTORY	0802520807446	Non Filer
16	798	ARFAT WEAVIGN FACTORY	0801520885991	Non Filer
17	997	FAISAL BILAL WEAVING FACTORY	0400980000473	Non Filer
18	999	GHULAM ABBAS WEAVING FACTORY	0802520906937	Non Filer
19	1005	HASSAN SIZING INDUSTRIES (ON LEASE)	0801520835828	Non Filer
20	1057	REHMAN COTTON TEXTILES	0800520900428	Non Filer
21	1432	AMER MEHMOOD WEAVING FACTORY	2400520833028	Non Filer
22	1413	AL-AHMAD PROCESSING	2400520900428	RTO Recommendation
23	1594	MURAD ALI WEAVING FACTORY	2400520827182	Non Filer
24	1652	SHER MUHAMMAD POWER LOOM	2400761600455	Non Filer

25	1721	JILLANI FIBERS	2400520501291	Non Filer
26	1737	MUHAMMAD AWAIS LIAQAT WEAVIGN FACTORY	2400844608173	Non Filer
27	1760	ZAFAR IQBAL WEAVING FACTORY	2400520847891	Non Filer
28	1826	BADSHAH KHAN COTTON WASTE FACTORY	0803520203273	Non Filer
29	1847	GHULAM JILANI WEAVIGN FACTORY	2400520820564	Non Filer
30	1871	IFITKHAR AHMED WEAVING FACTORY	2400521017655	Non Filer
31	1873	IMTIAZ NAVEED WEAVING FACTORY	2400520849382	Non Filer
32	1895	LEASEE SARGODHA SIZING SERVICE	0801520846064	Non Filer
33	1900	MUHAMMAD ANWAR WEAVIGN FACTORY	2400844601891	Non Filer
34	1905	MUHAMMAD RAMZAN WEAVING FACTORY	2400520820982	Non Filer
35	1920	MUHAMMAD TARIQ WASEEM WEAVIGN FACTORY	2400520809937	Non Filer
36	1923	MOHAMMAD BILAL WEAVING FACTORY	2400844619555	Non Filer
37	1942	MOHAMMAD RAFIQUE WEAVING FACTORY	2400520851091	Non Filer
38	1955	MUSTAFA WEAVING	0801520893573	Non Filer
39	2004	SHALIMAR WEAVING FACTORY	2400520836746	Non Filer
40	2096	MUHAMMAD SALEEM RAZA WEAVING FACTORY	2400520854973	Non Filer
41	2208	MUHAMMAD TARIQ WEAVING FACTORY	2400844626237	Non Filer
42	2240	ABDUL NABI WEAVING FACTORY	2400520869746	Non Filer
43	2265	AZIZ WEAVING FACTORY	2400520866773	Non Filer
44	2267	AZAM SULMAN WEAVING	2400590027928	Non Filer
45	2275	GHULAM MURTAZA WEAVING FACTORY	2400520849619	Non Filer
46	2281	HANIF WEAVING FACTORY	2400520870228	Non Filer
47	2296	KHADIM AHMAD WEAVING FACTORY	2400590021564	Non Filer
48	2312	MUHAMMAD ADEEL WEAVING FACTORY	2400520867273	Non Filer
49	2331	MUHAMMAD IRFAN WEAVING FACTORY	2400520861728	Non Filer
50	2348	NASIR ZAHOOR WEAVING FACTORY	2400520870719	Non Filer
51	2352	NAZIR AHMED WEAVING FACTORY	2400520864382	Non Filer
52	2387	A.R COTTON WASTE FACTORY	2400520203128	Non Filer
53	2396	AYUB WEAVING	2400521016091	Non Filer
54	2411	GRACE FABRICS	2400277850419	Non Filer
55	2432	KHUSHI WEAVING FACTORY	2400187930413	Non Filer
56	2496	SULEMAN WEAVING FACTORY	2400844628882	Non Filer
57	2497	SULTAN WEAVING FACTORY	2400353705319	Non Filer
58	2529	ASAD ALI WEAVING UNIT	2400355293911	Non Filer
59	2536	BISMILLAH WEAVING FACTORY	2400164629013	Non Filer
60	2538	BOOTA WEAVING FACTORY	2400520837655	Non Filer

61	2559	KAMRAN AHMAD WEAVING FACTORY	2400360840216	Non Filer
62	2599	MUHAMMAD YOUNAS WEAVING FACTORY	2400353725115	Non Filer
63	2605	NEW KASHMIR SIZING INDUSTRIES	0803520839864	Non Filer
64	2633	SURRIAYA TUFAIL WEAVING FACTORY	2400520866364	Non Filer
65	2649	AL-HAMMAD ENTERPRISES	0803520205419	Non Filer

C.No.4(7)ST-L&P/2011-156406-R Islamabad, the 21st November, 2013

SALES TAX GENERAL ORDER NO. 51/2013

Subject: **Amendment in STGO 12/2007 dated 13-09-2007 – withdrawal of facility of zero-rating on supply of electricity.**

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. 12 of 2007 dated 13th September, 2007, namely:–

In the aforesaid General Order, in the table, following serial numbers, in column (1) and entries relating thereto in columns (2), (3) and (4) shall be **omitted**:

S #	S. No. in the STGO	Name of Unit	Registration No.	Reason
1	4	AL-BASIT TEXTILE MILLS	0101520501255	Non Filer
2	29	METROPOLITAN TRADERS	1100520500937	Non Filer

C.No.4(10)ST-L&P/2011-156406 Islamabad, the 21st November, 2013

SALES TAX GENERAL ORDER NO. 52/2013

Subject: **Amendment in STGO 07/2007 dated 13-09-2007 – withdrawal of facility of zero-rating on supply of electricity.**

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. 12 of 2007 dated 13th September, 2007, namely:–

In the aforesaid General Order, in the table, following serial numbers, in column (1) and entries relating thereto in columns (2), (3) and (4) shall be **omitted**:

S #	S. No. in the STGO	Name of Unit	Registration No.	Reason
1	2	A.K. TEXTILE	0203520805255	Non Filer

2	11	A.A. WEAVING	1100520846446	Non Filer
3	13	A.G. INDUSTRIES (PVT) LTD	1100520847355	Non Filer
4	21	ABBAS DYEING	0205520800446	Non Filer
5	24	ABDULLAH INDUSTRIES	1100119028837	Non Filer
6	26	A.B.T. INTERNATIONAL	1200510600655	Non Filer
7	39	AHMED PROCESSING MILLS (PVT) LTD	1100511110346	Non Filer
8	42	AHMED TEXTILE.	1203999918491	Non Filer
9	88	AL-ERUM INDUSTRIES	0201511103664	Non Filer
10	105	ALMA LEATHERS	1200410500855	Non Filer
11	153	ASIF INDUSTRIES	1100520855591	Non Filer
12	157	ASIM INDUSTRIES (PVT) LTD	0201511100446	Non Filer
13	161	ASSOCIATED INDUSTRIES GARMENT PAK. (PVT)	0202511108291	Non Filer
14	163	ASSOCIATED WEAVERS	0203520818791	Non Filer
15	167	A.Y INDUSTRIES	0201511102346	Non Filer
16	216	COMMODITIES & TEXTILE (PVT) LTD	1201620000391	Non Filer
17	250	DOSTSONS COTTON MILLS (PVT) LTD	1200520502664	Non Filer
18	262	EVERGREEN INDUSTRIES	1100610307573	Non Filer
19	283	FATANI IMPEX (PVT) LTD	1200620008864	Non Filer
20	300	G.B. SPORTSWEAR (PVT) LTD	1200620001391	Non Filer
21	362	HASSAAN DYEING PROCESS	1100320008273	Non Filer
22	367	HAY'S (PRIVATE) LIMITED	1100119013628	Non Filer
23	384	I.I. KNITTING (PVT) LTD	1100510902128	Non Filer
24	429	JAMIA SPINNING & WEAVING MILLS (PVT) LTD	1200520500846	Non Filer
25	532	MEHRAN DYEING (PVT) LTD	0208511100882	Non Filer
26	533	MEHRAN GARMENTS	1200600102428	Non Filer
27	562	MUBEEN CORPORATION	1200520551973	Non Filer
28	580	MUSTAFA INDUSTRIES	1200580201073	Non Filer
29	582	MUZAMMIL TOWEL	1201580201119	Non Filer
30	584	N.B.Z. (PVT) LTD	1200420305819	Non Filer
31	585	N.N. DYEING	1100511129173	Non Filer
32	598	NATIONAL SILK INDUSTRY	1100520853519	Non Filer
33	712	RUKHSANA RAFIQ	1200844601182	Non Filer
34	756	SATTARI GARMENT INDUSTRIES (PVT) LTD	1200620027428	Non Filer
35	764	SHAFI TEXTILE PRINTER	0206511101146	Non Filer
36	802	SOPHIA TEXTILE (PVT) LTD	1100610384091	Non Filer
37	819	SWIFT INTERNATIONAL (PVT) LTD	1200420305991	Non Filer
38	833	TANOCRAFT LIMITED	1200420201037	Non Filer
39	841	TEXMACO INDUSTRIES	1100520815091	Non Filer
40	851	TIME TEXTILE INDUSTRIES	1100551100119	Non Filer
41	852	TOP ONE DYING	0202511101182	Non Filer

42	854	TRADE EXCHANGE SERVICES	1100119002146	Non Filer
43	897	X-PERTEX OLD (EXPER TEX)	0202590700173	Non Filer
44	908	ZAP TEXTILES	1200511102746	Non Filer
45	920	HANIF TEXTILE INDUSTRIES	1100520866491	Non Filer
46	956	PREMIER SHOES CO	1100640004973	Non Filer
47	964	S.R. CORPORATION	1100520400755	Non Filer
48	986	EHSAN TOWEL	1100580219137	Non Filer
49	1034	A REHMAN WEAVING FACTORUY	1750520901491	Non Filer
50	1049	SARAH KAMAL	1200620058855	Non Filer
51	1 116	Z & Z TEXTILE	1750521001046	Non Filer
52	1280	NIMREE INDUSTRIES	1700520801828	Non Filer
53	74	Al Yusuff Industry	1100610392255	Misuse
54	215	Commercial Textile	0202511102582	Misuse
55	284	Fazal Omer Industries (PVT)	0201511101437	Misuse
56	157	Asim Industries	0201511100446	Non Active
57	308	Gani Spinning Mills	1200520548364	Not Existent
58	372	Hilal Textile Mills	0205511103055	Non Active
59	483	Lodhi Textle	1100580213191	Misuse
60	491	M. I. Industries	1100511114146	Misuse
61	626	Novelty Industries	1100610385082	Misuse
62	703	Rehmat Textile Enterprises	1100520855673	Misuse
63	729	Sadaf Textiles	1100511113073	Misuse
64	784	Shehzeb Fabrics	1100520856746	Misuse
65	1036	Data Sahib Bleaching Factory	1100580221682	Misuse

C.No.2(1)L&P/07/157909-R

Islamabad, the 21st November, 2013

To: The Chief Collector (North), Custom House, Islamabad.
The Chief Collector (Central), Custom House, Lahore.
The Chief Collectors (Appraisalment/Enforcement), Karachi.
The Collector, MCC, Port Qasim/(Appraisalment-East-West)/
Preventive/Exports Port Qasim), Karachi.
The Collector, MCC, Gilgit-Baltistan/Peshawar/Islamabad/
Sambrial/Multan/(Appraisalment/Preventive) Lahore/Faisalabad/
Hyderabad/Gwadar/Quetta.
The Collector of Customs (Adjudication), Islamabad/Lahore/
Faisalabad/Karachi I-II/Quetta.
The Director Reforms & Automation (Customs), Karachi.

Subject: **Custom Houses to remain open on Saturdays.**

I am directed to refer to the subject cited above and to inform that all the Model Customs collectorates shall remain open and observe normal working hours on Saturdays till further orders, in order to facilitate the

trade and industry in getting their cargo cleared for imports/exports and payment of duty and taxes.

2. The Chief Collectors may kindly coordinate with management of the State Bank of Pakistan and National Bank of Pakistan to provide banking facility by all of its designated branches **on Saturday s to ensure collection of duty/taxes**. The port authorities/port operators may also please be advised to synchronize their working accordingly.

(Abdul Haya Sheikh)
Secretary (L&P)

No.PRA/Orders.06/2012/02, Lahore, the 22nd November, 2013.-

In partial modification of PRA's Notification of even number dated 01-11-2013, the place of posting of Mr. Munir Ahmad at serial No. 4 may be read as Deputy Commissioner (Enforcement-2) instead of Deputy Commissioner (Enforcement-1) and Mr. Zaka Ullah at serial No. 5 may read as Deputy Commissioner (Enforcement-1) instead of Deputy Commissioner (Enforcement-2).

No.PRA/Caterers.21/2012, Lahore, the 25th November, 2013.-

In exercise of the powers conferred under section 12 of the Punjab Sales Tax on Services Act, 2012 (XLII of 2012), Punjab Revenue Authority, with the approval of the Government, is pleased to exempt taxable services provided by the standalone caterers to the extend of eleven percent from the rate of tax subject to the following conditions:

- (a) the services provided by the standalone caterers (hereinafter '**the caterer**') shall be taxed, paid and collected at the rate of five percent;
- (b) the arrears of sales from the month of July 2012 onwards shall be paid within one month of the issuance of this notification: provided where the sales tax has been collected at the standing rate, the arrears shall be paid on the basis of such rate;
- (c) the caterer shall be liable to pay tax at the standard rate on the past and future services rendered by him in case of non-compliance of the condition narrated in para (b) above;
- (d) the whole range of services provided by the caterer shall be taken into account for purposes of assessment and payment of tax under this notification;
- (e) a caterer, in no case, shall pay less than rupees ten thousand for any tax period provided where, based upon the actual turnover, the tax due is on higher side, the amount of such higher tax shall be paid for the relevant tax period;

- (f) no refund of tax shall be admissible or paid under this notification for any reason or under any circumstances;
- (g) the standalone caterers who have been paying sales tax in the past at the standard rate may start paying tax at reduced rate on future services rendered by them;
- (h) the caterer, who avails himself of the exemption under this notification, shall furnish a certificate from the trade or business association (principal office bearer) of which the caterer is a member to the Punjab Revenue Authority to the effect that the association is fully satisfied with the accuracy and propriety of his monthly tax assessments and payments during the previous financial year and on furnishing of such certificate, the caterer shall be entitled to claim immunity from the departmental audit;
- (i) the benefit of this exemption shall not be available to a person who has committed tax fraud detected by the Punjab Revenue Authority on the basis of any specific information or otherwise;
- (j) this notification shall not bar any caterer to pay tax under the standard tax regime and such caterer may opt not to avail himself of the exemption under this notification: provided that option availed to pay tax under this notification shall not be changed during the currency of the relevant financial year; and
- (k) for purposes of this notification, "standalone caterer" means a non-corporate and non-franchise caterer who is exclusively providing catering including ancillary services without clubbing, associating or joining the catering activity with any other business activity involving transactions liable to tax at the rate other than the aforesaid reduced rate.

C.No.4(25)ITP/2013(Pt-1)-158795-R

Islamabad, the 27th November, 2013

INCOME TAX CIRCULAR NO. 13/2013

Subject: **Clarification regarding business capital for payment of Income Support Levy.**

Clarification has been sought from the Board as to what would constitute business capital for the purposes of calculating net moveable assets for payment of Income Support Levy. Queries have been raised whether business capital would comprise entire business assets. The matter has been considered and it is clarified that valuation of moveable assets has been explained in Rule (5) of the Income Support Levy Rules, 2013. As per sub rule (2) of rule (5) of the ISL Rules, 2013, the value of any movable asset shall, for the purposes of computing Levy, be the value as declared by the person in the wealth statement.

2. Business capital is distinct and separate from business assets. Business capital is the difference between entire business assets and entire business liabilities. Entire business assets as such, are not subject to Income Support Levy and business capital is calculated by deducting liabilities of business from assets of the business.
