

SALIENT FEATURES

CUSTOMS SALIENT FEATURE – BUDGET FY2017-18

RELIEF MEASURES:

1. Reduction of duty from 11% to 3% and removal of 5% RD on grandparent and parent stock of chicken
2. Reduction of duty on import of hatching eggs from 11% to 3%
3. Reduction of RD on aluminium waste or scrap from 10% to 5%
4. Exemption of 3% CD on raw skins & hides
5. Exemption of 16% CD on stamping foils
6. Reduction of CD on sheets for veneering from 16% to 11%
7. Reduction of CD on pre-fabricated modular clean rooms panels from 20% to 3%
8. Exemption of 3% CD on import of ostriches
9. Reduction of CD on fabric (non-woven) for pharmaceutical industry from 16% to 5%

PROTECTION TO LOCAL INDUSTRY

10. 5% RD levied on import of synthetic filament yarn (of polyesters)
11. Increase of CD on aluminium beverage cans from 11% to 20%

12. CD reduced on uncoated polyester film and aluminum wire from 20% to 11% for manufacturers of metalized yarn
13. CD reduced from 20% to 16% and from 16% to 11%, on raw materials for manufacturers of Baby Diapers

TARIFF RATIONALIZATION

14. CD rate on Bituminous coal and other coal equalized @ 5%. However, for the Power Projects in IPPs Mode, CD on import of both types of coal reduced to 3%
15. Separate PCT code for compressors of vehicle @ 35% CD created
16. Separate PCT code for classification of electric cigarettes created at 20% CD
17. RD @ 10% levied on animal protein meals

REVENUE MEASURES:

18. RD levied/increased on 565 non-essential items by various rates ranging from 5% to 15%
19. CD @ Rs. 250 per set converted into RD @ Rs. 250 per set on mobile phones
20. CD @ 11% and 16% exempted and instead RD at uniform rate of 9% levied on the telecom equipment
21. RD on betel nuts increased from 10% to 25% while RD @ Rs.200/kg levied on betel leaves

22. Concession in duty/taxes on Hybrid Electric Vehicles above 2500 cc withdrawn

MISCELLANEOUS:

23. **ADOPTION OF WCO HS VERSION 2017,-** Pakistan being a signatory to the HS Convention is obliged to adopt the HS 2017, incorporated its nomenclature/New HS Codes in Pakistan Customs Tariff with addition, creation and deletion of local PCT codes and also made relevant changes in the Fifth Schedule and SROs/Notifications where HS Codes have changed.
24. Exemption from CD extended on import of combined harvesters-threshers up to 5 years old while 10% and 20% RD levied on five to ten years and more than ten years old respectively.
25. Additional duty on cylinder head for motorcycles levied
26. Extension of concession on 11 more components of trailers
27. Concessionary rate of 11% available on Set top boxes, TV broadcast transmitter and Reception apparatus etc. extended till 30.6.2018.
28. Surcharge in excess of 0.25% for cargo in-bonded at Karachi for upcountry Bonds exempted
29. Expansion of scope of exemption on import/donation by allowing imports and donation of Federal, Provincial, AJ&K, Gilgit-Baltistan Governments, NDMA, PDMA and Govt. emergency/ rescue services
30. Import of solar panels and related components were exempted from the condition of 'local manufacturing' till 30th June 2017 which is extended till 30th June, 2018.

SALES TAX & FEDERAL EXCISE BUDGETARY MEASURES (FY 2017-18)

The budgetary measures pertaining to Sales Tax & Federal Excise are primarily aimed at:

1. Reduction of sales tax on fertilizers to replace subsidy. Due to complications in payment of subsidy to fertilizers manufacturers and importers, the subsidy is proposed to be substituted with reduction in sales tax rates on various fertilizers. Instead of ad valorem rates, specific rates have been proposed. However, the rate on urea fertilizer shall remain unchanged at 5% ad valorem.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

2. Reduction in rate of sales tax on poultry machinery. Sales tax on import of seven types of poultry machinery is proposed to be reduced to 7%.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

3. Exemption from sales tax on combined harvesters. Presently, combined harvesters are subject to sales tax at 7% ad valorem under Eighth Schedule. It is proposed to provide exemption from whole of sales tax on combined harvesters upto five years old by inserting an entry in the Sixth Schedule.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

4. Exemption from sales tax on agriculture diesel engine. Sales tax on agricultural diesel engines (from 3 to 36 HP) is proposed to be exempted.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

5. Exemption from sales tax on imported seeds for sowing. Presently, imported oil seeds are subject to sales tax @ 5% under Eighth Schedule. Exemption from payment of sales tax is being provided on import of sunflower and canola hybrid seeds meant for sowing.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

6. Exemption from sales tax on multimedia projectors. Exemption from sales tax is being provided on import of multimedia projectors by educational institutions.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

7. Exemption from sales tax on gifts and donations. Exemption from sales tax is being provided to gifts and donations received from foreign governments and organizations to the Federal and Provincial Governments and public sector organizations.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

8. Exemption from extra tax to lubricating oil. In order to enable industrial consumers to avail input tax adjustment on lubricating oils purchased from the traders, the entry relating to lubricating is being omitted from Chapter XIII of the Sales Tax Special Procedures Rules, 2007, thus withdrawing the levy of 2% sales tax on lubricating oils.

Enforced through amendment of the Sales Tax Special Procedures Rules, 2007 with effect from 01.07.2017.

9. Reduction in sales tax on import and supply of hybrid electric vehicles. Reduction in sales tax at the rate of 50% is available on import of Hybrid Electric Vehicles upto 1800cc and at the rate of 25% on Hybrid Electric Vehicles exceeding 1800cc. It is proposed to maintain reduction in sales tax at the rate of 50% on Hybrid Electric Vehicles having engine capacity

upto 1800cc and restrict reduction at the rate of 25% on engine capacity from 1801cc to 2500cc only. Similar reduction is proposed to be provided on local supply of the said two categories of Hybrid Electric Vehicles.

Enforced through amendment SRO ____ (I)/2017, dated 01.07.2017, effective from 01.07.2017.

10. Automatic stay against recovery. It is proposed to provide for automatic stay against recovery against recovery of Sales Tax and Federal Excise Duty demand till decision by the Commissioner Inland Revenue (Appeals) subject to 25% of the amount of sales tax and FED demand.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

11. Exemption from sales tax on premises to fight growth stunting. It is proposed to provide for exemption from sales tax on premises to fight growth stunting.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

12. Exemption to vehicles for development of Gwadar Port. It is proposed to provide exemption from sales tax to vehicles for construction and development of Gwadar Port and Gwadar Free Zone on the line of exemption available to vehicles under the Customs Act, 1969. Scope of exemption already provided to materials and equipment, is being clarified by extending exemption to plant, machinery, equipment, appliances and accessories.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

13. Exemption from sales tax to items for renewable sources of energy. Existing exemption available to items for renewable sources of energy is proposed to be aligned with exemption available to these items under the Customs Act, 1969.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

14. Exemption from sales tax to items for conservation of energy. Exemption from sales tax is proposed to be provided to items for conservation of energy on the pattern of exemption available under the Customs Act, 1969.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

15. Exemption to parts and components for manufacturing LED lights. Exemption is proposed to be provided to parts and components for manufacturing LED lights on the pattern of exemption available under the Customs Act, 1969.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

16. Withdrawal of sales tax withholding. Sales tax withholding is proposed to be withdrawn on supplies from registered persons to other registered persons with the exception of advertisement services.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

17. Reduction in Federal Excise Duty on Telecommunication Services. Federal Excise Duty on telecommunication services is proposed to be reduced from 18.5% to 17%.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

18. Services under Islamabad Capital Territory (Tax on Services) Ordinance, 2001. Services which are subject to sales tax on the basis of turnover without input tax adjustment under Provincial Sales Tax Laws are proposed to be taxed in the similar manner. Exemption from sales tax is also proposed to be provided on export of IT services.

Enforced through amendment SRO ____ (I)/2017, dated 01.07.2017, effective from 01.07.2017.

19. Rationalization of sales tax on mobile phones. Mobile phones are chargeable to sales tax at the rates of Rs. 300, Rs. 1,000 and Rs. 1,500 per mobile phone set depending upon categories of mobile phones. It is proposed to merge sales tax rates of Rs. 300 and Rs. 1,000 per set into Rs. 650 per set. The proposal will promote use of information technology and will also reduce disputes on categorization of mobile phones.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

20. Increase in Federal Excise Duty on cement Federal Excise Duty on cement is proposed to be enhanced from Rs. 1 per kg to Rs. 1.25 per kg.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

21. Enhancement of rates of Federal Excise Duty on cigarettes. Since 2014, FED is being charged on cigarettes on the basis of specific rates for two tiers. In order to arrest the declining revenue trends and to curb the menace of illicit low priced cigarettes of inferior quality, a new tier is being introduced and the proposed duty structure for the three tiers.

Enforced through amendment SRO ____ (I)/2017, dated 27.05.2017, effective from 27.05.2017.

22. Rate of sales tax for steel sector. Steel sector is currently paying sales tax on the basis of consumption of electricity at the rate of Rs. 9 per unit of electricity. The existing rate of Rs 9/unit of electricity is proposed to be enhanced to Rs.10.5 and corresponding increase shall be made in ship breaking and other allied industry. And to promote the ease of doing business the issues pertaining to steel industry shall be resolved in consultation with the industry.

Enforced through amendment of the Sales Tax Special Procedures Rules, 2007 with effect from 01.07.2017.

23. Regularization of retailers' regime. Tier-1 retailers are under obligation to pay sales tax under normal regime. Alternatively, they have the option to pay sales tax @ 2% of turnover without any input tax adjustment. The said regime had been introduced under an SRO which has been struck down by the Lahore High Court. It is proposed to provide for payment of sales tax by tier-1 retailers through Sales Tax Act, 1990.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

24. Payment of sales tax on retail sales of five export oriented sectors. Retail sales of five export oriented sectors are chargeable to sales tax @ 5%. It is proposed to increase the said rate to 6%.

Enforced through amendment SRO ____ (I)/2017, dated 01.07.2017, effective from 01.07.2017.

25. Sales tax on commercial import of fabrics. Commercial import of fabrics is zero-rated under SRO 1125(I)/2011 dated 31.12.2011. It is proposed to levy sales tax @ 6% on commercial import of fabrics.

Enforced through amendment SRO ____ (I)/2017, dated 01.07.2017, effective from 01.07.2017.

26. Clarificatory amendment regarding application of sales tax on imports. Goods imported into Pakistan are subject to sales tax. However, in order to clarify the matter in view of some court judgments Clarificatory amendment is being made to section 3 regarding application of sales tax on imports destined for non-tariff areas.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

27. Removing ambiguity regarding application of further tax in respect to persons making zero-rated supplies. Clarificatory amendment is proposed to be made regarding application of further tax under section 3(1A) on zero-rated supplies covered under section 4 of the Sales Tax Act, 1990. However, zero-rated supplies made to diplomats, privileged persons, duty free shops and similar categories shall be excluded from the purview of further tax.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

28. Inclusion of Inland Revenue Authorities. District Taxation Officer, Deputy/Assistant Director Audit are proposed to be included in the list of Inland Revenue authorities

Enforced through Finance Bill, 2017, effective from 01.07.2017.

29. Assigning of jurisdiction of sales tax to Chief Commissioners Inland Revenue. Presently, Federal Board of Revenue assigns jurisdiction of Sales Tax and Federal Excise directly to Commissioners Inland Revenue. It is proposed that the Federal Board of Revenue may assign jurisdiction to Chief Commissioners Inland Revenue who may further assign jurisdiction to Commissioners Inland Revenue under his administrative control.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

30. Service of electronically sent notices to companies be construed as proper service. Notices sent to companies through electronic medium is proposed to be treated as proper service alongwith other prescribed modes.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

31. Fixation of minimum sales tax on supply of locally produced coal. Minimum sales tax @ Rs. 425 per metric tonne is proposed to be provided for locally produced coal.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

32. Penalties are proposed to be imposed on persons manufacturing, possessing, transporting, distributing, storing, selling non-duty paid/ counterfeit cigarettes.

Enforced through Finance Bill, 2017, effective from 01.07.2017.

INCOME TAX

Relief Measures

- **Reduction in Tax Rate for Companies:** Continuing with the policy of reducing corporate tax rates, the rate has been reduced further from 31% to 30% for the Tax Year 2018.
- **Reduction of withholding tax rates for mobile phone subscribers:** The number of mobile phone subscribers in Pakistan has shown a gradual and sustained increase and presently there are about 140 Million mobile telephone subscribers in Pakistan belonging to various strata of society. In order to promote mobile phone density, the rate of withholding income tax for mobile phone subscribers is being reduced from 14% to 12.5%.
- **Introducing concept of start-ups:** In order to promote innovation and entrepreneurship in Information Technology the concept of start-up has been introduced. A start-up has been defined as a business set-up by an individual, AOP or a company having turnover upto Rs.100 Million, registered and certified by the Pakistan Software Export Board (PSEB) as an information technology entity engaged in offering technology driven products or services to any sector of the economy. In order to incentivize the start-ups, tax exemption is being accorded to profits earned by such start-ups for a period of three years. Moreover, exemption from levy of minimum tax as well as withholding tax (as recipient) is also being accorded to such start-ups.
- **Exemption on cash withdrawal by branchless banking agents:** At present, tax @ 0.3% and 0.6% is deducted upon aggregate cash withdrawals exceeding Rs.50,000 per day from filers and non-filers respectively. In order to promote digital payments in the country and to

assist in the realization of the long term vision of Universal Financial Inclusion in Pakistan, exemption is being accorded to branchless banking agents operating under the Asaan Mobile Account Scheme from withholding tax on cash withdrawals made for the purpose of making payments to their respective customers.

- **Exemption from collection of advance tax on vehicles leased under the Prime Minister's Youth Loan Scheme:** At present, advance tax @ 3% is collected at the time of leasing motor vehicles to a non-filer. In order to facilitate the generation of employment opportunities among the unemployed youth and to mitigate their hardship, exemption from collection of advance tax is being accorded to vehicles leased under the Prime Minister's Youth Loan Scheme.
- **Enhancement in limit for importing raw material by manufacturers without collection of income tax at the import stage:** Presently, the quantitative limit for import of raw materials by an industrial undertaking for its own use, without collection of tax at the import stage, is 110% of the raw materials imported and consumed in the previous tax year. In order to promote industrialization and manufacturing the quantitative limit for import of raw materials by industrial undertaking, without collection of income tax at the import stage , on the basis of exemption certificate issued by the Commissioner, is being enhanced from 110% to 125% of the quantity imported and consumed in the previous tax year.
- **Reduction in threshold for paying advance tax in the case of an individual:** At present an individual is obliged to pay advance tax if his latest assessed taxable income is Rs.500,000 or more. In order to provide relief and to facilitate small taxpayers, the threshold for payment of advance tax on the basis of latest assessed taxable income is being enhanced from Rs.500,000/- to Rs.1,000,000/-

- **Further relief on tax credit for education expenses:** At present, individuals having taxable income of less than one million rupees are entitled to a deductible allowance in respect of education expenses incurred by them. In order to provide respite upto middle income groups paying tuition fees, the threshold of taxable income for individuals entitled to a deductible allowance in respect of education expenses incurred is being increased from Rs.1,000,000/- taxable income to Rs.1,500,000/-.
- **Relief from Withholding tax on Life Insurance Premium:** Presently, advance tax is collected by insurance companies from non-filers if life insurance premium paid by such non-filers exceeds Rs.200,000/- per annum. In order to provide respite to taxpayers having life insurance policies the threshold for collection of advance tax from such non-filers is being enhanced from Rs.200,000/- to aggregate amount of Rs.300,000/- per annum.
- **Relief for individuals and AOP's paying health insurance premium /contribution:** At present a resident person other than a company, deriving income from salary or business and being a filer is entitled to a tax credit in respect of any health insurance premium or contribution paid to an insurance company. In order to provide respite to individuals and AOP's availing health insurance the lower limit of tax credit available to such persons, on a proportionate basis, is being increased from Rs.100,000/- to Rs. 150,000/-.
- **Reduction of withholding tax rates on Registration of Motor Vehicles:** In order to encourage and incentivize compliant taxpayers, being filers of income tax returns, withholding tax on registration and transfer of motor vehicles having engine capacity upto 850cc, 851cc to 1000cc and 1001cc to 1300 cc is being reduced from existing Rs.10,000/-, Rs.20,000/- and Rs.30,000/- to Rs.7,500/-, Rs.15,000/- and Rs.25,000/- respectively.

- **Loan to employee by employer:** A present interest free loan exceeding Rs. 0.5 Million provided by an employer to an employee is treated as a perquisite and is subjected to tax in the hands of the employee. In order to provide relief to such employees it is proposed to enhance this limit of interest free loans from the existing 0.5 Million to 1 Million.
- **Extending period for which tax credit on enlistment is available:** At present, upon enlistment of a company in the stock exchange, 20% tax credit for a period of two tax years is available on the tax payable by such company. In order to further incentivize the enlistment of companies on the stock exchange such tax credit is being extended for another two tax years, however, such tax credit shall be allowed @10% of the tax payable for each of these subsequent two tax years.
- **Reduced rate of minimum tax on services rendered by the Pakistan Stock Exchange:** Presently, services rendered by Pakistan Stock Exchange Limited are subjected to 8% minimum tax which results in an effective tax rate which is much higher than the prevalent corporate rate of tax. To further improve the performance of the Stock Exchange it is being subjected to reduced rate of minimum tax @ 2% on its services.
- **Limit for sales promotion by pharmaceutical companies to be enhanced:** A provision was introduced in the Finance Act, 2016 whereby expenditure incurred by pharmaceutical companies on sales promotion, advertisement and publicity, in excess of 5% of turnover was to be treated as an inadmissible expense. In view of the difficulty being experienced by pharmaceutical companies in carrying out their normal business activities the limit for expenditure incurred by such companies on sales promotion, advertisement and publicity is being enhanced from 5% to 10% of turnover.

- **Tax neutrality in Islamic Banking viz-a-viz conventional banking:** In order to promote and incentivize Islamic Banking, special provisions have been introduced whereby tax neutrality has been accorded in the case of Musharika financing by extending the benefit of depreciation on assets co-owned in the case of a Musharika arrangement.
- **Fixed tax by Hajj Group Operators:** At present Hajj Group operators are paying Rs.5000/- per Haji in respect of income from Hajj operations. In order to facilitate Hajj Group operators the fixed tax of Rs.5000/- per Haji is being extended for the Tax Year 2017.
- **Exemption to income of political parties:** At present there is no specific exemption in the law in respect of income of political parties. As a relief measure, exemption is now being proposed on income of all political parties registered with the Election Commission of Pakistan under the Political Parties Order, 2002.
- **Exemption for Non-Profit /Charitable Institutions:** In order to encourage non-profit/charitable institutions ,income of the following charitable organization/non- profit organizations is proposed to be exempted:-
 - (a) Gulab Devi Chest Hospital
 - (b) Pakistan Poverty Alleviation Fund
 - (c) National Academy of Performing Arts
- **Incentivizing distribution of dividend:** At present, there is exemption from tax on the undistributed reserves of a public company, other than a banking company or a modaraba if the lesser of at least 40% of after tax profit or 50% of the paid up capital is distributed as dividend. In order to protect the interest of small investors and to promote payment of

dividends the condition regarding distribution of 50% of paid up capital is being omitted.

- **Concept of provisional assessment to be abolished:** At present, there is no right of appeal against a provisional assessment order which attains finality after the expiry of 45 days from the date of service of such order if the taxpayer fails to furnish a complete return of income. In order to alleviate the hardship being faced by various taxpayers who are unable to file return of income within 45 days on account of genuine reasons and have no remedy against such order, the concept of provisional assessment is being done away with.
- **Revision of withholding tax statements:** Presently taxpayers are unable to revise withholding tax statements in case of any error /omission. In order to facilitate taxpayers, a new provision is being introduced enabling taxpayers to revise withholding tax statements suo-moto within 60 days of the filing of withholding tax statements.
- **Empowering Chief Commissioner to revise order refusing extension in filing of tax return and statements:** At present there is no remedy available to a taxpayer if the concerned Commissioner refuses to grant extension in filing of an income tax return, or a wealth tax statement. In order to facilitate such taxpayers, the Chief Commissioners are being empowered to revise an order by a Commissioner refusing to grant such extension.
- **Reduction of withholding tax rates on fast moving consumer goods:** The present the rate of withholding tax on sale /supply of Fast Moving Consumer Goods is 3% and 3.5% respectively for companies and non-companies. Distributors of Fast Moving Consumer Goods typically have high volumes but low profit margins, therefore, the incidence of withholding tax at the present rates causes undue hardship for such

distributors. In order to mitigate their hardship, the rates of withholding tax are being reduced to 2% and 2.5% respectively for companies and non-companies.

REVENUE MEASURES

- **Taxation of Dividend:** The present rate of tax of 12.5 % on dividend income is on the lower side as compared to most other countries in the region. It is proposed that the rate be increase to 15%. Furthermore, rate of tax on dividend received from mutual funds is being rationalized and enhanced from existing 10% to 12.5%.
- **Rationalization of rates on interest income:** At present there are three slabs for taxation of interest income for persons earning interest income upto Rs.25 Million, from 25 Million to 50 Million and in excess of Rs.50 Million. In order to rationalize taxation of interest income and to reduce the incidence of tax upon persons earning lesser interest income the following new slabs are being introduced:-

Where mark-up does not exceed Rs. 5 M	10%
Where mark-up exceeds Rs.5 M but does not exceed Rs.25 M	12.5%
Where mark-up exceeds Rs.25 M	15%

- **Simplification of rate structure on Capital Gains Tax:** At present there is a three tier rate structure for capital gains tax on securities based upon the holding period of securities i.e. less than 12 months, more than 12 months but less than 24 months and more than 24 months but less than 5 years. For the purposes of simplification and promotion of stock market transactions, a flat /single rate of tax of 15% for filers and 20% for non-filers is being introduced.

- **Withdrawal of tax credit to manufacturers making 90% sale to registered persons:** A tax credit of 3% of tax liability was made available to all manufacturers who make 90% of their sales to sales tax registered persons in order to encourage documentation and for facilitating entry into the formal sector, however, this incentive has failed to achieve its desired objective and has failed to contribute, in any meaningful manner, towards documentation. In this backdrop this tax credit is being withdrawn.
- **Rationalizing minimum tax:** At present the standard rate for minimum tax is 1% of turnover. In order to facilitate and encourage the organized and compliant sector to making correct declarations of their taxable income and tax liability thereon, the rate of minimum tax is being enhanced from 1% to 1.25%.
- **Tax on Builders and Developers:** Vide the Finance Act, 2016 a fixed tax on builders and developers on the basis of developed or built up area was introduced at different rates for various cities across the country. The departure from normal tax regime to fixed tax regime did not yield the expected results, therefore, it is proposed that the normal tax regime be reintroduced for land developers and builders.
- **Rationalizing tax on import of DAP fertilizers:** Presently tax collected at import stage on DAP fertilizer constitutes final discharge of tax liability for commercial importers whereas the same is adjustable for urea manufacturers who also commercially import DAP fertilizer. In order to rationalize this disparity and for the sake of uniformity, commercial import of DAP fertilizer both by commercial importers as well as urea manufacturers is proposed to be brought into the final tax regime.
- **Extension in Super Tax:** At present, Super Tax is levied at the rate of 4% on the income of Banking Companies and at the rate of 3% for other persons. The circumstances which necessitated introduction of Super Tax

are still continuing, therefore, it is proposed to extend the levy of Super Tax by one more year, i.e. for the tax year 2017.

- **Advance Tax on Stock Exchange Brokers:** Currently the rate of advance withholding tax collected from stock exchange brokers is 0.02% and is adjustable. This withholding tax is now being made final tax in respect of such persons.
- **Documentation of Purchase of Tobacco:** Illicit and non-duty paid cigarette manufacturing has created distortions. In order to document purchase of tobacco, Pakistan Tobacco Board is being entrusted with collection of withholding tax on purchase of tobacco by manufacturers of cigarettes at the rate of 5% of the purchase value of tobacco, at the time of collecting cess.
- **Rationalization of withholding tax on sale to retailers in respect of electronics goods:** At present, the rate of withholding tax on sales made by manufacturers, wholesaler, dealers and distributors of electronics goods to retailers is liable to adjustable withholding tax at the rate of 0.5%. It is proposed to enhance the tax rate to 1%.
- **Manufacturers/wholesaler to collect withholding tax from distributors/dealers of batteries:** Presently, manufacturers/commercial importers are required to collect withholding tax on sale to dealers, distributors and wholesalers on sale of various items such as electronic goods, cigarettes, etc. at the rate of 0.1% of such sales. The scope of this withholding tax is being extended to batteries.

Similarly, every distributor, dealer, wholesaler while making sales to retailers in respect of the above referred commodities are required to collect withholding tax at the rate of 0.5% of the amount of sales. The scope of this withholding tax is being extended to batteries.

- **Increasing cost of non-compliance with tax laws:** The government, since the preceding three years, has consistently adopted the policy of creating a distinction between compliant and non-compliant taxpayers by prescribing higher withholding tax rates for non-filers and resultantly increasing the cost of doing business for such non-filers. Continuing with this policy the differential of withholding tax rates for filers *viz-a-viz* non-filers, is being enhanced in scope and rates for various transactions including, payments made to residents and non-resident persons for sales/services/contracts, payments for prize bond/lottery, sale by auction, commission/discount to petrol pump operators etc.