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A Brief on Finance Supplementary (Second Amendment) Bill 2019

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The Finance Minister today presented Finance Supplementary (Second Amendment) Bill 2019 in the National Assembly for amendment of certain provisions of the Federal tax laws.

We are pleased to summarize our comments containing our interpretation of the proposed legislation in this brief.

The proposed amendments shall take effect from the next date of assent given by the President. However, certain amendments in the Income Tax Ordinance, 2001 shall be effective from the date given within legal provisions, and some from 01 July 2019 whereas specified amendments in Customs Act, 1969 from 31 March 2019.

We recommend that while considering their application to any particular case, reference be made to specific wordings of the relevant statutes.

The Budget Brief can also be accessed on our website.

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An Overview

A bill aimed at economic reforms

The purported objective of the Finance Supplementary (Second Amendment) Bill 2019 as stated by the Finance Minister in his speech, is to encourage economic activity and roll out reforms, reduce cost of production and encourage investment in industries; leading to employment creation. To this end, the Bill proposes the following measures:

- Complete exemption from sales tax with effect from 01 July 2019 on import of plant and machinery for setting up a Greenfield project to manufacture goods subject to sales tax.
- Reduction in customs duty on a number of items used as industrial inputs and raw materials.
- Five years exemption from income tax to industries set up to manufacture machinery and items with dedicated use of renewable energy.
- Abolition of 5% customs duty on import of newsprint.
- Abolition of 5% tax on undistributed profits of listed companies.
- Clearing backlog of sales tax refunds through issuance of three years promissory notes bearing profit at 10% p.a.
- Abolition of 1% super tax on non-banking companies - Though this may not have a substantial effect as the said tax is payable only by companies having income of more than Rs. 500 million and was already on its way to phase out after next year.
- Withdrawal of 10% tax with effect from 01 July 2019 on auction of franchise rights to participating teams in a national or international league organized by a sports board or other organization set up by the Government for controlling and regulating major sports.
- Facility to investors in stock market to carry forward capital losses incurred in Tax Year 2019 and onwards to next three years for adjustment against capital gains.
- Abolition of 0.02% tax on sale / purchase value of shares, in lieu of commission by members of the stock exchange.
- Reduction in filing requirements by substituting monthly withholding tax statements with six monthly statements. This is however not without a caveat that the tax commissioner may seek statement for any period as he may desires.
- Taxation at reduced rate of 20% on interest income of Banking Companies for four years, arising from loans to micro, small and medium enterprises, farm credit and low cost housing as defined in the Prudential Regulations.
- Withdrawal of 1% super tax on non-banking companies – This may not have a substantial effect as the said tax is payable only by companies having income of more than Rs. 500 million and was already on its way to phase out after next year.
- Insertion of enabling provision for a special scheme of taxation for shopkeepers and traders, details to be prescribed later.
- Withdrawal of 0.3% tax on cash withdrawals by filers of tax returns.

While aiming at economic reforms as its principal objective, the Bill is not without the customary revenue generating measures, the pertinent one being listed below:

- Imposition of super tax at 4% on banking companies for the Tax Year 2018 to 2021.
- Imposition of 10% excise duty on locally assembled cars with engine capacity of 1,800 cc and above.
- Increase in FED from 20% to 30% on imported cars with engine capacity of 3,000 cc and above.

The proposed amendments appear steps in the right direction, however, much needs to be done including but not limited to fiscal reforms on state owned ailing enterprises, tax policy matters, and setting up of special economic zones.

Our detailed comments on specific amendments in the taxation laws follow from next page.

Income Tax

Enhancement of rate of super tax for banking companies - Section 4B

Presently, super tax on banking companies is chargeable at 0% for the Tax Year 2018. The Bill proposes to enhance the rate of super tax chargeable to banking companies for the Tax Year 2018 to 4%.

The Bill further proposes to enhance the rate of super tax chargeable to banking companies for Tax Years 2020 and 2021 to 4% from the presently prescribed rates of 3% and 2% respectively. The Bill however does not prescribe mechanism for payment of super tax for Tax Year 2018 whose returns stand filed by the banking industry. Apparently, the payment will be required immediately in case the proposal sails through.

The Bill further proposes to reduce the rate of super tax chargeable to non-banking companies for Tax Year 2020 to 0% from the presently prescribed rates of 1%.

Chargeability of tax on undistributed profits of public companies restricted upto Tax Year 2019 - Section 5A

Presently, tax is chargeable at five percent of accounting profit before tax of public companies (excluding scheduled bank and *modarabas*) which derive profit for a tax year but does not distribute at least twenty percent of its after tax profits.

The Bill proposes to restrict the chargeability of tax on undistributed profits upto Tax Year 2019 and not thereafter.

Carry forward of loss on disposal of securities is allowed - Section 37A

Presently, loss sustained on disposal of securities cannot be carried forward to a subsequent tax year.

The Bill proposes to provide for the facility for carry forward of loss sustained on disposal of securities upto three tax years immediately succeeding the tax year for which the loss was first computed, however, the said loss shall only be adjustable against the income from disposal of securities chargeable to tax under section 37A. This amendment is proposed to take effect from 1st July 2019.

Coverage of exemption on income from renewal of licenses - Section 49(4)

Presently, income from sale of spectrum licenses by Pakistan Telecommunication Authority (PTA) is treated as income of the Federal Government, hence exempt from tax.

The Bill proposes that in addition to income from sale of spectrum licenses by PTA, income from renewal of the spectrum and licenses by PTA shall also be treated as income of the Federal Government.

Special procedures for taxation of small traders and shopkeepers - Section 99B

A new section is proposed to be inserted in the Ordinance, which provides that the Federal Government may, by notification in the Official Gazette, prescribe special procedure for scope and payment of tax, filing of return and assessment of such small traders and shopkeepers, in such cities or territories, as may be specified. The details are yet to be prescribed.

Provisional assessment for charge of tax on undeclared offshore assets – Section 123

The Bill proposes to introduce a new sub-section in section 123, according to which, Commissioner is empowered to issue a provisional assessment order or provisional amended assessment order to a person for the last completed tax year by taking

into account the undeclared offshore asset of the person.

Commercial importers brought under final tax regime - Section 148(8)(a)

Presently, tax required to be paid on import of goods which are sold in the same condition, as they were imported, is treated as minimum tax. The Bill proposes to bring these commercial imports once again under the ambit of final tax regime.

Filing of withholding tax statements - Section 165 and clause (81A) Part IV, Second Schedule

Presently, withholding tax statements are required to be filed on monthly basis. The Bill proposes to replace the requirement of filing of withholding tax statements from monthly basis to half yearly basis. The withholding tax statements for the six months period ended 31 December will be filed by 31 January of the next year and the, withholding tax statements for the six months period ended 30 June will be filed by 31 July.

The Bill also proposes to empower the Commissioner to require a withholding tax agent to furnish a withholding tax statement for any period within a specified time period.

Further the Bill proposes to immune the banking companies from filling of statements for taxes deducted or collected on profit on deposits and cash withdrawals.

Relaxation of restrictions on registration of vehicles in the cases of non-filers – Section 227C and increase in collection of tax under section 231B read with Division VII, Part IV of First Schedule

The Bill proposes to further relax the restrictions placed on the registration of vehicles acquired by non-filers. According to the proposed changes, the

requirement of being a 'filer' will not be applicable for registration of a locally manufactured motor vehicle having engine capacity not exceeding 1300 CC; locally manufactured motorcycle, motorcycle rickshaw and rickshaw; and locally manufactured agricultural tractor.

Presently, the restriction otherwise placed on registration of a motor vehicle in the name of a non-filer is not applicable to a person holding a Pakistan origin card or a national identity card for overseas Pakistanis who produces a certificate from a scheduled bank of receipt of foreign exchange remitted from outside Pakistan through normal banking channels during a period of sixty days prior to the date of booking, registration or purchase of motor vehicle.

The Bill proposes to extend this immunity to a non-resident Pakistani citizen holding international passport.

However the Bill seeks to enhance the tax rates applicable on purchase, registration of motor vehicles for non-filers as under:

S. No.	Engine Capacity	Existing Rate (Rupees)	Proposed Rate (Rupees)
1.	Upto 850 CC	10,000	15,000
2.	851 CC to 1000 CC	25,000	37,500
3.	1001 CC to 1300 CC	40,000	60,000
4.	1301 CC to 1600 CC	100,000	150,000
5.	1601 CC to 1800 CC	150,000	225,000
6.	1801 CC to 2000 CC	200,000	300,000
7.	2001 CC to 2500 CC	300,000	450,000
8.	2501 CC to 3000 CC	400,000	600,000
9.	Above 3000 CC	500,000	675,000

Abolishment of Directorate General of Transfer Pricing – Section 230E

The Bill proposes to omit section 230E, which will result in abolishment of Directorate General of Transfer Pricing which was introduced vide Finance Act, 2017.

Abolishment of advance tax on Stock Exchange Transitions – Section 233A

Presently, the Stock Exchanges registered in Pakistan are required to collect advance tax from their members on purchases and sales of shares in lieu of tax on commission earned by them. The Bill proposes to abolish the collection of this advance tax effective 01 February 2019.

This change may trigger applicability of section 233 – withholding of tax on commission income.

Rates of tax collectible on import of mobile phones – Section 148

The Bill seeks to introduce separate rates of tax collectible on import of mobiles phones ranging from Rs. 70 to Rs. 5,200 for the mobile phone sets having C&F value upto USD 30 & exceeding USD 500.

Abolishment of tax on cash withdrawals in case of filers – Section 231A & Division VI, Part IV, First Schedule

Presently, banks are required to collect tax at 0.3% from the filers in case, cash withdrawals exceed Rs. 50,000 in a day.

The Bill seeks to abolish this tax collection on cash withdrawals for filers.

Increase in tax on transactions in Banks for filers – Section 231AA & Division VIA, Part IV First Schedule

Presently advance tax on banking transaction e.g. bank draft, pay order, CDR, STDR, SDR, RTC or any other instrument of bearer, nature or on receipt of cash on cancellation of these instruments is collected at the rate of 0.3% from filer and 0.6% from non-filer.

Bill now proposes to introduce same rate of 0.6% for filer and non-filer, hence, increase in the case of filer.

Reduction in tax collectible on small functions and gatherings – Section 236D & Division XI, Part IV, First Schedule

The Bills seeks to restrict the rate of tax collectible on functions and gatherings to Rs. 5,000 in respect of function of marriage in a marriage hall, marquee or a community place with the total function area less than 500 square yards or, in case of a multi storied premises, with the largest total function area on one floor less than 500 square yards.

Second Schedule

Part I - Exemptions

The Bill proposes to seek following amendments in Part I of the Second Schedule:

New Exemptions

Exemption of income of following entities introduced – Clause 66

- National Disaster Risk Management Fund; and
- Deposit Protection Corporation established under sub section (1) of sub section 3 of Deposit Protection Corporation Act, 2016.

Exemption of profit and gains derived by the newly established industrial undertakings – Clause 126I

The exemption already granted on the profits and gains derived by an industrial undertaking set up by the 31st day of December 2016 engaged in the manufacturing of the plant, machinery, equipment and items with dedicated use from generation of renewable energy from sources like solar and wind has been proposed to be extended to new industrial undertakings setup between 01 March 2019 and 30 June 2023 for a period of five (05) years beginning from the date of such industrial undertaking is set up.

This provision is proposed to be effective from 01 July 2019.

Part III – Reduction in tax Liability

Clause 17

The Bill seeks to reduce the tax on dividend income in case of companies availing the benefit of Group Relief under section 59B. The reduction in tax on dividend will be proportionate to the percentage of ordinary shareholding of the recipient in the distributing company.

This change will effectively give rise to varied taxation of dividend income on case to case basis.

This clause is proposed to be effective from 01 July 2019.

Part IV – Exemption from specific provisions

Minimum taxation – Clause 11A

The bill proposes to provide exemption from application of minimum tax under section 113 to the following entities;

- National Disaster Risk Management Fund; and

- Deposit Protection Corporation established under sub section (1) of sub section 3 of Deposit Protection Corporation Act, 2016.

Exemption from withholding tax under section 151 and 153 – Clause 38D

Exemption from withholding of tax under section 151 on payment of profit on debt and section 153 on payments on account of goods, services and execution of contracts is proposed to be allowed to National Disaster Risk Management Fund.

Exemption for providing details under section 165(1)(a) by the Banking Companies Clause 81A.

The bill proposed to absolve banking companies from providing of details e.g. CNIC #, NTN and address in the case of withholding of tax on payments of interest under section 151 and cash withdrawals under section 231A for the purpose of withholding tax statements under section 165.

Exemption from application of section 236A – Clause 95A

The Bill proposes to exempt collection of advance tax at the time of sale through auction under section 236A in case of auction of franchise rights to participating teams in a national or international league organized by any board or other organization established by the Federal Government for the purposes of controlling, regulating or encouraging major games and sports recognized by the Federal Government. This clause shall take effect from 01 July 2019.

Exemption from applicability of section 231A – Clause 101A

The Bill proposes to exempt collection of advance tax on cash withdrawals from a bank account maintained in Pak Rupees in which the deposits are

made solely through remittances in foreign currency.

Exemption from applicability of section 4B – Clause 111

The Bill proposes to exclude taxable income of banking company that is subjected to reduced rate of tax under newly inserted rules 7D, 7E and 7F to the Seventh Schedule for four (04) years (from Tax Year 2020 to Tax Year 2023) for payment of super tax under section 4B.

This clause is proposed to be effective from 01 July 2019.

The Seventh Schedule

The Bill proposes to insert rules 7D, 7E and 7F in the Seventh Schedule to provide for reduced rate of taxation @ 20% (instead of 35%) on interest income of Banking Companies from additional advances to micro, small and medium enterprises; low cost housing finance and farm credits for four years (from Tax Year 2020 to Tax Year 2023) subject to fulfillment of certain conditions. This proposal will take effect from 1st July 2019.

Sales Tax

Refund payment through promissory notes

Section 67A and Tenth Schedule

Generally the Government is paying sales tax refunds to exporters electronically in order to maintain transparency. However, the Government is conscious of the problems being faced by the other taxpayer on account of outstanding refunds and was working out a plan to resolve the issue of outstanding refunds.

Consequent to foregoing, section 67A and Tenth Schedule is proposed to be inserted, the salient features of proposed provisions are summarized below.

- Sales tax refunds may be paid through promissory notes to those taxpayers who opt to receive refund in such manner instead of cheques or electronic advice.
- Sales tax refund promissory notes shall be issued by an office [called as Note office] established by the Board in lieu of sales tax refunds.
- Sales tax refund promissory notes shall be printed with security features by the Pakistan Security Printing Corporation in the manner as determine by the FBR.
- The sales tax refund promissory notes shall be issued in multiple of Rupees one hundred thousand.
- The maturity period of the sales tax refund promissory notes shall be three (3) years from the date of issuance and carry simple profit rate of ten (10%) per annum.
- The sales tax refund promissory note shall be redeemable before maturity with profit at aforesaid rate only at the option of the FBR.
- The sales tax refund promissory shall be traded freely in the country's secondary markets and will be considered for determining statutory liquidity reserve of a banking company. Similarly these promissory notes shall be accepted as collateral by the bank.
- There shall be no deduction of Zakat.
- Sales tax refund promissory notes shall be transferable by endorsement with signature of the holder / constituted attorney / representative and delivery like a promissory note payable to order.
- No writing on a sales tax refund promissory note shall be valid for the purpose of negotiation if such writing purports to transfer only a part of the amount denominated by such note.
- The note office may decline to accept a sales tax refund promissory note endorsed in blank.
- The holder of sales tax refund promissory note shall present it to the note office at the time of maturity. Principal along with Profit will be paid to the holder through cross cheque.
- The procedures as laid down in respect of promissory notes in the Public Debt Rules 1946, should be followed where sales tax refund promissory note is lost, stolen, destroyed, mutilated or defaced either wholly or partly.

Exemptions proposed under Sixth Schedule

Table-1 (Import and Supplies)

Entry No.	Description of goods	PCT heading
117	Appliances and items required for ostomy procedures as specified in the Chapter 99 of the First Schedule to the Customs Act, 1969 subject to same conditions as specified therein	99.25
150	Plant and machinery excluding consumer durable goods and office equipment as imported by greenfield industries, intending to manufacture taxable goods during their construction and installation period subject to conditions noted below and issuance of exemption certificate by the Commissioner Inland Revenue having jurisdiction:- Conditions: (a) The importer is registered under the Act on or after the first day of July 2019; and (b) The industry is not established by splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from another industrial undertaking in Pakistan	Chapters 84 and 85

Exemptions proposed to be withdrawn under Sixth Schedule

Table-1 (Import and Supplies)

Entry No.	Description of goods	PCT heading
118	Colostomy and urostomy bags	3926.9050

Exemption on Items related to Renewable Source of Energy under Sixth Schedule - Time Limit define

Table-1, Entry 110 (Import and Supplies)

Certain items with dedicated use of renewable source of energy like solar and wind were exempt from applicability of Sales Tax subject to certification by the Alternative Energy Development Board (AEDB) Islamabad. It is proposed through the Second Amendment Bill, 2019 that the said exemption shall be available till 30 June 2023.

Table-3, Entry 7&14A (Plant, machinery and equipment)

Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through nuclear and renewable energy sources and certain items with dedicated use of renewable source of energy like solar, wind, micro-hydel, bio-energy, ocean, waste-to-energy, hydrogen cell and geothermal etc. are exempt from applicability of Sales Tax. It is now proposed the said exemption shall be available till 30 June 2023.

Revision of Rates under Ninth Schedule

Presently sales tax is being charged on Cellular mobile phones or satellite phones on the basis of screen size, camera, microprocessor and operating system which is now proposed to linked with the price

Sr No	Description/ Specification of goods	Sales Tax on import or local supply	Sales Tax (chargeable at the time of registration of IMEI number by CMO's)	Sales Tax on supply (payable at the time of supply by CMO's)
2	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the			

Sr No	Description/ Specification of goods	Sales Tax on import or local supply	Sales Tax (chargeable at the time of registration of IMEI number by CMO's)	Sales Tax on supply (payable at the time of supply by CMO's)
	manufacturer, at the rate as indicated against each category:			
A	Not exceeding US\$ 30	Rs. 150	Rs. 150	-
B	Exceeding US\$ 30 but not exceeding US\$ 100	Rs. 1,470	Rs. 1,470	-
C	Exceeding US\$ 100 but not exceeding US\$ 200	Rs. 1,870	Rs. 1,870	-
D	Exceeding US\$ 200 but not exceeding US\$ 350	Rs. 1,930	Rs. 1,930	-
E	Exceeding US\$ 350 but not exceeding US\$ 500	Rs. 6,000	Rs. 6,000	-
F	Exceeding US\$ 500	Rs. 10,300	Rs. 10,300	-

Federal Excise Duty

Appointment of Federal Excise officers and delegation of powers

Section 29(2)

Section 29(2)(aa)(ii) empowers the Board to confer powers of authorities specified in Section 29(1) upon the Directorate General (Intelligence & Investigation) and its officers.

However, instead of referring to Section 29(1), reference was made to Section 30, which is now being corrected.

FED rates enhanced on imported vehicles

Table-I of the First Schedule

S. No.	Description of goods	Existing FED Rate	Proposed FED Rate
55.	Imported motor cars, SUVs and other motor vehicles of cylinder capacity of 1800cc or above but not exceeding 3000cc , principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars of cylinder capacity of 1800cc or above but not exceeding 3000cc	20% ad.val.	25% ad.val.

The Bill, besides enhancing the FED rate from 20% to 25%, also proposes to insert the expression 'but not exceeding 3000cc', as highlighted above.

New slabs of FED rates for imported and locally assembled vehicles

Table-I of the First Schedule

S. No.	Description of goods (classified under PCT heading 87.03)	Proposed FED Rate
55A	Imported motor cars, SUVs and other motor vehicles of cylinder capacity of 3000cc or above, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars of cylinder capacity of 3000cc or above	30% ad.val.
55B	Locally manufactured or assembled motor cars, SUVs and other motor vehicles of cylinder capacity of 1800cc or above, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars of cylinder capacity of 1800cc or above	10% ad.val.

Previously, imported vehicles exceeding 1800cc were liable to 20% FED and no FED was applicable on locally manufactured vehicles. Now, imported vehicles of 1800cc to 3000cc will be liable to 25% FED and imported vehicles exceeding 3000cc will be liable to 30% FED. Whereas, locally manufactured vehicles will be liable to 10% FED.

First Schedule

Under PCT Code 9925 zero rating was applicable inter alia on “colostomy bags and appliances identifiable for Ostomy use”.

The Bill proposes to specifically list following items and appliances for Ostomy use by substitution of PCT code 9925.

1. Baseplate/Stoma Wafer/Flange.
2. Ostomy (Colostomy/Ileostomy/ Urostomy) bags (All type)
3. Ostomy (Colostomy/Ileostomy/ Urostomy) Paste
4. Ostomy (Colostomy/Ileostomy/ Urostomy) Belt
5. Ostomy (Colostomy/Ileostomy/ Urostomy) Deldorizers
6. Ostomy (Colostomy/ Ileostomy/ Urostomy) Strip Paste
7. Stoma Powder/Ostomy Powder (Colostomy/Ileostomy/Urostomy Powder/ Ileostomy Urostomy Powder)
8. Ostomy (Colostomy/Ileostomy/ Urostomy) Skin Barrier Spray and Wipe
9. Ostomy (Colostomy/Ileostomy/ Urostomy) Adhesive Remover Spray and Wipe
11. Ostomy (Colostomy/Ileostomy/ Urostomy) Mouldable Ring
12. Ostomy (Colostomy/Ileostomy/ Urostomy) Elastic Tape
13. Ostomy (Colostomy/Ileostomy/ Urostomy) Barrier Cream
14. Ostomy (Colostomy/Ileostomy/ Urostomy) Protective Sheets
15. Ostomy (Colostomy/Ileostomy/ Urostomy) Cap
16. Ostomy (Colostomy/Ileostomy/ Urostomy) Protective Seal
17. Plastic Clips for closing the Ostomy bags.
18. Liquid washers and wipes for cleaning and washing Peristomalskin
19. Night Drainage Bag
20. Cystoscope
21. Lithotripter
22. Colonoscope
23. Sigmoidoscope
24. Laparoscope
25. Suprapubic Cystostomy Set
26. Ryles Tube (Nasogastric Tube)
27. Foley's Catheter
28. Endoscope (Video Endoscopes)
29. Linear Cutter/Stapler
30. Circular Stapler
31. Right Angle Cutter/Stapler
32. Laparoscopic Hand Instruments:
 - a) Dissector
 - b) Grasper

c) Scissors

d) Clipper

e) Hook

f) Retractors

g) Needles Holders

h) Knot Pusher

i) Telescope (0°, 30°)

33. Urological Endoscopic Instruments

(a) Resectoscope (Rotating and Fix)

(b) Optical Urethrotome

(c) Telescope (0°, 30°, 75°)

(d) Turp Resecting Loops

Fifth Schedule

Part VII – Miscellaneous (Table-B)

- Proposed reduction of customs duty on Polymers of ethylene in primary form and Polymers of propylene or of other olefins in primary form from 5% to 3%.
- Proposed reduction of customs duty on Newsprints in rolls or sheets from 5% to 0%.

Part VIII – Imports of inputs/raw materials of specified Sectors

The Bill proposes to insert Part VIII with effect from 31 March 2019 to provide reduced rates of customs duty for the following specified sectors /items (except for three items having PCT Codes 3906.9020, 9606.2920 and 9606.2990 where the rates are proposed to be enhanced).

S.No.	Description	Existing rate	Proposed rate
1	Footwear Sector		
(xii)	Machinery for making or repairing footwear (PCT Code 8453.2000)	3%	0%
(xiii)	Parts (PCT Code 8477.9000)	3%	0%
(xiv)	Injection or compression types (PCT Code 8480.7100)	3%	0%
2	Tanners		
(i)	Formic acid (PCT Code 2915.1100)	20%	16%
(vii)	Other (PCT Code 3204.9000)	20%	16%
(viii)	Of a kind used in the paper or like industries (PCT Code 3809.9200)	16%	11%
(ix)	Of a kind used in the leather or like industries (PCT Code 3809.9300)	16%	11%
(x)	Acrylic binders (PCT Code 3906.9020)	16%	20%
(xi)	Polyurethanes (PCT Code 3909.5000)	3%	0%

S.No.	Description	Existing rate	Proposed rate
(xii)	Machinery for preparing, tanning, or working hides, skin or leather (PCT Code 8453.1000)	3%	0%
(xiii)	Parts (PCT Code 8453.9000)	3%	0%
3	Leather Sector		
(i)	Magnesium oxide (PCT Code 2519.9010)	3%	0%
(ii)	Other (PCT Code 2836.9990)	3%	0%
(iii)	Sodium formate (PCT Code 2915.1210)	3%	0%
(vi)	Stamping foils (PCT Code 3212.1000)	16%	11%
(vii)	Of a kind used in leather or like industries (PCT Code 3403.1110)	20%	16%
(viii)	of a kind used in the leather or like industries including fat liquors (PCT Code 3403.9110)	20%	16%
4	Gloves		

S.No.	Description	Existing rate	Proposed rate
(i)	Latex (PCT Code 4002.1100)	3%	0%
(ii)	Other (PCT Code 4002.1900)	3%	0%
(iii)	Other (PCT Code 4016.1090)	20%	5%
(iv)	Machines for reeling, unreeling, folding, cutting or pinking textile fabrics (PCT Code 8451.5000)	3%	0%
(v)	Other (PCT Code 8452.2900)	3%	0%
(vi)	Other (PCT Code 8477.3090)	3%	0%
(vii)	Buttons (PCT Code 9606.2920)	16%	20%
(viii)	Other (PCT Code 9606.2990)	16%	20%
5	Furniture		
	Other (PCT Code 8465.9190)	3%	0%
6	Ceramics		
(i)	Vitrifiable enamels and glazes, engobes (slips) and similar preparations	11%	3%

S.No.	Description	Existing rate	Proposed rate
	(PCT Code 3207.2000)		
(ii)	Containing by weight more than 50 % of graphite or other carbon or of a mixture of these products (PCT Code 6903.1000)	11%	3%
(iii)	Other (PCT Code 6903.2090)	11%	3%
7	Diapers / Sanitary Napkins		
(i)	Other (PCT Code 3506.9190)	16%	5%
(ii)	Other (PCT Code 3906.9090)	11%	5%
(iii)	Of polymers of ethylene (PCT Code 3920.1000)	20%	16%
(iv)	Of other plastics (PCT Code 3921.1900)	20%	16%
(v)	Of polymers of ethylene (PCT Code 3923.2100)	20%	5%
(vi)	Weighing not more than 25 g/m ² (PCT Code 5603.1100)	16%	11%
(vii)	Weighing more than 25 g/m ² but	20%	16%

S.No.	Description	Existing rate	Proposed rate
	not more than 70 g/m ² (PCT Code 5603.9200)		
(viii)	Weighing more than 70 g/m ² but not more than 150 g/m ² (PCT Code 5603.9300)	16%	11%
8	Home Appliance Sector		
(i)	Cyclopentane (PCT Code 2902.1910)	3%	0%
(ii)	Tetrafluoroethane (PCT Code 2903.3930)	3%	0%
(iii)	Acrylonitrile butadiene styrene (ABS) copolymers (PCT Code 3903.3000)	3%	0%
(iv)	Other poly-ethers (PCT Code 3907.2000)	3%	0%
(v)	Insulation tape double sided (PCT Code 3919.1010)	11%	0%
(vi)	Adhesive tape (PCT Code 7607.1910)	3%	0%
(vii)	Used with HCFC and non-CFC	3%	0%

S.No.	Description	Existing rate	Proposed rate
	gases (PCT Code 8414.3010)		
(viii)	Of machines of heading 8414.1000 and 8414.3010 (PCT Code 8414.9010)	3%	0%
(ix)	Evaporators (roll bond / fin / tube on plate types) (PCT Code 8418.9910)	3%	0%
(x)	Motors of an output not exceeding 37.5W (PCT Code 8501.1000)	3%	0%
(xi)	Other (PCT Code 8501.4090)	20%	16%
(xii)	Burglar or fire alarms and similar apparatus (PCT Code 8531.1000)	3%	0%
(xiii)	Other (PCT Code 9030.8900)	3%	0%
(xiv)	Of a kind used in refrigerators, deep freezers and airconditioners (PCT Code 9032.1010)	3%	0%

S.No.	Description	Existing rate	Proposed rate
(xv)	Other (PCT Code 9032.1090)	20%	16%
9	Infant Formula		
	Others (PCT Code 1901.9090)	20%	5%
10	Chemical Manufacturing Sector		
(i)	o-Xylene (PCT Code 2902.4100)	3%	0%
(ii)	Octanol (octyl alcohol) and isomers thereof (PCT Code 2905.1600)	3%	0%

Conditions

Proposed Part VIII specifies the following conditions for the aforesaid reduced rates:

- The person importing the above items should be registered under Sales Tax Act, 1990 as importer and manufacturer. However, Tanners shall only be registered as importer.
- With regard to the sectors of Diapers/Sanitary Napkins, Home Appliances and Infant Milk Formula, the respective sectors shall not only be required to be registered as importer and manufacturer under Sales Tax Act, 1990 but also the import of such goods shall be subject to annual quota determined and verified by input output Co-efficient Organization (IOCO).

Mobile Handset Levy

Revision of rates

The Bill proposes to revise the rates of Mobile Handset Levy, as introduced and enforced vide Finance Act, 2018. Following is the new rate Table comprising of 06 different slabs on the basis of C&F values in US Dollars, as being substituted:

S. No.	Mobile Phones having C&F Value (US Dollars)	Rate of levy per set in Pak Rupees
1.	Upto 30	Nil
2.	Above 30 and upto 100	Nil
3.	Above 100 and upto 200	500
4.	Above 200 and upto 350	1500
5.	Above 350 and upto 500	3500
6.	Above 500	7000

S. No.	Category of smart phone	Rate of levy per set in Pak Rupees
	40,000 but does not exceed Rs. 80,000	
4.	Where Import value of handset (including duties and taxes) exceeds Rs. 80,000	5,000

The impact of Mobile Handset Levy on 'low cost sets' is proposed to be reduced and enhanced on 'high cost sets'.

Before substitution, the Table was as follows:

S. No.	Category of smart phone	Rate of levy per set in Pak Rupees
1.	Where Import value of handset (including duties and taxes) does not exceed Rs. 10,000	Nil
2.	Where Import value of handset (including duties and taxes) exceeds Rs. 10,000 but does not exceed Rs. 40,000	1,000
3.	Where Import value of handset (including duties and taxes) exceeds Rs.	3,000



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