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The information presented in this Memorandum has been sifted from the Federal Budget and Finance Bill, 2009, as presented in the National Assembly. It contains proposed amendments, which will become operative only after adoption by the legislative. Views expressed herein should not be acted upon without first obtaining professional advice, as the interpretation may differ in different circumstances.

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FROM SENIOR PARTNER'S DESK

The Federal Government announced a consolidated budget of Rs. 2.897 trillion for 2009-10, with a deficit of 4.9 percent, and a drastic cut in subsidy on electricity with a view to focus on short-term relief for inflation and rehabilitation of internally displaced persons of Swat and surrounding areas. At the outset, the Government is planning to finance the deficit of 4.9 percent, both from external sources and from Friends of Pakistan to the tune of 1.5 percent and 3.4 percent respectively.

The total budgetary outlay of Rs. 2.897 trillion is almost 27 percent more than the current year's estimate. Budget deficit at Rs. 722.5 billion is estimated to be about 24 percent higher than the current year's estimate of Rs. 582 billion.

As ratio of GDP, the budget deficit will slightly go up to 4.9 percent against 4.3 percent during the current year. The 0.6 percent increase will be met through external financing of Rs. 264.9 billion and domestic financing of Rs. 457.6 billion.

Focusing on rural areas, particularly the agriculture sector, the budget ignored to a great extent the revival of the industrial sector because no relief has been announced for the textile sector which has 55 percent share in export proceeds.

The Government announced an ad hoc relief allowance of 15pc of pay of government servants from July 1. An increase equal to one month's initial basic pay in the allowance of armed forces deployed on the western front is also announced with effect from July 1. Retired government servants and armed forces personnel will also get 15 percent increase in their net pension from July 1.

Excise duty on petroleum products will be levied in the shape of a Carbon Surcharge, which would eliminate the existing Petroleum Development Levy.

Pakistan is likely to receive external resources equivalent to 1.2pc of its GDP (Rs.178 billion) from pledges made at the Donors' Conference in Tokyo.

The budget estimates net revenues of Rs. 1,377.5 billion with a current expenditure of Rs. 1,699.19 billion. The development expenditure (including provinces) is estimated at Rs. 783.1 billion against the revised current year's estimates of Rs. 421.9 billion, showing an increase of 85pc.

The Public Sector Development Programme (PSDP) has been doubled to Rs. 626 billion against the revised estimates of Rs. 359 billion for 2008-09. The current expenditure has been slashed to 68pc as compared to revised estimates of 79pc of the current year.

The expenditure on general public services (including debt servicing, transfer of payments and superannuation allowances) is estimated at Rs. 1,189 billion, which is 70 percent of the current expenditure.

The target for FBR tax revenue has been set at Rs. 1.372 trillion, almost 16 percent higher than this year's revised estimates of Rs. 1.179 trillion. An allocation of Rs. 343 billion has been made for defence spending against Rs. 311 billion of the current year, showing an increase of about 10.2 percent.

Of the total tax revenue, direct taxes are estimated at Rs. 565 billion and indirect taxes at Rs. 815 billion. The budget has projected to transfer a total of about Rs. 735.130 billion to the provinces as their share of net proceeds of the federal divisible pool and grants, including subventions.

The education sector, including higher education, will get Rs. 31 billion, which is about 54 percent higher than current year's Rs. 20.1 billion. A record Rs. 23.2 billion has been earmarked for health sector, up by 66 pc from Rs. 13.99 billion of the current fiscal year. The Government will enact legislation in the next fiscal year for creating social security protection programme for the haris.

Rs. 10.8 billion has been allocated for different workers welfare development schemes in the Housing, Health, Education and Technical Education sectors. The marriage grant has been increased from Rs. 50,000 to Rs. 70,000 per daughter. Construction of 9,469 housing units and flats for industrial workers is also proposed.

Rs. 60 billion has been allocated for Water Sector. As many as 32 small and medium dams, eight in each province will be financed.

Rs. 12 billion has been allocated for the raising of Mangla Dam, including resettlement of displaced people, Rs. 10 billion for improvement of water courses and Rs. 15 billion for canal improvement and rehabilitation of irrigation system, Rs. 500 million for integrated agriculture marketing and storage infrastructure and Rs. 4 billion for the Benazir Tractor Scheme.

A phased 'special programme for food security and productivity enhancement of small farmers' covering 13,000 villages will be implemented

by 2015 starting with 1,012 villages in four provinces, Azad Jammu & Kashmir, Fata and Northern Areas during the first phase at a cost of Rs. 8.013 billion.

An amount of Rs. 300 million has been allocated for capacity enhancement of dairy products, Rs. 400 million for poverty reduction through small holders livestock and dairy development.

An export investment support fund of Rs. 40 billion has been proposed. The Government will contribute Rs. 10 billion towards this fund; another Rs. 10 billion will be contributed by the Export Development Fund; and the balance of Rs. 20 billion will be contributed by governmental agencies through mopping up of surpluses in commercial banks.

A credit guarantees fund of Rs. 10 billion will be established to support the SME Sector. The fund will be financed by the Government and the Private Sector in the ratio of 50:50 over the next two years.

A venture capital fund of Rs. 10 billion will be established for which Rs. 2.5 billion has been earmarked. A new DFI is being created for industrial financing.

The allocation for power sector has been doubled to Rs. 22.8 billion from Rs. 11.4 billion in 2008-09. Currently, 15 independent private power houses with a total capacity of 2,921 megawatts are in different stages of development. Out of these, nine projects for 1,861 MW will be commissioned in 2009; four projects for 776 MW will be completed in 2010; while two projects for 284 MW are due for completion in 2011.

To eliminate load shedding by the end of 2009, agreements have been reached with five rental power projects for 800 MW. Work on 16 hydropower projects in the private sector with a total capacity of 4,160 MW has been initiated.

A comprehensive renewable energy policy is being formulated. A 50 MW solar thermal power project will be established in southern Punjab; development of wind farms in areas of Gharo-Keti Bandar, identifying new corridors of available wind potential in Punjab, Balochistan and the NWFP; solar water heaters programme; production of solar cells and modules up to an annual capacity of 80 Kilowatts; depreciation allowance for renewable energy being enhanced by 100 percent; allowance of duty-free import of equipment under nine categories of alternative energy are being considered.

Approximately 30,000 postgraduates will be offered internships under the National Internship Programme for which the government has allocated Rs. 3.6 billion.

Zero rating duty on exports sector will continue as well. The FBR will pay interest on refunds delayed beyond 90 days. The limit of credit on donations in case of companies enhanced from 15 pc to 20 pc.

It is proposed to enhance the rate of withholding tax on imports of commercial nature from two percent to four percent. The measure would result in estimated revenue of Rs. 23 billion.

It has been decided to give 12pc shares to employees in the state-owned Enterprises to revamp the privatisation process. The outreach of microfinance services will be increased to three million from two million borrowers.

The Government announced a string of measures for boosting agriculture growth and marketing to increase the supply of food items. The allocation for agriculture sector has been enhanced to Rs. 18 billion from Rs. 14.4 billion in 2008-09.

An amount of Rs. 2.5 billion will ensure food security and productivity enhancement of farmers. BT cotton hybrids varieties will be offered to farmers. Livestock, agriculture and fisheries will be treated as industry.

The budget has been received with mix feelings by the public. Some terming it balanced and some otherwise. The nation needs to be united in years of turbulence and to make this country a success.

The Tax Memorandum hereinafter provides in depth analyses of changes brought in by the tax laws regime of the country brought by the budget, we hope our clients will find this document useful for better understanding thereof. This Memorandum is simultaneously being made available at our website www.ijaztabussum.com . The clients are encouraged to access this and other useful information made available by the Firm.

The Partners of HLB Ijaz Tabussum & Co. Chartered Accountants acknowledge the tireless efforts of Islamabad Office and Gujranwala Office to produce this document.

IJAZ AKBER-FCA
Senior Partner

BUDGET 2009-10 AT A GLANCE

RECEIPTS:		Budget Estimates
S. No.	REVENUE SOURCE	(Rs. In billion)
1.	Tax Revenue	1,513.1b
2.	Non-Tax Revenue	513.6b
	Gross Revenue Receipts	2,026.7b
	Less: Provincial Share	(655.2b)
	Net Revenue Receipts	1,371.5b
3.	Net Capital Receipts	190.5b
4.	External Receipts	510.4b
5.	Self-financing of PSDP by Province	173.0b
6.	Change in Provincial Cash Balance	72.9b
7.	Privatization Proceeds	19.4b
8.	Bank Borrowing	144.6b
TOTAL RESOURCES		2482.3b
EXPENDITURES:		
S. No.	NATURE OF EXPENDITURE	
	(A) <u>Current:</u>	
1.	General Public Service	1189.1b
2.	Defense Affairs & Service	342.9b
3.	Public Order Safety	34.6b
4.	Economic Affairs	84.9b
5.	Environment	0.4b
6.	Housing	1.5b
7.	Health	6.5b
8.	Culture	3.7b
9.	Education	31.6b
10.	Social Protection	3.9b
	TOTAL (A)	1699.2b
	(B) <u>Development:</u>	
1.	PSDP:	
	▪ Federal	446.0b
	▪ Provincial	200.0b
		646.0b
2.	Other dev. Expenditure	157.1b
	Less: Est. Operational shortfall	(20.0b)
	TOTAL (B)	783.1b
TOTAL SPENDING (A+B)		2,482.3b

SALIENT FEATURES BUDGETARY MEASURES 2009-10

SALES TAX & FEDERAL EXCISE BUDGETARY MEASURES (FY 2009-10)

Policy Objectives:

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

- To bring Sales Tax & Federal Excise Laws in conformity with each other in order to make them simple and easy to follow.
- Enhance the Sales Tax & Federal Excise revenue by bringing more items in the tax net.
- Enhancing the tax incidence on cigarette i.e. an injurious to health item.

Relief Measures:

- Zero-rating of wheel chairs for special people.
- Exemption of sales tax on Lysine Sulphate.
- Reduction of Federal Excise Duty on cement from Rs. 900 / PMT to Rs. 700/ PMT.
- Withdrawal of 5% Federal Excise Duty on motor cars.
- Reduction of Federal Excise Duty on telecommunication services from 21% to 19%.
- Reduction of activation charges of cellular phones.

Revenue Measures:

- Withdrawal of Exemption on import of ware potatoes and onion.
- Enhancement of Federal Excise Duty on Cigarette.
- Levy of FED on advertisement in newspapers, periodicals, hoarding boards, pole signs, sign board and shop boards.
- Enhancement of FED on short message services.
- Enhancement of rate of FED on insurance services from 10% to 16%.
- Levy of FED on fund services provided by banks.
- Levy of FED on services provided by the port and terminal operators including wharfage in respect of imports.
- Levy of FED on services provided by stock broker.

Streamlining Measures:

- Introduction of KIBOR plus three percent per annum as default surcharge.
- Reduction in the period by which the Collector / Federal Excise Officer can extend the time limit for adjudication of cases under Sales Tax Act, 1990 and Federal Excise Act, 2005 respectively.
- Introduction of penalty / imprisonment for violation of section 40B of the Sales Tax Act, 1990.
- Redefining the time period regarding reopening of any decision or order by the Board or Collector to three years.
- Regularization of the system of Alternate Dispute Resolution.
- Introduction of KIBOR as the rate of amount payable in addition to refund in case of delay in payment of refund of Sales Tax & Federal Excise Duty.
- Harmonization of provisions regarding appeals to Appellate Tribunal under Sales Tax Act, 1990 and Federal Excise Act, 2005 with Customs Act, 1969.

INCOME TAX BUDGETARY MEASURES (FY 2009-10)

Relief Measures:

- The basic limit of exemption from income tax in respect of salaried persons is increased to Rs. 200,000/- and in case of women salaries taxpayers, this limit is increased to Rs.260,000/-.
- The basic limit of exemption for senior citizens is enhanced to Rs.750,000/-.
- The withholding tax rate in respect of cigarettes and pharmaceutical products distributors is being reduced from 3.5% to 1%.
- The rate of compensation for the late payment of refunds has been increased from 6% to 10% per annum.
- In order to promote the voluntary pension schemes and allow relief to pensioner class the exemption limit on receipts from accumulated balance of voluntary pension scheme is increased from 25% to 50% of the available balance.
- The limit for tax credit on interest payment of housing loans is enhanced to 50% of the taxable income or Rs.700,000/- whichever is low.
- Tax deducted on the monthly electricity bills exceeding Rs.30,000/- will be adjustable which consequently could be refunded.

- The banks are allowed to claim deduction on account of provisions of non-performing loans up to a limit of 1% of the total advances made by the bank in a tax year.

Revenue Measures:

- Rate of withholding tax on imports has been enhanced from 2% to 4%.
- Far working out the advance tax liability the sales should also be taken in to account in addition of last assessed income.
- The provision of minimum tax on declared turnover by the companies showing losses has been revived.
- The tax rate on indenting commission has been enhanced from 1% to 5% of the gross receipts.
- The scope of advance tax collection on purchase of new locally manufactured motorcar/jeep is proposed to be extended to all types of motor vehicles.
- Imposition of 5% tax on tax payable by individuals and AOPs whose taxable income exceeds one million rupees.
- Imposition of tax at the rate of 30% on bonus income of corporate executives. This is a one time levy and payable for tax year 2009 only.
- The rate of additional tax has been enhanced from 12% per annum to 15% per annum.
- The maximum value of passenger transport vehicles is fixed at Rs.1.5 million for the purpose of depreciation.
- The exemption of tax at import stage is being withdrawn. However, the tax so collected will be adjustable against final tax liability.
- The redundant and unjustified exemptions provided under the second schedule to the Income Tax Ordinance have been deleted.
- The tax exemption shall be available to those educational institution only which have been approved by the concerned Director General of LTU/RTO for this purpose.
- Tax at the rate of 1% shall be charged and collected at the time of clearing on such goods which are exported without form "E".

Technical Measures:

- The taxpayer shall be required to furnish copies of challan or other equivalent document in support of claims of tax payments.

- The taxpayers shall not be allowed to revise the return in cases, where the department has initiated proceedings for amendment of assessment order.
- The taxpayers can file appeal against the reassessment order.
- The Commissioner has been empowered to withhold refunds in certain cases where departmental appeals are pending in courts.
- In the cases of taxpayers having special tax year calculation of additional tax for delayed payment of advance tax will be made from the first day of the last quarter of the relevant tax year.
- The revaluation of an asset, purchased against a loan in foreign currency has been restricted only in the year of occurrence of exchange fluctuation and not in previous years.
- Tax payer is allowed to file revised statement under section 115 on account of any omission or wrong statement of particulars of income.
- The motor vehicle registration authorities are being empowered to collect advance tax payable on purchase of a new locally manufactured motor vehicle at the time of registration of such vehicle.
- It is being made mandatory that the taxpayers who are required to file wealth statement shall also file wealth statement reconciliation giving necessary details and documents in support thereof.
- The Commissioner of Income Tax can delegate powers to a chartered accountant firm for conducting audit of a taxpayer.
- Harmonization of different tax laws namely Income Tax, Sales Tax, Customs and Federal Excise Duty is one of the objectives of the ongoing Tax Reforms. In this connection necessary amendments are being made in the Income Tax Ordinance, 2001 to make it harmonized with other tax laws. These amendments mainly relate to appellate proceedings, appeal fees, fine, penalties and appointment of Special Judges.

Measures for Broadening of Tax Base:

- The importers, exporters and service providers are being required to file normal return of income instead of simple statement. Further tax deducted/collected from such taxpayers would be treated as minimum instead of final tax.
- Obtaining of NTN is made mandatory for purchase of property, obtaining commercial and industrial gas/electricity connection and opening of a bank account. All NTN holders are also proposed to file returns necessarily.
- Any person owning immovable property with a land area having 500 sq. yards, flat having covered area 2000 sq.ft or owns a motor vehicle having engine capacity of 1000CC or more shall file return of income.

- Taxation Officers are being empowered to pass best judgment assessment orders in the cases of the taxpayers who failed to furnish statutory statement as required under section 115 of the Income Tax Ordinance, 2001.
- To accelerate the pace of documentation of the economy and broadening of tax base the manufacturer are being incentivized by allowing tax credit at 2.5% of the tax payable if they are able to make at least 90% of their sales to sales tax registered persons.
- The rate of CVT on transfer of immoveable property is being enhanced from 2% to 4%.

CUSTOMS BUDGETARY MEASURES (FY 2009-10)

Policy Objectives:

- Industrial incentives for growth and expansion.
- Boosting the export oriented sectors.
- Discouraging import of non-essential and luxury items.
- Minimizing the cost of doing business.
- Amendments in Customs Act, Rules and Procedures for further simplification.

Relief Measures:

- Concession/exemption on pharmaceutical raw materials, lifesaving drugs and cancer diagnostic.
- Exemption from customs duty on colostomy bags (PCT 3926.9050).
- Reduction of duty on mobile phones from Rs. 500/set to Rs.250/set and removal of RD @ Rs. 250/set.
- Exemption of duty on Betain (PCT 2923.9010) for poultry industry.
- Exemption from duty on calf milk replacer (CMR) from existing 20% duty rate.
- Exemption from duty on premix of micro nutrients (cattle feed premix) from 20% duty rate for dairy development.
- Reduction of duty from 10% to 5% on raw materials for manufacturing pre-fabricated steel buildings.
- Continuation of exemption of duty on import of Agricultural tractors.
- Reduction of duty on import of Kits for 4-stroke auto-rickshaws from 32.5% to 20%.

- Extension in scope of exempted relief goods falling under chapter 99 of Customs Tariff.

Protection to local industry:

- Increase in duty on hydrogen peroxide from 5% to 10% to protect local manufacturer.
- Increase in duty on Isobutyl Acetate from 5% to 20% to protect local manufacturer.
- Increase in duty on Welded stainless steel pipes from 5% to 15% to protect local manufacturer.
- Increase of duty on multi system air conditioners of capacity 5 tones and above from 10% to 35% plus regulatory duty @ 15%.
- Reduction in concessionary rate by 5% on import of pharmaceutical packing materials (PVC rigid film and aluminum foil).
- Incentive for manufacturing of LPG,CNG dispensers and energy efficient door and windows.
- Reduction of duty from 10% to 5% on CRC black plate for manufacture of tin plate.
- Reduction of duty on raw materials of transformers and control panels.
- Exemption from duty on import of linear alkyl benzene from 5%.
- Increase of duty on import of Spark Plugs and Wire Condensers from 5% to 10%.
- Increase in duty on plastic sanitary ware from 20% to 25%. Continuation of 5% CD rate on SKD kits for LCD/Plasma TVs manufacturers for further period of one year.
- Increase in scope of exemptions on import of solar equipments.
- Exemption on steel tubes for manufacturing of CNG cylinders.
- Increase of duty on tufted carpets from 10% to 15% to avoid misdeclaration with other types of carpets.
- Rationalization of duty on silicon sealant.
- Exemption on inputs for manufacturing parts/components for engineering sector.
- Increase in duty on conductors falling under PCT code 8544.6000 from 20% to 25%.
- Partial waiver of exemption of RD for manufacturers of sack Kraft paper bags.
- Inclusion of condition "Not manufactured locally" in SRO 656(I)/06 for OEMS.
- Freezing duty structure on cars/Jeeps and LCVs for a period of one year.

Tariff Rationalization:

- Regulatory duty @ 10% on Pigment thickener is merged in Tariff.
- Rationalization of duty on unglazed ceramic tiles to bring duty incidence at par with that on glazed tiles.
- Rationalization of duty on Spin finish oil to check misdeclaration.
- Rationalization of duty on LED panels to check misdeclaration.
- Rationalization of duty rate on carbon black of rubber grade and other.
- Uniform rate of duty on Cameras of PCT 8525.8000 to avoid misdeclaration.
- Rationalization of duty on rolling coating printing ink.
- Rationalization of duty on printed aluminum foil to avoid misdeclaration.
- Increase in duty on residue oil (PCT Code 2713.9090) from 10% to 15%.
- Rationalization of duty rate on import of cinematographic films from 5%ad.val. to 5% ad.val. plus Rs.5 per meter.
- Customs Duty on CBU motorcycles is proposed to be reduced from 70% to 65%.
- Customs Duty on non-localized components and sub-assemblies of motorcycles is proposed to be reduced from 20% to 15%.
- Additional Duty of 32.5% is proposed to be increased on four localized parts of motorcycles to protect local vendor industry.
- Customs Duty on five non localized components used in the manufacture of 'Trailers' is proposed to be reduced from 15% to 5% to promote local manufacturing of Trailers
- Change in description of PCT codes 3824.9094 and 7228.3010.
- Correction of PCT Codes of Polyamides based paints and CNG buses.
- Creation of separate PCT code for cryogenic tanks and secondary quality steel sheets falling under PCT code 7210.5000.

Miscellaneous:

- Continuation of regulatory duty on luxury/non-essential goods.
- No change in duty structure on cars/jeeps and LCVs for a period of one year.

Administrative Improvement Measures:

Streamlining of Customs Valuation System.

THE SALES TAX ACT, 1990

AMENDMENTS PROPOSED BY THE FINANCE BILL, 2009

1. DEFINITIONS SECTION 2

The following amendments to Section 2 of the Sales Tax Act, 1990, have been proposed through the Finance Bill, 2009.

Due Date **Clause (9)**

The proposed amendment seeks to abolish the reference to the omitted section 26AA relating to retail tax.

KIBOR **Clause (14A)**

This newly proposed clause defines KIBOR as Karachi Inter Bank Offered Rates applicable on first day of each quarter of the financial year.

This clause seeks to relate the default surcharge and compensation on delayed refund with the prevailing interest rate.

2. Adjustable input tax SECTION 8B

In order to achieve harmonization and clarity, the word "refund" has been included in existing clause 2 in order to harmonize it with clause 3 of this section.

3. Assessment of tax SECTION 11

Two amendments to this section have been proposed. Firstly, that the period by which the Collector can extend the time limit for issuance of order has been reduced from 120 days to 60 days.

Secondly, it has been proposed that the delay in proceedings due to request of taxpayer, stay order, remand or alternative dispute resolution proceedings or for any other reason shall be excluded from the computation of the period of issuance of order.

4. Tax Invoices SECTION 23

It has been proposed that NTN or CNIC number of the unregistered buyer shall be indicated in the sales tax invoice.

5. Retention of record and documents for five years- SECTION 24

According to the proposed amendment, the registered person shall be required to maintain the sales tax record for five years or till be decision of any relevant proceeding whichever is later.

6. Directorate General, (Intelligence and Investigation) FBR SECTION 30A

The amendment seeks to substitute "FBR" for "CBR" appearing in marginal heading and content of section.

7. Offences and penalties SECTION 33

It has been proposed that if a taxpayer denies or obstructs the access of an officer appointed by the Board under section 40B to the business premises, registered office or to any other place where records are kept, or otherwise refuses access to the stocks, accounts or records, such person shall be liable to pay a penalty of twenty five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher and be liable to imprisonment for a term which may extend to three years.

8. Default Surcharge SECTION 34

In order to keep the rate of default surcharge higher than the interest rates of banks to avoid short filing, it has been proposed to enhance the rate from one and half percent per month to KIBOR plus three percent per annum.

9. Recovery of tax not levied or short-levied or erroneously refunded SECTION 36

It has been proposed that the period by which the Collector can extend the time limit for issuance of order under this section be reduced from 120 days to 60 days.

It has further been proposed that the period of adjournment in proceedings due to request of taxpayer, stay order, remand or alternative dispute resolution proceedings or for any other reason shall be excluded from the computation of the period of issuance of order.

10. Power of Adjudication SECTION 45

The proposed amendment in this section seeks to specify the jurisdiction and powers of adjudication of the Sales Tax Officers, which shall be as follows:

(i)	Additional Collector.	Cases falling under section 11 and section 36 without any restriction as to the amount of tax involved or amount erroneously refunded.
(ii)	Deputy Collector.	Cases falling under section 11 and section 36 provided that the amount of tax involved or the amount erroneously refunded does not exceed two and a half million rupees.

(iii)	Assistant Collector.	Cases falling under section 11 and section 36 provided that the amount of tax involved or the amount erroneously refunded does not exceed one million rupees.
(iv)	Superintendent/ Senior Auditor.	Cases falling under section 11 and section 36 provided that the amount of tax involved or the amount erroneously refunded does not exceed ten thousand rupees.
(v)	An officer of Sales Tax with any other designation	Such cases as may be notified by the Board.

11. Power of the Board and Collector to call for records

SECTION 45A

The proposed amendment seeks to reduce the time limit for reopening of cases by FBR or Collector under this section from five years to three years of the date of original decision.

12. Appeals

SECTION 45B

It has been proposed that the period by which the Collector (Appeals) can extend the time limit for issuance of order under this section be reduced from 120 days to 60 days.

It has further been proposed that the period during which the hearing of appeal is adjourned at the request of appellant or is postponed due to any appeal, proceedings, stay order, remand or for any other reason, shall be excluded in computation of period for passing the order.

13. Appeals to Appellate Tribunal

SECTION 46

In order to harmonize the proceedings of Sales Tax Appellate Tribunals with Customs Appellate Tribunals, it has been proposed that the sales tax appeals shall be disposed off in accordance with rules and procedures laid down in Customs Act, 1969.

14. Alternative dispute resolution

SECTION 47A

It has been proposed to increase the time limit, for making recommendations by alternative dispute committee, from 60 days to 180 days of its constitution. The power of the Board to extend the time for making recommendations under this section has also been withdrawn.

It has also been proposed that if the committee fails to make recommendations within 180 days, the Board may dissolve that committee and appoint a new one.

It has further been proposed that the Board shall pass the order within 45 days of receipt of recommendations from Committee.

15. Delayed Refund

SECTION 67

The proposed amendment seeks to change the rate for calculation of compensation paid to the claimant in case of delayed refund from six percent per annum to KIBOR per annum.

16. SIXTH SCHEDULE

It has been proposed to withdraw exemption on following items:-

- Ware potato and onions if imported.
- Consumable components of Tractors, bulldozers and combined harvesters.

Other proposed amendment in this Schedule aim to harmonize the PTC Headings mentioned therein with the PTC Headings of the First Schedule to the Customs Act, 1969.

PROPOSED SALES TAX NOTIFICATIONS ACCOMPANIED WITH FINANCE BILL, 2009

S.R.O. 471/(I)/2009

This SRO amends the SRO 509(I)/2007 dated June 09, 2007 with immediate effect. The proposed SRO seeks to withdraw zero rating of sales tax on following items / goods relating textile industry:-

- Monofilament
- Sun shading
- Nylon and other fishing net
- Nylon rope and poly ethylene rope.
- Tyre cord fabric

S.R.O. 472/(I)/2009

This SRO amends the SRO 549(I)/2008 dated June 11, 2008, which deals with zero rating of specified goods subject to certain conditions with immediate effect. The proposed SRO seeks to provide the list of PCT codes of Plant Machinery and Equipment on which zero rating is not allowed under SRO 549(I)/2008.

The proposed SRO also provides zero rating of sales tax on wheel chairs.

S.R.O. 473/(I)/2009

This SRO amends the SRO 551(I)/2008 dated June 11, 2008 with immediate effect. This proposed SRO provides exemption from sales tax on Cinematographic film exposed and developed.

S.R.O. 476/(I)/2009

This SRO amends the SRO 542(I)/2008 dated June 11, 2008 with effect from July 01, 2009. This proposed SRO seeks to reduce the sales tax on cellular telephone sets from Rs. 500/- per set to Rs. 250/- per set.

S.R.O. 477/(I)/2009

This SRO amends the SRO 1007(I)/2005 dated September 26, 2005 with immediate effect. The SRO 1007(I)/2005 deals with the exemption of sales tax on ingredients of poultry and cattle feed.

The proposed SRO provides exemption of sales tax on sulphate used in poultry and cattle feed.

Federal Excise ACT, 2005

AMENDMENTS PROPOSED BY THE FINANCE BILL, 2009

1. DEFINITIONS SECTION 2

The following amendments to Section 2 of the Federal Excise Act, 2005, have been proposed through the Finance Bill, 2009.

Due date Clause (8A)

The proposed amendment seeks to substitute the word "Board" for the words "Federal Government".

KIBOR Clause (15A)

This newly proposed clause defines KIBOR as Karachi Inter Bank Offered Rates applicable on first day of each quarter of the financial year.

2. Duties specified in the First Schedule to be levied SECTION 3

The proposed amendment seeks to empower the Board to the goods or services in respect of which the liability to pay the duty shall be on the person as specified by the Board.

3. Assessment of duty SECTION 4A

This newly inserted section provides the procedure to determine the minimum liability of duty by the Assistant Collector in case of non-filing of return.

The same procedure as required under section 11 of the Sales Tax Act, 1990 for assessment of tax shall be adopted for assessment of duty for harmonization.

4. Default Surcharge SECTION 8

In order to keep the rate of default surcharge higher than the interest rates of banks to avoid short filing, it has been proposed to enhance the rate from one and half percent per month to KIBOR plus three percent per annum.

5. Records SECTION 17

According to the proposed amendment, the registered person shall be required to maintain the federal excise records for five years or till be decision of any relevant proceeding whichever is later.

6. Invoices **SECTION 18**

It has been proposed that NTN or CNIC number of the unregistered buyer shall be indicated in the invoices issued under this Act.

7. Offences, penalties, fines and allied matters **SECTION 19**

The proposed amendment in this section seeks to impose duty at the rate of 500 percent, if retail price, health warning and name of manufacturer is not mentioned in cigarettes packs.

8. Power of adjudication **SECTION 31**

With this proposed amendment, the Deputy Collector shall adjudicate the cases involving amount of duty exceeding rupees. 2.50 million and Assistant Collector shall adjudicate the cases involving duty exceeding rupees 1.00 million.

It has also been proposed to reduce the time limit for finalization of cases from 90 days to 60 days. However the period of adjournment in proceedings due to request of taxpayer, stay order, remand or alternative dispute resolution proceedings or for any other reason shall be excluded from the computation of the period for finalization of cases.

9. Appeals to Collector (Appeals) **SECTION 33**

It has been proposed that the period by which the Collector (Appeals) can extend the time limit for issuance of order under this section be reduced from 90 days to 60 days.

It has further been proposed that the period during which the hearing of appeal is adjourned at the request of appellant or is postponed due to any appeal, proceedings, stay order, remand or for any other reason, shall be excluded in computation of period for passing the order.

10. Appeals to the Appellate Tribunal and Reference to the High Court **SECTION 34**

In order to harmonize the proceedings of Federal Excise Appellate Tribunals with Customs and Sales Tax Appellate Tribunals, it has been proposed that the federal excise appeals shall be disposed off in accordance with rules and procedures laid down in Customs Act, 1969.

11. Powers of Board or Collector to pass certain orders **SECTION 35**

The proposed amendment seeks to increase the time limit for reopening of cases by FBR or Collector under this section from two years to three years of the date of original decision in order to harmonize it with Sales Tax Act, 1990.

12. Alternative dispute resolution

SECTION 38

It has been proposed to increase the time limit, for making recommendations by alternative dispute committee, from 60 days to 180 days of its constitution. The power of the Board to extend the time for making recommendations under this section has also been withdrawn.

It has also been proposed that if the committee fails to make recommendations within 180 days, the Board may dissolve that committee and appoint a new one.

It has further been proposed that the Board shall pass the order within 45 days of receipt of recommendations from Committee.

13. Delayed refund

SECTION 44A

This newly proposed section provides compensation to the registered person in case of delay in processing of refund claim by the department.

It has been proposed that in case of delayed refund, the claimant shall be paid in addition to the amount of refund a sum equal to KIBOR per annum of the amount of refund for the delayed period.

14. First SCHEDULE

Following amendments have been proposed in First Schedule:-

- The proposed rate of duty applicable on cigarettes shall be as follows:-
 - (i) 64% of retail price in case of imported cigarettes.
 - (ii) 64% of retail price of locally produced cigarettes, if retail price exceeds Rs. 19.50/- per ten cigarettes.
 - (iii) Rs. 4.75 per ten cigarettes plus 70% per incremental rupee or part thereof of locally produced cigarettes, if retail price exceeds Rs. 10 but does not exceed Rs. 19.50 per ten cigarettes.
 - (iv) Rs. 4.75 per ten cigarettes of locally produced cigarettes, if retail prices do not exceed Rs. 10.00 per ten cigarettes.
- Rate of duty on Cement is proposed to be reduced from Rs. 900 per metric to Rs. 700 per metric ton.
- Duty at the rate of 16% is proposed to be imposed on advertisement in newspapers, periodicals and hoarding boards.
- Rate of duty on telecommunication services except SMS is proposed to be reduced from 21% to 19%.

- Rate of duty on SMS is proposed to be Rs. 0.20 plus 19% of charges per SMS.
- Rate of duty on insurance services is proposed to be increased from 10% of gross premium to 16% of gross premium.
- Duty is proposed to be imposed at all the services provided by banking companies and non-banking financial companies except the services in respect of Hajj & Umrah, cheque book, insurance, Musharika & Modaraba financing and utility bills collection. Previously only non-fund services were subject to excise duty.
- Rate of duty on the services provided by banking companies and non-banking financial companies is proposed to be increased from 10% to 16% of charges.
- Duty at the rate of 16% of charges is proposed to be imposed on stock brokers.
- Duty at the rate of 16% of charges is proposed to be imposed on services provided by port and terminal operators relating imports excluding stevedoring services.

PROPOSED FEDERAL EXCISE NOTIFICATIONS ACCOMPANIED WITH FINANCE BILL, 2009

S.R.O. 474/(I)/2009

This SRO provides exemption of excise duty on following goods / services with immediate effect:-

- Motor cars and motor vehicles.
- Viscose staple fiber.
- Services provided, in respect of Hajj & Umrah, Cheque Book, Insurance, Musharika & Modaraba and utility bills collection, by banking companies and non-banking financial institutions.

S.R.O. 475/(I)/2009

This SRO provides amendments to be made in Federal Excise Rules, 2005 with effect from July 01, 2009. Some of the significant amendments are as follows:-

- "Port operator" has been defined as operators including Karachi Port Trust (KPT) or any other person or organization managing the operations of any customs-port.
- "Terminal operator" has been defined as operators including Karachi International Container Terminal (KICT), Pakistan International Container Terminal (PICT) and Qasim International Container Terminal (QICT).
- Health insurance, corp insurance and marine insurance for export have been excluded from the scope of Special Procedure for Insurance Companies.
- New reconciliation statement required to be filed by banking and non-banking financial institutions has been provided.
- Telecommunication service providers are required to file a single Monthly Statement to the concerned Collector. Previously, there were three different monthly statements, which were required to be filed monthly.

Special Procedure for Services provided by Port Operators and Terminal Operators in relation to Imports

- Following services provided by Port Operators and Terminal Operators shall be subject to excise duty:
 - (i) Piloting and mooring
 - (ii) Delivery charges
 - (iii) Storage in port area including demurrage
 - (iv) Wharfage
 - (v) Other import related services provided in port area

- Duty shall be charged on the gross amount for the services.
- Port Operators and Terminal Operators shall be required to maintain the records as required in section 17 of the Federal Excise Act, 2005.

Special Procedure for Services provided by Stock brokers

- Duty shall be levied on gross commission charged to clients in respect of purchase and sale of shares.
- Stock brokers shall be required to maintain the records as required in section 17 of the Federal Excise Act, 2005.

S.R.O. 478/(I)/2009

This SRO amends the SRO 550(I)/2006 dated June 05, 2006 with effect from July 01, 2009. This proposed SRO provides the revised list of services on which excise duty shall be charged and collected in VAT mode under Sales Tax Act, 1990. The revised list includes followings services:-

- Advertisements.
- Services provided in respect of travel by air of passengers within territorial limits of Pakistan.
- Carriage of goods by air.
- Shipping agents.
- Telecommunication services.
- Services provided by banking companies and non-banking financial companies.
- Services provided by insurance companies.
- Services provided by stock brokers.
- Services provided by port and terminal operators.

INCOME TAX ORDINANCE 2001

AMENDMENTS PROPOSED BY THE FINANCE BILL, 2009

Through finance bill 2008, following further amendments are proposed to be incorporated in the Income Tax Ordinance, 2001:

DEFINITIONS

SECTION 2

The following amendments are proposed to be made to section 2 of the Income Tax Ordinance, 2001:

- a) A new clause "17A" has been proposed to be added after clause "17", whereby, it has been sought to provide the definition of Director General (DG) and accordingly section 208 is also proposed to be modified. However, currently all the regional tax offices are working under the supervision of Director General. The proposed clause is reproduced as under:

17A) Director General means a person appointed as Director General of Regional Tax Office or Large Taxpayers Unit under section 208 and includes a Director General of Income Tax, Sales Tax, Federal Excise Duty (FED) and Regional Commissioner of Income Tax.;

In consequence of the aforesaid amendment clause 48(A) is proposed to be omitted, earlier vide this clause definition of regional commissioner was provided.

- b) By virtue of this amendment it has been proposed to substitute the words "remittance of" for the word "any" in sub-clause (f) of clause (19) of section (2). By this amendment legislator wants to extend the scope of definition "Dividend" to all those remittances which the branch offices of foreign companies remit to their principals out of their after tax profits.

Further, another amendment is been proposed to enhance the scope of definition "Dividend" now it has been proposed to include the remittance of the branch offices of Petroleum Exploration and Production (E&P) foreign company out of their after tax profit in purview of said definition.

- c) A new clause "30AA" has been proposed to be added after clause "30A", whereby, it has been sought to provide the definition of KIBOR. The proposed clause is reproduced as under:

30AA) KIBOR means Karachi Interbank offered Rates applicable on the first day of each quarter of the financial year.

- d) A new clause (70A) has been proposed to be added after clause "70", whereby, it has been sought to provide the definition of turnover, which is reproduced as under:

70A) "turnover" means turnover as defined in sub-section (3) of section 113.

TAX ON DIVIDEND

SECTION 5

Consequent to the amendment proposed for clause (19) of section (2), the sub-section (1) of section 5 is modified and the scope of the same is enhanced to the extent aforesaid clause of section (2)

SALARY

SECTION 12

By this proposed amendment it has been sought to add a new proviso in clause (a) of subsection (2) of section 12 to exclude bonus exceeding rupees One Million from salary of corporate employees and tax the same @ 30% as provided in Paragraph (2) of Division I of First Schedule. The proposed proviso is reproduced as under:

Provided that any bonus paid or payable to corporate employees receiving salary income of one million rupees or more (excluding bonus) in tax year 2009, shall be chargeable to tax at the rate provided in paragraph (2) of Division I of Part I of the First Schedule;

VALUE OF PERQUISITES

SECTION 13

The proposed amendment seeks to correct wordings of section 13.

INCOME FROM PROPERTY

SECTION 15

By this amendment it has been sought to establish a nexus between income tax rates for property income provided in Division VI of Part I of First Schedule to the Ordinance and section 15. The proposed amendment in sub-section (1) of section (15) seeks to remove the lacuna in the said provision of law.

To complement the impact of aforesaid amendment a further amendment is proposed by which it has been sought to omit clause (6) and (7) of section 15.

DEDUCTIONS

SECTION 20

The proposed amendment seeks to add a new subsection (1A) after sub-section (1) of section 20. By this amendment it has been sought to provide a further admissible deduction on the death or at the time animal used for business become useless. The said amendment is reproduced for ready reference:

1A) subject to this Ordinance, where animals which have been used for the purposes of the business or profession otherwise than as stock-in-trade and have died or become permanently useless for such purposes, the difference between the actual cost to the taxpayer of the animals and the amount, if any, realized in respect of the carcasses or animals.

DEPRECIATION

SECTION 22

The proposed amendments to this section seek to enhance the upper limit of the cost of passenger transport vehicles not plying for hire to Rupees 1.5 Million, whereas earlier the same was Rupees One Million. The said increase in limit of costs of these assets will cause to increase in the admissible deductions.

ACCELERATED DEPRECIATION TO ALTERNATE ENERGY PROJECTS

SECTION 23 B

The proposed amendment seeks to insert a new section 23B after section 23A. By this amendment an incentive has been provided to industrial undertakings to encourage the investment in alternate energy resources. For the benefit of the reader section 23B is reproduced here under:

23B. Accelerated depreciation to alternate energy projects.-

- 1) Any plant, machinery and equipments installed for generation of alternate energy by an industrial undertaking set up anywhere in Pakistan and owned and managed by a company shall be allowed first year allowance in lieu of initial allowance under section 23, at the rate specified in Part II of the Third Schedule against the cost of the "eligible depreciation assets" put to use after first day of July, 2009.
- 2) The provisions of section 23 except sub-sections (1) and (2) thereof, shall mutatis mutandis apply.

PROFIT ON DEBTS

SECTION 28

The proposed amendment seeks to substitute SME Bank Limited for Small Business Finance Corporation (SBFC) in clause (g) of subsection (1) of section 28 of the Income tax Ordinance. After the liquidation of SBFC, SME Bank took charge over the affairs of the SBFC, therefore the said amendment was made to modify the provision of section 23B.

DEDUCTION-SPECIAL PROVISIONS

SECTION 49

By the proposed omission of words Banking Company from sub-section (1) of section 29A and from their subsequent explanation, the legislator has sought to withdraw the provisions regarding the allowance of a deduction in respect of bad debts arising out of consumer loans. Earlier a deduction to the extent of 3% of the consumer loan was admissible to the banking companies.

LOSSES

SECTION 57

The proposed amendment seeks to harmonize the impact of the section 57 by the incorporation of effects of newly inserted section 23A and 23B.

CHARITABLE DONATIONS

SECTION 61

The proposed amendment seeks to enhance the limit of charitable donations for the companies, earlier the admissible deduction under the head charitable donation was 15 percent of the taxable income, now the same is increased to the maximum of 20%.

TAX CREDIT

SECTION 64

The proposed amendment seeks to enhance the limit of tax credit available against the tax liability on property income. The said provision of law provides a formula for the calculation of such tax credit.

TAX CREDIT TO SALES TAX REGISTERED PERSONS

SECTION 65A

By the insertion of this new section, it has been sought to provide an incentive to the sales tax registered persons for the improvement of documentation and record. As per this section it has been proposed to provide a tax credit of 2.5% against the income tax liability to all those sales tax registered persons who made more than 90% of their sales to persons who are registered under the Sales Tax Act, 1990. The proposed new section is produced as under:

65A. Tax credit to a person registered under the Sales Tax Act, 1990.

- 1) Every manufacturer, registered under the Sales Tax Act, 1990, shall be entitled to a tax credit of two and a half per cent of tax payable for a tax year, if ninety per cent of his sales are to the person who is registered under the aforesaid Act during the said tax year.
- 2) For claiming of the credit, the person shall provide complete details of the persons to whom the sales were made.
- 3) No credit will be allowed to a person whose income is covered under final tax or minimum tax.
- 4) Carry forward of any amount where full credit may not be allowed against the tax liability for the tax year, shall not be allowed.

COST OF ASSETS

SECTION 76

The proposed amendment seeks to incorporate the following explanation in section 76, whereby it has been sought to take into account the fluctuation of currency for the purpose of depreciation.

Explanation: Difference, if any, on account of foreign currency fluctuation, shall be taken into account in the year of occurrence for the purposes of depreciation.

Through Finance Act, 2008 the provisions of minimum tax were removed. Keeping in view the recent short fall in the collection of direct taxes the provisions of minimum tax are proposed to be restored. The proposed amendment seeks to incorporate a new section 113 after section 112, which is reproduced as under:

113. Minimum tax on the income of certain persons:

- 1) This section shall apply to a resident company where, for any reason whatsoever allowed under this Ordinance, including any other law or for the time being in force
 - a) loss for the year;
 - b) the setting off of a loss of an earlier year;
 - c) exemption from tax;
 - d) the application of credits or rebates; or
 - e) the claiming of allowances or deductions (including depreciation and amortization deductions)

No tax is payable or paid by the person for a tax year or the tax payable or paid by the person for a tax year is less than one-half per cent of the amount representing the person's turnover from all sources for that year:

Provided that this sub-section shall not apply in the case of a company, which has declared gross loss before set off of depreciation and other inadmissible expenses under the Ordinance. If the loss is arrived at by setting off the aforesaid or changing accounting pattern, the Commissioner may ignore such claim and proceed to compute the tax as per historical accounting pattern and provision of this Ordinance and all other provisions of the Ordinance shall apply accordingly.

- 2) Where this section applies:
 - a) the aggregate of the person's turnover as defined in subsection (3) for the tax year shall be treated as the income of the person for the year chargeable to tax;
 - b) the person shall pay as income tax for the tax year (instead of the actual tax payable under this Ordinance), an amount equal to one-half per cent of the person's turnover for the year;
 - c) where tax paid under sub-section (1) exceeds the actual tax payable under Part 1, Division II of the First Schedule, the excess amount of tax paid shall be carried forward for adjustment against tax liability under the aforesaid Part of the subsequent tax year:

Provided that the amount under this clause shall be carried forward and adjusted against tax liability for three tax years immediately succeeding the tax year for which the amount was paid.

3) "turnover" means,-

- a) the gross receipts, exclusive of Sales Tax and Federal Excise duty or any trade discounts shown on invoices, or bills, derived from the sale of goods, and also excluding any amount taken as deemed income and is assessed as final discharge of the tax liability for which tax is already paid or payable;
- b) the gross fees for the rendering of services for giving benefits including commissions; except covered by final discharge of tax liability for which tax is separately paid or payable;
- c) the gross receipts from the execution of contracts; except covered by final discharge of tax liability for which tax is separately paid or payable; and
- d) the company's share of the amounts stated above of any association of persons of which the company is a member.

MINIMUM TAX

SECTION 113B

The proposed amendment seeks to add a new proviso in clause (c) of section 113B, whereby it has been sought to exclude the sales which were subjected to tax withholding under clause (a) of sub-section (1) of section 153 from turnover for the purpose of this section. The proposed proviso is produced as under:

Provided that turnover chargeable to tax under this section shall not include the sale of goods on which tax is deducted or deductible under clause (a) of sub-section (1) of section 153.

RETURN OF INCOME

SECTION 114

The proposed amendment seeks to enhance the scope of this section and the same will cause the broadening in tax base. By this amendment it has been sought to add the following new sub-clauses in clause (b) of sub-section (1) of section 114:

- iv) owns immovable property with a land area of five hundred square yards or more located in a rating area;
- v) owns a flat having covered area of two thousand square feet or more located in a rating area;
- vi) owns a motor vehicle having engine capacity above 1000CC; and
- vii) has obtained National Tax Number."; and

Further, it has been sought to add a new sub-section (6), whereby the taxpayers have been allowed to revise their tax returns within Five years from the end of the financial year in which original return was filed. The proposed sub-section (6) is reproduced as under:

- 6) Any person who, having furnished a return, discovers any omission or wrong statement therein, without prejudice to any other liability, which he may incur

under this Ordinance, may furnish a revised return for that tax year at any time, within five years from the end of the financial year in which original return was filed, subject to the following, namely:-

- a) it is accompanied by the revised accounts or revised audited accounts, as the case may be;
- b) the reason of revision of return, in writing, duly signed, is filed therewith,; and
- c) it is filed before the issuance of the notice for amendment of assessment.

PERSONS NOT REQUIRED TO FILE RETURN OF TOTAL INCOME

SECTION 115

Various amendments have been proposed to this section to broaden the tax net and to improve the level of documentation and record. A detail of these proposed amendments is given as under:

- 1) A new proviso has been substituted in sub-section (1), for the prevalent proviso, whereby, it has been sought to obligate the salaried persons whose taxable income exceeds Rs. 500,000/- to file their tax return along with wealth statements under section 116 electronically.
- 2) Further, through another amendment in subsection (4), the commercial importers and exporters, who are not required to file their return of total income, are required to file return of total income instead of statement showing the detail of their imports and exports.
- 3) Further, a new sub-section (4A) is proposed to be added, whereby, it has been allowed to the taxpayer to the tax statement filed under section 115(4), if they find any error or omission.
- 4) Further, the taxpayer, who has paid tax more than Rs. 20,000/- and filed tax statement under section 115(4) are also proposed to file wealth statement along with reconciliation of wealth under section 116.

WEALTH STATEMENT

SECTION 116

Through this amendment in sub-section (2) of section 116 it has been proposed to add the words "wealth reconciliation statements", whereby it has been required to file wealth reconciliation statements along with wealth statement.

BEST JUDGMENT ASSESSMENT

SECTION 121

Through this amendment in sub-section (1) of section 121 it has been sought to empower the Commissioner of income tax to make best judgment assessment, where a taxpayer failed to file tax statement under section 115(4).

AMENDMENT OF ASSESSMENT

SECTION 122

The proposed amendment seeks to substitute the following subsection (2) of section 122, whereby it has been sought to provide a uniform time line for amendment of assessments:

- 2) No order under sub-section (1) shall be amended by the Commissioner after the expiry of five years from the end of the financial year in which the Commissioner has issued or treated to have issued the assessment order to the taxpayer.

RIGHT OF APPEAL IN CERTAIN CASES

SECTION 127

The proposed amendment seeks to provide the right of appeal in the matter of the cases decided under section 205 (additional tax). The current provisions of law do not provide any right of appeal for such cases.

Further, through another proposed amendment, it has been sought to fix the appeal fee at Rs. 1000/-.

APPEALS

SECTION 129

The proposed amendment seeks to insert a new proviso, whereby it has been desired to fix the time limit for finalization of appeal. The proposed proviso is produced as under:

Provided that such order shall be passed not later than one hundred and twenty days from the date of filing of appeal or within an extended period of sixty days, for reasons to be recorded in writing by the Commissioner (Appeals):

Provided further that any period during which the hearing of an appeal is adjourned at the request of the appellant or is postponed due to any appeal or proceedings or stay order, remand or alternative dispute resolution proceedings or for any other reason, shall be excluded in the computation of the aforementioned periods.

APPOINTMENT OF APPELLATE TRIBUNAL

SECTION 130

By the insertion of sub-section (8A) it has been sought to empower the Chairman Income Tax Appellate Tribunal to constitute benches as per his own requirements. Proposed sub-section (8A) overrides the provision of subsection 7 and 8 of section 130 of this Ordinance. For the benefit of reader the proposed sub-section is reproduced as under:

- 8A) Notwithstanding anything contained in sub-sections (7) and (8), the Chairman may constitute as many benches consisting of a single member as he may deem necessary to hear such cases or class of cases as the Federal Government may by order in writing, specify.

Further, Chairman Income Tax Appellate Tribunal is also empowered to decide appeals involving revenue to the tune of Rupees Five Million. The said proposed amendment is reproduced as under:

8AA) The Chairman or any other member of the Appellate Tribunal authorized, in this behalf by the Chairman may, sitting singly, dispose of any case where the amount of tax or penalty involved does not exceed five million rupees.

APPEAL TO THE APPELLATE TRIBUNAL (ITAT)

SECTION 131

The following amendments are proposed to be made in section 131 of this ordinance:

- 1) Appeal fee for filing of appeal to ITAT is reduced to Rupees Two Thousand.
- 2) Further it has been proposed to provide the condition that respondents should be heard before deciding any stay application.

ALTERNATE DISPUTE RESOLUTION COMMITTEE (ADRC)

SECTION 134A

The following amendments have been proposed to be made in sub section (1), (2), (3) and (4) of section 134A:

- 1) The proposed amendment in sub section (1) seeks to exclude the cases out of the purview of application made to ADRC where prosecution proceedings or interpretation of law is involved.
- 2) The proposed amendment in sub-section (20) seeks to fix the time for the appointment of ADRC. It has been proposed that ADRC must be constituted within 60 days of filing of application.
- 3) Further, it has been proposed that the constituted committees must provide their recommendations within 180 days of their constitution, otherwise, board is empowered to dissolved such committee and constitute the new one.

DUE DATE FOR PAYMENT OF TAXES

SECTION 137

The proposed amendment seeks to add section 113 in sub section (1) of section 137, whereby, it has been sought to harmonize the provision of section 137 with those of proposed section 113.

RECOVERY OF TAXES

SECTION 138

The proposed amendment seeks to add a new clause (aa) along with proviso in sub section 2 of section 138, whereby, it has been sought to further strengthen the provisions for recovery. The proposed clause seeks to empower the taxation officer to withhold the goods of defaulter in the possession of any person. The proposed clause is reproduced as under:

- aa) require by notice in writing to the taxpayer or to another person to stop removal of any goods manufactured or stored or kept by the said taxpayer or on his behalf by that other person:

Provided that this clause shall only be applicable on the outstanding demand payable as confirmed or modified by the Appellate Tribunal.

ADVANCE TAX

SECTION 147

The following amendments are proposed to be made in section 147 of this Ordinance:

- 1) The scope of section 147 is extended to the association of persons having latest assessed taxable income of less than Two Hundred Thousand.
- 2) By this amendment it has been sought to substitute subsection (4), whereby basis has been provided for payment of advance tax from assessment to turnover in the case of company and AOP. The newly substituted sub section 4 is reproduced as under:
 - 4) Where the taxpayer is a company or an association of persons, the amount of advance tax due for a quarter shall be computed according to the following formula, namely:

(A x B/C) - D

Where –

A is the taxpayer's turnover for the quarter;

B is the tax assessed to the taxpayer for the latest tax year;

C is the taxpayer's turnover for the latest tax year; and

D is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted under section 155.

- 3) A new sub-section 4AA is proposed to be added whereby it has been desired to take into account the minimum tax liability while working out the payment of advance tax. The newly substituted sub section 4AA is reproduced as under:

4AA) Tax liability under section 113 shall also be taken into account while working out payment of advance tax liability under this section.

- 4) By this proposed amendment it has been sought to substitute a new sub section 6A, where by it has been required that the taxpayers who have no previous assessed tax history shall estimate their income for the year and pay advance tax. The newly substituted sub section 6A is reproduced as under:

6A) Notwithstanding anything contained in this section, where the taxpayer is a company or an association of persons, advance tax shall be payable by it in the absence of last assessed income or declared turnover also. The taxpayer shall estimate the amount of advance tax payable on the basis of quarterly turnover of the company or an association of persons, as the case may be, and thereafter pay such amount after,-

- (a) taking into account tax payable under section 113 as provided in sub-section (4AAA); and
- b) making adjustment for the amount (if any) already paid.

IMPORTS

SECTION 148

The following amendments are proposed to be made in section 148 of this Ordinance:

1. The proposed amendment seeks to obligate the importers to file return of total income in lieu of statement of final tax; and further, it has been proposed that the tax deducted on the import stage shall be treated as minimum tax liability.
2. The proposed amendment seeks to extend the scope of previous amendment and now through this proposed amendment it has been desired to file the return of total income and treat the amount of tax deduction on import stage as minimum tax from the persons who have paid up capital upto 250 Million, having turnover upto Rs. 500 Million or having owned total assets upto 250 Million.
3. The proposed amendment in sub-section 8 seeks to levy minimum tax on import of packing material and on edible oil.

TAX WITHHOLDING ON DIVIDEND

SECTION 150

The proposed amendment in section 150 seeks to extend the scope of withholding agents making payment of dividend. The current provisions only obligate the resident companies to withhold tax on payment of dividend.

TAX WITHHOLDING ON GOODS AND SERVICES

SECTION 153

The following amendments are proposed to be made in section 153 of this Ordinance:

1. The proposed amendment in sub section (6) of section 153 seeks to obligate the service providers to file return of total income in lieu of statement of final tax; and further, it has been proposed that the tax deducted on the payment made to the service providers shall be treated as minimum tax liability.
2. By the insertion of a new clause (cc) in sub-section 9 of section 153, it has been required from Non profit Organization to withhold tax at the time of making payment for goods and services.

TAX WITHHOLDING EXPORTS

SECTION 154

Through this amendment, it has been sought to insert a new sub-section (3C), whereby it has been empowered the Collector Customs to collect advance at the rate specified in Division IV, of part III of the First Schedule and exporters have been

to obligated to file return of total income in lieu of statement of final tax; and further, it has been proposed that the tax deducted on the import stage shall be treated as minimum tax liability.

CERTIFICATE FOR DEDUCTION OF TAX

SECTION 164

Through this amendment, it has been required from the withholding agent to provide copies of tax challans in addition to the certificate for collection or deduction of tax.

TAX STATEMENTS

SECTION 165

The proposed amendment seeks to provide new time frame for furnishing of annual tax statements, with a view to reduce the cost of doing business.

CREDIT FOR TAX COLLECTED OR DEDUCTED

SECTION 168

The following amendments are proposed to be made in section 168 of this Ordinance:

1. The proposed amendment in sub section-3 seeks to harmonize the impact of this section in accordance with the amendment made to section 148 and 154.
2. By the insertion of sub-section 6 and 7 it has been sought to secure the collection of federal levy without withholding any services charges by the withholding agent and recovery of the same if any amount is kept by the withholding agent. The proposed sub-sections are reproduced as under:
 - 6) Notwithstanding anything contained in any other law or any rules for the time being in force, no amount shall be deducted on account of service charges from the tax withheld or collected by any person under the provisions of this Ordinance.
 - 7) In case any amount is deducted on account of service charges, by the person, the said person will be liable to pay the said amount to the Federal Government and all the provisions of this Ordinance shall apply in so far as they apply to the recovery of tax.

REFUNDS

SECTION 170

The proposed amendment in sub section-4 seeks to reduce time frame for deciding the refund application from 90 days to 45 days.

WITHHOLDING OF REFUNDS

SECTION 170A

The proposed amendment seeks to insert a new section 170A, whereby it has been sought to empower the Commissioner Income Tax to withhold tax refunds in certain cases. For ready reference the proposed new section is produced as under:

170A. Powers to withhold refund in certain cases

- 1) Where an order giving rise to a refund is the subject matter of an appeal or further proceedings under this Ordinance, the Commissioner may, withhold refund till such time as he deems fit.
- 2) No refund under sub-section (1) shall be withheld unless the taxpayer has been given a reasonable opportunity of being heard.
- 3) The Commissioner shall make an order, stating the reason for withholding the refund and shall communicate the same to the taxpayer.

ADDITIONAL PAYMENTS

SECTION 171

The proposed amendment seeks change the rate of additional payment from 6 percent to KIBOR in case delayed refunds. However, a proviso has been inserted to provide conditions for such delayed payment. The proposed proviso is reproduced as under:

Provided that where there is reason to believe that a person has claimed the refund which is not admissible to him, the provision regarding the payment of such additional amount shall not apply till the investigation of the claim is completed and the claim is either accepted or rejected.

RECORDS

SECTION 174

The sub-section 3 of section 174 requires taxpayer to maintain the record required under this ordinance till the expiry of five years after the end of the financial year to which it relates. However, through this proposed amendment it has been sought to maintain the record required under this ordinance till the finalization of proceedings pending before any forum to which it relates.

EMPOWER CA FIRMS TO OBTAIN RECORD

SECTION 176

The proposed amendment seeks to insert a new clause (c) in sub-section 1 of section 176, whereby CA Firms are empower to ask record for the assessment of a taxpayer for whom he has been appointed as auditor by the Commissioner of Income Tax. The proposed new clause is produced as under:

- c) The firm of chartered accountants, as appointed by the Board, to conduct audit under section 177, for any tax year, with the prior approval of the Commissioner concerned, may obtain any information, require production of any record, or computer on which the required information is stored, impound and retain such computer as long as it is necessary and such firm may also exercise the powers as provided in sub-section (4), if specifically delegated by the Commissioner.”;

AUDIT**SECTION 177**

The proposed amendment seeks to enhance the scope of selection of cases in the classes of persons by the Board.

PROSECUTION**SECTION 191**

The following amendments are proposed to be made in section 168 of this Ordinance:

1. By the insertion of proposed clause (aa) in sub section-1 the legislator seeks to enhance the scope of prosecution to the cases where taxpayers failed to file tax returns, tax statements or wealth statement or the taxpayer has failed to pay any tax liability. The proposed clause is reproduced as under:

aa) furnish a return of income as required under subsection (2) of section 114 or a statement as required under sub-section (4) of section 115 or a wealth statement as required under section 116 as and when due.

Further, it has also been proposed through another amendment that the prosecution proceedings may be initiated in the cases where the taxpayer failed to comply with any notice.

2. Another amendment is proposed for sub-section (2) of section 191, whereby the amount of fine is fixed at Rs. 50,000/- for failure to compliance as provided in sub section (1).

OFFENSES AND PROSECUTION**SECTION 192**

The proposed amendment seeks to provide provision, whereby, the amount of fine is fixed at Rs. 100,000/- for knowingly making any false statement as required under this ordinance.

PROSECUTION FOR CONCEALMENT OF INCOME`**SECTION 192A**

The proposed amendment seeks to insert a new section 192A, whereby it has been sought the amount of fine in cases of certain non compliance of statutory obligations and to provide amount of fine or prosecution in case of concealment or furnishing of inaccurate particulars of income/expenditures/source of investment. The proposed new section is reproduced as under:

192A. Prosecution for concealment of income

- 1) Where, in the course of any proceedings under this Ordinance, any person has either in the said proceedings or in any earlier proceedings concealed income or furnished inaccurate particulars of such income and revenue impact of such concealment or furnishing of inaccurate particulars of such income is five hundred thousand rupees or more shall commit an offence

punishable on conviction with imprisonment upto two years or with fine or both.

- 2) For the purposes of sub-section (1), concealment of income or the furnishing of inaccurate particulars of income shall include:
- a) the suppression of any income or amount chargeable to tax;
 - b) the claiming of any deduction for any expenditure not actually incurred;
or
 - c) any act referred to in sub-section (1) of section 111

FALIURE TO MAINTAIN RECORD

SECTION 193

The proposed amendment seeks to provide provision, whereby, the amount of fine is fixed at Rs. 50,000/- for the taxpayers who have failed to maintain tax record as required under this ordinance.

MISUSE OF NTN

SECTION 194

The proposed amendment seeks to provide provision, whereby, the amount of fine is fixed at Rs. 50,000/- for the taxpayers who have knowingly used the wrong National Tax Number.

CONCEALMENT OF FACT

SECTION 195

The proposed amendment seeks to provide provision, whereby, the amount of fine is fixed at Rs. 50,000/- for the taxpayers who have knowingly concealed certain facts from Revenue department which are required to provide under this ordinance.

OBSTRUCTION TO REVENUE AUTHORITIES

SECTION 196

The proposed amendment seeks to provide provision, whereby, the amount of fine is fixed at Rs. 50,000/- for the taxpayers who have obstructed the tax authorities in proper discharge of their duties.

DISPOSE OFF OF PROPERTY BEFORE ATTACHMENT

SECTION 197

The proposed amendment seeks to provide provision, whereby, the amount of fine is fixed at Rs. 100,000/- for the taxpayers, who sold their properties to avoid the attachment by the Commissioner for the recoveries of settled tax demands.

DISCLOSURE OF INFORMATION BY A PUBLIC SERVANT

SECTION 198

The proposed amendment seeks to provide provision, whereby, the amount of fine is fixed at Rs. 25,000/- for the public servant who knowingly disclosed any particulars in contravention with provision of section 216

POWER TO COMPOUND OFFENCES

SECTION 202

By the substitution of proposed section 202, it has been sought to empower Director General to compound offences which are subjected to payment of tax. The proposed substituted section is reproduced as under:

202. Power to compound offences

Notwithstanding any provisions of this Ordinance, where any person has committed any offence, the Director General may, with the prior approval of the Board, either before or after the institution of proceedings, compound such offence subject to payment of tax due along with additional tax and penalty as is determined under the provisions of this Ordinance.

ADDITIONAL TAX

SECTION 205

The proposed amendment to this section seeks to levy additional tax at KIBOR plus 3% on quarterly basis.

JURISDICTION

SECTION 209

The proposed amendment seeks to add an explanation after sub section 5, whereby, it has been sought to clarify the criteria for the settlement of jurisdiction. The proposed explanation is produced as under for ready reference:

Explanation: The expression "place of business" as used in this sub-section, means,-

- (a) in the case of listed or unlisted public limited company, the place where the registered office is situated;
- (b) in the case of other companies,-
 - i) if the company is primarily engaged in manufacture or processing, the place where the factory is situated;
 - ii) if the company is primarily engaged in business other than manufacture or processing, the place where main business activities are actually carried on.

APPOINTMENT OF CA FIRMS

SECTION 210

The proposed amendment seeks to insert a new sub section adding an explanation after 1B, whereby, the Commissioner of Income tax is empowered to appoint CA Firms to conduct the audit of the persons selected for audit under section 177 of this ordinance.

CONDONATION OF TIME LIMIT REQUISITION OF RECORD

SECTION 214A AND 214 B

By the insertion of proposed section 214A and 214B it has been sought to empower the tax authorities to condone the time limit for payment of tax subject to certain

conditions and to empower the Board to call for the record for any proceedings under the ordinance/rules to pass an order. The proposed section 214A and 214B are reproduced for the benefit of readers:

214A. Condonation of time limit:

Where any time or period has been specified under any of the provisions of the Ordinance or rules made there-under within which any application is to be made or any act or thing is to be done, the Board may, in any case or class of cases, permit such application to be made or such act or thing to be done within such time or period as it may consider appropriate:

Provided that the Board may, by notification in the official Gazette, and subject to such limitations or conditions as may be specified therein, empower any Commissioner or Director General under this Ordinance to exercise the powers under this section in any case or class of cases.

214B. Power of the Board to call for records:

- 1) The Board may, of its own motion, call for and examine the record of any departmental proceedings under this Ordinance or the rules made there-under for the purpose of satisfying itself as to the legality or propriety of any decision or order passed therein and may pass such order as it may think fit:

Provided that no order imposing or enhancing any tax or penalty than the originally levied shall be passed unless the person affected by such order has been given an opportunity of showing cause and of being heard.

- 2) No proceeding under this section shall be initiated in a case where an appeal is pending.
- 3) No order shall be made under this Section after the expiry of three years from the date of original decision or order.

**DIRECTORATE GENERAL OF INTELLIGENCE
AND INVESTIGATIONS**

SECTION 229A

Through this proposed amendment, it has been sought to incorporate a new section 229A whereby it is been desired to established a Directorate General of Intelligence and Investigations.

**ADVANCE TAX ON PRIVATE MOTOR
VEHICLES**

SECTION 231B

The proposed amendment seeks to substitute new sub section 231B, where by it has empowered motor vehicle registering authority to collect advance tax at the time of registration of motor vehicle and provide exemptions from such WHT to Governments/foreign diplomats and diplomatic missions. The proposed substituted class is reproduced as under:

231B. Advance tax on private motor vehicles:

Every motor vehicle registering authority of Excise and Taxation Department shall collect advance tax at the time of registration of a new locally manufactured motor vehicle, at the rates specified in Division VII of Part IV of the First Schedule:

Provided that the provisions of this section shall not be applicable in the case of –

- a) the Federal Government;
- b) the Provincial Government;
- c) the Local Government;
- d) a foreign diplomat; or
- e) a diplomatic mission in Pakistan.

ADVANCE TAX ON ELECTRICITY

SECTION 235

The proposed amendment seeks to streamline the collection of WHT on electricity bill and provide a new criterion for the adjustment of the WHT. As per proposed amendment, it has been suggested that tax deduction on electricity bill to the tune of Rs. 30,000/- for a tax year shall be treated as minimum tax and if the tax deducted on electricity bill for a tax year is more than Rs. 30,000/-, the same will be adjusted against the tax liability for that tax year.

ADVANCE TAX AT THE TIME OF SALE BY AUCTION

SECTION 236A

By the insertion of this section it has been sought to empower the relevant authorities to withhold tax at the time of auction of confiscated/attached good or properties. This tax deduction shall be made in accordance with the rate specified in Division VIII of Part IV of the First Schedule

FIRST SCHEDULE TO THE INCOME TAX ORDINANCE, 2001

The Finance Bill, 2009 aims to make the following amendments to the First Schedule to the Income Tax Ordinance, 2001.

PART I

1. By this amendment it has been sought to introduce a new tax namely internally displaced persons tax (IDPT), which shall be levied @ 5% of tax liability for the tax year 2009 on taxable income of Rupees One million or more.
2. Minimum taxable limit for salaried class has been increased to Rs. 200,000/- from Rs. 180,000/- for men and increased to Rs. 260,000/- from Rs. 240,000/- for working women.

3. A further amendment is proposed to be made to provide marginal relief where the maximum limit of a slab exceeds certain limit and insert proviso enabling to collect special tax for IDPS from salaried persons having income of Rs. 1 Million or more in tax year 2009 @ 5%.
4. The proposed amendment seeks to collect special tax for IDPS from bonus income of corporate employees having salary income (Excluding Bonus) of Rs. 1 Million or more in tax year 2009.
5. The proposed amendment seeks to substitute Division VI, whereby it has been sought to reduce the rate of tax deduction on property income. However, the revenue impact of this tax reduction is NIL as the reduction in the rate of taxes provided in second schedule is withdrawn.

PART II

The rate of taxes for import of goods is increased to 4%.

PART III

1. The proposed amendment in Paragraph (i), clause (2) of Division III seeks to provide tax rate of 2% for news print media services.
2. The proposed amendment in clause (i) of Division 4 seeks to provide rates of tax deduction for exports through land route. The tax rate is fixed at 1% of the export proceeds.
3. The rate of tax deduction on property income under section 155 is proposed to be modified in accordance with the rate of tax payable under section 15 of this ordinance.

PART III

1. The proposed amendment in clause (3) of Division III seeks to extend the scope of applicability of WHT to all types of motor vehicles.
2. Consequent to the amendment in section 231B the provisions of Division VII are proposed to be modified.
3. Consequent to the insertion of section 236, it has been required to deduct tax @5% on the sale price of auctioned goods.

SECOND SCHEDULE TO THE INCOME TAX ORDINANCE, 2001

The Finance Bill, 2009 aims to make the following amendments in Second Schedule to the Income Tax Ordinance, 2001.

PART I

- 1) The exemption limit of the voluntary pension scheme is enhanced to the 50% of the accumulated Balance received.
- 2) The proposed amendment in clause 59 seeks to correct expression and omit the word "not" to make the amount set apart or spent taxable.
- 3) Consequent to amendment in section 20 (deduction in computing the taxable income), an amendment is proposed to enhance the limit of rebate of Company on amount of donations.
- 4) A further amendment is proposed to restrict the exemption available to the educational institutes under clause 92. The proposed amendment requires the universities and educational institutes to get approval from the DG of concerned RTO for the purposes of clause 92 to avail the exemption from total income.

PART II

1. By the omission of clause (5) it has been sought to withdraw the provision regarding the applicability of reduced rate in the case of commission received by an indenting agent.
2. By this amendment in clause (13C), it has been proposed to withhold tax on reduced rate of 2% on the local purchase of imported edible oil.
3. Consequent to the amendment in section 150 of the ordinance, clause 17 of this part is proposed to be omitted to withdraw the reduced rate of 7.5% of tax deduction on dividend paid to the shareholders of the power projects privatized by WAPDA.
4. A new clause 24 (A) is proposed to be added to this part, whereby it has been sought to provide reduced rate of tax deduction for distributors of cigarette and pharmaceuticals.
5. Consequent to the amendment made in section 15 and section 155 the reduction in rate of tax provided vide clause 27 and 28 is withdrawn.

PART III

1. The proposed amendment in clause IA seeks to enhance the limit of the exempt income of senior citizen with a view to reduce their tax liability.

2. The tax exemption available to the research scholars to the extent of 75% is reduced to 50 %.

PART IV

1. A new clause 11A is proposed to be inserted whereby exemption from provision of section 113 has been provided to the following institutes:

- i) National Investment (Unit) Trust or a collective investment scheme authorized or registered under the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003 or a real estate investment trust approved and authorized under the Real Estate Investment Trust Rules, 2006, or any other company in respect of turnover representing transactions in shares, or securities listed on a registered stock exchange;
- ii) petroleum dealers, in so far as they relate to turnover on account of sale of petroleum and petroleum products, notwithstanding their status as a company, a registered firm or an individual, engaged in retail sale of petroleum and petroleum products through petrol pumps for the purposes of assessment of their income and determination of tax thereon:

Provided that this exemption shall not apply to the sale of petroleum and petroleum products through petrol pumps which are directly operated or managed by companies engaged in distribution of petroleum and petroleum products.

Explanation.- For the removal of doubt it is declared that the companies engaged in distribution of petroleum and petroleum products other than through petrol pumps shall not be entitled to the benefits of this exemption;

- iii) Hub Power Company Limited so far as they relate to its receipts on account of sale of electricity;
- iv) Kot Addu Power Company Limited (KAPCO) for the period it continues to be entitled to exemption under clause (138) of Part-I of this Schedule;
- v) companies, qualifying for exemption under clause (132) of Part-I of this Schedule, in respect of receipts from sale of electricity;
- vi) Provincial Governments and Local Government, qualifying for exemption under section 49 and other Government bodies which are otherwise exempt from income tax:

Provided that nothing shall be construed to authorize any refund of tax already paid or the collection of any outstanding demand created under the said section;

- vii) Pakistan Red Crescent Society;
 - viii) special purpose, non-profit companies engaged in scrutinizing the receivables of Provincial Governments;
 - ix) non-profit organizations approved under clause (36) of section 2 or clause (58) or included in clause (61) of Part-I of this Schedule;
 - x) a taxpayer who qualifies for exemption under clause (133) of Part-I of this Schedule, in respect of income from export of computer software or IT services or IT enabled services;
 - xi) a resident person engaged in the business of shipping who qualifies for application of reduced rate of tax on tonnage basis as final tax under clause (21) of Part II of the Second Schedule;
 - xii) a venture capital company, venture capital fund and Private Equity and Venture Capital Fund which is exempt under clause (101) of Part-I of this Schedule;
 - xiii) a Modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980);
 - xiv) Corporate and Industrial Restructuring Corporation(CIRC);
 - xv) The corporatized entities of Pakistan Water and Power Development Authority, so far as they relate to their receipts on account of sales of electricity, from the date of their creation upto the date of completion of the process of corporatization *i.e.* till the tariff is notified;
 - xvi) a *morabaha* bank or a financial institution approved by the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan (SECP), as the case may be, for the purpose of Islamic Banking and Finance in respect of turnover under a morabaha arrangement; and
 - xvii) WAPDA First Sukuk Company Limited.”;
2. The proposed amendment seeks to provide exemption to Agha Khan Development Network from provision of section 113 since 1991.
 3. Consequent to the amendment proposed in section 113, the provisions of clause 57 are accordingly modified. A further amendment has been proposed in this clause, whereby it has been desired to provide exemption from levy of minimum tax only for a period of ten years.
 4. The proposed amendment seeks to omit the time bound clause (64) regarding the reduced rate of Income tax.
 5. By the insertion of clause (66A) it has been desired to remove the tax withholding on payment of electricity bills by Cotton Ginners and suppliers of lint.

THIRD SCHEDULE TO THE INCOME TAX ORDINANCE, 2001

The Finance Bill, 2009 aims to make the following amendments in Third Schedule to the Income Tax Ordinance, 2001.

1. Consequent to the amendment proposed in section 23 and 23A, it has been proposed to amend the heading and to provide First Year Allowance in the case of alternate energy projects.

SEVENTH SCHEDULE TO THE INCOME TAX ORDINANCE, 2001

The Finance Bill, 2009 aims to make the following amendments in Seventh Schedule to the Income Tax Ordinance, 2001.

1. An amendment has been proposed in the rule 1, whereby it has been sought to enable the banking companies to make provisions for the classified advances.
2. A further, proposed amendment is rule 1, seeks to enable the department to disallow claim regarding substandard classified bad debts claimed by the banking company.
3. A further proposed amendment in rule 1 seeks to empower the banking company to compute the provision regarding doubtful or loss cases under prudential regulations of SBP.
4. The further proposed amendment in rule 1 seeks to levy minimum tax in the case of resident banking company.