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***Tax Memorandum 2011***



***A. F. FERGUSON & CO., Chartered Accountants***  
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**A. F. FERGUSON & CO.**

**TAX MEMORANDUM  
FINANCE BILL 2011**

This memorandum summarises the important changes proposed in the Finance Bill 2011 relating to Income Tax, Sales Tax, Federal Excise Duty, Customs Duty and Other Laws. For considering the precise impact of a particular change, reference should be made to the specific wordings in the relevant statute.

All changes through the Finance Bill 2011 are effective July 1, 2011, except for the amendments in the First Schedule to the Customs Act, 1969, Sixth Schedule to the Sales Tax Act, 1990 and certain amendments (identified in the memorandum) in the First Schedule to the Federal Excise Act, 2005 which are effective from June 4, 2011. Effective dates of amendments through various notifications are also identified in the memorandum.

The proposals introduced in the Bill have to be approved by the National Assembly before they become effective. They should, therefore, not generally be acted upon without obtaining appropriate advice.

The memorandum can also be accessed on our website [www.pwc.com/pk](http://www.pwc.com/pk)

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*Tax Memorandum 2011*

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## **INCOME TAX**

### **DEFINITION OF 'ASSESSMENT' ENLARGED**

*[Section 2(5)]*

The definition of 'assessment' has been enlarged to include a 'provisional assessment' under section 122C of the Income Tax Ordinance, 2001.

Previously there was ambiguity as to whether the provisional assessments were assessments under the law and appealable/rectifiable.

### **COLLECTIVE INVESTMENT SCHEME**

*[Section 2(11C)]*

The term 'Collective Investment Scheme' has been inserted and defined as being the following schemes under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003:

*“(i) A scheme constituted by way of trust to raise funds through issue of certificates to the public for investing in securities including money market instruments for a definite or indefinite period but which does not continuously offer certificates entitling the holder of such certificates, to receive, on demand, his proportionate share of the net assets of the closed-end scheme;*

*“(ii) A scheme constituted by way of a trust deed that continuously offers for sale its units as specified in the constitutive document that entitle the holder of such units on demand to receive his proportionate share of the net assets of the scheme less any applicable charges”*

### **WAIVER OF PROFIT ON DEBT OR DEBT ITSELF**

*[Section 18(1)(d)]*

Any 'benefit or perquisite' whether convertible into money or not, derived by a person in the course of, or by virtue of, a past, present or prospective business relationship is to be considered for the purposes of determining such person's 'Income from Business'.

By way of an explanation, it has now been clarified that waiver of following, under the State Bank of Pakistan (SBP)'s Banking Policy Department Circular No. 29 of 2002 or any other scheme issued by the SBP, shall be included in the term benefit:

- profit on debt; or
- debt itself .

**TAX CREDIT FOR INVESTMENT IN SHARES AND INSURANCE***[Section 62]*

Presently, a taxpayer, other than a company, is entitled to tax credit on investment in new shares offered to public by a public company listed on a stock exchange in Pakistan or shares acquired from the Privatization Commission of Pakistan.

Now, only a 'resident' person, other than a company, will be entitled to such tax credit.

Furthermore, a resident person, other than a company, deriving income under the following heads will be entitled to tax credit also on any life insurance premium paid to an insurance company registered by the Securities and Exchange Commission of Pakistan under the Insurance Ordinance, 2000:

- 'Salary'; or
- 'Income from Business'.

The tax credit can now be claimed on the lower of:

- total cost of either acquiring such shares or insurance premium paid; or
- 15 per cent of taxpayer's taxable income as against existing 10 per cent; or
- Five hundred thousand rupees as against existing three hundred thousand rupees.

Tax credit availed on acquisition of above stated shares will be clawed back, if such shares are disposed of within 36 months of the date of acquisition thereof. Previously, this retention period was 12 months.

**TAX CREDIT ON CONTRIBUTION TO AN APPROVED PENSION FUND***[Section 63]*

The maximum limit of contribution of Rs 500,000 for availing tax credit on contribution or premium paid by the taxpayer deriving income from 'Salary' or 'Income from Business' to an approved pension fund under Voluntary Pension System Rules, 2005 has been withdrawn.

**TAX CREDIT FOR ENLISTMENT***[Section 65C]*

Presently, a company opting for enlistment in any registered stock exchange in Pakistan is entitled to tax credit of 5 per cent of the tax payable for the year of enlistment.

It is now proposed to enhance this rate to 15 per cent.

**TAX CREDIT FOR EQUITY INVESTMENT***[Section 65D]*

It is proposed that a company will be entitled to tax credit at the rate of 100 per cent of its 'tax payable' for five years commencing from July 1, 2011 or commencement of commercial production, whichever is later, if such company:

- establishes a new industrial undertaking for manufacturing in Pakistan; or
- invests any amount in the purchase of plant and machinery, for the purposes of balancing, modernization and replacement (BMR) of plant and machinery installed in an existing industrial undertaking owned by it.

Such credit shall be available only where investment is made through equity funding.

Subsequently, if it is discovered that the specified conditions for this tax credit have not been fulfilled, the same will be deemed to have been wrongly allowed, and thereby the tax payable for the relevant year will be recomputed by the Commissioner.

Although the provision refers to a tax credit of 100 per cent as above, however, the intention appears to be to only allow tax credit for the tax payable on profits attributable to the related industrial undertaking or the BMR projects, whichever is applicable.

**UNEXPLAINED INCOME OR ASSETS***[Section 111(1)]*

The scope of unexplained income or assets has been enlarged to cover concealed income or furnishing of inaccurate particulars, including suppression of:

- production, sales or any amount chargeable to tax; or
- items of receipt liable to tax in whole or in part.

**MINIMUM TAX***[Section 113]*

Presently, minimum tax paid in excess of actual tax payable can be carried forward for adjustment against the actual tax liability of succeeding three years. This limit for carry forward is proposed to be enhanced to succeeding five years.

Further, it is proposed that the term 'turnover', in addition to 'gross receipts', would also cover 'gross sales'.

**RETURN OF INCOME***[Section 114]*

The following are now also required to file a return of income:

- persons having commercial or industrial connection of electricity where the amount of annual bill exceeds Rs 1 million.
- individuals having income under the head 'Income from Business' in excess of Rs 300,000 but not exceeding Rs 350,000 in a tax year.

Further, the return of income is now required to be accompanied with:

- due payment of tax as per return of income; and
- wealth statement as required under section 116.

**WEALTH STATEMENT***[Section 116]*

A resident taxpayer, being an individual, is now required to file a wealth statement and wealth reconciliation statement for the year, if:

- the last declared or assessed income for the year is Rs 1 million or more as against Rs 500,000 previously; and
- a member of an association of persons (AOP) whose share of income from such AOP, before tax, for the year is Rs 1 million or more.

Further, a person being an individual or an AOP filing a return of income in response to a provisional assessment order under section 122C, shall also file a wealth statement, wealth reconciliation statement and explanation of source of acquisition of assets.

**APPEAL TO COMMISSIONER (APPEALS)***[Section 127]*

The proposed amendment refutes the right to appeal of a taxpayer against a provisional assessment made under section 122C. However, the taxpayer can still file a return of income within 60 days of service of such assessment order under section 122C(2).

**APPELLATE TRIBUNAL***[Sections 130(8AA) and 132(2)]*

The proposed amendment, in section 130(8AA), restricts single member bench of the Tribunal to hear appeals pertaining to tax or penalty not exceeding Rs 1 million instead of the earlier limit of Rs 5 million.

Further, the proposed amendment in section 132(2) requires the Tribunal to decide the matter in appeal ex-parte instead of dismissing the appeal in default.

**PAYMENT OF ADVANCE TAX ON CAPITAL GAINS FROM SALE OF SECURITIES***[Section 147(5B)]*

Adjustable advance tax on capital gains from sale of securities shall now be payable within a period of twenty one days after the close of each quarter as against a period of seven days previously prescribed under the Ordinance. Consequently, such advance tax shall have to be paid out by the following dates:

<b>Quarter</b>	<b>Payment date</b>
September	October 21
December	January 21
March	April 21
June	July 21

**PROFIT ON DEBT ON GOVERNMENT SECURITIES – FINAL TAX FOR INDIVIDUALS, AOPs AND NON-RESIDENT PERSONS HAVING NO PERMANENT ESTABLISHMENT (PE) IN PAKISTAN***[Section 151(3) and clause (5A) of Part II of the Second Schedule]*

The tax deducted from profit on debt on all Government securities including Treasury Bills and Pakistan Investment Bonds shall now be final tax in the case of resident taxpayers other than a company. Previously, only tax deducted from yield under the National Savings Scheme or Post Office Savings Accounts was covered under the Final Tax Regime.

Tax deducted on profit on debt from debt instruments, government securities including treasury bills and Pakistan Investment Bonds at the reduced rate of 10 per cent shall be final tax in case of non-resident persons having no PE in Pakistan, if the investments are made through a Special Rupee Convertible Account maintained with a Bank in Pakistan.

**PAYMENTS FOR GOODS, SERVICES AND CONTRACTS***[Section 153]*

This section relating to withholding of tax has been redrafted. The amended provisions are summarised as under:

- (i) Deduction of tax from the following payments made to PE of a non-resident person in Pakistan shall be Final Tax:
  - (a) for the sale of goods except in respect of a company being a manufacturer of such goods;
  - (b) on the execution of contract; and
  - (c) for providing of services of stitching, dying, printing, embroidery, washing, sizing and weaving to an exporter or export house.

[Income of a non-resident person from the execution of a contract under a construction, assembly or installation project in Pakistan and any other contract for construction or services rendered relating thereto, are already covered under the Final Tax Regime under section 152(1B) read with clause 41 of Part IV of the Second Schedule].

- (ii) Tax suffered by a resident person or PE of a non-resident person in Pakistan on account of rendering or providing of services, shall be considered as 'Minimum Tax' in all cases. Henceforth, similar to cases of individuals and AOPs, tax deducted on services shall be treated as 'Minimum Tax' in the case of companies and PEs of non-resident persons in Pakistan. However, advertisement services rendered by the news print media are not subject to tax withholding under section 153 and continue to be taxed on net income basis by virtue of the provisions of clause 16A of Part IV of the Second Schedule.
- (iii) Tax withholding under section 153 shall not be made on payments made to traders of yarn by taxpayers specified in the zero rated tax regime of Sales Tax.

- (iv) AOP, having turnover of Rs 50 million or above in tax year 2007 or in any subsequent tax year fall within the meaning of the term prescribed person required to withhold tax under section 153. Similarly, an individual, having turnover of Rs 50 million or above in the tax year 2009 or in any subsequent tax year fall within the meaning of prescribed person for the purpose of section 153. The definition of the term 'turnover' has now been introduced in section 153 for the purpose of ascertaining the association of persons and individuals liable to withhold tax under section 153.

The said definition is in line with the definition of the term 'turnover' prescribed under section 113 'Minimum Tax' except that such turnover is inclusive of Sales Tax and Federal Excise Duty, if any.

A comparison between existing provisions and the proposed amendments is given hereunder for clarity:

<b><i>Tax Deductions on</i></b>	<b><i>Existing Position</i></b>	<b><i>Proposed Position</i></b>
Sale of Goods	Adjustable tax for PEs  Final tax for residents except : - manufacturing companies - listed companies	Final tax for both residents & PEs except : - manufacturers - listed companies
Provision of Specialised Services to Exporter / Export houses	Final tax for residents  Adjustable tax for PEs	Final tax for both residents and PEs
Provision of Other Services	Adjustable tax for PEs and resident companies  Minimum tax for others	Minimum tax for both residents and PEs
Execution of Contracts	Adjustable tax for PEs  Final tax for residents except listed companies	Final tax for both residents and PEs except listed companies

**WITHDRAWAL OF BALANCE UNDER PENSION FUND***[Section 156B]*

A pension fund manager whilst making payment from an individual pension account is required to deduct tax at the rate specified in section 12(6) [average rate of tax for the preceding three years] from any amount withdrawn, if in excess of twenty five per cent of his accumulated balance at or after the age of retirement. Such limit of twenty five per cent is now being increased to fifty per cent of the accumulated balance.

**STATEMENTS***[Section 165(1)]*

Reverting to the position prior to the introduction of Finance Act 2010, the present Bill requires every person collecting or deducting tax to file monthly statements instead of quarterly statements. The monthly statements shall, inter alia, specify the Computerized National Identity Card Number and National Tax Number of the person to whom payments have been made and shall be e-filed by the 15<sup>th</sup> day of the month following the month to which the withholding tax pertains.

Employers withholding tax under section 149 have also been made liable to furnish annual statement. Such annual statement shall also reflect employees whose income exceed Rs 300,000 but does not exceed Rs 350,000 in a tax year.

Corresponding amendments are required to be made in the Income Tax Rules.

**OFFENCES AND PENALTIES***[Section 182(1)]*

Penalty for failure to furnish a return of income or statement under section 115 or wealth statement or a wealth reconciliation statement or statement under section 165 within due date is equal to 0.1 per cent of the tax payable for each day of default subject to a minimum penalty of Rs 5,000 and a maximum penalty of 25 per cent of the tax payable in respect of the tax year. By inserting an 'Explanation', the term 'tax payable' has now been defined to mean tax chargeable on the taxable income on the basis of assessment made or treated to have been made under sections 120, 121, 122 or 122C. The explanation would have retrospective effect and have a bearing on cases pending before the Courts, where the Tribunal had interpreted 'tax payable' as tax payable as per the return of income.

**ADVANCE RULING***[Section 206A]*

Previously, all non-resident persons could approach the Board to issue advance ruling setting out the Department's position regarding the application of the Ordinance to a transaction proposed or entered into by the taxpayer. The facility of such advanced ruling is now being restricted to a non-resident not having a PE in Pakistan.

**JURISDICTION OF INCOME TAX AUTHORITIES***[Section 209(1)]*

Concurrent powers are being granted to the Chief Commissioners by the Board for the purpose of transferring jurisdiction in respect of cases or persons from one Commissioner to another.

**ADVANCE TAX AT THE TIME OF SALE BY AUCTION***[Section 236A]*

The provisions of section 236A introduced by the Finance Act, 2009 require that any person making sale by public auction of any property or goods shall collect advance tax from the person to whom such property or goods are being sold. An amendment is being made to include auction by a tender within the purview of section 236A. The proposed amendment is in line with the Circular issued by the Board to explain the corresponding provisions of the repealed Ordinance whereby sale by tender was considered to be an auction.

**ADVANCE TAX ON PURCHASE OF AIR TICKETS***[Section 236B]*

Through Finance Act 2010, a person preparing a domestic air ticket was made responsible to charge and collect advance tax on the purchase of gross amount of domestic air ticket. Further, clarity is being introduced in the said section by stating that the advance tax is adjustable against the tax liability of the person determined under the provisions of the Ordinance and that the said tax is not to be collected in case of Federal or Provincial Governments or a person holding 'Nil' withholding certificate.

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**FIRST SCHEDULE****TAXABLE INCOME THRESHOLD FOR INDIVIDUALS [SALARIED & NON-SALARIED]***[Part I - Division I]*

The minimum threshold of taxable income for individuals (salaried as well as non-salaried) is proposed to be enhanced from Rs 300,000 to Rs 350,000 per annum. Tables to clauses 1 and 1A of Division I of Part I of the First Schedule are proposed to be substituted to give effect to such change. There is no change in tax rates applicable on income exceeding Rs 350,000 per annum.

**CAPITAL GAINS ON SALE OF SECURITIES***[Part I - Division VII]*

Through Finance Act, 2010, gains on disposal of 'securities' was made taxable through insertion of section 37A on the basis of 'holding period' at the rates prescribed in Division VII of Part I of the First Schedule. The rates prescribed in the First Schedule could have been interpreted to infer that no rate of tax was prescribed in respect of 'securities' held for exact periods of six months and one year.

It appears that through the proposed substitution of the Table to Division VII of Part I of the First Schedule, above anomaly is intended to be addressed.

**WITHHOLDING TAX ON CASH WITHDRAWALS***[Part IV - Division VI]*

The withholding tax rate on cash withdrawals is proposed to be reduced from 0.3 to 0.2 per cent of the gross amount of withdrawal. The currently applicable limit of per day cash withdrawal upto Rs 25,000, not subject to such withholding, remains intact.

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**SECOND SCHEDULE**
**EXEMPTION OF INCOME AND WITHHOLDING PROVISIONS – ISLAMIC DEVELOPMENT BANK**

*[Part I – New clause 107A]*

*[Part IV – New clause 38C]*

A new clause is proposed to be introduced in Part I of the Second Schedule to extend exemption on income of Islamic Development Bank from its operations in Pakistan in connection with its social and economic development activities.

Further, through insertion of clause 38C in Part IV of the Second Schedule, exemption from applicability of withholding provisions in respect of:

- profit on debt (section 151);
- foreign payments (section 152);
- supply of goods, provision of services and execution of contracts (section 153); and
- commission (section 233);

is proposed to be extended to Islamic Development Bank both as a 'recipient' and as a 'payer'.

**EXEMPTIONS WITHDRAWN**

*[Part I – Omission of clauses 61(xi & xxv), 74A, 93 and 114A]*

Following time bound and specific exemption clauses, being no longer relevant, are proposed to be omitted:

- (i) Income derived by BCCI Foundation and BCCI Foundation for Advancement of Science & Technology – clause 61(xi and xxv);

- (ii) Profit on debt of US \$ 100 million advanced by National Bank of Pakistan to Pakistan State Oil Limited in terms of agreement dated 29<sup>th</sup> May 2001 – clause 74A;
- (iii) Computer training institutions set up between 1<sup>st</sup> July 1997 and 30<sup>th</sup> June 2005 for a period of five years – clause 93; and
- (iv) Capital gain from disposal of ships and floating crafts upto 30<sup>th</sup> June 2011 – clause 114A.

**WITHHOLDING TAX ON IMPORT OF OLD AND USED VEHICLES**

*[Part III – Substitution of clause 4]*

The maximum ceiling earlier prescribed for withholding tax payable under section 148 on import of old and used vehicles is proposed to be aligned with provisions of notification SRO 577(I)/2005 dated June 6, 2005.

In terms of proposed substitution of the clause, the aggregate incidence of customs duty, sales tax and withholding income tax, collectible at import stage, will not exceed the following amounts in respect of these vehicles as prescribed in such notification:

S. No.	Automotive vehicles meant for transport of persons	Amount in US\$ (or equivalent amount in PKR)
1.	Upto 800CC (Asian makes only)	4,400
2.	Upto 800CC (Other than Asian makes)	6,600
3.	From 801cc to 1000CC	5,500
4.	From 1001cc to 1300CC	11,000
5.	From 1301cc to 1500CC	15,400
6.	From 1501 cc to 1600 CC	18,700
7.	From 1601cc to 1800CC (Asian makes only, but excluding jeeps)	23,100

**VOLUNTARY PENSION FUND**

*[Part IV – New clause 11A(i)]*

Under the presently applicable provisions, the income of a pension fund, registered under the Voluntary Pension System Rules, 2005, is exempt from income tax.

It is now proposed that such pension funds are also exempted from levy of 'minimum tax' payable under section 113.

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**SEVENTH SCHEDULE****BANKING COMPANIES*****PROVISIONS FOR CLASSIFIED ADVANCES AND OFF BALANCE SHEET ITEMS****[Rule 1(c)]*

The amendments introduced in Rule 1(c) through Finance Act, 2009 changed the mechanism for allowability of 'provision for advances and off balance sheet items' and the admissibility was disconnected from 'general provisions' contained in sections 29 and 29A. These provisions provided allowability upto a maximum of 1 per cent of the total advances with a condition that actual provision, if in excess of 1 per cent, would be allowed to be carried over to succeeding years.

Through Finance Act, 2010, an amendment was introduced in this provision and separate allowability at 5 per cent of total advances to 'Consumers and Small and Medium Enterprises (SMEs)' was prescribed. In view of the fact that no corresponding amendment was made in that part of the provision which prescribed the amount eligible for carry over, the tax authorities were interpreting these provisions to restrict carry forward at 1 per cent of total advances including those to consumers and SMEs.

The Bill proposes to rectify the above explained anomaly with effect from July 1, 2010 confirming thereby that the earlier omission was inadvertent.

Consequently, while provisions for advances and off balance sheet items will be admissible to the following extent with effect from July 1, 2010, the excess provisions, if any, would remain eligible for carry over to be deducted against taxable income of succeeding tax year(s):

- (i) 1 per cent of advances; and
- (ii) 5 per cent of advances to consumers and SMEs.

***DIVIDENDS RECEIVED FROM ASSET MANAGEMENT COMPANY****[Rule 6]*

Presently, dividend income of a banking company is taxed at 10 per cent. It is now proposed that tax rate on dividend income that is received by a banking company from its asset management company is increased to 20 per cent.

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**SALES TAX*****RATE OF TAX REDUCED****[Section 3(1)]*

General rate of sales tax has been reduced from 17 to 16 per cent effective from July 1, 2011, reversing the revision enacted through Finance Act, 2010.

***ADJUSTABLE INPUT TAX ON FIXED ASSETS AND CAPITAL GOODS****[Section 8B]*

Section 8B was introduced through Finance Act, 2007 whereby registered persons were denied adjustment of aggregate input tax in excess of ninety per cent of the output tax for a tax period. Input tax paid on the acquisition of fixed assets was thus adjustable against the output tax in twelve equal monthly instalments, which also formed part of the aggregate input tax for the respective tax period and subject to the overall restriction of ninety per cent of the output tax.

The tax charged on acquisition of fixed assets has now been proposed to be made fully adjustable in the month of acquisition and the restriction on the adjustment of input tax in excess of ninety per cent of the output tax is no more applicable in case of fixed assets or capital goods.

Zero rating / Exemption of sales tax on plant and machinery was withdrawn through SRO 230(1)/2011 dated March 15, 2011 and SRO 448(1)/2011 dated May 21, 2011. In order to provide full adjustment / refund of sales tax on plant and machinery the aforesaid amendment has been proposed in section 8B.

Salient features indicate that this amendment is effective from June 4, 2011, whereas the Finance Bill specifies this clause as being effective from July 1, 2011.

***DEREGISTRATION, BLACKLISTING AND SUSPENSION OF REGISTRATION****[Section 21(3)]*

In cases where the Commissioner Inland Revenue is satisfied that a registered person is found to have issued fake invoices or has otherwise committed tax fraud, he may blacklist such person or suspend his registration in accordance with the prescribed procedure.

A new sub-section is proposed whereby during the period of suspension of registration, the invoices issued by such person shall not be entertained for the purposes of sales tax refund or input tax credit, and once such person is blacklisted, the refund or input tax credit claimed against the invoices issued by him, whether prior or after such blacklisting shall be rejected through a self-speaking appealable order and after affording opportunity of being heard to such person. Previously such provisions were laid down in the Sales Tax Rules, 2006.

The validity of this provision with regard to retrospective application and other aspects needs to be legally examined.

**REVISED RETURNS**

*[Section 26(3) / Rule 14A of Sales Tax Rules, 2006]*

A registered person may, subject to the approval of the Commissioner Inland Revenue having jurisdiction, file a revised return within one hundred and twenty days of the filing of monthly return to correct any omission or wrong declaration made therein.

The facility of revision of return in the aforesaid manner is proposed to be extended to the special returns required to be filed by certain manufacturers under section 27.

The facility to file a revised return by a registered person where tax was payable over and above the tax already paid alongwith the original return without seeking prior approval of the Commissioner Inland Revenue has been withdrawn.

**ALTERNATE DISPUTE RESOLUTION COMMITTEE (ADRC)**

*[Section 47A(4A) and Rule 65(3) of Sales Tax Rules, 2006]*

The Chairman FBR and a member nominated by him are empowered to pass an order or decision as he deems just and equitable, on the application of an aggrieved person, to rectify the order or decision passed on the recommendations of ADRC.

The period of submission of the report by ADRC to FBR has also been extended from sixty to ninety days.

**REFUND TO BE CLAIMED IN ONE YEAR**

*[Section 66]*

No refund of tax claimed to have been overpaid through inadvertence, error or misconception or refund on account of input tax adjustment not claimed within the relevant tax period, is allowed, unless the claim is made within one year of the date of payment, subject to certain exceptions.

A new provision is proposed whereby provisions similar to section 3B have been made applicable to refunds under section 66. Accordingly, no refund shall be admissible if the incidence of tax has been passed directly or indirectly to the consumer.

**CONDONATION OF TIME LIMIT**

*[Section 74]*

Where any time or period has been specified under any of the provisions of the Sales Tax Act, 1990 or Rules made thereunder within which any application is to be made or any act or thing is to be done, the FBR / Commissioner Inland Revenue (if so authorised) 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.

An explanation is proposed to be added to clarify that the above powers of condonation of time limit applies to any act or thing to be done by a registered person and sales tax authorities.

**SALES TAX SPECIAL PROCEDURE RULES, 2007**

*[Minimum Value Addition]*

*[Rules 58B]*

The rate of minimum value addition sales tax payable by an importer at import stage has been enhanced from two per cent to three per cent of the value of imports.

This amendment is effective from June 4, 2011.

**EXEMPTIONS WITHDRAWN****SIXTH SCHEDULE****TABLE – I (Imports or supplies)**

<b>S. No.</b>	<b>Description</b>	<b>PCT Heading</b>
29A	Surgical tapes	30.05
29B	Ultrasound gel	3006.7000
30	Diapers for adults (patients)	4818.4010
34	Bricks	6901.0000
35	Building blocks of cement including ready mix concrete blocks	6810.1100
41	Computer software	8523.2990, 8523.4010, 8523.4090, 8523.5990, and 8523.8090
42	Ambulances, firefighting vehicles, waste disposal trucks, brake down lorries, special purposes vehicles for the maintenance of streetlights and overhead cables.	87.02, 87.03, 8704.2200, 8704.2300, 8705.3000 and 8705.9000
43	Aircrafts	8802.2000, 8802.3000 and 8802.4000
44	Ships, of gross tonnage exceeding 15 LDTs, excluding those for recreational or pleasure purpose.	8901.2000, 8901.3000 and 8901.9000
62	Defence stores, whether manufactured locally or imported by the Federal Government against foreign exchange allocation for defence, including trucks, trailers and vehicles falling under PCT heading 87.04 of the First Schedule to the Customs Act, 1969 (IV of 1969), specially modified for mounting defence equipments, their parts and accessories for supply to Armed Forces.	Respective headings

64	Spare parts and equipment for aircraft and ships covered by serial number 43 and 44 above.	Respective headings
65	Equipment and Machinery for pilotage, salvage or towage for use in ports or airports.	Respective headings
67	Equipment and machinery used for services provided for handling of ships or aircrafts in a customs-port or customs-airport.	Respective headings
68	Such plant and machinery as is notified by the Federal Government in the official Gazette but if imported, these shall be entitled to exemption from sales tax on importation if these are not manufactured in Pakistan.	Respective headings
69	Bulldozers and combined harvesters; and components (which include sub-components, components, sub-assemblies and assemblies but exclude consumables) imported in any kit form and direct materials or assembly or manufacture thereof, subject to the same conditions as are envisaged for the purpose of exemption under the Customs Act, 1969 (IV of 1969).	Respective headings
70	Import and supply of fully dedicated CNG Euro-2 buses whether in CBU or CKD condition.	8702.9010 and 8702.9090

**TABLE – II (Local supplies only)**

<b>S. No.</b>	<b>Description</b>	<b>PCT Heading</b>
5	Supply of other such agricultural implements as may be specified in a notification to be issued by the Federal Government in the official Gazette.	Respective headings

**EXEMPTIONS WITHDRAWN THROUGH NOTIFICATIONS***[Effective from June 4, 2011]***SRO 477(I)/2011****Amendments in SRO 575(I)/2006 dated June 5, 2006****IMPORTS**

<b>S. No.</b>	<b>Description</b>	<b>PCT Heading</b>
1.	Agricultural machinery (e.g. Land levelling machinery and equipment, Fertilizers and plant protection equipment, harvesting and threshing machinery, dairy, live stock and poultry machinery, Horticulture and floriculture, Fish and shrimp farming and seafood processing machinery and equipment).	Various
5.	Following items imported by the local assemblers of vehicles and companies having CNG licences	
	(1) Compressors	8414.8030
	(2) Mass Flow CNG Dispensers	8413.1100
	(3) Storage cylinders	7311.0000
	(4) CNG vehicles cylinders	7311.0000
	(5) CNG vehicle conversion kits	8409.9191 8409.9991
	(5A) LPG dispensers imported by a company having LPG licence	8413.1100
22(i)	Off-highway dump trucks of 320 hp and above	8704.1090
22(ii)	On-highway dump trucks of 320 HP and above imported with effect from January 17, 2007	8704.2299 8704.2390
22(iii)	Cement bulk semi-trailers, without prime movers	8716.3190
28.	Certain goods imported by municipal authorities / local bodies / cantonment boards	Various

28A.	Fire fighting vehicles and equipment imported by town and municipal authorities.	8705.3000 and respective headings
29.	Aircraft spares, parts, tyres, navigational equipment, accessories for maintenance and operations of aircrafts, chemicals, lubricants and paints, air tickets, aircraft carpet, aircraft fabric, skydrol (brake fluid), laminated sheet, aluminum alloy sheets, aluminum alloy extrusions, aircrafts seats, tools, test equipment, life jackets, spares of TGS vehicle, meals trolley, ball hand seal, standard units, exterior washing liquid, air head set electronics, air head set pneumatic and sealants.	Respective headings
36.	Certain items imported by Civil Aviation Authority (CAA) for air traffic services and training	Respective headings

**SRO 480(I)/2011  
RESCINDING NOTIFICATIONS**

<b>SRO No.</b>	<b>Description</b>
1240(I)/2005 dated December 16, 2005	Dump trucks for off-highway use, on-highway dump trucks of 320 HP and above (PCT heading 8704.2290 and 8704.2390) and transit concrete mixer
542(I)/2006 dated June 5, 2006	a) Supply of locally manufactured agricultural machinery, equipment and implements. b) Import of agricultural machinery, equipment and implements
275(I)/2008 dated March 12, 2008.	Import and supply of CKD Kits of single cylinder agriculture diesel engines of 3 to 36 HP.
1(3) STM/2004 (Pt-II) dated August 23 2009.	Local supplies of sugar (chargeable at the rate of eight per cent).

**SRO 481(I)/2011**  
**Amendments in SRO 551(I)/2008 dated June 11, 2008**

<b>S. No.</b>	<b>Description of goods</b>
2	CNG kits, cylinders and valves for CNG kits
12	Commercial catalogues, falling under PCT Heading 4911.1000
15	Rock phosphate PCT Heading 2510.1000 and 2510.2000
17	Phosphoric Acid falling under PCT Heading 2809.2010
18	Mineral oil 97 per cent (W/V) 110 per cent (W/V) falling under PCT Heading 2710.0000

**EXEMPTIONS ALLOWED**  
*[Effective from June 4, 2011]*

**SRO 481(I)/2011**  
**Amendments in SRO 551(I)/2008 dated June 11, 2008**

<b>S. No.</b>	<b>Description of goods</b>	<b>PCT Heading</b>
27.	White crystalline sugar	1701.9910 (cane sugar) and 1701.9920 (beet sugar)
28	Reclaimed lead if supplied to recognized manufacturers of lead batteries.	Respective headings

**SRO 483(I)/2011**  
**Amendments in SRO 880(I)/2007 dated September 1, 2007**

**Diagnostic kits or equipment**

<b>S. No.</b>	<b>Description of goods</b>	<b>PCT Heading</b>
50.	Calibrated	3822.0000
59.	Eclia Kit	3822.0000

**ZERO RATING WITHDRAWN**  
*[Effective from June 4, 2011]*

**SRO 485(I)/2011**  
**SRO 1161(I)/2007 dated November 30, 2007 rescinded**  
**IMPORTS**

<i>Description of goods to be manufactured</i>	<i>Raw material</i>	<i>PCT Heading</i>
<i>Manufacturing of diapers HS Code 5601.1040</i>	Super Absorbent Polymers	3906.9090
	Poly Back Sheet	3920.1000 and 3920.9900
	Hot Melt Adhesive Non-Woven, whether or not impregnated, coated, covered or laminated of man-made filaments.	3506.9190 5603.1100 and 5603.1200
	Toilet or facial tissue stock, towel or napkin paper of a kind used for household or sanitary purpose (non-pours)	4803.0000
	Frontal Tape	3919.9090 and 3920.9900
	Pre-Laminated Tape	3919.1090 and 3920.9900
	Fluff Pulp	4703.2100
	Spandex Bare Yarn	5402.4900

**SRO 486(I)/2011**  
**Amendments in SRO 549(I)/2008 dated June 11, 2008**  
**IMPORTS AND SUPPLIES**

<b>S. No.</b>	<b>Description of goods</b>
4. (xxv)	Dedicated CNG buses and all other buses meant for transportation of forty or more passengers whether in CBU or CKD condition (PCT Heading 87.02)
4. (xxvi)	Trucks and dumpers with g.v.w. exceeding 5 tonnes (PCT Heading 87.04)
4. (xviii)	Trailers and semi-trailers for the transport of goods having specifications duly approved by the Engineering Development Board (PCT Heading 87.16)
4. (xxix)	Road tractors for semi-trailers, prime movers and road tractors for trailers whether in CBU condition or in kit form (PCT Headings 8701.2010, 8701.2020, 8701.2030, 8701.2090, 8710.9030, 8701.9040, 8701.9050 and 8701.9060)

**Note:**

SROs issued till the date of this memorandum and other documents released did not amend the existing provisions relating to certain zero-rated sectors such as export oriented industries including processed food.

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**FEDERAL EXCISE DUTY****DEFINITION OF MANUFACTURE***[Section 2(16b)]*

The definition of the term 'Manufacture' is proposed to be amended to include preparation of un-manufactured tobacco by drying, cutting and thrashing of raw tobacco.

**SPECIAL EXCISE DUTY WITHDRAWN***[Section 3A]*

Through the Finance Act 2007, Special Excise Duty (SED) was levied on all goods imported or manufactured in Pakistan, except those specified in SRO 655(I)/2007 dated June 29, 2007. The rate of SED originally introduced was 1 per cent which was increased to 2.5 per cent through the Federal Excise (Amendment) Ordinance, 2011.

SED is proposed to be withdrawn effective July 1, 2011. Consequently, SRO 655(I)/2007 is being rescinded through SRO 489(I)/2011 dated June 3, 2011, effective July 1, 2011.

**RECOVERY OF DUTY NOT OR SHORT LEVIED OR ERRONEOUSLY REFUNDED***[Section 14]*

The time limit for issuing show-cause notice, in cases where a person has not levied or short levied the duty or where duty has been erroneously refunded, is proposed to be increased from 3 to 5 years. Further, an order for determining the duty payable by such person is required to be passed within 120 days of issuance of the show-cause notice or within such extended period, as the Commissioner may, for reasons to be recorded in writing. The extended period is limited to 60 days.

It has, however, been provided that any period during which the proceedings are adjourned on account of a stay order or Alternative Dispute Resolution proceedings or the time taken through adjournment by the petitioner not exceeding thirty days shall be excluded from the computation of the periods specified above.

The proposed amendments are in line with the provisions of the Sales Tax Act for making assessments, except that under the Sales Tax Act, in case where tax is evaded or short levied or paid by reason of any inadvertence, error or misconstruction, the time limit for making the assessment is 3 years, whereas in the proposed amendment there is no such distinction.

**POWER TO SEIZE AND CONFISCATE EXTENDED FOR BEVERAGES**

*[Sections 26 & 27]*

At present, counterfeited cigarettes or those which have been manufactured unlawfully or on which duty has not been paid, can be seized or confiscated. Such powers have been proposed to be extended to include beverages.

**ALTERNATIVE DISPUTE RESOLUTION**

*[Section 38]*

The committee formed by the FBR in respect of resolution of disputes is required to make recommendations within the stipulated time, and the FBR is empowered to pass such order as it may deem appropriate on the recommendations of the committee.

FBR has now been bound to pass the order within 45 days of the receipt of the recommendations of the committee. Previously, there was no such time limit to pass an order. The amendment is in line with similar provisions contained in the Sales Tax Act.

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**FIRST SCHEDULE**
**REVISION IN DUTY****A. LOCALLY PRODUCED CIGARETTES**

Duty on the locally produced cigarettes (Heading 24.02) has been revised as under, with effect from June 4, 2011:

<b>S. No.</b>	<b>Description of goods</b>	<b>Revised rate of duty</b>
9	Locally produced cigarettes if their retail price exceeds Rs 21 per ten cigarettes.	65 per cent of the retail price.
10	Locally produced cigarettes if their retail price exceeds Rs 11.50 per ten cigarettes but does not exceed Rs 21 per ten cigarettes.	Rs 6.04 per ten cigarettes plus seventy per cent per incremental rupee or part thereof.
11	Locally produced cigarettes if their retail price does not exceed Rs 11.50 per ten cigarettes.	Rs 6.04 per ten cigarettes

**Note:**

For the purpose of levy, collection and payment of duty as stated above, cigarette manufacturers are restricted from reducing price from the level adopted on the day of announcement of the Budget

**B. OTHERS GOODS**

The duty rates have been revised in respect of the following, effective July 1, 2011 (unless specified hereunder):

<b>S. No.</b>	<b>Description of goods</b>	<b>Heading / sub-heading No.</b>	<b>Revised rate of duty</b>
4.	Aerated waters	2201.1020	6 per cent of retail price (previously 12 per cent)
5.	Aerated waters, containing added sugar or other sweetening matter or flavored	2202.1010	6 per cent of retail price (previously 12 per cent)
6.	Aerated waters if manufactured wholly from juices or pulp of vegetables, food grains or fruits and which do not contain any other	Respective headings	6 per cent of retail price (previously 10 per cent)

	ingredient, indigenous or imported, other than sugar, coloring materials, preservatives or additives in quantities prescribed under the West Pakistan Pure Food Rules, 1965.		
7.	Un-manufactured tobacco	24.01	Rs 10 per kilogram (previously Rs 5 per kilogram) [effective June 4, 2011]
13.	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers (please refer Note below).	25.23	Rs 500 per metric ton (previously Rs 700 per metric ton)
50.	Filter rods for cigarettes	5502.0090	20 per cent ad val (previously Re. 1 per filter rod)

**Note:**

In the salient features issued alongwith the budgetary documents, it is stated that excise duty on white cement is withdrawn with effect from July 1, 2011. However, appropriate amendment has not been made to give effect to that announcement.

**WITHDRAWAL OF DUTY**

Duty in respect of following is proposed to be withdrawn with effect from July 1, 2011:

**A. GOODS (Table – I)**

<b>S. No.</b>	<b>Description of goods</b>	<b>Heading / sub-heading No.</b>	<b>Present Rate of duty</b>
17	Solvent oil (non-composite)	2710.1150	Rs 13 per litre
18	Other	2710.1190	Rs 0.88 per litre
21	Other fuel oils	2710.1949	Rs 185 per metric ton
26	Mineral greases	2710.1992	Rs 25 per kilogram
28	Transformer oil	2710.1997	10 per cent of the retail price or Rs 7.15 per litre, whichever is higher
29	Other mineral oils excluding sewing machine oil	2710.1999	15 per cent ad val.

30	Waste oil	2710.9100 and 2710.9900	10 per cent of the retail price or Rs 7.15 per litre, whichever is higher
39	Carbon black oil (carbon black feed stock) including residue carbon oil	2707.9910, 2713.9010 and 2713.9020	Rs 7.15 per litre
40	Methyl tertiary butyle ether (MBTE)	2909.1910	Rs 0.88 per litre
46	Greases	3403.1910	Rs 25 per kilogram
47	Organic composite solvents and thinners, not elsewhere specified or included; prepared paint or varnish removers:	3814.0000	
	(i) Solvent oil (composite)		Rs 30 per litre
	(ii) Other (excluding thinners)		10 per cent of retail price
48	Viscose staple fibre	Respective heading	10 per cent ad val
49	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars of cylinder capacity exceeding 850cc.	87.03	5 per cent ad val
51	Air Conditioners	Respective headings	10 per cent ad val
52	Deep Freezers	Respective headings	10 per cent ad val

**B. SERVICES (Table – II)**

<b>S. No.</b>	<b>Description of services</b>	<b>Heading / sub-heading No.</b>	<b>Present Rate of duty</b>
12	Services provided by property developers or promoters for:	9814.3000	
	(a) Development of purchased or leased land for conversion into residential or commercial plots		Rs 100 per square yard
	(b) Construction of residential or commercial units		Rs 50 per square foot of covered area

**IMPOSITION OF DUTY ON SUGAR UNDER SALES TAX MODE**

*[First Schedule (S. No. 53) and Second Schedule]*

As a result of withdrawal of sales tax on sugar, duty has been imposed on import and local supply of white crystalline sugar (Headings 1701.9910 and 1710.9920) at the rate of 8 per cent ad val. The duty now imposed, effective June 4, 2011, is collectible under the sales tax mode with entitlement for adjustment with sales tax and vice versa.

In terms of SRO 563(I)/2006 dated June 5, 2006, sales tax assessment at import stage was being made at deemed value of import of US\$ 440 per metric ton. Now the duty on import of sugar will be collected at the value determined in accordance with section 25 of the Customs Act 1969, including customs duty payable thereon.

Under SRO 564(I)/2006 dated June 5, 2006, the sales tax on locally produced white crystalline sugar was collected at deemed sales value of Rs 28.88 per kg. This SRO was withdrawn through SRO 232(I)/2011 dated March 15, 2011. Therefore, the duty on locally produced sugar will continue to be chargeable on 'value of supply', as defined in section 2(46) of the Sales Tax Act, excluding the amount of duty payable thereon.

**DUTY ON FRANCHISE SERVICES**

*[SRO 488(I)/2011 dated June 3, 2011 read with Rule 43A of the Federal Excise Rules, 2005]*

Through the Finance Act 2008, duty on franchise services was increased from 5 to 10 per cent, however, corresponding amendment was not made in Rule 43A of the Federal Excise Rules, 2005 which provides special procedures for collection of duty on franchise fee.

Through SRO 488(I)/2011, a corrective amendment has been made in Rule 43A, and the rate of duty is rectified at 10 per cent.

**DUTY ON SERVICES OF CABLE TV OPERATOR**

*[SRO 484(I)/2011 dated June 3, 2011]*

Through the Finance Act, 2006, duty on services provided by Cable TV operators was levied, which was withdrawn through the Finance Act, 2007 effective from July 1, 2007. Through SRO 364(I)/2007 dated May 3, 2007, the Federal Government had provided a reduced rate of duty of Rs 8 per subscriber per month, which had become redundant, as a result of withdrawal of duty on cable TV operators.

Through SRO 484(I)/2011 dated June 3, 2011, the aforesaid SRO 364(I)/2007 has been withdrawn.

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**CUSTOMS DUTY*****DUTY DRAWBACK ON GOODS USED IN SUPPLIES AGAINST INTERNATIONAL TENDERS****[Section 21]*

Duty drawback has now also been made available to goods imported and used in the production, manufacture, processing, repair, or refitting of goods meant for supplies against international tenders.

***UNTRUE STATEMENT, ERROR, ETC.****[Section 32]*

In case of duty or charge not levied, short levied or erroneously refunded is discovered as a result of audit or examination of an importer's accounts, etc., the period of limitation for issuing a show-cause notice has been extended from 3 to 5 years.

***TIME LIMIT FOR REFUNDS****[Section 33]*

A proviso has been inserted in section 33 whereby refunds becoming due consequent to any decision or judgement of any officer of customs or the Board or the Appellate Tribunal or the Court, the period of one year within which refund claims were to be made, shall be reckoned from the date of such decision or judgement.

***LEVY OF TRANSIT FEE****[Section 129A]*

A new section has been inserted, which empowers the FBR to levy a Transit Fee on any goods or class of goods in transit across Pakistan to a foreign territory, at such rates, as the Board may, by notification in the official Gazette, prescribe.

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**NOTIFICATIONS****CHANGES IN THE CONCESSIONARY RATES OF DUTY***[SROs 475(I)/2011 & 565(I)/2006]*

SRO 565(I)/2006 has been amended through which the following changes have been made:

**Goods subject to concessionary duty**

- (i) Concessionary duty of 5 per cent on import of raw materials used for the manufacturing of air conditioners has now been subjected to the condition that the manufacturing facility for air conditioner manufacturing shall also include:
- Press machines (in place of rear panel bending machine);
  - Shearing machines;
  - Tapping machines
  - Reverting machines
  - Spot welding machines; and
  - Evaporator bending machines.
- (ii) Concessionary duty of 0 per cent available to copper coated steel tubes in coils upto 8.5 mm dia used in manufacturing of evaporators and condensers for air-conditioners, deep freezers and refrigerator, etc. has been rationalized in lines with the description available in PCT code (7306.3010).
- (iii) Import of discs, tapes and other like devices (Heading 8523.2990) to be used in the manufacturing of audio / video cassettes would now be subject to concessionary duty of 10 per cent.
- (iv) Import of flat-rolled products of iron or non-alloy steel etc (Heading 7210.1290 and 7210.5090) used in the manufacturing of cables and conductors would now be subject to concessionary rate of 5 per cent, in place of tin coated steel strip etc. (Heading 7210.1200 and 7210.5000).

- (v) Import of screws, bolts etc (Heading 7318.2900) used in the manufacturing of diesel generating unit would now be subject to concessionary rate of 5 per cent, in place of steel keys (Heading 7326.9010).
- (vi) Import of certain items used in the manufacturing of microwave oven (Heading 8516.9000) would now be subject to concessionary rate of 10 per cent, in place of items bearing Heading 8516.5000.
- (vii) Import of CD, MP3, MP4 (Heading 8529.9090) used in the installations in Car Audio system would now be subject to concessionary rate of 10 per cent.
- (viii) Import of following raw materials used in the manufacturing of welded steel pipes would now be subject to concessionary duty of 5 per cent:

<u>Description</u>	<u>PCT Heading</u>
HRC (prime quality) of a thickness of 4.75 mm or more but not exceeding 10 mm.	7208.3790
HRC (prime quality) of a thickness of 3 mm or more but less than 4.75 mm.	7208.3890
HRC (prime quality) of a thickness of less than 3 mm.	7208.3990
CRC (prime quality) of a thickness exceeding 1mm but less than 3 mm.	7209.1690
CRC (prime quality) of a thickness of 0.5 mm or more but not exceeding 1 mm.	7209.1790

- (ix) Import of bars and rods (Heading 7227.9000) used in manufacturing of welded steel pipes would now be subject to concessionary duty of 5 per cent.
- (x) Import of raw materials used in the manufacturing of CNG compressors subject to concessionary rate of 0 per cent have been substituted and now following items will be subject to concessionary duty of 0 per cent:

<i>Description</i>	<i>PCT Heading</i>
Bearings	8482.2000 & 8482.4000
Geared pump	8413.8110
Valves	8481.3000 & 8481.4000
Forced feed lubricator pump	8413.8190
Pressure and temperature gauges	9026.2000
Water flow switch	9026.1000
Electric motor	8501.5290 & 8501.5310
Junction box, Glands	8536.3000
Oil filter assembly	8414.9090
Flexible pressure hoses	4009.2190
Flexible water hoses (SS braided)	4009.1190
SS Tubes/ Pipes	7304.4100 & 7306.9000
Aluminum bars 6082, 7075, T-6	7604.2910
Connecting rods forged 8.5 Kg	8414.9090
Pistons pins, Rods and Rings	8414.9090

- (xi) Import of mirror backing paint (Heading 3208.1010) and cullet and other waste etc used in glass manufacturing would now be subject to concessionary rate of 10 per cent and 5 per cent respectively.
- (xii) Import of Sabotul (Heading 3814.000) used in the manufacturing of Butyl Acetate would now be subject to concessionary rate of 5 per cent.

#### **Removal of concessionary duty**

Concessionary duty of 5 per cent on import of Hot Rolled Steel Sheets (Heading 7208.3690) used in the manufacturing of washing machine has been removed.

**CONCESSIONARY REGIME FOR PHARMACEUTICAL INDUSTRY***[SROs 476(I)/2011 & SRO 567(I)/2006 dated June 5, 2006]*

Concessionary rate of duty of 5 per cent will now also be applicable on the following active pharmaceutical ingredients:

<b>Description</b>	<b>PCT Heading</b>
Fexofenadine	2933.3990
Ebastine	2933.3990
Isoniazid	2933.3990
Omeprazole Pellets	2933.3990
Sparfloxacin	2933.5990
Amiloride HCL	2933.9990
Candesartan Cilexle	2933.9990
Pheneramine Maleate	2933.9990
Pioglitazone HCL	2934.1090
Glibenclamide	2935.0090
Thiocolchicoside	2935.0090
Hydrochlorothiazide	2935.0090
Roxithromycin	2941.5000
Clarithromycine Granules	2941.5000
Ceftriaxone	2941.9090
Cefotaxime	2941.9090
D-Cycloserine	2941.9090
Acrinol Pad	3005.9010
Benzalkonium chloride pad (BKC)	3005.9090
Losartan Potassium	3824.9099
Chondrotin Sulphate	3913.9090
Polyethylene Film	3920.9900

The rate of duty on following drugs has been reduced to 0 per cent:

<b>Description</b>	<b>PCT Heading</b>
Tetanus toxide	3002.2010
Prevention of hepatitis B	3002.2020

The above concessionary duty rates have been prescribed for pharmaceutical raw materials, chemicals, and finished products approved by the Ministry of Health. Pharmaceutical raw materials, chemicals and packing materials are only eligible for concessions, if imported for in-house use in the manufacture of specified pharmaceutical substances.

**CONCESSIONARY RATE ON IMPORT OF CAPITAL GOODS BY E&P COMPANIES**  
 [SROs 478(I)/2011 & SRO 678(I)/2004]

Concessionary rate of duty on import of X-mass trees, well-head and integral components and parts thereof by the E&P Companies, their contractors, sub-contractors and service companies, has been reduced from 15 to 10 per cent.

**ELIMINATION OF REGULATORY DUTY**  
 [SROs 479(I)/2009 & SRO 482(I)/2009]

Regulatory Duty levied on 397 items through SRO 482(I)/2009 dated June 13, 2009 has now been retained for below-mentioned 60 items only at the rates specified thereagainst:

<b>S.No.</b>	<b>PCT Code</b>	<b>Description</b>	<b>Rate of Regulatory Duty</b>
1.	0802.9010	Betel Nuts	10%
2.	1005.9000	Maize If imported from India	25%
3.	2402.1000	Cigars, cheroots and cigarillos, containing tobacco	15%
4.	2402.2000	Cigarettes containing tobacco	15%
5.	2402.9000	Other	15%
6.	2403.1000	Smoking tobacco, whether or not containing tobacco substitutes in any proportion	15%
7.	2403.9100	Homogenised" or "reconstituted" tobacco	15%
8.	2403.9910	Tobacco for chewing	15%
9.	2403.9990	Other	15%
10.	6907.1000	Tiles, cubes and similar articles, whether or not rectangular, the largest surface area of which is capable of being enclosed in a square the side of which is less than 7 cm	15%
11.	6907.9000	Other	15%
12.	6908.1000	Tiles, cubes and similar articles, whether or not rectangular, the largest surface area of which is capable of being enclosed in a square the side of which is less than 7cm	15%
13.	6908.9010	Tiles	15%
14.	6908.9090	Other	15%
15.	6910.1010	Wash basin	15%
16.	6910.1020	Bath tubs ceramic	15%
17.	6910.1030	Bidets ceramic	15%
18.	6910.1040	Cisterns ceramic	15%
19.	6910.1050	Sink ceramic	15%
20.	6910.1060	Toilet ceramic	15%
21.	6910.1070	Urinals ceramic	15%
22.	6910.1080	Water loiset pans	15%
23.	6910.1090	Other	15%
24.	6910.9000	Other	15%

25.	6911.1010	Dinner sets	15%
26.	6911.1020	Dishes	15%
27.	6911.1030	Plates	15%
28.	6911.1040	Tea cups and saucers	15%
29.	6911.1090	Other	15%
30.	6911.9000	Other	15%
31.	6912.0010	Tableware and kitchenware	15%
32.	6912.0090	Other	15%
33.	6913.1000	Of porcelain or china	15%
34.	6913.9000	Other	15%
35.	6914.1000	Of porcelain or china	15%
36.	6914.9000	Other	15%
37.	8703.2329	Cars and Jeeps 1801 cc to 3000cc (except electric hybrids)	50%
38.	8703.2490	Cars and Jeeps above 3000 cc (except electric hybrids)	50%
39.	8703.3229	Cars and Jeeps above 2000 cc (except electric hybrids)	50%
40.	8703.3390	Cars and Jeeps above 2500 cc (except electric hybrids)	50%
41.	8703.9000	Other (except electric hybrids)	50%
42.	9302.0092	Pistols, single barrel, semiautomatic or otherwise	15%
43.	9302.0093	Pistols, multiple barrel	15%
44.	9302.0099	Other	15%
45.	9303.1000	Muzzle loading firearms	15%
46.	9303.2011	Pump action	15%
47.	9303.2012	Semiautomatic	15%
48.	9303.2019	Other	15%
49.	9303.2020	Shotguns, multiple barrel, including combination guns	15%
50.	9303.2090	Other	15%
51.	9303.3010	Single shot	15%
52.	9303.3020	Semiautomatic	15%
53.	9303.3090	Other	15%
54.	9303.9000	Other	15%
55.	9304.0000	Other arms (for example, spring, air or gas guns and pistols, truncheons), excluding those of heading 93.07	20%
56.	9306.2100	Cartridges	15%
57.	9306.2900	Other	15%
58.	9306.3010	Cartridges for riveting or similar tools or for captive bolt human killers and parts thereof	20%
59.	9306.3090	Other	15%
60.	9306.9000	Other	20%

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**SCHEDULE**
**TARIFF RATIONALISATION**

New PCT Codes have been introduced for the following:

<i>Description</i>	<i>PCT Heading</i>	<i>Rate of Customs Duty</i>
<b>Copper waste and scrap</b>		
- Brass scrap	7404.0010	0%
- Other	7404.0090	0%
- Bars	7407.1010	5%
- Of copper-zinc base alloys (brass)	7407.2100	5%
<b>Tanks and other armoured fighting vehicles, motorised, whether or not fitted with weapons, and parts of such vehicles</b>		
- Armoured cash carrying vehicles	8710.0010	20%
- Other	8710.0090	20%

Tariff correction has also been made to remove ambiguity for the machinery exported outside Pakistan and re-imported into Pakistan.

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**OTHER LAWS****CAPITAL VALUE TAX****MODARABA CERTIFICATE AND INSTRUMENT OF REDEEMABLE CAPITAL**

*[Sections 7(1) and 7(4)]*

Presently, Capital Value Tax (CVT) is inter alia chargeable on purchase of modaraba certificates or any instrument of redeemable capital as defined in the Companies Ordinance, 1984 at the rate of 0.02 per cent of the purchase value, which is collected by a registered Stock Exchange in Pakistan.

CVT on the above instruments is being withdrawn effective July 1, 2011, as a consequence of levy of capital gains tax on these certificates and instruments.

**FEDERAL CONSOLIDATED FUND**

Penalties and fines recovered under the following statutes by respective authorities are henceforth to be credited to the Federal Consolidated Fund instead of accounts maintained by such authorities:

- Pakistan Telecommunication (Re-organisation) Act, 1996;
- Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997;
- Securities and Exchange Commission of Pakistan Act, 1997;
- Pakistan Nuclear Regulatory Authority Ordinance, 2001;
- Pakistan Electronic Media Regulatory Ordinance, 2002; and
- Oil and Gas Regulatory Ordinance, 2002.