

Tax Commentary 2010 Amended after Finance Act 2010

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Notice:

*RASG is also pleased to notify its valued clients, friends and associates that our website, www.rasgco.com has been uploaded with our “**Tax Commentary - 2010**” and a digital copy of the Commentary can also be downloaded both in ‘MS Word’ and ‘PDF’ formats.*

Special Thanks:

*For the excellent teamwork displayed by the staff of **RASG** as well as our other associates and printers during the preparation of this document.*

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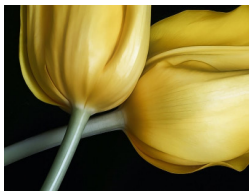
RASG is pleased to forward herewith its Tax Commentary 2010 after incorporating various amendments as finally approved in the shape of the Finance Act, 2010. We feel it important to mention that the comments, interpretations made, are only for the guidance of the users of this document. We highly recommend that specific advice should be sought before making any decision based on our interpretation of the statutes contained in this document.

As always! we remain grateful to our clients, friends and associates whose support and feedback always encourages us to deliver better.

Regards

Gohar Manzoor
Managing Partner

August 25, 2010



Finance Act 2010 Highlights



INCOME TAX

- In case of Business Individual taxpayers the taxable income limit has been enhanced to Rs. 300,000/- from the previous limit of Rs. 100,000/- in order to relieve large number of taxpayers.
- Basic exemption available to Salaried Taxpayers including that of salaried women in respect of Income Tax has been enhanced from Rs. 200,000 to Rs. 300,000/-.
- The limit of taxable income for reduction in tax liability in case of senior citizens has been enhanced to Rs. 1,000,000/-
- Withholding tax on electricity for industrial and commercial connection has been reduced to 5% from the Position before Finance Act, 2010 rate of 10%.
- In order to support the economies of Khyber Paktunkhwa province including Tribal areas some relief packages have been announced as under but will not include manufacturers and suppliers of cement, sugar, beverages and cigarettes:
 - Waiver of entire amount of default surcharge & penalty till 30th June 2010;
 - Exemption from advance tax on electricity for tax years 2010 and 2011;
 - Exemption from withholding tax on exports;
 - Recovery of outstanding income tax arrears through easy installments;
 - Enhancement of income tax exemption limit from Rs.0.1 million to Rs.0.3 million
 - Annual Audit with the approval of FBR; and
 - Exemption from advance tax on import of plant and machinery upto 30th June 2011.
- A section is introduced for 100% Depreciation expense claim on account of Ramp built for providing access to disabled persons.
- A straight procedure for e-filing withholding statements only on quarterly basis is introduced to facilitate withholding agents.
- A 10% admissible tax credit from the tax year 2011 to 2015 has been provided on BMR costs for companies.
- In order to encourage the corporate sector, a tax credit of 5% is allowed in the initial year of enlistment for a company.
- Withholding on Government Securities is to be treated as a Final Tax.

- Relief has been allowed for non-resident taxpayers on account of withholding on debt instruments as a Final Tax.
- Until recently, the withholding tax applicable on payments made to non-resident taxpayers, not subject to Avoidance of Double Taxation Treaties was 30%. The rate has now been reduced to 20%.
- Withholding tax rate @ 20% on cross-word puzzle has been reduced to 10%, considering the overall demand.
- A straight tax rate @ 25% has been imposed on the taxable income of Association of Persons.
- Withholding tax on commercial imports has been enhanced to 5%.
- Capital gain tax has been imposed on gains on sale of securities which will be calculated on the basis of time limit (10% for six months or less & 7.5% on six months to twelve months and no tax for above the period of 12 months). The rates have been made effective from tax year 2011.
- In order to simplify the slab rates on goods transport vehicle, the tax rate has been amended to be charged @ Rs. 1 per kilogram of the laden capacity.
- Advance tax deduction @ 0.3% has been imposed on sale against cash of any banking instrument including DD, PO, CDR, STDR, etc. and on receipt of cash on cancellation of such banking instrument if total of amount involved exceeds Rs. 25,000/- in a single day.
- Advance tax @ 0.3% has also been imposed on any transfer against cash through online transfer, telegraphic transfer, mail transfer or any other mode of electronic transfer if the amount involved exceeds Rs. 25,000/- in a day.
- Turnover Tax under section 113 has been enhanced from 0.5% to 1%.
- Adjustable withholding tax @ 5% has been imposed on the gross value of Air Tickets.
- Filing of wealth statement has been made mandatory in FTR cases where the yearly tax deduction is Rs. 35,000 or more. Previously, the limit was Rs. 25,000/-.
- Payments of quarterly advance tax are to be paid by the 25th of the last month of the quarter.
- An individual having a turnover of Rs. Fifty million or more has been included in the definition of withholding agent.

- Provision for advances and off balance sheet items at 5% of total advances for consumers and SMEs allowed.
- Write off of irrecoverable advances provided for in the tax year 2008 or prior tax years and were neither claimed nor allowed as a tax deductible in any tax year; allowed.

SALES TAX and FED

- Restricted adjustment of FED has been withdrawn for beverage industry.
- Flat rate of Sales Tax @ 17% has been imposed against previous rate of 16%.
- Enhanced rate of FED is imposed on Natural Gas.
- Enhanced FED has been imposed on locally manufactured cigarettes with immediate effect.
- Levy of 10% FED on all home appliances has been imposed with immediate effect.



INCOME TAX ORDINANCE, 2001

Definitions

SECTION 2(2)

Position before Finance Act, 2010	Amendment
<p>“Appellate Tribunal” means the Appellate Tribunal Inland Revenue established under section 130;</p>	<p>Appellate Tribunal means the Appellate Tribunal Inland Revenue established under section 130;</p>
<p>Comments: The amendments made earlier by the Finance (Amendment) Ordinance, 2009 dated October 28, 2009 and the Finance (Amendment) Ordinance, 2010 dated February 6, 2010 to provide for a unified appellate forum “Appellate Tribunal Inland Revenue” for the three domestic taxes namely Income Tax, Sales Tax, and Federal Excises have been ratified through Finance Act 2010.</p>	

Definitions

SECTION 2(11B)

Position before Finance Act, 2010	Amendment
<p>“New Sub-Clauses shall be added”</p>	<p>Chief Commissioner means a person appointed as Chief Commissioner Inland Revenue under section 208 and includes a Regional Commissioner of Income Tax and a Director General of Income Tax and Sales Tax;</p>
<p>Comments: The amendments earlier made by the Finance (Amendment) Ordinance, 2009 dated October 28, 2009 and the Finance (Amendment) Ordinance, 2010 dated February 6, 2010 to provide for a unified designation of the “Chief Commissioner Inland Revenue” for functional and operational integration of the domestic taxes have been ratified from National Assembly and the Parliament.</p>	

Definitions

SECTION 2(13)

Position before Finance Act, 2010	Amendment
<p>“Commissioner” means a person appointed as Commissioner Inland Revenue under section 208 and includes any other authority vested with all or any of the powers and functions of the Commissioner.</p>	<p>Commissioner means a person appointed as Commissioner Inland Revenue under section 208 and includes any other authority vested with all or any of the powers and functions of the Commissioner;”;</p>

Definitions

SECTION 2(13)

Comments: As is the case with Amendments relating to clause (2) and (11) of the Section 2 of the Income Tax Ordinance, 2001 (*the Ordinance*), the Act has ratified the amendments earlier made by the Finance (Amendment) Ordinance, 2009 dated October 28, 2009 and the Finance (Amendment) Ordinance, 2010 dated February 6, 2010 to provide for a unified designation of the “Commissioner Inland Revenue” for functional and operational integration of the domestic taxes.

Definitions

SECTION 2(13A)

Position before Finance Act, 2010	Amendment
<p>“Commissioner (Appeals)” means a person appointed as Commissioner Inland Revenue (Appeals) under section 208</p>	<p>Commissioner (Appeals) means a person appointed as Commissioner Inland Revenue (Appeals) under section 208;”;</p>
<p>Comments: The amendments earlier made by the Finance (Amendment) Ordinance, 2009 dated October 28, 2009 and the Finance (Amendment) Ordinance, 2010 dated February 6, 2010 to provide for a unified first appellate forum “Commissioner Inland Revenue (Appeals)” for the domestic taxes have been re-inserted. These amendments earlier lapsed due to non-presentation of the Finance (Amendment) Ordinances 2009 and 2010 before the National Assembly within prescribed time from their promulgation.</p>	

Definitions

SECTION 2(29C)

Position before Finance Act, 2010	Amendment
<p>(a) an undertaking which is set up in Pakistan and which employs, (i) ten or more persons in Pakistan and involves the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy; or (ii) twenty or more persons</p> <p>(i) the manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition; (ii) ship-building; (iii) generation, conversion..... (iv) the working of any mine.....</p> <p>(b) any other industrial undertaking which</p>	<p>(a) an undertaking which is set up in Pakistan and which employs,- (i) ten or more persons in Pakistan and involves the use of electrical energy or any other form of energy which is mechanically transmitted and is not generated by human or animal energy; or (ii) twenty or more persons.....</p> <p>(i) the manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition; or (ii) ship-building; or (iii) generation, conversion..... (iv) the working of any mine.....</p>

Definitions

SECTION 2(29C)

the [Board] may by notification in the official Gazette, specify;	(b) any other industrial undertaking which the Board may by notification in the Official Gazette, specify;
Comments: Definition of “Industrial Undertaking” given in <i>the Ordinance</i> has been redrafted to give it a more clarified meaning while removing ambiguity that may be caused while interpreting the term.	

Definitions

SECTION 2(38A) (48A) & (65)

<p>Position before Finance Act, 2010</p> <p>“New Sub-Clauses shall be added”</p>	<p>Amendment</p> <p>Officer of Inland Revenue, means any Additional Commissioner Inland Revenue, Deputy Commissioner Inland Revenue, Assistant Commissioner Inland Revenue, Inland Revenue Officer, Inland Revenue Audit Officer or any other officer however designated or appointed by the Board for the purposes of this Ordinance;” and</p>
Comments: Earlier amendments made by the Finance (Amendment) Ordinance, 2009 dated October 28, 2009 and the Finance (Amendment) Ordinance, 2010 dated February 6, 2010 have been ratified to provide for the change in nomenclature of operational designations from taxation officer.	

Deemed perquisite not to apply in cases where right of waiver of interest provided:

SECTION 13(7)

<p>Position before Finance Act, 2010</p> <p>Where a loan is made, on or after the 1st day of July, 2002, by an employer to an employee and either no profit on loan is payable by the employee or the rate of profit on loan is less than the benchmark rate, the amount chargeable to tax to the employee under the head “Salary” for a tax year shall include an amount equal to</p>	<p>Amendment</p> <p>Provided that this sub-section shall not apply to such benefit arising to an employee due to waiver of interest by such employee on his account with the employer;</p>
<p>Comments: The sub-section (7) of Section 13 of <i>the Ordinance</i> provides for a deemed perquisite where loans have been advanced by an employer to an employee either on no interest basis or the interest payable by the employee is less than the “Benchmark Rate”. The amount of such deemed perquisite was being work out as difference between the amount of interest actually paid by the employee and the interest on the loan computed at benchmark rate.</p> <p>The Act now provides that such deemed perquisite should not be treated as perquisite in cases where the employee concerned is deriving such benefit due to waiver of his right to</p>	

Deemed perquisite not to apply in cases where right of waiver of interest provided:

SECTION 13(7)

interest on his account being maintained with the employer.

Capital Gains on securities levied

SECTION 37(3)(5) & 37A

Position before Finance Act, 2010

Amendment

Where a capital asset has been held by a person for more than one year, the amount of any gain arising on disposal of the asset shall be computed in accordance with the following formula, namely

After the word “year” the words, the comma, brackets and figures “other than shares of public companies including the vouchers of Pakistan Tele-communication Corporation, modaraba certificates or any instrument of redeemable capital as defined in the Companies Ordinance, 1984 (XLVII of 1984), shall be inserted; and

Any stock-in-trade (not being stocks and shares), consumable stores or raw materials held for the purpose of business;

In sub-section (5), in clause (a), the brackets and words “(not being stocks and shares)” shall be omitted;

“New Section shall be added”

(1) The capital gain arising on or after the first day of July, 2010, from disposal of securities held for a period of less than a year, shall be chargeable to tax at the rates specified in Division VII of Part I of the First Schedule;

Provided that this sub-section shall not apply if the securities are held for a period of more than a year;

Provided further that this provision shall not apply to a banking company and an insurance company.

(2) The holding period of a security, for the purposes of this section shall be reckoned from the date of acquisition (whether before, on or after the thirtieth day of June, 2010) to the date of disposal of such security falling after the thirtieth day of June, 2010.

(3) For the purposes of this section

Capital Gains on securities levied

SECTION 37(3)(5) & 37A

“security” means share of a public company, voucher of Pakistan Telecommunication Corporation, Modaraba Certificates an instrument of redeemable capital and derivative products.

(4) Gain under this section shall be treated as a separate block of income.

(5) Notwithstanding anything contained in this Ordinance, where a person sustains a loss on disposal of securities in a tax year, the loss shall be set off only against the gain of the person from any other securities chargeable to tax under this section and no loss shall be carried forward to the subsequent tax year;

Comments: By virtue of the Amendments appropriate amendments have been made in Section 37 including the definition of “Capital Assets” laid down in Section 37(5) for levy of tax on capital gains arising on sale of securities.

The word “securities” has been amended to mean shares of a public company, voucher of Pakistan Telecommunication Corporation, Modaraba Certificates or instruments of redeemable capital and derivative products.

The capital gain arising on securities shall be treated as a separate block of income. IT has been clarified that where a person shall sustain a loss on disposal of securities in a tax year, the loss shall be set off only against the gain of the person from any other securities chargeable to tax under newly inserted Section 37A and no loss shall be carried forward to subsequent tax year.

The Amendment has provided that no tax shall be levied on the gains arising from sale of securities, where such securities will be held for period of more than twelve months. The gains derived by banking and insurance companies will not be liable to tax.

The amendment also lays down that the holding period of security shall be reckoned from the actual date of acquisition to the date of disposal of the security.

Mutual funds and collective investment schemes have also been made liable to deduct capital gains tax on redemption of securities.

The table of rates made applicable to capital gains on sale of securities is as under:

Capital Gains on securities levied

SECTION 37(3)(5) & 37A

Sr. #	Period	Tax Year	Rate of tax %
1.	Where holding period of a security is less than six months	2011	10
		2012	10
		2013	12.5
		2014	15
		2015	17.5
2.	Where holding period of a security is more than six months but less than twelve months	2011	7.5
		2012	8
		2013	8.5
		2014	9
		2015	9.5
		2016	10

Tax Credit for Investment in Plant & Machinery

SECTION 65B

Position before Finance Act, 2010	Amendment
<p>“New Section shall be added”</p>	<p>1), Where a taxpayer being a company invests any amount in the purchase of a plant and machinery for installation, for the purposes of balancing, modernization and replacement in an industrial undertaking set up in Pakistan and owned by it, credit equal to ten per cent of the tax payable shall be allowed for the tax year in which the said costs are incurred against the tax payable by the company.</p> <p>(2) The provisions of sub-section (1) shall apply if the plant and machinery is purchased and installed at any time between the first day of July, 2010, and the 30th day of June, 2015.</p> <p>(3) Where any credit is allowed under this section and subsequently it is discovered by the Commissioner Inland Revenue that any one or more of the conditions specified in this section was, or were, not fulfilled, as the case may be, the credit originally allowed shall be deemed to have been wrongly allowed and the Commissioner Inland Revenue may, notwithstanding anything contained in this Ordinance, re-compute the tax payable by the taxpayer for the relevant year and the</p>

Tax Credit for Investment in Plant & Machinery

SECTION 65B

	provisions of this Ordinance shall, so far as may be, apply accordingly;
<p>Comments: In order to encourage investment in plant and machinery a tax credit @ 10% of the tax payable to corporate taxpayer has been introduced. This credit would be available only if;</p> <ul style="list-style-type: none"> • such company invests any amount on purchase of a plant and machinery • for installation, for the purpose of balancing, modernization and replacement (BMR) • in an industrial undertaking owned by it and set-up in Pakistan. • for BMRs started and completed between July 1, 2010 and June 30, 2015. <p>Such tax credit would available in the tax year in which the costs will be incurred. If the credit would not be set off against tax liability of the taxpayer in the year of investment either fully or in part, it would be allowed to be carried forward for set-off against tax liability of following two tax years provided that total deduction shall not exceed total credit allowed under the amended provisions.</p> <p>The Amendment also lays down that where the above referred allowed tax credit is subsequently discovered by the Commissioner Inland Revenue to be obtained by not fulfilling one or more related conditions, the Commissioner may treat the credit as wrongly claimed and may re-compute the tax payable by the taxpayer for the relevant tax year and all the provisions of <i>the Ordinance</i> will apply accordingly.</p>	

Special tax credit on enlistment on registered stock exchange in Pakistan:

SECTION 65C

Position before Finance Act, 2010	Amendment
“New Section shall be added”	Where a taxpayer being a company opts for enlistment in any registered stock exchange in Pakistan, a tax credit equal to five per cent of the tax payable shall be allowed for the tax year in which the said company is enlisted;
<p>Comments: The Government, in a bid to encourage the corporate entities to get enlisted on registered stock exchanges in Pakistan, has given credit equivalent to 5% of the tax payable to the companies opting for enlistment on any registered stock exchange in Pakistan. Such tax credit shall be only available for the tax year in which the company would be enlisted.</p>	

Recoveries under the Ordinance to have first charge on the estates of the deceased

SECTION 87(2)

Position before Finance Act, 2010	Amendment
<p align="center">“New Sub-Clauses shall be added”</p>	<p>(2A) The liability under this Ordinance shall be the first charge on the deceased’s estate.□;</p>
<p>Comments: The amendment has laid down that the liability under <i>the Ordinance</i> shall be first charge on a deceased’s estate.</p>	

Unexplained investment, etc. to be taxed in the year to which it relates

SECTION 111(2) & (4)

Position before Finance Act, 2010	Amendment
<p>The amount referred to in sub-section (1) shall be included in the person’s income chargeable to tax in the tax year [immediately preceding the financial year] in which it was discovered by the Commissioner.</p> <p>(a) to any amount of foreign exchange remitted from outside Pakistan through normal banking channels that is encashed into rupees by a scheduled bank and a certificate from such bank is produced to that effect; and</p> <p>(b) to any amount referred to in sub-section (1), relating to a period beyond preceding five tax years or assessment years</p>	<p>In sub section (2), for the words, immediately preceding the financial year in which it was discovered by the Commissioner” the words “to which such amount relates” shall be substituted;</p> <p>(a), for the semicolon and the word, ; “and” the “full stop” shall be substituted; and</p> <p align="center">“Shall be omitted”</p>
<p>Comments: The Amendment has been made to tax un-explained credit in a person’s books of accounts, investments or assets, or expenditures in the year to which they relate instead of immediately preceding financial year in which it is discovered.</p> <p>Furthermore, provisions of Section 111 were not applicable to above referred un-explained credit in a person’s books of accounts, investments or assets, or expenditures if these related to a period beyond preceding five tax years or assessment years. The Amendment has also removed this limitation.</p>	

Applicability of minimum tax criteria broadened to include individuals and AOP's

SECTION 113(1) & (e)

Position before Finance Act, 2010	Amendment
<p>This section shall apply to a resident company where, for any reason whatsoever allowed under this Ordinance, including any other law for the time being in force</p> <p>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:</p>	<p>After the word "company" the comma, words, brackets and figures, "an individual (having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent tax year) and an association of persons (having turnover of fifty million rupees or above in the tax year 2007 or in any subsequent tax year)" shall be inserted; and</p> <p>(ii) in clause (e), for the word "one-half" the word "one" shall be substituted; and</p>
<p>Comments: Till last tax year, the minimum tax on turnover was being levied to companies only in situations where such taxpayers are not required to pay tax or tax payable by those was less than minimum threshold of turnover laid down in the section due to any of the following reasons:</p> <ul style="list-style-type: none"> (a) Loss for the year; (b) Setting off of a loss of an earlier year; (c) Exemption from tax; (d) Applicability of credit or rebate; or (e) Claiming of allowances or deductions (including depreciation and amortization deductions). <p>Now, following persons have been brought in to minimum tax net:</p> <ol style="list-style-type: none"> 1) Individuals having turnover of fifty (50) million rupees or above in the tax year 2009 or in any subsequent tax year; and 2) Associations of Persons having turnover of fifty (50) million or above in tax year 2007 or in any subsequent tax year <p>The minimum tax does not apply to companies which have declared gross loss before set off of depreciation and other inadmissible expenses under <i>the Ordinance</i>. No such</p>	

Applicability of minimum tax criteria broadened to include individuals and AOP's

SECTION 113(1) & (e)

relaxation has been allowed for above referred persons now included in the net.

The minimum threshold of turnover referred above and the minimum tax payable under the Section 113 have been enhanced from one-half percent (0.5%) to one percent (1%) of the turnover.

Revisions of returns/accounts subject to certain conditions

SECTION 114(6) & (6A)

Position before Finance Act, 2010	Amendment
<p>Subject to sub-section (6A), any person who, having furnished a return, discovers any omission or wrong statement therein, may file revised return subject to the following conditions, namely:- (a) it is accompanied by the revised accounts or revised audited accounts, as the case may be; and (b) the reasons for revision of return, in writing, duly signed, by the taxpayers are filed with the return”;</p> <p style="text-align: center; margin-top: 20px;">“New Sub-Clauses shall be added”</p>	<p>Subject to sub-section (6A), any person who, having furnished a return, discovers any omission or wrong statement therein, may file revised return subject to the following conditions, namely:- (a) it is accompanied by the revised accounts or revised audited accounts, as the case may be; and (b) the reasons for revision of return, in writing, duly signed, by the taxpayers are filed with the return; (b) after sub-section (6), substituted as aforesaid, the following new sub-section shall be inserted, namely:- (6A) If a taxpayer wishes to file a revised return voluntarily along with deposit of the amount of tax short paid or amount of tax sought to be evaded along with the default surcharge, whenever it comes to his notice, before receipt of notice under sections 177 or sub-section(9) of 122, no penalty shall be recovered from him: Provided that in case the taxpayer wishes to deposit the amount of tax as pointed out by the Commissioner during the audit or before the issuance of notice under sub-section (9) of section 122, he shall deposit the amount of tax sought to be evaded, the default surcharge and twenty-five per cent of the penalties leviable under the Ordinance along with the revised return: Provided further that in case the taxpayer wishes to revise the return after the</p>

Revisions of returns/accounts subject to certain conditions

SECTION 114(6) & (6A)

	<p>issuance of a show cause notice under subsection (9) of section 122, he shall deposit the amount of tax sought to be evaded, default surcharge and fifty per cent of the leviable penalties under the Ordinance along with the revised return and thereafter, the show cause notice shall stand abated.;</p>
<p>Comments: The earlier amendments made by the Finance (Amendment) Ordinance, 2009 dated October 28, 2009 and the Finance (Amendment) Ordinance, 2010 dated February 6, 2010 have now been ratified through the Act. The amendment places conditions before revising income if a person discovers any omission or misstatement. These conditions include filing of revised accounts or revised audited accounts, as the case may be, along with duly signed written reasons for revision of return.</p> <p>The amendments also provides for payment of different percentages of penalties leviable under <i>the Ordinance</i> for the evasion in different situation when the person revises his return while making payment of tax short paid or evaded along with default surcharge.</p>	

Filing of Wealth Statement

SECTION 115(4B)

Position before Finance Act, 2010	Amendment
<p>Every person (other than a company) filing statement under sub-section (4), falling under final tax regime (FTR) and has paid tax amounting to twenty thousand rupees or more for the tax year, shall file a wealth statement alongwith reconciliation of wealth statement</p>	<p>“Shall be Omitted”</p>
<p>Comments: The amendment has been made for clarity purpose to shift the provision relating to filing of wealth statement in relevant section instead of including it in this section which lays down the list of persons who are not required to file a return of income.</p>	

Wealth statement to be filed in response to a provisional assessment

SECTION 116(2A)&(4)

Position before Finance Act, 2010	Amendment
<p>“New Sub-Clauses shall be added”</p>	<p>Where a person files a return in response to a provisional assessment under section 122C, he shall furnish a wealth statement for that year along with that return and</p>

Wealth statement to be filed in response to a provisional assessment

SECTION 116(2A)&(4)

“New Sub-Clauses shall be added”

such wealth statement shall be accompanied by a wealth reconciliation statement and an explanation of sources of acquisition of assets specified therein

Every person (other than a company) filing statement under sub-section (4) of section 115, falling under final tax regime (FTR) and has paid tax amounting to thirty-five thousand rupees or more for the tax year, shall file a wealth statement along with reconciliation of wealth statement;

Comments: A new sub-section (2A) has been inserted which clarifies that where a person files a return of income in response to a provisional assessment under section 122C, it would be mandatory for him to file wealth statement for that year along with the return and such wealth statement must be accompanied by a wealth reconciliation statement and an explanation of sources of acquisition of assets specified therein.

The requirement of filing of wealth statement along with reconciliation of wealth in case of persons (other than a company) falling under final tax regime (FTR) has been included in this section from Section 115 by increasing threshold of tax paid from Rs. 25,000/- to Rs. 35,000/-.

Filing of Returns/Annual Statements revisited

SECTION 118(3)

Position before Finance Act, 2010

A return of income for any person (other than a company), an employer certificate of an individual or a statement required under sub-section (4) of section 115 shall be furnished on or before the thirtieth day of September next following the end of the tax year to which the return, certificate or statement relates

Amendment

A return of income for any person (other than a company), an Annual Statement of deduction of income tax from salary, filed by the employer of an individual or a statement required under sub-section (4) of section 115 shall be furnished as per the following schedule, namely:-

(a) In the case of an Annual Statement of deduction of income tax from salary, filed by the employer of an individual, return of income through e-portal in the case of a salaried person or a statement required under sub-section (4) of section 115, on or before the 31st day of August next following the end of the tax year to which the return, Annual Statement of deduction

Filing of Returns/Annual Statements revisited

SECTION 118(3)

	<p>of income tax from salary, filed by the employer or statement relates.</p> <p>(b) in the case of a return of income for any person (other than a company), as described under clause (a), on or before the 30th day of September next following the end of the tax year to which the return relates</p>
<p>Comments: All persons (other than a company) including salaried taxpayers were previously required to file a return of income, an employer certificate or a statement required under Section 115(4), etc as the case may be by September 30th following the end of relevant tax year.</p> <p>The above prescribed date for return of income for above referred persons, an Annual Statement of deduction of income tax from salary, filed by the employer of an individual or a statement required under Section 115(4), has now been changed as per the following schedule:-</p>	
<p>(a) In case of an Annual Statement of deduction of income tax from salary, filed by the employer of an individual, return of income through e-portal in the case of a salaried person or a statement required under Section 115(4),</p>	<p>on or before August 31st next following the end of relevant tax year.</p>
<p>(b) In case of a return of income for any person (other than a company), as described under clause (a),</p>	<p>on or before the September 30th next following the end of relevant tax year.</p>

Commissioner’s power to select audit substituted with power to conduct audit

SECTION 120(1A)

Position before Finance Act, 2010	Amendment
<p>Notwithstanding the provisions of sub-section (1), the Commissioner may select a person for an audit of his income tax affairs under section 177 and all the provisions of that section shall apply accordingly.]</p>	<p>For the words, “select a person for an audit of his income tax affairs” the words, “conduct audit of the income tax affairs” of a person shall be substituted;</p>
<p>Comments: This is a consequential amendment to bring the powers of the commissioner in line with the new provisions of section 177 whereby the Commissioner’s power to select a person for an audit of his income tax affairs have been replaced with his power to conduct audit.</p>	

Prescribed time limit to amend assessment order changed

SECTION 122(3), (4), (5AA) & A(1)

Position before Finance Act, 2010	Amendment
<p>Where a taxpayer furnishes a revised return under sub-section (6) 4[or (6A)] [of section 114</p> <p>Where an assessment order (hereinafter referred to as the “original assessment”) has been amended under sub-section (1) or (3), the Commissioner may further amend,5[as many times as may be necessary,] the original assessment within the later of</p> <p style="text-align: center;">“New Sub-Clauses shall be added”</p> <p>The Commissioner may 2[3[, <i>suo moto</i>,]] call for the record of any proceeding under this Ordinance or under the repealed Ordinance in which an order has been passed by any 4[Officer of Inland Revenue] other than the Commissioner (Appeals).</p>	<p>After the brackets and figures “(6)” the word, brackets, figure and letter, “or (6A)” shall be inserted;</p> <p>After the figure and brackets, “(1)”, the word, “or” shall be substituted by a comma and after the figure and brackets “(3)” the word, figures and brackets “or (5A)” shall be added and shall have effect from (from the fourth July, 2003; and</p> <p>(5AA) The Commissioner is deemed to have, and always had, the powers to amend or further amend an assessment order under sub-section (5A), where appeal has been filed or decided against the order of the Commissioner, in respect of any point or issue which was not the subject matter of such appeal.</p> <p>For the words “taxation officer” the words “Officer of Inland Revenue” shall be substituted;</p>
<p>Comments: The change has prescribed a time limit for amendment, or further amendment, of an assessment order, if the Commissioner considers that the assessment order is erroneous in so far it is prejudicial to the interest of revenue by bringing such cases at par with other amendment of assessments. The time limit has been made effective from July 1, 2003. Amendment of assessment in above referred cases shall be later of:</p> <p>(a) Five years from the end of the financial year in which the Commissioner has issued or is treated as having issued the original assessment order to the taxpayer; and</p>	

Prescribed time limit to amend assessment order changed

SECTION 122(3), (4), (5AA) & A(1)

(b) One year from the end of the financial year in which the Commissioner has issued or is treated as having issued the amended assessment order to the taxpayer.

The Commissioner has been empowered by sub-section (5AA) to amend or further amend an assessment order even in cases where appeal has been filed or decided against the order of the Commissioner in respect of any point or issue which was not the subject matter of such appeal if the Commissioner considers that the assessment order is erroneous in so far it is prejudicial to the interest of revenue. The Commissioner shall be deemed to have and always had such powers to amend the assessment.

Provisional assessment deemed to be final if not responded by tax payer within 60 days of the order

SECTION 122C

Position before Finance Act, 2010	Amendment
<p align="center">“New Section shall be added”</p>	<p>Where in response to a notice under sub-section (3) or sub-section (4) of section 114 a person fails to furnish return of income for any tax year, the Commissioner may, based on any available information or material and to the best of his judgment, make a provisional assessment of the taxable income or income of the person and issue a provisional assessment order specifying the taxable income or income assessed and the tax due thereon.</p> <p>(2) Notwithstanding anything contained in this Ordinance, the provisional assessment order completed under sub-section (1) shall be treated as the final assessment order after the expiry of sixty days from the date of service of order of provisional assessment and the provisions of this Ordinance shall apply accordingly: Provided that the provisions of sub-section (2) shall not apply if return of income alongwith wealth statement, wealth reconciliation statement and other documents required under sub-section (2A) of section 116 are filed by the person for the relevant tax year during the said</p>

Provisional assessment deemed to be final if not responded by tax payer within 60 days of the order

SECTION 122C

	period of sixty days;
<p>Comments: The Act has ratified the earlier amendments made by the Finance (Amendment) Ordinance, 2009 dated October 28, 2009 and the Finance (Amendment) Ordinance, 2010 dated February 6, 2010 from National Assembly. The amendment provides for “Provisional Assessment” which may be made by the Commissioner based on any available information or material and to the best of his judgment if a person fails to file a return of income in response to a notice issued under sub-section (3) or (4) of Section 114 of <i>the Ordinance</i>. Such provisional assessment shall deem to be final if the person concerned does not file the return along with wealth statement, wealth reconciliation statement and other documents required under Section 116(2A) within sixty (60) days of service of the provisional assessment order.</p>	

Tax demand to be pad after 60 days of the provisional assessment order

SECTION 137(2)

Position before Finance Act, 2010	Amendment
<p>Where any tax is payable under an assessment order or an amended assessment order or any other order issued by the Commissioner under this Ordinance, a notice shall be served upon the taxpayer in the prescribed form specifying the amount payable and thereupon the sum so specified shall be paid within fifteen days from the date of service of the notice:</p> <p>Provided that the tax payable as a result of provisional assessment under section 122C, as specified in the notice under sub-section (2) shall be payable after a period of sixty days from the date of service of the notice.</p> <p>The grant of an extension of time to pay tax due or the grant of permission to pay tax due by installments shall not preclude the liability for 8[default surcharge] arising under section 205 from the due date of the tax under sub-section (2).</p>	<p>For the full stop, at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:-</p> <p>“Provided that the tax payable as a result of provisional assessment under section 122C, as specified in the notice under sub-section (2) shall be payable after a period of sixty days from the date of service of the notice.”;</p> <p>(b) in sub-section (6), for the words “additional tax” the words “default surcharge” shall be substituted;</p>
<p>Comments: The Amendment has ratified the earlier amendments made by the Finance</p>	

Tax demand to be pad after 60 days of the provisional assessment order

SECTION 137(2)

(Amendment) Ordinance, 2009 dated October 28, 2009 and the Finance (Amendment) Ordinance, 2010 dated February 6, 2010 which prescribes that the date of payment of demand consequent to provisional assessment order under Section 122C shall be after expiry of 60 days from the date of service of the order.

Tax liability to be passed on the estate in bankruptcy

SECTION 138B

Position before Finance Act, 2010	Amendment
<p>“New Section shall be added”</p>	<p>(1) If a taxpayer is declared bankrupt, the tax liability under this Ordinance shall pass on to the estate in bankruptcy.</p> <p>(2) If tax liability is incurred by an estate in bankruptcy, the tax shall be deemed to be a current expenditure in the operations of the estate in bankruptcy and shall be paid before the claims preferred by other creditors are settled.;</p>

Comments: A new section has been inserted to lay down that the tax liability will be passed on the estate in bankruptcy and such liability will be deemed to be current expenditure in the operations of the estate and shall be paid before the claims preferred by other creditors are settled.

Advance Tax Collection scheme

SECTION 147

Position before Finance Act, 2010	Amendment
<p>income chargeable to tax under the head “Capital Gains”;</p> <p>This section does not apply to an individual 2[or association of persons] where the individual’s 3[or 4[association of persons]] latest assessed taxable income excluding income referred to in clauses (a), (b), 5[(ba),] (c) and (d) of sub-section (1) is less than 6[two hundred thousand] rupees.</p> <p>Where the taxpayer is a company, the amount of advance tax due for a quarter shall be computed according to the following formula,</p>	<p style="text-align: center;">“Shall be Omitted”</p> <p>(i) the words “or association of persons” shall be omitted; and</p> <p>(ii) for the word “two” the word “five” shall be substituted;</p> <p>After the word “is” occurring for the first time, the words “an association of persons or” shall be inserted;</p>

Advance Tax Collection scheme

SECTION 147

namely:-

$$(A \times B/C) - D \dots\dots\dots$$

Comments: A number of changes in advance tax collection scheme have been made including changes in limit of taxable income for applicability of advance tax provisions, formula for calculation of advance tax liability for AOPs, and dates of payment of quarterly installments. A major change made by the Act is applicability of advance tax on capital gains on sale of securities.

Summary of Amendments is as under:

- (1) Until recently, individuals having latest assessed income of Rs. 200,000/- or more were required to pay advance tax under Section 147 in four quarterly installments. Such limit of Rs. 200,000/- has been enhanced to Rs. 500,000/-
- (2) AOPs having latest assessed income of Rs. 200,000/- or more were required to pay advance tax under Section 147 in four quarterly installments. Such limit has now been done away with and the AOPs are required to pay advance tax in the same manner as required of companies without limit to latest assessed income i.e. in accordance with following formula:

$$(A \times B/C) - D$$

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) Dates for payment of quarterly installments of advance tax by AOPs and companies have also been amended as per the following schedule:

Name of quarter	Previous date of payment for		New Dates
	Companies	AOPs	
September quarter	October 15 th	September 15 th	September 25 th
December quarter	January 15 th	December 15 th	December 25 th
March quarter	April 15 th	March 15 th	March 25 th
June quarter	June 15 th	June 15 th	June 15 th

- (4) Advance tax on capital gains on sale of securities shall be collected on quarterly basis from persons deriving such income (but excluding an individual investor) which shall be payable within seven (7) days after the close of each quarter as per the following schedule:

Sr.	Period	Rate of
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Advance Tax Collection scheme

SECTION 147

#		advance tax liability
1.	Where holding period of a security is less than six months	2%
2.	Where holding period of a security is more than six months but less than twelve months	1.5%

Individuals declared as with holding agents

SECTION 153(9)(g)&(h)

Position before Finance Act, 2010	Amendment
An association of persons, having turnover of fifty million rupees or above in tax year 2007 and onwards. “New Clause shall be added”	for the words, “and onwards” the words “or in any subsequent tax year shall be substituted; “an individual, having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent tax year.”

Comments: The Amendment has declared individuals having turnover of Rs. 50 million or above in the tax year 2009 or in any subsequent year as withholding agents. As a consequence of Amendment, the above referred individuals are required to deduct withholding tax while making payments for goods and services under Section 153 and are also required to file statements of withholding tax under Section 165 of *the Ordinance*.

Income from property to be taxed as normal income

SECTION 155(2)

Position before Finance Act, 2010	Amendment
The tax deducted under sub-section (1) shall be a final tax on the income from property.	“Shall be Omitted”

Comments: The tax deducted under Section 155 from income from property was final tax on such income. The Act lays down that such income shall be taxable as normal income and tax deducted shall be adjusted against liability arising there from at the rates specified in First Schedule to *the Ordinance*.

Procedure for filing of annual statement of withholding tax changed

SECTION 165(1)(a)(b)(c)&(d)

Position before Finance Act, 2010	Amendment
Every person collecting tax under Division II of this Part 3[or Chapter XII] or deducting tax from a payment under	the words and comma “within two months after the end of the financial year or within such further time as the Commissioner

Procedure for filing of annual statement of withholding tax changed

SECTION 165(1)(a)(b)(c)&(d)

Division III of this Part 4[or Chapter XII] shall, within two months after the end of the financial year or within such further time as the Commissioner may allow by 5[order] in writing, furnish to the Commissioner a statement in the prescribed form setting out...

may allow by order in writing,” shall be omitted;

for the words “the financial year”, the words “each quarter” shall be substituted;
.....

Comments: The Amendment has done away the requirement to file annual statement of withholding tax and instead made it mandatory to file quarterly statements even when no withholding tax shall be collected or deducted during the period. The Act also prescribed following dates for filing of quarterly withholding tax statements:

Name of quarter	Dates
September quarter	October 20 th
December quarter	January 20 th
March quarter	April 20 th
June quarter	July 20 th

Records

SECTION 174(3)

Requirement for retention of record changed

Amendment

The accounts and documents required to be maintained under this section shall be maintained for 3[six] years after the end of the tax year to which they relate 4[:
“Provided that where any proceeding is pending before any authority or court the taxpayer shall maintain the record till final decision of the proceedings.
Explanation.- Pending proceedings include proceedings for assessment or amendment of assessment, appeal, revision, reference, petition or prosecution and any proceedings before an Alternative Dispute Resolution Committee”.]

for the word “five” the word “six” shall be substituted; and for the full stop at the end, a colon shall be substituted and thereafter the following proviso and the explanation shall be added, namely:-

Provided that where any proceeding is pending before any authority or court the taxpayer shall maintain the record till final decision of the proceedings.

Explanation.- Pending proceedings include proceedings for assessment or amendment of assessment, appeal, revision, reference, petition or prosecution and any proceedings before an Alternative Dispute Resolution Committee.”;

Comments: The Amendment has ratified the earlier amendments made by the Finance (Amendment) Ordinance, 2009 dated October 28, 2009 and the Finance (Amendment)

Records

SECTION 174(3)

Ordinance, 2010 dated February 6, 2010 which requires that the record required to be maintained under *the Ordinance* be maintained for a period of six years except when the relevant year's proceedings would be pending. In the case of pending proceedings such record would be required to be kept for longer period till the final disposal of the proceedings.

Commissioners given powers to select CA firm to conduct audit

SECTION 176(1)(c)

Position before Finance Act, 2010	Amendment
<p>the firm of chartered accountants, as appointed by the Board, to conduct audit under section 177, for any tax year, may with the prior approval of the Commissioner concerned, enter the business premises of a taxpayer, selected for audit, to obtain any information, require production of any record, on which the required information is stored and examine it within such premises; and such firm may if specifically delegated by the Commissioner, also exercise the powers as provided in subsection (4).]</p>	<p>for the word and comma "Board" the words "Board or the Commissioner" shall be substituted;</p>

Comments: The amendment has empowered Commissioner to authorize a firm of chartered accountants to conduct the audit and call for information, etc. for the purpose of the audit.

Commissioner's powers to conduct audit explained

SECTION 177(1)(2)(3)(4)(5)(6)(7)(8) & (10)

Position before Finance Act, 2010	Amendment
<p>The Commissioner may call for any record or documents including books of accounts maintained under this Ordinance or any other law for the time being in force for conducting audit of the income tax affairs of the person and where such record or documents have been kept on electronic data, the person shall allow access to the Commissioner or the officer authorized by the Commissioner for use of machine and software on which such data is kept and the Commissioner or the officer may take into possession such machine and duly</p>	<p>The Commissioner may call for any record or documents including books of accounts maintained under this Ordinance or any other law for the time being in force for conducting audit of the income tax affairs of the person and where such record or documents have been kept on electronic data, the person shall allow access to the Commissioner or the officer authorized by the Commissioner for use of machine and software on which such data is kept and the Commissioner or the officer may take into possession such machine and duly attested hard copies of such information</p>

Commissioner’s powers to conduct audit explained

SECTION 177(1)(2)(3)(4)(5)(6)(7)(8) & (10)

attested hard copies of such information or data for the purpose of investigation and proceedings under this Ordinance in respect of such person or any other person:
Provided that the Commissioner shall not call for record or documents of the taxpayer after expiry of six years from the end of the tax year to which they relate.”;

or data for the purpose of investigation and proceedings under this Ordinance in respect of such person or any other person:
Provided that-

- (a) the Commissioner may, after recording reasons in writing call for record or documents including books of accounts of the taxpayer; and
- (b) the reasons shall be communicated to the taxpayer while calling record or documents including books of accounts of the taxpayer:

Provided further that the Commissioner shall not call for record or documents of the taxpayer after expiry of six years from the end of the tax year to which they relate.”;

After obtaining the record of a person under sub-section (1) or where necessary record is not maintained, the Commissioner shall conduct an audit of the income tax affairs (including examination of accounts and records, enquiry into expenditure, assets and liabilities) of that person or any other person and

After obtaining the record of a person under sub-section (1) or where necessary record is not maintained, the Commissioner shall conduct an audit of the income tax affairs (including examination of accounts and records, enquiry into expenditure, assets and liabilities) of that person or any other person and may call for such other information and documents as he may deem appropriate.”;

“Omitted”

“Sub-Section shall be Omitted”

“Omitted”

“Sub-Section shall be Omitted”

“Omitted”

“Sub-Section shall be Omitted”

Commissioner’s powers to conduct audit explained

SECTION 177(1)(2)(3)(4)(5)(6)(7)(8) & (10)

After completion of the audit 4[],.....	the words, brackets and figures
<p>Comments: The Amendment has ratified the earlier amendments made by the Finance (Amendment) Ordinance, 2009 dated October 28, 2009 and the Finance (Amendment) Ordinance, 2010 dated February 6, 2010 and make further amendment in Section 177 whereby the Commissioner have been empowered to call for any record or documents required to be maintained under the Ordinance or any other law for the time being in force for the purpose of tax audit.</p> <p>Where such information is kept in electronic form, the Commissioner or any other person authorized in this regard have been empowered to use the computer or take the machine into possession along with duly attested hard copies of such information for the purpose of audit or investigation of such person or any other person. The Commissioner would not be able call for information after expiry of six years from the end of the tax year to which they relate.</p> <p>It has also been laid down that the Commissioner shall only call for record or documents after recording the reasons in writing and communicating the same to the taxpayer.</p> <p>The amendment also empowered the Board to appoint a firm of chartered accountants or cost and management accountants to carry out tax audit of a person. It further allowed a Commissioner to make Best Judgment Assessment where the taxpayer fails to produce the record and documents required of him for the purpose of audit.</p>	

Active Taxpayers List

SECTION 181A(1)&(2)

Position before Finance Act, 2010	Amendment
“New Section shall be added”	<p>The Board shall have the power to institute active taxpayer’s list.</p> <p>Active taxpayers’ list shall be regulated as may be prescribed.”; (42) for section 182 the following shall be substituted, namely:-</p>
<p>Comments: The amendment empowered the Board to institute active taxpayers’ list and to prescribe its regulations.</p>	

Penal provisions in the Ordinance

SECTION 182 To 190

Position before Finance Act, 2010	Amendment
Penalty for concealment of income	“Section shall be Omitted”
Penalty for failure to maintain records	“Section shall be Omitted”

Penal provisions in the Ordinance

SECTION 182 To 190

<p>Penalty for non-compliance with notice</p> <p>Penalty for making false or misleading statements</p> <p>Penalty for failure to give notice</p> <p>Penalty for obstruction</p> <p>Imposition of Penalty</p>	<p>“Section shall be Omitted”</p> <p>“Section shall be Omitted”</p> <p>“Section shall be Omitted”</p> <p>“Section shall be Omitted”</p> <p>“Section shall be Omitted”</p>
<p>Comments: The Amendment has consolidated various penal provisions while making some minor changes in amount of penalties. The Amendment has also harmonized the penalty amount with other domestic taxes.</p> <p>The Act laid down that the penalties shall be applied in consistent manner and by an order in writing passed by Commissioner, Commissioner (Appeals), or the Appellate Tribunal. The Commissioner will be served order of penalty by Commissioner (Appeals) and the Appellate Tribunal and will be empowered to recover the penalty under <i>the Ordinance</i> from the concerned taxpayer.</p> <p>The Federal Government has been empowered to exempt any person or class of persons from payment of whole or part of the penalty and default surcharge payable under <i>the Ordinance</i>.</p>	

Power of the Board to select person for audit

SECTION 214C

<p>Position before Finance Act, 2010</p> <p>“New Section shall be added”</p>	<p>Amendment</p> <p>The Board may select persons or classes of persons for audit of Income Tax affairs through computer ballot which may be random or parametric as the Board may deem fit.</p> <p>Audit of Income Tax affairs of persons selected under sub-section (1) shall be conducted as per procedure given in section 177 and all the provisions of the Ordinance, except the first proviso to sub-</p>
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Power of the Board to select person for audit

SECTION 214C

	<p>section (1) of section 177, shall apply accordingly.</p> <p>For the removal of doubt it is hereby declared that Board shall be deemed always to have had the power to select any persons or classes of persons for audit of Income Tax affairs.”;</p>
<p>Comments: The Act has empowered the Board to select persons or class of persons for audit of Income Tax affairs through computer ballot which may be random or parametric as the Board may deem fit.</p>	

Various banking transactions to attract levy of advance tax

SECTION 231AA

<p>Position before Finance Act, 2010</p>	<p>Amendment</p>
<p>“New Section shall be added”</p>	<p>Every banking company, non-banking financial institution exchange company or any authorized dealer of foreign exchange shall collect advance tax at the time of sale against cash of any instrument, including Demand Draft, Pay Order, CDR, STDR, SDR, RTC, or any other instrument of bearer nature or on receipt of cash on cancellation of any of these instruments:</p> <p>Provided that this sub-section shall not be applicable in case of inter-bank or intra-bank transfer and also where payment is made through a crossed cheque for purchase of a financial instrument as referred to in sub-section(1)</p> <p>(2) Every banking company, non-banking financial institution, exchange company or any authorized dealer of foreign exchange shall collect advance tax at the time of transfer of any sum against cash through online transfer, telegraphic transfer, mail transfer or any other mode of electronic transfer.</p> <p>(3) The advance tax under this section shall be collected at the rate specified in</p>

Various banking transactions to attract levy of advance tax

SECTION 231AA

	<p>Division VIA of Part IV of the First Schedule, where the sum total of payments for transactions mentioned in sub-section(1) or sub-section (2) as the case may be exceed twenty five thousand rupees in a day.</p> <p>(4) Advance tax under this section shall not be collected in the case of transactions made by:</p> <p>(a) the Federal Government or a Provincial Government;</p> <p>(b) a foreign diplomat or a diplomatic mission in Pakistan; or</p> <p>(c) a person who produces a certificate from the Commissioner that its income during the tax year is exempt.”;</p>
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Comments: The Government in a bid to enhance the revenue has levied advance tax on sale against cash of any banking instrument including DD, PO, CDR, STDR, SDR, RTC, or any other instrument of bearer nature or on receipt of cash cancellation of any of above referred instrument. However, the provisions shall not be applicable in case of inter-bank or intra-bank transfer and also where payment shall be made through a crossed cheque for purchase of the banking instruments referred above.

The amendment has also levied advance tax on transfer of any sum against cash through online transfer, telegraphic transfer, mail transfer or any other mode of electronic transfer.

The advance tax shall be collected by every banking company, non-banking financial institution, exchange company or any authorized dealer of foreign exchange where the total sum of payments for above referred transaction in a day, exceeds Rs. 25,000/-. The rate of advance tax shall be 0.3% of the amount of transaction.

The provisions shall not be applicable to Federal and Provincial Governments, foreign diplomats and diplomatic missions, or to person producing a certificate from the Commissioner that his income during the tax year would be exempt.

Tax collect on stock exchange transactions to be allowed as tax credit

SECTION 233A

Position before Finance Act, 2010	Amendment
The tax collected under clauses (a) to (c) of sub-section (1) shall be minimum tax.]	For the words “minimum tax” the word “adjustable” shall be substituted;

Tax collect on stock exchange transactions to be allowed as tax credit

SECTION 233A

<p>Comments: The Amendment has allowed credit of tax deducted by stock exchanges registered in Pakistan on various transactions of sales and purchase of shares, commission on trading of shares and financing of COT. Previously, such tax was minimum tax on transactions referred above.</p>	

Sale of telephone units brought in with holding tax net

SECTION 236

Position before Finance Act, 2010	Amendment
<p>Telephone bill of a subscriber; and prepaid cards for 2[] telephones.</p>	<p>The word “and” occurring at the end, shall be omitted; and for the full stop at the end, the semicolon and word”; and”, shall be added; and thereafter the following new clause shall be inserted, namely:- sale of units through any electronic medium or whatever form.”;</p>
<p>Comments: Sale of telephone units through any electronic medium or whatever form has been brought in the net of withholding tax.</p>	

Advance tax to be collected on air tickets

SECTION 236B

Position before Finance Act, 2010	Amendment
<p style="text-align: center;">“New Section shall be added”</p>	<p>There shall be collected advance tax at the rate specified in Division IX of Part IV of the First Schedule, on the purchase of gross amount of domestic air ticket. The person preparing air ticket shall charge advance tax under sub-section (1) in the manner air ticket charges are charged.”;</p>
<p>Comments: Sale of air way tickets has been brought into net of advance tax. Under the amendment, the person preparing the tickets shall collect advance tax on the purchase of domestic air ticket @ 5% of the gross amount of air ticket.</p>	

**THE FIRST SCHEDULE
PART I – DIVISION I**

RATES OF TAX FOR INDIVIDUALS

Comments: The rates of tax chargeable for the tax year 2010 (corresponding to the income year ending at any time between July, 2010 to June, 2011) are as under:

The taxable income of Associations of Persons has been excluded from the slab rate of Division – I and a straight rate @ 25% on declared profits shall be applicable.

The basic limit of exemption has been enhanced to Rs. 300,000/-. This exemption of taxable income will not put any effect on the tax liability of business individual as the amount of tax will start from Rs. 22,500/-. The tax rates as per 1st Schedule for the business individuals are summarized as under:

Taxable Income	Tax Rate %	Tax Charge
Upto Rs.300,000	0	Nil
Rs.300,001 to Rs.500,000	7.5	22,500 to 37,500
Rs.500,001 to Rs.750,000	10	50,000 to 75,000
Rs.750,001 to Rs.1,000,000	15	112,500 to 150,000
Rs.1,000,001 to Rs.1,500,000	20	200,000 to 300,000
Rs. 1,500,001 and above	25	375,000 and above

The changes in the 1st Schedule for the salaried individuals including women salaried taxpayers are summarized as under: (The basic exemption limit of salaried individuals is being enhanced from Rs.200,000 to Rs.300,000).

No tax will be levied on the salary of Rs. 25,000/- per month. This Amendment is also affected with the higher side slab of 20% on the taxable salary of Rs. 4,550,000/-

8S. #	Salary Income	Tax Rate %	Tax Charge
1	Upto Rs.300,000	0	Nil
2	Rs.300,000 to Rs.350,000	0.75	2,250 to 2,625
3	Rs.350,000 to Rs.400,000	1.5	5,250 to 6,000

4	Rs.400,000 to Rs.450,000	2.5	10,000 to 11,250
5	Rs.450,000 to Rs.550,000	3.5	15,750 to 19,250
6	Rs.550,000 to Rs.650,000	4.5	24,750 to 29,250
7	Rs.650,000 to Rs.750,000	6	39,000 to 45,000
8	Rs.750,000 to Rs.900,000	7.5	56,250 to 67,500
9	Rs.900,000 to Rs. 1,050,000	9	81,000 to 94,500
10	Rs.1,050,000 to Rs.1,200,000	10	105,000 to 120,000
11	Rs.1,200,000 to Rs.1,450,000	11	132,000 to 159,500
12	Rs.1,450,000 to Rs.1,700,000	12.50	181,250 to 212,500
13	Rs.1,700,000 to Rs.1,950,000	14	238,000 to 273,000
14	Rs.1,950,000 to Rs.2,250,000	15	292,500 to 337,500
15	Rs.2,250,000 to Rs.2,850,000	16	360,000 to 456,000
16	Rs.2,850,000 to Rs.3,550,000	17.5	498,750 to 621,250
17	Rs.3,550,000 to Rs.4,550,000	18.5	656,750 to 841,750
18	Rs.4,550,000 and above	20	910,000 and above

The above tax will be charged without marginal relief

Marginal Relief:

Comments: The slab rates of Marginal Relief are same as in the previous year.

DIVISION IA

RATES OF TAX ON CERTAIN PERSONS

Comments: The rate of turnover tax has been enhanced from 0.5% to 1%.

DIVISION IB

RATES OF TAX FOR ASSOCIATION OF PERSONS

Comments: A new division has been added and straight rate of 25% has been imposed on any taxable income earned by AOP without having any basic exemption.

DIVISION II

RATES OF TAX FOR COMPANIES

Clause (iii)

Comments: Enhanced rates @ 25% on Small Companies has been imposed instead of previous flat rate of 20%.

DIVISION VII

CAPITAL GAIN ON SALE OF SECURITIES

Comments: A new division imposing tax on capital gain on sale of securities has been added and the following slab will apply under section 37A:

S.No.	Period	Tax Year	Rate of tax %
1	Where holding period of a security is less than six months	2011	10
		2012	10
		2013	12.5
		2014	15
		2015	17.5
2.	Where holding period of a security is more than six months but less than twelve months	2011	7.5
		2012	8
		2013	8.5
		2014	9
		2015	9.5
2016	10		
3.	Where holding period of a security is more than one year		0

The amendment has also made it mandatory for mutual fund or a collective investment scheme to deduct Capital Gain Tax at the rate specified above on redemption of securities.

PART II **RATES OF ADVANCE TAX**

Comments: The rate of with holding tax on imports has been increased from 4% to 5%

PART III **DIVISION II** **PAYMENTS TO NON-RESIDENTS**

Comments: The rate of withholding tax has been to reduced to 20% on those transaction where the rate of 30% was applicable

DIVISION IV **PRIZES AND WINNINGS**

Comments: The rate of tax on cross-words puzzle has been reduced to 10% i.e. equivalent to the prize bonds.

PART IV **DIVISION III** **TAX ON MOTOR VEHICLES**

Comments: A uniform rate on all types of goods transport vehicles has been made effective @ Rs. 1. Kilogram of the laden weight.

DIVISION IV **ELECTRICITY CONSUMPTION**

Comments: The rate of advance tax on electricity consumption for industrial and commercial consumer on monthly bill exceeding Rs. 20,000/- shall be charged at a reduced rate of 5% instead of 10%.

DIVISION V **TELEPHONE USERS**

Comments: The term CD used in clause (b) is has been substituted by “Any electronic medium” being more extensive.

DIVISION VIA **ADVANCE TAX ON TRANSACTIONS IN BANK**

Comments: A new division has been added for levy of advance tax @ 0.3% on various banking transactions similar to that currently being collected on Cash Withdrawals.

DIVISION IX

ADVANCE TAX ON PURCHASES OF AIR TICKET

Comments: A new division has been added for tax deduction on purchase of domestic air tickets @ 5% which will be adjustable against the tax liability of the purchaser.

SECOND SCHEDULE

PART-I EXEMPTION FROM TOTAL INCOME

Clause	Description	Remarks
57(2)	Exemption to mutual funds, investment companies, REIT, NIT, etc.	Scope of exemption restricted
72(iii)	Exemption for utilization foreign loan for industrial investment in Pakistan on or before February, 1991 for foreign individual, company, firm or AOPs if registered with the State Bank of Pakistan	Exemption subject to conditions
92(A)	Income of any university or any other educational institute in Khyber Pakhtunkhwa and related tribal areas	Exemption for two years
102	Dividend in the hand of Investment Corporation of Pakistan	Exemption withdrawn
103	Exemption in respect of distribution from collective investment schemes	Scope of exemption restricted
103B	Exemption to dividend in specie received from companies as defined in the Companies Ordinance, 1984	Exemption subject to conditions
110	Capital gain income from the sale of Modaraba certificates	Exemption withdrawn
110(A)	Gain on transfer of capital assets of an exchange to new stock exchange	Exemption withdrawn
111	Capital gains from sale of shares of a public company derived by any foreign institutional investor	Exemption withdrawn
126(F)	Profit or gains of a taxpayer starting from tax year 2010, located in Khyber Pakhtunkhwa and related tribal areas	Exemption for three

PART-II REDUCTION IN TAX RATES

Clause	Description	Remarks
24(A)	Reduced tax rates has been proposed for large import houses fulfilling the conditions laid down in Section 148(7)(d) of the Ordinance.	Relaxation allowed

**PART-III
REDUCTION IN TAX LIABILITY**

Clause	Description	Remarks
1A	Limit of income for senior citizen allowance has been enhanced to Rs. 1(M) from Rs. 750,000/-.	Limit enhanced

**PART-IV
EXEMPTION FROM SPECIFIC PROVISIONS**

Clause	Description	Remarks
10(A)	The following provisions of Income Tax Ordinance have been withdrawn for the business located in areas of Khyber Pakhtunkhwa and related tribal areas: i) Default surcharge & penalty on tax. ii) Advance tax on electricity under section 235. iii) Provisions of section 154 for withholding tax on exports iv) Provisions of section 148 for import of plant & machinery	Exemption Inserted subject to conditions.
52	Raw material imported in the case of vanaspati ghee or oil.	Exemption Withdrawn
73	Exemption for the Income Tax payable by a foreign expert	Exemption subject to approval of Ministry of Textile

**THIRD SCHEDULE
PART-I**

DEPRECIATION

Clause	Comments
V	100% depreciation has been allowed for building ramp to provide access to disable person subject to a limit of Rs. 250,000/-

FOURTH SCHEDULE

Rules for taxation of insurance business have also been amended to withdraw exemption available to such businesses in respect of capital gains from sale of shares or instrument of redeemable capital of a public company and PTCL vouchers. This withdrawal of exemption is in line with other amendments made in the Ordinance. However, rate of taxation will be different from other taxpayers which is

Sr.	Tax year	Where holding period of securities is less than six months	Where holding period of securities is more than six months but less than 12 months
1	2011	10.0%	8.0%
2	2012	12.5%	8.5%
3	2013	15.0%	9.0%
4	2014	17.5%	9.5%
5	2015	17.5%	10.0%

FIFTH SCHEDULE PART-I

RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS FROM THE EXPLORATION AND PRODUCTION OF PETROLEUM

Clause	Comments
4A	The Amendment has allowed decommissioning cost as certified by a Chartered Accountant or a Cost Accountant, in a manner prescribed, over a period of ten year or the remaining life of the development and production or mining lease, whichever is less. Such allowance will start from the tax year 2010.

SEVENTH SCHEDULE

RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF A BANKING COMPANY AND TAX PAYABLE THEREON

Clause	Comments
1(c)	The Amendment intends to allow for provision for advances and off balance sheet items at 5% of total advances for consumers and SMEs.
8A	<p>The bill seeks to allow for write off of irrecoverable advances that were provided for in the tax year 2008 or prior tax years and were neither claimed nor allowed as a tax deductible in any tax year.</p> <p>The Amendment also provides that where above referred advances are subsequently recovered instead of write off, these would not be liable to tax.</p>

SALES TAX ACT, 1990

The Finance Act has harmonized the tax authorities for domestic taxes and have defined “Appellate Tribunal”, “Chief Commissioner”, “Commissioner”, and “Officer of Inland Revenue” as is the case in the Income Tax Ordinance, 2001 and has appropriately replaced “Collector” with “Commissioner”, “Additional Collector” with “Additional Commissioner”, “Assistant Collector” with “Assistant Commissioner”, “Deputy Collector” with “Deputy Commissioner”, and “Federal Excise Officer” with “Officer of Inland Revenue” wherever occurring in the Act. Apart from above harmonization measures, following amendments have also been made:

Scope of Tax

SECTION 3

Position before Finance Act, 2010	Amendment
Subject to the provisions of this Act, there shall be charged, levied and paid a tax known as sales tax at the rate of 1sixteen per cent of the value of--	for the word “sixteen”, wherever occurring, the word “seventeen” shall be substituted;
Comments: Rate of sales tax has been increased from 16% to 17% across the board. This is major revenue measure to finance government expenditures as the Government has not imposed VAT w.e.f. July 1, 2010 due to hues and cries raised from various sectors of the economy.	

Retention of record and documents for five years

SECTION 24

Position before Finance Act, 2010	Amendment
A person, who is required to maintain any record or documents under this Act, shall retain the record and documents for a period of Six years after the end of the tax period to which such record or documents relate 1or till the final decision in any proceedings including proceedings for assessment, appeal, revision, reference, petition and any proceedings before an alternative Dispute Resolution Committee.	for the word “five”, occurring twice, the word “six” shall be substituted and after the word “relate”, at the end, the words and commas “or till such further period the final decision in any proceedings including proceedings for assessment, appeal, revision, reference, petition and any proceedings before an Alternative Dispute Resolution Committee is finalized” shall be added;
Comments: The Amendment has ratified the earlier amendments made by the Finance (Amendment) Ordinance, 2009 dated October 28, 2009 and the Finance (Amendment) Ordinance, 2010 dated February 6, 2010 which requires that the record required to be maintained under <i>the Act</i> be maintained for a period of six years except when the relevant year’s proceedings would be pending. In the case of pending proceedings such record would be required to be kept for longer period till the final disposal of the	

**Retention of record and documents
for five years**

SECTION 24

proceedings.

Access to record, documents, etc

SECTION 25(3)

Position before Finance Act, 2010

The Assistant Commissioner (Audit), shall issue audit observation pointing out the contraventions of the Act or rules, as the case may be, and the amount of tax evaded therein, on the basis of scrutiny of such records, as prescribed under the Act or rules or in any other manner by the Board. The registered person may, within a period of fifteen days of the receipt of audit observation, submit his point of view in writing.

Amendment

After completion of the audit under this section or any other provision of this Act, the officer of Inland Revenue may, if considered necessary, after obtaining the registered person's explanation on all the issues raised in the audit shall pass an order under section 11 or section 36, as the case may be, imposing the amount of tax under this Act, charging default surcharge, imposing penalty and recovery of any amount erroneously refunded.”;

Comments: The Officer of Inland Revenue may, if considered necessary, after obtaining the registered person explanation would be able to pass an order. Previously, the Officer was required to raise audit observations and either obtain or wait for 15 days for the registered person's comments before issuing an audit report.

Transactions between Associates

SECTION 25AA

Position before Finance Act, 2010

“New Section Shall Be Added”

Amendment

The Commissioner or an officer of Inland Revenue may, in respect of any transaction between persons who are associates, determine the transfer price of taxable supplies between the persons as is necessary to reflect the fair market value of supplies in an arm's length transaction.”;

Comments: A Commissioner or an Officer of Inland Revenue has been empowered to determine the transfer price of taxable supplies in transactions between associated parties to reflect the fair market value of supplies.

**Special Audit by Chartered
Accountants or Cost Accountants**

SECTION 32A(1)

Position before Finance Act, 2010

The Board may, by notification in the official Gazette, appoint a Chartered Accountant as defined under Chartered Accountants Ordinance, 1961 (X of 1961) or a firm of Chartered Accountants

Amendment

after the word “Board”, the words “or the Commissioner” shall be inserted; and

Special Audit by Chartered Accountants or Cost Accountants

SECTION 32A(1)

or a Cost and Management Accountant within the meaning of the Cost and Management Accountants Act, 1966 (XIV of 1966) or a firm of Cost and Management Accountants, for conducting special audit of records of registered person:
Provided that the Board may, by notification in the official Gazette, appoint a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961), or a Cost and Management Accountant within the meaning of the Cost and Management Accountants Act, 1966 (XIV of 1966), or a firm of Cost and Management Accountants to conduct audit of refund claims.

the words and comma “by notification in the official Gazette,” shall be omitted.

Comments: The provision of this section previously authorized the Board to appoint a Chartered Accountant or a firm of Chartered Accountant or a Cost and Management Accountant or a firm of Cost and Management Accountant for conducting special audit of records of registered person by notification in the official gazette. Now the Commissioner has also been empowered to appoint such persons and condition for notifying in the official gazette has also been abolished.

Authorized officers to have access to premises, stocks, accounts and records

SECTION 38(1)

Position before Finance Act, 2010

Any officer authorized in this behalf by the Board 3[***]shall have free access to business or manufacturing premises, registered office or any other place where any stocks, business records or documents required under this Act are kept or maintained belonging to any registered person or a person liable for registration or whose business activities are covered under this Act or who may be required for any inquiry or investigation in any tax fraud committed by him or his agent or any other person;

Amendment

after the word, “Board”, the words, “or the Commissioner” shall be inserted;

Authorized officers to have access to premises, stocks, accounts and records

SECTION 38(1)

and such officer may, at any time, inspect the goods, stocks, records, data, documents, correspondence, accounts and statements, utility bills, bank statements, information regarding nature and sources of funds or assets with which his business is financed, and any other records or documents, including those which are required under any of the Federal, Provincial or local laws maintained in any form or mode and may take into his custody such records, statements, diskettes, documents or any part thereof, in original or copies thereof in such form as the authorized officer may deem fit against a signed receipt.



Comments: The amendment has empowered a Commissioner in addition to the Board to authorize any Officer of Inland Revenue to have free access to the business or manufacturing premises or registered office of the registered person and to inspect the stocks, accounts, records and documents. Earlier the Collector has the same powers which were abolished through Finance Act 2009.

Service of orders, decisions, etc

SECTION 56 (1)(a)(b)&(c)

Position before Finance Act, 2010

Amendment

subject to this Act , any notice, order or requisition required to be served on a resident individual, other than in a representative capacity for the purposes of this Act shall be treated as properly served on the individual if____

personally served on the individual or, in the case of an individual under a legal disability or a non-residents individual” the representative of the individual;

sent by register post or courier service specified in clause (b) of sub--section (2) or to the individual’s usual or last known address in Pakistan, or(c) Served on the individual in the manner prescribed for service of a summons under the code of

Subject to this Act, any notice, order or requisition required to be served on a resident individual, other than in a representative capacity, for the purposes of this Act shall be treated as properly served on the individual if –

personally served on the individual or, in the case of an individual under a legal disability or a non-resident individual, the representative of the individual;

sent by registered post or courier service to the place specified in clause (b) of sub-section (2) or to the individual's usual or last known address in Pakistan; or

Service of orders, decisions, etc

SECTION 56 (1)(a)(b)&(c)

civil procedure, 1908(v of 1908)

served on the individual in the manner prescribed for service of a summons under the Code of Civil Procedure, 1908 (V of1908).

Comments: The amendment has provided for the mode of service of any notice, order and requisition on resident and non-resident individual and association of persons in the following manner;

- (1) In case of a resident individual it shall be treated as properly served if;
 - it is personally served on the individual or in case of legal disability or a nonresident individual; the representative of the individual;
 - sent by registered post or courier services; or
 - served in the manner of a summon under the Code of Civil Procedure, 1908.
- (2) In case of any person (other than a resident individual) it shall be served as properly served if;
 - personally served on the representative of the person;
 - sent by register port or courier services to the register office or address or does not have register office or address then to any office or place of business in Pakistan; or
 - served in the manner of a summon under the Code of Civil Procedure, 1908
- (3) In case of an association of persons which has been dissolved; by serving on the principal officer or a member immediately before such dissolution.
- (4) In case of business which stands discontinued; personally on the person discontinuing the business or on person’s representative at the time of discontinuance.

Selection for audit by the Board

SECTION 72B (1)(2)&(3)

Position before Finance Act, 2010

“New Section shall be added”

Amendment

The Board may select persons or classes of persons for audit of tax affairs through computer ballot which may be random or parametric as the Board may deem fit.

Audit of tax affairs of persons selected under sub-section (1) shall be conducted as per procedure given in section 25 and all the provisions of this Act shall apply

Selection for audit by the Board

SECTION 72B (1)(2)&(3)

“New Section shall be added”

accordingly.

For the removal of doubt, it is hereby declared that the Board shall be deemed always to have had, the power to select any persons or classes of persons for audit of tax affairs under this section.”;

Comments: The Board has been empowered to select persons or class of persons for audit of tax affairs through computer ballot which may be random or parametric as the Board may deem fit.

FEDERAL EXCISES

Harmonization of Tax Authorities:

The Amendment is technical in nature and has harmonized the titles of “tax authorities” for domestic taxes viz. “Appellate Tribunal”, “Chief Commissioner”, “Commissioner”, and “Officer of Inland Revenue” in line with Income Tax Ordinance, 2001. Through the Amendment the titles; wherever occurring in the Act, i.e. “Collector” has been replaced with “Commissioner”, “Additional Collector” with “Additional Commissioner”, “Assistant Collector” with “Assistant Commissioner”, “Deputy Collector” with “Deputy Commissioner”, and “Federal Excise Officer” with “Officer of Inland Revenue”. Apart from above harmonization measures, following amendments have proposed to be made:

Section 17(1)

Period for retention of record enhanced

The time period of maintaining and keeping the records of excisable goods purchased, manufactured and cleared has been increased from 5 years to 6 years or till the final decision in any proceedings for assessment, appeal, revision, reference, petition and any proceedings before an Alternative Dispute Resolution Committee.

Section 34 A

Procedure for filing reference before the High Court harmonized

The amendment has included procedure for filing reference before the High Court. The Amendment lays down that any person or the Commissioner if aggrieved by an order of Appellate Tribunal may prefer an application, in the prescribed form along with a statement of the case, to the High Court, stating any question of law arising out of such order within 90 days of communication of the order under Section 34(2A).

The procedure for filing of reference and its proceedings is in line with those given in the Income Tax Ordinance, 2001 to bring harmony within the domestic tax laws.

Section 42 B

Retrospective powers given to the tax authorities for selection of case for audit

The Board has been empowered to select persons or classes of persons for audit of records and documents through computer ballot which may be random or parametric as the Board may deem fit. Audit of such persons selected shall be conducted as per procedure given in section 46. The amendment also lays down that the Board shall be deemed always to have had, the power to select any persons or classes of persons for audit.

Section 46 (2A)

Powers of Officer Inland Revenue to imposed duty, etc.

After the completion of audit, an Officer of Inland Revenue has been empowered to pass an order under section 14 after obtaining the registered person explanation on the issues raised as a result of the audit proceedings for imposing amount of duty, charging default surcharge, penalty and recovery of any amount erroneously refunded.

Section 47

Mode of Service of notice, etc. defined

Modes of service of any notice, order and requisition on resident and non-resident individual and association of persons have been provided in the following manner;

- (5) In case of a resident individual it shall be treated as properly served if;
 - it is personally served on the individual or in case of legal disability or a nonresident individual, to the representative of such individual;
 - sent by registered post or courier services; or
 - served in the manner of a summon under the Code of Civil Procedure, 1908.
- (6) In case of any person (other than a resident individual) it shall be served as properly served if;
 - personally served on the representative of the person;
 - sent by register port or courier services to the register office or address or if he does not have register office or address then to any office or place of business in Pakistan; or
 - served in the manner of a summon under the Code of Civil Procedure, 1908
- (7) In case of an association of persons which has been dissolved; by serving on the principal officer or a member immediately before such dissolution.
- (8) In case of business which stands discontinued; personally on the person discontinuing the business or on person's representative at the time of discontinuance.

CHANGE IN RATE OF DUTIES

Following amendments in the rate of duty for various items have also been made:

- (1) Rate of duty on cigars, cheroots, cigarillos and cigarettes, of tobacco substitutes and that of locally produced cigarettes if their retail price exceeds nineteen rupees and fifty paise per ten cigarettes from 64% of the retail price to 65%.
- (2) Rate of duty on locally produced cigarettes, where their retail price do not exceeds nineteen rupees and fifty paise per ten cigarettes, has been enhanced by 50 paises per ten cigarettes.
- (3) Rate of duty on cigarettes manufactured by a manufacturer who remains engaged on and after the 10th June, 1994, either directly or through any other arrangement, in the manufacture of any brand of cigarette in non-tariff areas has been enhanced from 64% of the retail price to 65%.
- (4) Rate of duty on natural gas in gaseous state and other petroleum gasses in gaseous state has been increased by Rs. 4.10/- per MMBTu to ten rupees from the rate of five rupee and nine paise per MMBTu.
- (5) Following new duties have also been levied:

Description of goods	Rate of duty
Filter rods for cigarette	One rupee per filter rod
Air Conditioners	Ten percent ad val.
Deep Freezers	Ten percent ad val.

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