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# A Brief on Finance Supplementary (Second Amendment) Act, 2019

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On 23 January 2019, the Finance Minister presented **Finance Supplementary (Second Amendment) Bill 2019** in the National Assembly for amendment of certain provisions of the Federal tax laws which has subsequently been passed by the National Assembly.

**Finance Supplementary (Second Amendment) Act 2019** thereafter has been **assented by the President** and published in the Gazette of Pakistan on 11 March 2019. We are pleased to summarize our comments containing our interpretation of the enacted legislation in this brief.

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

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

The Budget Brief can also be accessed on our website.

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# An Overview

## An Act aimed at economic reforms

The purported objective of the Finance Supplementary (Second Amendment) Act 2019 [Act] as stated by the Finance Minister in his speech at the time of proposing the bill, was to encourage economic activity and roll out reforms, reduce cost of production and encourage investment in industries; leading to employment creation.

To this end, the Act has introduced the following measures:

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

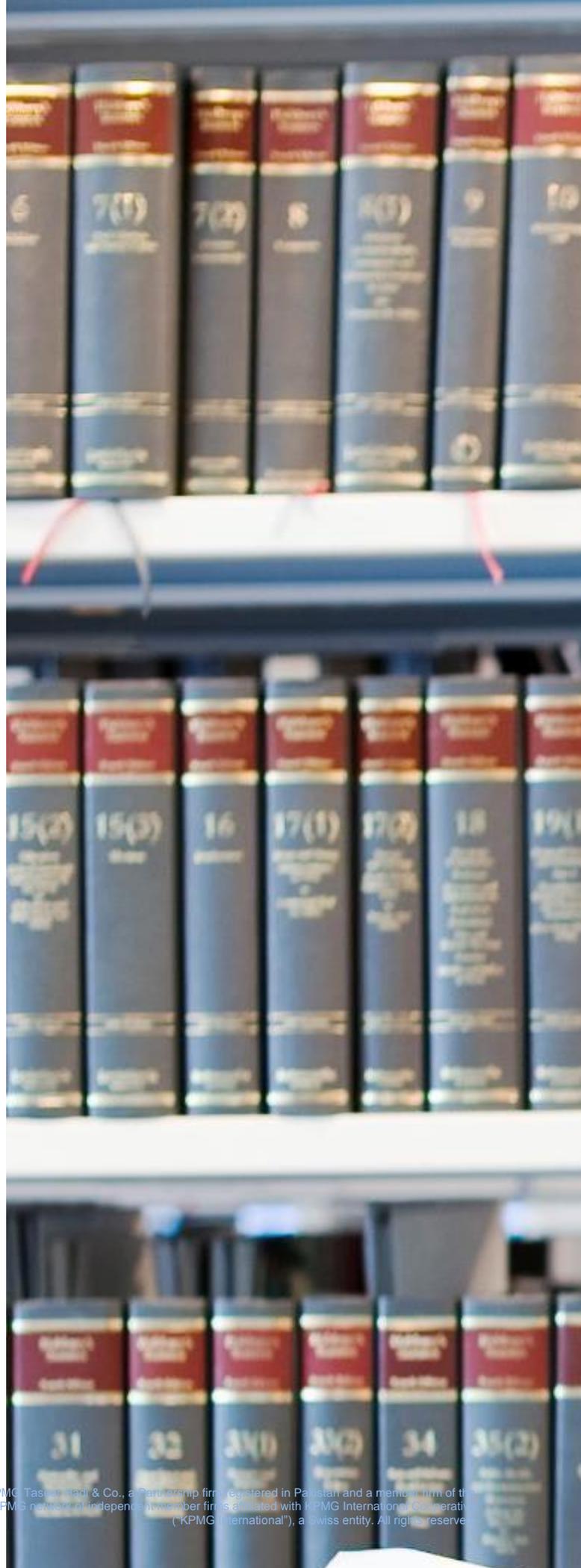
- Withdrawal of 0.3% tax on cash withdrawals and banking transactions by filers of tax returns.
- Exemptions for SURMAYA-E-PAKISTAN LIMITED from income tax, minimum tax and withholding of taxes on dividend and profit on debt.

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

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

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

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



# Income Tax

## Enhancement of rate and period for charge of super tax - Section 4B

Prior to the Act, super tax was not payable by the banking companies for the Tax Year 2018. For the next two years, the rate of tax was 3% and 2% respectively. The Act has now provided for a uniform rate of 4% effective Tax Year 2018. The levy is however not to apply on specified income subject to reduced rate of 20%.

This leads to a conundrum of payment for the Tax Year 2018 as returns for the Tax Year 2018 stand filed. Apparently, the payment will now be required immediately, including in those cases where these returns have been amended by the tax authorities.

A further amendment has been made in section 4B by extending the period of this levy to future years instead of phasing it out as was the objective when it was first introduced in 2015 to raise one time additional funds for IDPs.

For taxpayers other than banking companies, super tax has however been withdrawn for the Tax Year 2020, previously levied at 1% of taxable income where such income exceeded Rs. 500 million.

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

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

The Act has restricted the chargeability of tax on undistributed profits upto Tax Year 2019 and not thereafter.

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

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

The Act has provided the facility for carry forward of loss sustained on disposal of securities upto three tax years immediately succeeding the tax year for which the loss was first computed, however, the said loss shall only be adjustable against the income from disposal of securities chargeable to tax under section 37A. This amendment is effective in respect of losses for tax year 2019 and onwards.

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

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

The Act now provides that in addition to income from sale of spectrum licenses by PTA, income from renewal thereof shall also be treated as income of the Federal Government.

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

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

## Provisional assessment for charge of tax on undeclared offshore assets – Section 123(1A)

The Act has introduced a new sub-section (1A) in section 123, according to which, Commissioner is empowered to issue a provisional assessment order or provisional amended assessment order to a person for the last completed tax year by taking into account the undeclared offshore asset of the person.

In terms of newly inserted section 230E this power has been vested with the Directorate General of International Tax Operations, a post created under the Act.

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

Till 30 June 2018, tax required to be paid on import of goods which are sold in the same condition, as they were imported, was to be taxed under Final tax regime.

The Finance Act 2018 however amended this tax regime for commercial importer and brought them within the ambit of minimum taxation.

The Act has again brought these commercial imports under the ambit of final tax regime.

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

Presently, withholding tax statements are required to be filed on monthly basis. The Act has replaced the requirement of filing of withholding tax statements from monthly basis to half yearly basis. The withholding tax statements for the six months period ended 31 December will be filed by 31 January of the next year and the, withholding tax statements for the six months period ended 30 June will be filed by 31 July. The banking companies have however been exempted from the requirement of filing of complete particulars of individual deposit

holders with respect to tax collected on profit payments and cash withdrawals.

The Act empowers the Commissioner to require a withholding tax agent to furnish a withholding tax statement for any period within a specified time period.

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

The Act has further relaxed the restrictions placed on the registration of vehicles acquired by non-filers.

Accordingly, the requirement of being a 'filer' will not be applicable for registration of any 'locally manufactured motor vehicle' or to such non-resident Pakistanis who hold International passport. Prior thereto, the exception only applied to such non-filers who held Pakistan origin card or a national identity card for overseas Pakistanis and produced a certificate from a scheduled bank of receipt of foreign exchange remitted from outside Pakistan through normal banking channels during a period of sixty days prior to the date of booking, registration or purchase of motor vehicle.

However the Act has enhanced advance tax rates applicable on purchase, registration of motor vehicles for non-filers as under:

S. No.	Engine Capacity	Previous Rate (Rupees)	Revised Rate (Rupees)
1.	Upto 850 CC	10,000	15,000
2.	851 CC to 1000 CC	25,000	37,500
3.	1001 CC to 1300 CC	40,000	60,000
4.	1301 CC to 1600 CC	100,000	150,000
5.	1601 CC to 1800 CC	150,000	225,000

S. No.	Engine Capacity	Previous Rate (Rupees)	Revised Rate (Rupees)
6.	1801 CC to 2000 CC	200,000	300,000
7.	2001 CC to 2500 CC	300,000	450,000
8.	2501 CC to 3000 CC	400,000	600,000
9.	Above 3000 CC	500,000	675,000

## Directorate General of International Tax Operations – Section 230E

The Finance Act 2017 introduced the Directorate General of Transfer Pricing

The Bill proposed to omit section 230E, to abolish this Directorate General of Transfer Pricing.

The Act has now substituted the Directorate General of Transfer Pricing with the Directorate General of International Tax Operations with following features:

- The Directorate General of International Tax Operations shall consist of a Director-General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other Officers as the Board may notify.
- The functions and jurisdiction of the Directorate General and its Officers shall be notified by the Board who may confer them the powers of income tax authorities as well.
- The functions and powers of the Directorate General of International Tax Operations shall include but not limited to-
  - Receive and send information from other jurisdictions under spontaneous, automatic and on demand exchange of information under exchange of information agreements;
  - Levy and recover tax by passing an assessment order under section 123(1A) in

case of undeclared off-shore assets and incomes;

- Receive, transmit and exchange country by country reports to the jurisdictions that are parties to international agreements with Pakistan and
- Conduct transfer pricing audit in cases selected for such audit by the Director General of International Tax Operations.

The Board shall notify the criteria for selection of the taxpayer for transfer pricing audit.

The Act clarifies that transfer pricing audit refers to the audit for determination of transfer price at arm's length in transactions between associates and is independent of audit under section 177, 214C which is audit of the income tax affairs of the taxpayer.

The establishment of this office may result in concurrent powers over transfer pricing audits under this section and under section 177. Although the Act has spelled the transfer pricing audit as independent from audit of income tax affairs, however the matter of proper jurisdiction over transfer pricing audits needs to be appropriately determined.

## Abolishment of advance tax on Stock Exchange transactions – Section 233A

Presently, the Stock Exchanges registered in Pakistan are required to collect advance tax from their members on purchases and sales of shares in lieu of tax on commission earned by them.

The Act has abolished the collection of this advance tax effective 01 March 2019.

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

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

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

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

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

The Act has abolished this tax collection on cash withdrawals for filers.

## Tax on transactions in Banks removed for filers – Section 231AA & Division VIA, Part IV First Schedule

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

The Act has removed the applicability on filers.

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

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

## Second Schedule

### Part I - Exemptions

The Act has brought following amendments in Part I of the Second Schedule:

### New Exemptions

#### *Exemption of income of following entities introduced – Clause 66*

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

#### *Exemptions for Inter Corporate Dividends [103C]*

The Act has reduced the exemption on inter-corporate dividend in case of companies availing Group Relief in proportion to the percentage of ordinary shareholding of the recipient in the distributing company.

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

Further in the absence of withholding tax exemption under Part IV, the exempted dividends may still be subject to withholding of taxes as per rates in the Division I of Part III creating tax refundable and hence effectively defying the very intent of this amendment.

This clause is effective from 01 July 2019.

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

The exemption already granted on the profits and gains derived by an industrial undertaking set up by

the 31<sup>st</sup> day of December 2016 engaged in the manufacturing of the plant, machinery, equipment and items with dedicated use for generation of renewable energy from sources like solar and wind has been extended to new industrial undertakings setup between 01 March 2019 and 30 June 2023 for a period of five (05) years beginning from the date such industrial undertaking is set up.

#### *Exemption of profit and gains derived by the Green Field Industrial Undertakings – Clause 126O*

The exemption has been granted to profits and gains of a green field industrial undertaking incorporated on or after 1<sup>st</sup> day of July 2019 provided that it is not formed by the splitting up or reconstruction of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan before the commencement of the new business.

This clause has not defined the term green field industrial undertakings. In common parlance a green field project is the one built on unused lands not needing remodeling or demolishing of an existing structure while in the legal parlance green field site connotes to the land that has never been developed, a property acquired as an investment especially for establishing a new business.

#### **Part IV – Exemption from specific provisions**

##### *Minimum taxation – Clause 11A*

The Act has provided exemption from application of minimum tax under section 113 to the following entities;

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

- SARMAYA-E-PAKISTAN LIMITED; and
- Green field Industrial Undertakings under clause 126O

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

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

#### *Exemption from withholding tax under section 151 – Clause 36B, 36C, 36E*

Following have been granted exemption from withholding of taxes under section 151 of the Ordinance.

S. No.	Description	Clause
1.	Promisory notes and sales tax refund bonds issued under Sales Tax Act, 1990	36B
2.	Pakistan Banou Certificates	36C
3.	Bonds issued by Federal Government Duty Drawback Bonds Rules, 2019	36E

#### *Exemption from withholding tax under section 151 and 150 to SURMAYA-E-PAKISTAN-LIMITED – Clause 36D*

Exemption from withholding of tax under section 150 on payment of dividend and section 151 on profit on debt has been allowed to SARMAYA-E-PAKISTAN LIMITED.

*Exemption from withholding tax under section 148 on Fire Fighting Equipments – Clause 60D*

Exemption from collection of tax under section 148 at import stage has been allowed on import of fire fighting equipments by industrial undertakings set up in special economic zones established by the Federal Government.

*Exemption from application of section 236A – Clause 95A*

The Act has exempted collection of advance tax at the time of sale through auction under section 236A in case of auction of franchise rights to participating teams in a national or international league organized by any board or other organization established by the Federal Government for the purposes of controlling, regulating or encouraging major games and sports recognized by the Federal Government.

This clause shall take effect from 01 July 2019.

*Exemption from applicability of section 231A – Clause 101A*

The Act has exempted collection of advance tax on cash withdrawals from a bank account maintained in Pak Rupees in which the deposits are made solely through remittances in foreign currency.

*Exemption from applicability of section 4B – Clause 111*

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

This amendment appears to be wrongly placed in the Ordinance as exemptions provided in the Second Schedule are not applicable to banking companies.

This may have better been placed in Rule 7C of the Seventh Schedule.

## The Seventh Schedule

The Bill proposed to insert rules 7D, 7E and 7F in the Seventh Schedule to provide for reduced rate of taxation @ 20% (instead of 35%) on interest income of Banking Companies from additional advances to micro, small and medium enterprises; low cost housing finance and farm credits for four years (from Tax Year 2020 to Tax Year 2023) subject to fulfillment of specified condition.

This has now been enacted with the following changes:

- The reduced rate of tax was proposed to be available subject to the filing of specified details of these advance. The said condition has been replaced with the requirement to furnish a certificate from external auditor along with accounts certifying the amount of advances made in the preceeding tax year, additional advance and net mark-up earned on these additional advances while filing return. Further the Commissioner has been empowered to seek the details regarding these advances.
- The enacted version has provided the mechanism for calculating taxable income subject to this reduced tax as follows:

Taxable income arising from additional advances subject to reduced rate of tax =  $A \times B/C$

- A is taxable income of the banking company
- B is net mark-up income earned from such advances as declared in annual accounts
- C is total of net mark-up, non mark-up income as per accounts.

The Micro Small and Medium Enterprises, Low Cost Housing and Farm Credit as per Rule 7D, 7E and 7F respectively have been assigned the meaning as per prudential regulations.

The reduced rate is only applicable on additional advances which have been spelt to mean average advances disbursed in addition to average amount of such advances made in these sectors by the bank for the tax year 2019.





# Sales Tax

## Definition of term 'FBR Refund Settlement Company (Private) Limited' introduced

### Section 2(11A)

While the existing definition of term 'firm' is renumbered as sub-section (11B), a new definition of term 'FBR Refund Settlement Company (Private) Limited' is enacted under Section 2(11A) of the Act.

In the background of new regime of tax refunds, as also being introduced, a corporate entity within the FBR's umbrella will be used as vehicle to launch refund bonds as referred to below:

## Refund payment through sales tax refund bonds

### Section 67A

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

Consequent to foregoing, section 67A is inserted under the Finance Act to prescribe a new mechanism to pay sales tax refunds through 'sales tax refund bonds' to be issued by FBR Refund Settlement Company (Private) Limited. The modus operandi and salient features of the new scheme as also laid down under section 67A, are summarized below.

- FBR shall issue a promissory note to FBR Refund Settlement Company (Private) Limited (the company), incorporating the details of refund claimants and the amount of refund determined as payable to each for issuance of sales tax refund bonds, of the same amount.

- The sales tax refund bonds shall be issued in values in multiples of Rupees one hundred thousand.
- The maturity period of the afore-said bonds shall be three (3) years and shall bear simple profit rate at ten percent (10%) per annum.
- The bonds shall be traded freely in country's secondary markets.
- The bonds shall be approved security for calculating the statutory liquidity reserve.
- The bonds shall be accepted by the banks as collateral.
- There shall be no compulsory deduction of Zakat against the bonds.
- After period of maturity, the company shall return the promissory note to the Board and the Board shall make the payment of amount due under the bonds, alongwith profit due, to the bondholders.
- The bonds shall be redeemable before maturity with simple profit payable at the time of redemption in the light of general or specific policy to be formulated by FBR.
- The refund through bonds shall be paid in prescribed manner to the claimant who opt for this regime.
- Federal Government may notify procedures to regulate the issuance, redemption and other matters relating to the bonds as may be required.

## Exemptions under Sixth Schedule

Table-1 (Import and Supplies)

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

## Exemptions withdrawn under Sixth Schedule

Table-1 (Import and Supplies)

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

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

Table-1, Entry 110 (Import and Supplies)

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

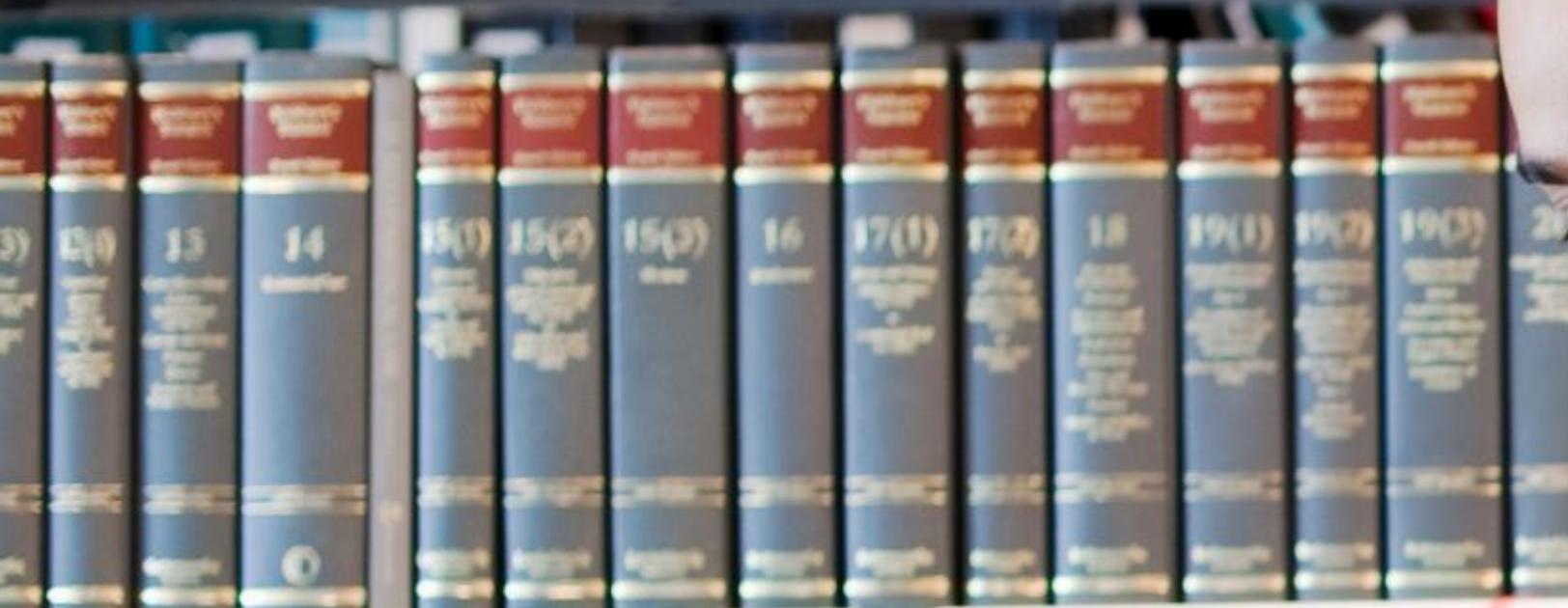
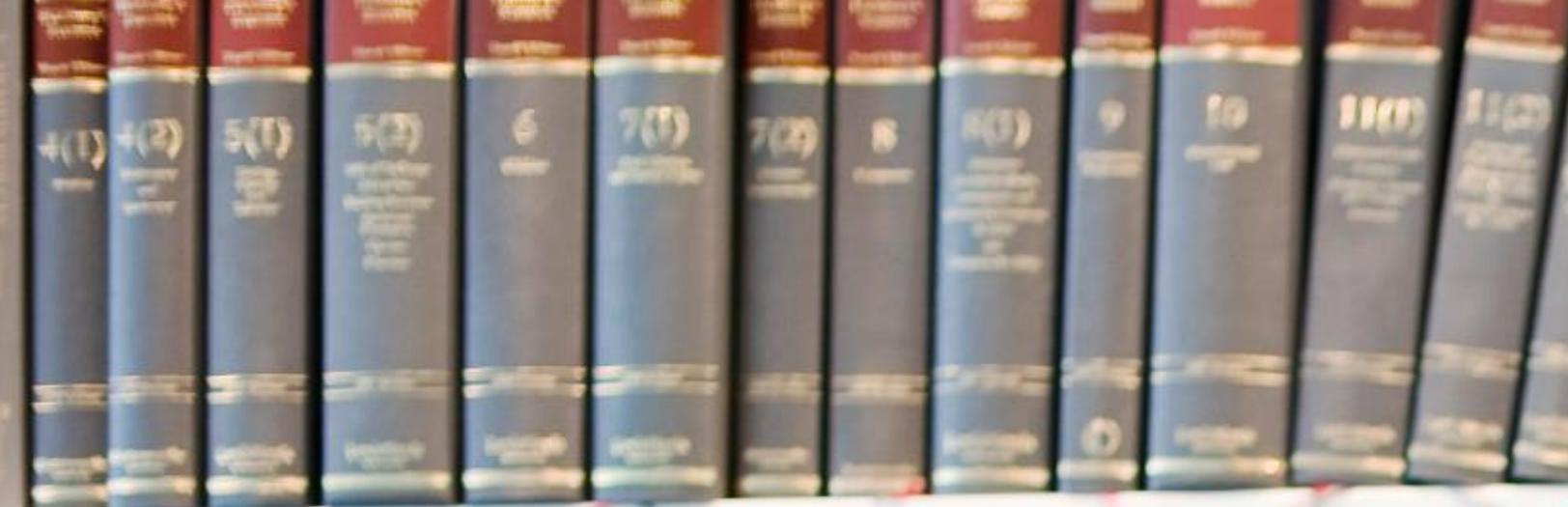
Table-3, Entry 7&14A (Plant, machinery and equipment)

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

## Revision of Rates under Ninth Schedule

Prior to the Act, sales tax was being charged on cellular mobile phones or satellite phones on the basis of screen size, camera, microprocessor and operating system. The Act has now substituted this mechanism with the following rates:

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



# Federal Excise Duty

## Appointment of Federal Excise officers and delegation of powers

### Section 29(2)

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

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

## FED rates enhanced on imported vehicles

### Table-I of the First Schedule

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

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

## New slabs of FED rates for imported and locally assembled vehicles

### Table-I of the First Schedule

S. No.	Description of goods (classified under PCT heading 87.03)	Proposed FED Rate
55A	Imported motor cars, SUVs and other motor vehicles of cylinder capacity of 3000cc or above, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars of cylinder capacity of 3000cc or above	30% ad.val.
55B	Locally manufactured or assembled motor cars, SUVs and other motor vehicles of cylinder capacity of 1700cc or above, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars of cylinder capacity of 1700cc or above	10% ad.val.

Previously, imported vehicles exceeding 1800cc were liable to 20% FED and no FED was applicable on locally manufactured vehicles. Now, imported vehicles of 1800cc to 3000cc will be liable to 25% FED and imported vehicles exceeding 3000cc will be liable to 30% FED. Whereas, locally manufactured vehicles exceeding 1700 cc will be liable to 10% FED.



# Customs

## First Schedule

Under PCT code 9917 zero rating is available to the plant and machinery located in Export Processing Zone & other Free Zone. The Finance Act 2019 has added fire fighting equipment as zero-rating under such free zone falling under PCT Code 9917.

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

The Finance Act 2019 has specifically introduced list of following items and appliances for Ostomy use by substitution of PCT code 9925.

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

29. Circular Stapler
30. Right Angle Cutter/Stapler
31. Laparoscopic Hand Instruments:

- a) Dissector
- b) Grasper
- c) Scissors
- d) Clipper
- e) Hook
- f) Retractors
- g) Needles Holders
- h) Knot Pusher
- i) Telescope (0°, 30°)

32. Urological Endoscopic Instruments
- (a) Resectoscope (Rotating and Fix)
  - (b) Optical Urethrotome
  - (c) Telescope (0°, 30°, 75°)
  - (d) Turp Resecting Loops

## Fifth Schedule

### Part I

After serial No. 33, a new serial No. 34 has been introduced by giving zero-rating of the following plants & machinery falling under chapter 84 and 85 of the First Schedule to the Customs Act, 1969.

“Plant and machinery excluding consumer durable goods and office equipment as imported by greenfield industries, intending

to manufacture taxable goods, during their construction and installation period.”

### Conditions

- (a) The importer is registered under the Sales Tax Act on or after the first day of July, 2019;
- (b) The industry is not established by splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from another industrial undertaking in Pakistan.
- (c) Exemptions certificates issued by the Commissioner Inland Revenue having jurisdiction; and
- (d) The goods shall not be sold or otherwise disposed of without prior approval of the FBR and the payment of customs duties and taxes leviable at the time of import.

### Part VII – Miscellaneous (Table-B)

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

### Part VIII – Imports of industrial inputs/raw materials

The Finance Act introduced insertion of Part VIII to provide reduced rates of customs duty for the following items

S. No.	Description	Existing rate	Reduced rate
1	Magnesium oxide (PCT Code 2519.9010)	3%	0%
2	Other (PCT Code 2836.9990)	3%	0%
3	Cyclopentane (PCT Code 2902.1910)	3%	0%

S. No.	Description	Existing rate	Reduced rate
4	o-Xylene (PCT Code 2902.4100)	3%	0%
5	Tetrafluoroethane (PCT Code 2903.3930)	3%	0%
6	Octanol (octyl alcohol) and isomers thereof (PCT Code 2905.1600)	3%	0%
7	Formic acid (PCT Code 2915.1100)	20%	16%
8	Sodium formate (PCT Code 2915.1210)	3%	0%
9	Other (PCT Code 3204.9000)	20%	16%
10	Vitrifiable enamels and glazes, engobes (slips) and similar preparations (PCT Code 3207.2000)	11%	3%
11	Of a kind used in leather or like industries (PCT Code 3403.1110)	20%	16%
12	Of a kind used in the leather or like industries including fat liquors (PCT Code 3403.9110)	20%	16%
13	Of a kind used in the paper or like industries(PCT Code 3809.9200)	16%	11%
14	Of a kind used in the leather or like industries(PCT Code 3809.9300)	16%	11%
15	Acrylonitrile butadiene styrene (ABS) copolymers (PCT Code 3903.3000)	3%	0%
16	Other poly-ethers (PCT Code 3907.2000)	3%	0%
17	Polyurethanes (PCT Code 3909.5000)	3%	0%
18	Insulation tape double sided (PCT Code 3919.1010)	11%	0%
19	Shoe lasts (PCT Code 3926.9060)	20%	16%
20	Latex (PCT Code 4002.1100)	3%	0%
21	Other (PCT Code 4002.1900)	3%	0%

S. No.	Description	Existing rate	Reduced rate
22	Other (PCT Code 4016.1090)	20%	5%
23	Containing by weight more than 50 % of graphite or other carbon or of a mixture of these products (PCT Code 6903.1000)	11%	3%
24	Other (PCT Code 6903.2090)	11%	3%
25	Adhesive tape (PCT Code 7607.1910)	3%	0%
26	Used with HCFC and non-CFC gases (PCT Code 8414.3010)	3%	0%
27	Of machines of heading 8414.1000 and 8414.3010 (PCT Code 8414.9010)	3%	0%
28	Evaporators (roll bond / fin / tube on plate types) (PCT Code 8418.9910)	3%	0%
29	Machines for reeling, unreeling, folding, cutting or pinking textile fabrics (PCT Code 8451.5000)	3%	0%
30	Other (PCT Code 8452.2900)	3%	0%
31	Machinery for preparing, tanning, or working hides, skin or leather (PCT Code 8453.1000)	3%	0%
32	Machinery for making or repairing footwear (PCT Code 8453.2000)	3%	0%
33	Parts (PCT Code 8453.9000)	3%	0%
34	Other (PCT Code 8465.9190)	3%	0%
35	Other (PCT Code 8477.3090)	3%	0%
36	Parts (PCT Code 8477.9000)	3%	0%
37	Injection or compression types (PCT Code 8480.7100)	3%	0%
38	Motors of an output not exceeding 37.5 W (PCT Code 8501.1000)	3%	0%

S. No.	Description	Existing rate	Reduced rate
39	Other (PCT Code 8501.4090)	20%	16%
40	Burglar or fire alarms and similar apparatus (PCT Code 8531.1000)	3%	0%
41	Other (PCT Code 9030.8900)	3%	0%
42	Of Kind used in refrigerator, deep freezers and air conditioner (PCT Code 9032.1010)	3%	0%
43	Other (PCT Code 9032.1090)	20%	16%
44	(a) Other (PCT Heading 3506.9190)	16%	5%
	(b) Other (PCT Heading 3906.9090)	11%	5%
	(c) Of polymers of ethylene (PCT Heading 3920.1000)	20%	16%
	(d) Of other plastics (PCT Heading 3921.1900)	20%	16%
	(e) of polymers of ethylene (PCT Heading 3923.2100)	20%	5%
	(f) weighing not more than 25g/m <sup>2</sup> (PCT Heading 5603.1100)	16%	11%
	(g) weighing more than 25g/m <sup>2</sup> but not more than 70 g/m <sup>2</sup> (PCT Heading 5603.9200)	20%	16%
	(h) weighing more than 70g/m <sup>2</sup> but not more than 150 g/m <sup>2</sup> (PCT Heading 5603.9300)	16%	11%
45	Other (PCT Heading 1901.9090)	20%	5%

## Conditions

- 1 With regard to the Serial No. 44, items if imported by the manufacturer of diapers/sanitary napkins registered under the Sales Tax Act, 1990, subject to annual quota determination and verification by the Input Output coefficient Organization (IOCO) and certification by the Engineering Development Board.
- 2 With regard to the Serial No. 45, items if imported by the manufacturer of infant formula milk registered under the Sales Tax Act, 1990, subject to annual quota determination and verification by the Input Output coefficient Organization (IOCO).

# Mobile Handset Levy

## Revision of rates

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

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

Before substitution, the Table was as follows:

S. No.	Category of smart phone	Rate of levy per set in Pak Rupees
1.	Where Import value of handset (including duties and taxes) does not exceed Rs. 10,000	Nil
2.	Where Import value of handset (including duties and taxes) exceeds Rs. 10,000 but does not exceed Rs. 40,000	1,000
3.	Where Import value of handset (including duties and taxes) exceeds Rs. 40,000 but does not exceed Rs. 80,000	3,000
4.	Where Import value of handset (including duties and taxes) exceeds Rs. 80,000	5,000



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