



# Federal Budget Brief 2020-21

*A Crisp and Concise Rundown of the Key Duty & Tax Changes with ValYou Insights*

# Table of Contents



3	• Foreword
4	• 2019-20 in Review
7	• Federal Budget at a Glance
9	• Income Tax Changes
21	• Sales Tax Changes
26	• Excise Duty Changes
29	• Custom Duty Changes



# Foreword

By the time these lines are put into publication, as per John Hopkins University, over 7.5 million population of the world has been diagnosed with COVID-19 and this disease has taken more than 422k lives all over the world. Some researchers are considering this worst economic crisis since WWII. Economists are predicting huge contraction in the economy on account of this disease which will eventually result in higher unemployment, bankruptcies and crime ratios. Governments all over the world are battling hard to reduce the spread of this disease and also announcing financial relief packages for their people and businesses but yet the outlook is still bleak.

As of today, official COVID-19 toll for Pakistan, though experts are saying it is quite lower than the actual, is 128k effected patients and 2.5k total COVID-19 related deaths reported so far. Pakistan has been witnessing one of the worst crisis of its history. Recent Economic Survey of Pakistan suggests that GDP growth in year 2019-20 is negative which perhaps never witnessed in past. Sectors like Manufacturing and Services have also posted negative

growth for year 2019-20. Another challenge, which some reports suggest, even more devastating than COVID-19 is Locust. Agriculture sector performed comparatively better than other sectors but Locust attack and unfavorable weather conditions has already cast doubt over its performance in 2020-21.

Amid of these challenges, PTI led coalition government presented its second budget after coming into power. Every year budget is considered a routine job but this year unprecedented circumstances, as stated above, made this exercise more difficult at the face of uncertainty and may propel government to revisit this after couple of months.

ValYou Consulting is presenting here major budgetary facts, key changes in fiscal laws and ValYou insights thereon. Please share your feedback and queries at contact information provided on last page of this document.

**ValYou Consulting Solutions (Pvt.) Ltd**  
**June 12, 2020**



# 2019-20 in Review



# Economic Survey of Pakistan 2019-20: A Summary





# Economic Survey of Pakistan 2019-20: A Summary


















# Federal Budget at a Glance



## Federal Budget at a Glance

Particulars (in billion Rs.)	Budget 2020-21	Budget 2019-20	Grow
<b>Total outlay</b>	<b>7,294.9</b>	<b>6,492.5</b>	 <b>12%</b>
<b>Total tax revenue</b>	<b>5,464.3</b>	<b>5,822.2</b>	 <b>-6%</b>
FBR tax revenue	<b>4,963.0</b>	5,555.0	 <b>-11%</b>
Net revenue	<b>3,699.5</b>	3,462.1	 <b>7%</b>
Net capital receipts	<b>1,463.2</b>	831.7	 <b>76%</b>
External receipts	<b>2,222.9</b>	2,816.4	 <b>-21%</b>
<b>Total expenditure</b>	<b>7,231.5</b>	<b>8,238.1</b>	 <b>-12%</b>
Public Sector Develop. Program	<b>1,324.0</b>	1,561.1	 <b>-15%</b>
Markup payment	<b>2,946.1</b>	2,891.4	 <b>2%</b>
Grants and Transfers	<b>904.6</b>	835.5	 <b>8%</b>
Health	<b>25.5</b>	11.1	 <b>131%</b>
Grants and Transfers	<b>83.4</b>	77.3	 <b>8%</b>
Fiscal deficit	<b>3,195.0</b>	3,150.0	 <b>1%</b>





## **A) Income Tax Changes**

# A.1) Income Tax: Changes in Law



Section / Clause	Change in Law	Previous Provision	ValYou Insights	Target Sector	Impact
2(29C)	<b>Builder and developer</b> concept is proposed to be included in the definition of Industrial Undertaking		This concept is introduced in line with the provisions of Tax Law (Amendment) Ordinance, 2020 which provides major relief to construction sector	Construction	Favourable
2(30A)	<b>Integrated enterprise</b> concept introduced. This is a person who integrated with the Board through approved fiscal electronic device and software, and who fulfils obligations and requirements for integration as may be prescribed		In their attempt to stop tax evasion by under valuing the revenue, FBR has identified few service providing sectors like hotel, restaurants, courier and hospital etc. to integrate their system with FBR for real-time reporting and control. This concept is introduced in ordinance in line with these efforts	Service Sector	Unfavourable
7A	Presumptive fixed tax regime on the basis of tonnage is now proposed to be extended to June 30, 2023. Further, reduced tax rate is also proposed for <b>Pakistan flag carrying ship</b> registered with SECP.	This provision was earlier expiring on June 30, 2020.	There is only one national carrier operating in shipping business i.e. PNSC. This way policy makers try to incentivize new entrants in this business	Shipping	Favourable
15A	Reduction in maximum admissible <b>admin and collection expenses</b> on rent income is proposed @2%	Earlier it was 6%		Real Estate	Unfavourable
15A	<b>Net income tax</b> for individuals and AoPs on rent income is proposed for any value.	Earlier it was only available for net income of more than Rs. 4 million		Real Estate	Favourable

# A.1) Income Tax: Changes in Law



Section / Clause	Change in Law	Previous Provision	ValYou Insights	Target Sector	Impact
15A	<b>Utility expenses</b> is proposed to be disallowed if in excess of the limit against prescribed conditions			Real Estate	Unfavourable
21	Disallowance of expenses for industrial undertaking on supplying to <b>unregistered sales tax person</b> is proposed under specified conditions but this disallowance will not be more than 20% of taxable income of taxpayer		Another attempt towards documenting the economy but perhaps at a wrong time as businesses are already suffering due to Covid-19	Manufacturing	Unfavourable
21	Threshold of not-deducting withholding tax increased: New exempted limits are as follows: Non banking payment under single head: Rs. 250k Salary: Rs. 25k Other: Rs. 25K	Earlier it was: Non banking payment under single head: Rs. 100k Salary: Rs. 15k Other: Rs. 10K	It was long pending demand of tax payers on ground that inflation impact has not been taken into account for long period of time	All	Favourable
22	<b>50% normal depreciation</b> in 1st year and 50% depreciation in disposal year is proposed	Full depreciation allowed in 1st year & no depreciation allowed in disposal year	Perhaps, this way policy maker tries to increase tax revenue for first year of acquisition of asset	All	Unfavourable
28	<b>Limit of lease payment is proposed to be restricted</b> to principal cost of Rs.2.5m for vehicle not plying for hire		Considering the recent spike in prices of cars, this limit will exclude major lease rentals from admissibility	All	Unfavourable
37	<b>Tax on capital gain</b> on sale of immoveable property is reorganized. Taxable gain is proposed to be computed as follows: Taxable gain for property holding < 1 year: 100% Taxable gain for property holding > 1 year: 75% Taxable gain for property holding < 1 year: 50% Taxable gain for property holding < 1 year: 0% Charging rate is also reduced as provided in tax section of this document	Earlier, capital gain were taxed in two parts i.e. open plot and constructed property with different exemption based on their holding period	More simpler mechanism for the whole immoveable property class	Real Estate	Favourable

# A.1) Income Tax: Changes in Law



Section / Clause	Change in Law	Previous Provision	ValYou Insights	Target Sector	Impact
56AB	Proposed that <b>FBR to get an access to the database</b> of NADRA, utility companies, FIA and provincial tax & excise	Earlier FBR got an access to database of banks		All	Neutral
61	Proposed that <b>tax credit on donation</b> to associate Non Profit Organizations to be limited @10% for donor companies and @15% for other type of donors	Earlier this limit for companies was 20% and for others 30%	Perhaps, intent of the policy maker is to stop tax avoiding practice i.e. parking of taxable income in tax exempt area	NoPs	Unfavourable
65C	<b>Tax credit for enlistment</b> on PSX is proposed uptill tax year 2022	Earlier it was for three years from the year of enlistment	This will seriously impact capital market which is already under pressure as now effectively aspiring companies will have two years to avail this benefit	Capital Market Unlisted Co.	Unfavourable
100C	It is proposed to exclude all donations from restricted/reserved surplus funds purview for a Non-Profit Organization meaning thereby all unutilized donation from associate donor will be taxable.	Earlier all restricted unused surplus reserve were exempt from tax	This change is in line with the change as proposed in section 61 by this bill i.e. discouraging tax avoidance practice.	NoPs	Unfavourable
106A	Proposed to limit maximum allowed <b>interest / profit to foreign affiliate</b> upto 15% of taxable income before depreciation			Foreign Co.	Unfavourable
111	Any unexplained amount under section 111 is now proposed to be taxed under "Income from	Earlier it was taxed under other source		All	Unfavourable
113	<b>Minimum tax</b> is proposed to be levied <b>on permanent establishments</b>	Earlier it was only for resident companies and AoPs		Permanent Establishment	Unfavourable

# A.1) Income Tax: Changes in Law



Section / Clause	Change in Law	Previous Provision	ValYou Insights	Target Sector	Impact
114A	<p>Proposed that following persons must furnish a <b>tax profile</b> with FBR:</p> <ul style="list-style-type: none"> <li>- New registration</li> <li>- Person who derives income under business head</li> <li>- Person whose income is taxed under FTR</li> <li>- Any other prescribed person</li> </ul> <p>This profile is proposed to be included information like bank accounts, utility connections, property and business type etc.</p> <p>Further it is proposed that non-compliance will effect Active Taxpayer status of that person.</p> <p>Proposed last date of furnishing this profile is:</p> <ul style="list-style-type: none"> <li>- Person falling u/s 181 before 30-09-20: 31-12-20</li> <li>- For others: Within 90 days from registration</li> </ul> <p>Further proposed that all revisions in this profile be made withing 90 days from the change.</p>		FBR is intending to build a database for better visibility and control	All	Unfavourable
116	<p><b>Revision in wealth statement</b> is proposed to be U/s 116(3) earlier no permission was allowed if Commissioner Income Tax permits the required to revise this.</p> <p>same</p>			Individuals	Unfavourable
118	<p>Person falling under FTR is now proposed to file income tax return.</p>	Earlier such person is required to file a statement under section 115.	FBR perhaps is trying to build a database of income and expenses for any future change of regime.	FTR Persons	Unfavourable

# A.1) Income Tax: Changes in Law



Section / Clause	Change in Law	Previous Provision	ValYou Insights	Target Sector	Impact
120	It is proposed that <b>Self assessment</b> is subjected to be reviewed by <b>automated system</b> for ensuring accuracies		This is a major shift from the self assessment scheme as this may empower tax machinery to exercise biasness and extra vigilance which are against self assessment principles.	All	Unfavourable
122D	<b>Assessment Oversight Committee</b> is proposed to be introduced which will decide about the offer from a tax payer against a notice u/s 122 for settlement of case. If committee amend the offer then its decision would not be binding upon taxpayer but if taxpayer accept the decision and pay the demanded amount then there would be no further appellate proceedings on this case. Committee will constitute upon Chief Commissioner, Commissioner and Additional Commissioner having the jurisdiction in the case under review.	New concept introduced	That is a good move to settle cases without letting it to go to never ending appellant process. But members proposed to form this committee cast doubt on effectiveness of this system. Either this committee should be constituted in line with the Alternate Dispute Resolution Committee or atleast Commissioner or Additional Commissioner should come from different jurisdictions.	All	Neutral
131	While <b>appealing before tribunal</b> against CIT(A) decision, it is proposed that 10% of the upheld deposited amount will be deposited	No such amount was required to be		All	Unfavourable
134A	Alternate Dispute Resolution mechanism is proposed to be revamped as per the following: - Two members instead of 1 member from a panel of CAs, ACMAs and Advocates - Chief Commissioner instead of Commissioner - Reputed businessman proposed by chamber and retired judge are excluded from the composition of committee - Stay of demand power allowed to ADRC - Some other administrative and procedural changes proposed		It is expected that these changes will improve effeteness of this system which effectively remained unutilized.	All	Favourable

# A.1) Income Tax: Changes in Law



Section / Clause	Change in Law	Previous Provision	ValYou Insights	Target Sector	Impact
147	Changes are proposed to compute estimated turnover of the quarter for calculation of advance tax. FBR will prescribe the procedure.	Earlier, tax payers themselves estimate their turnovers and compute advance tax on the basis of these estimates.	How an automated system will estimate turnover where the results are not based on historical data but are based on the current circumstances and prevalent market conditions.	All	Unfavourable
148	Mechanism of <b>advance tax at import stage</b> is proposed to change entirely. Following changes are made: <ul style="list-style-type: none"> <li>- Tax deduction under newly incorporated twelfth schedule instead of first schedule.</li> <li>- Type of product based taxability instead of category/type of person</li> <li>- No minimum tax except for CBU car importer, foreign produced films and large import house</li> <li>- For computing withholding income tax, value of goods falling under 3rd schedule of Sales Tax Act, 1990 is now proposed to be the retail value of these goods.</li> </ul>	Earlier tax rates were given in 1st schedule whereas goods/categories were defined in section 148.	With this change, policy maker intends to change tax rates and categories of goods merely with a notification in official gazette therefore, making this process more quicker.	Importer	Unfavourable
148A	Proposed that <b>Oil and Ghee</b> manufacturers are <b>no more under FTR</b> on purchase of locally produced oil	Earlier manufacturers using locally produced oil were under FTR		Edible Oil	Unfavourable

# A.1) Income Tax: Changes in Law



Section / Clause	Change in Law	Previous Provision	ValYou Insights	Target Sector	Impact
151	<b>Tax deducted from profit on debt</b> where debt is issued by government and the investor invested in it through <b>foreign currency</b> account or through Non-resident Rupee Repatriable account maintained in Pakistan is proposed a <b>final discharge of liability</b> and <b>outside of purview of 10th Schedule</b>	Tax was under NTR		Foreign Investors	Favourable
152	<b>Rate of deduction of tax from permanent establishment</b> providing goods and services are proposed to be aligned with tax rates charged to similar services from resident person			Permanent Establishment	Unfavourable
165	<b>Withholding tax statement</b> is proposed to be filed quarterly	Earlier it was filed biannually		All	Unfavourable
177	It is proposed that Tax <b>audit</b> can also be conducted <b>electronically</b>	Only physical mode was allowed		All	Favourable
177	<b>Non submission of records</b> , it is proposed that CIR will use industry benchmarks to arrive at taxable income			All	Unfavourable
236A	If payment is made in instalment on auction sale then it is proposed that <b>advance tax be collected in instalments</b> too			Auction Purchaser	Favourable



# A.1) Income Tax: Changes in Law



Section / Clause	Change in Law	Previous Provision	ValYou Insights	Target Sector	Impact
2nd Sch.	Certain exemptions are granted or their expiries are extended to Voluntary Pension Schemes, Gwadar Free Zone, Co-developers of SEZs, REIT, Federal Govt. Housing Schemes, LUMS, GIKIEST and PM COVID-19 Fund etc.			Selected Organization	Favourable
2nd Sch.	90% exemption for housing project by NAPHDA or under Ehsaas program			Real Estate	Favourable
10th Sch.	Payment of dividend, insurance premium, royalty, technical fee and other services not specifically provided to <b>non-resident</b> person is proposed <b>not to attract provisions of 10th schedule</b>			All	Favourable

[Click Here](#)

Download special tax regime for Builders and Developers as introduced through Tax (Amendment) Ordinance, 2020 make part of this bill by adding Eleventh Schedule to the Ordinance

## A.2) Income Tax: Changes in Tax Rates



Section / Clause	Instance	Revised Rate	Previous Rate	Target Sector	Impact
37	Capital gain < Rs. 5 million	2.5%	5%	Real Estate	Favourable
37	Capital gain > Rs. 5 million but < Rs. 10 million	5%	10%	Real Estate	Favourable
37	Capital gain > Rs. 10 million but < Rs. 15 million	7.5%	15%	Real Estate	Favourable
37	Capital gain > Rs. 15 million	10%	20%	Real Estate	Favourable
148	Goods specified in Table I of Twelfth schedule	1%		Importer	Favourable
148	Goods specified in Table II of Twelfth schedule	2%		Importer	Favourable
148	Goods not specified Table I & II of Twelfth schedule i.e. Table III of Twelfth schedule	5.5%		Importer	Favourable
148	Manufacturer covered in SRO 1125(1)/2011	1%	1%	Export Industry	No Change
148	Finished pharma products that are not produced in Pakistan as certified by DRAP	4%	4%	Pharma	No Change
148	Mobile phones - CBU (slabs based on C&F value)	Rs. 70 - 5,200	Rs. 70 - 5,200	Mobile Phone	No Change
148	Mobile phones - CKD/SKD (slabs based on C&F value)	Rs. 5,000 - 11,500	Rs. 70 - 5200	Mobile Phone	Unfavourable
150	Withholding tax on dividend received from a company who has not paid tax due to tax losses and exemption	25%	15%	All	Unfavourable
151	Withholding tax on profit on debt on Government securities by a non-resident person or foreign currency account holder in Pakistan	10%	15%	Foreign Investors	Favourable
153	Advance tax on supply of goods made from outside of Pakistan under cohesive business	1.4%	2.1%	All	Favourable
153	Toll manufacturing services - Corporate	4%	8%	Toll Manufacturer	Favourable
153	Toll manufacturing services - Non-Corporate	4.5%	10%	Toll Manufacturer	Favourable
153	Engineering services - Corporate	8%	3%	Engineering	Unfavourable
153	Engineering services - Non Corporate	10%	3%	Engineering	Unfavourable

## A.2) Income Tax: Changes in Tax Rates



Section / Clause	Instance	Revised Rate	Previous Rate	Target Sector	Impact
153	Non-residents providing following specified services: transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in clause (133) of Part I of the Second Schedule, tracking services, advertising services (other than by print or electronic media), share registrar services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services	3%	8%	Engineering	Favourable
148A	Tax on purchase of locally produced edible oil	General W/H Tax	2%	Edible Oil	Unfavourable
150A	Withholding tax from a company earning a return on Sukuk	25%	15%	Sukuk Investor Financial Sector	Unfavourable
235B	Tax on electricity provided to steel melters and composite steel units	N/A	Rs. 1 per unit	Steel Manufacturer	Favourable
236D	Advance tax on functions and gatherings	0%	5%	Hospitality / Marriage Halls	Favourable
236F	Advance tax from cable operators, Media channels, FM Radio Stations etc.	0%	Multiple Rates	Media and Cable Operators	Favourable
236J	Advance tax on dealers, commission agents and arhatis etc.	0%	50k to 100k	Arhatis, Agents, Dealers	Favourable
236R	Advance tax on education expenses submitted outside of Pakistan	0%	5%	Students of Foreign Courses	Favourable
236U	Advance tax on general and life insurance premium from Non-ATL person	0%	1%, 4%	Insurance	Favourable

## A.2) Income Tax: Changes in Tax Rates



Section / Clause	Instance	Revised Rate	Previous Rate	Target Sector	Impact
236V	Advance tax on minerals from ATL person	5%	0%	Mining	Unfavourable
236X	Advance tax on tobacco	0%	5%	Tobacco	Favourable
7A	Tax on shipping line carrying Pakistan flag and registered with SECP	\$0.75 per tonne	\$1 per tonne	Shipping	Favourable

Click  
Here

For downloading twelfth schedule



## **B) Sales Tax Changes**

## B.1) Sales Tax: Changes in Law



Section / Clause	Change in Law	Previous Provision	ValYou Insights	Target Sector	Impact
7	FBR is proposed to be empowered to set restriction on <b>disallowance of input tax</b> attributable to <b>wastage of material</b> for certain goods or classes of goods		Wastage of material is a common phenomenon in manufacturing. Now FBR is perhaps determining a standardized waste ratio for a particular product or sector	Manufacturing	Unfavourable
23	<b>Supply to unregistered person</b> by a registered person except a retailer without CNIC is now proposed to be allowed upto an invoice value of Rs. 100k	Earlier this was Rs.50k	It was a demand of representative bodies of trade and commerce to abolish this provision. On demand of business community, the government enhanced the value of exemption but not abolish this provision	All	Favourable
25	FBR machinery is now proposed to be allowed to perform <b>audit electronically</b>			All	Neutral
33	If a business will <b>not integrate his system with FBR</b> within two months then the premises of business of penalty would be sealed	Earlier only penal action was leviation		Service Sector	Unfavourable
38	FBR sought with this amendment a <b>real-time access of the record and data of businesses</b>	Earlier only authorized person access this data on demand either by visiting premises or otherwise	Issues like system integration and lack of understanding of tax officers is likely to make this provision less enforceable	All	Unfavourable

## B.1) Sales Tax: Changes in Law



Section / Clause	Change in Law	Previous Provision	ValYou Insights	Target Sector	Impact
47A	<p><b>Alternate Dispute Resolution mechanism</b> is revamped. Now decision of the committee/FBR under this mechanism is proposed to be binding tax payer. Earlier decision were made more effective but developing a upon tax office if taxpayer withdraw his appeal in by a majority of the members of the other appellant forums within 60 days from the committee date of the order. On other hand, tax payer may chose to accept this decision and withdraw his appeal from other forums or even disregard decision under ADR mechanism all together. Further, composition of the committee is also proposed to be changed and now consensus would be required to reach on a decision</p>	Earlier, decision of the committee/FBR were binding for both tax office and this alternate resolution mechanism	These are positive changes for making more effective but developing a consensus would be a big challenge and may delay the process or even make it redundant	All	Favourable
56AB	<p><b>Real time access to databases of NADRA, FIA, Bureau of Immigration and Overseas Employment, Provincial Revenue and Excise Authorities, Distribution Companies and any other agency or authority as notified by FBR</b></p> <p>Further, utility companies are also proposed to update their system with the share of use by their subscriber in case if a connection is used by multiple users by 1st January 2021</p>		<p>This is difficult provision to implement as FBR may face technical issues of integration. Alternatively, data porting mechanisms should be adopted to analyse desired data.</p> <p>Another challenge which FBR might face is the non-updation of record in case where user and owner of the connection are different person</p>	All	Unfavourable

## B.1) Sales Tax: Changes in Law



Section / Clause	Change in Law	Previous Provision	ValYou Insights	Target Sector	Impact
73	All registered persons would <b>not be allowed to take adjustment for supplies made to unregistered person</b> except the value of supply to unregistered person does not exceed Rs. 100 million and Rs. 10 million in a financial year and in a tax period respectively	Earlier this restriction was only for registered manufacturers	Traders and distributors would heavily be effected with this change as they would now be required to supply to registered retailers	Traders, Importers and Distributors	Unfavourable
11th Sch.	This section deals with <b>withholding of sales tax</b> from registered person. Now registered person is replaced with Active Tax Payer			All	Unfavourable



## B.2) Sales Tax: Changes in Tax Rates



Section / Clause	Instance	Revised Rate	Previous Rate	Target Sector	Impact
5th Sch.	Zero rating proposed for supplies to Gwadar Free Zone	0%	Standard Rate	Gwadar Free Zone	Favourable
6th Sch.	Exemption from tax is proposed to be granted to: Ship Bunker Oils, machinery, equipment and materials imported by Gwadar Free Zone, Certain Dietrich Food Supplement for Children and LEDs	Exempt	Standard Rate	Gwadar Free Zone	Favourable
8th Sch.	Potassium chlorate	17% + Rs. 80/kg	17% + Rs. 70/kg	Pesticide, Fertilizer, Ammunition	Unfavourable
8th Sch.	Supplies made by Integrated Retail Outlets	12%	14%	Retail	Favourable
12th Sch	Value addition tax on raw materials and intermediary goods imported by manufacturer for in-house use	0%	3%	Manufacturing	Favourable



## **C) Excise Duty Changes**

## C.1) Excise Duty: Changes in Law



Section / Clause	Change in Law	Previous Provision	ValYou Insights	Target Sector	Impact
6	FBR is proposed to be empowered to set restriction on <b>disallowance of input excise duty</b> attributable to <b>wastage of material</b> for certain goods or classes of goods		Wastage of material is a common phenomenon in manufacturing. Now FBR is perhaps determining a standardized waste ratio for a particular product or sector	Manufacturing	Unfavourable
26	All dutiable goods where duty is not paid will be seized alongwith the mean transport vehicle	Earlier this was only for tobacco and beverages		All	Favourable
27	All dutiable counterfeited goods will be seized	Earlier this was only for tobacco and beverages		All	Favourable
38	<b>Alternate Dispute Resolution mechanism</b> is revamped and similar changes are brought at defined in sales tax section	Earlier, decision of the committee/FBR were binding for both tax office and tax payer. Earlier decision were made by a majority of the members of the committee	These are positive changes for making this alternate resolution mechanism more effective but developing a consensus would be a big challenge and may delay the process or even make it redundant	All	Favourable
46	<b>Selection of case for audit</b> purposes can be made for any year	Earlier it was provided that a case will be selected once in every 3 year time	This will raise resentment in the business community and will also increase administration cost for tax payers and tax authorities	All	Unfavourable
47AB	<b>Real time access to databases of NADRA, FIA, Bureau of Immigration and Overseas Employment, Provincial Revenue and Excise Authorities, Distribution Companies and any other agency or authority as notified by FBR. Similar provision introduced as provided in sales tax section.</b>		This is difficult provision to implement as FBR may face technical issues of integration. Alternatively, data porting mechanisms should be adopted to analyse desired data. Another challenge which FBR might face is the non-updation of record in case where user and owner of the connection are different person	All	Unfavourable

## C.2) Excise Duty: Changes in Duty Rates



Section / Clause	Instance	Revised Rate	Previous Rate	Target Sector	Impact
1st Sch	Cigars, cheroots, cigarillos and cigarettes of tobacco and tobacco substitutes	100% of retail price	65% of retail price	Cigarette	Unfavourable
1st Sch	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	Rs. 1.75/kg	Rs. 2/kg	Cement	Favourable
1st Sch	Filter rod for cigarettes	Rs. 1/rod	Rs. 0.75/rod	Cigarette	Unfavourable
1st Sch	Caffeinated energy drinks	Rs. 25 of Retail	None	Beverages	Unfavourable
1st Sch	E-liquids by whatsoever name called, for electric cigarette kits	Rs. 10/ml	None	Cigarette	Unfavourable
1st Sch	Imported double cabin (4x4) pick-up vehicles	25% ad valorem	None	Car	Unfavourable
1st Sch	Locally manufactured double cabin (4x4) pick- up vehicles	7.5% ad valorem	None	Car	Unfavourable



## **D) Custom Duty Changes**

## D.1) Custom Duty: Changes in Law



Section / Clause	Change in Law	Previous Provision	ValYou Insights	Target Sector	Impact
2	<b>Definition of smuggling</b> has been enhanced and now carrier and storage service providers are also included in the definition			All	Favourable
19C	Maximum value limit of an item for <b>non-charging of custom duty</b> is enhanced to Rs. 5000	Earlier it was Rs. 100	This may help importing samples and free goods of low values.	All	Favourable
32A	<b>Under/over invoicing</b> is included in the definition of fiscal fraud			All	Favourable
195C	<b>Alternate Dispute Resolution mechanism</b> is revamped for proving it more effective and operational. Its decision are now binding for collector if appeal in other appellant forum is withdrawn with 60 days but decision is not binding on tax payer. Further, stay powers are also given to committee.	Previously decision under this mechanism was binding for tax payer and collector.	Encouraging development to settle issues which are creeping at various appellant forum since ages.	All	Favourable
201	Difference between value declared and the proceeds realized from <b>sale of confiscated goods</b> will not be handed over to owner of the goods.	Earlier whole sale proceeds was handed over to owner after deducting duties, penalties and surcharges	Good move to discourage under invoicing	All	Favourable

## D.2) Custom Duty: Changes in Duty Rates



Section / Clause	Instance	Revised Rate	Previous Rate	Target Sector	Impact
1st Sch.	Reduction of custom duty of multiple tariff lines	0%	3%	Multiple	Favourable
1st Sch.	Reduction of custom duty of multiple tariff lines	3%	11%	Multiple	Favourable
1st Sch.	Good imported and exported from Export Processing Zones and Gwadar Special Economic Zone	0%	Standard Rate	Export Promotion and Special Zone	Favourable
1st Sch.	Certain equipment for Gwadar Port and Free Zone areas	0%	Standard Rate	Gwadaar Port and Free Zone	Favourable
1st Sch.	Artificial kidneys, haemodialysis machines, hemodialyzers, A.V. fistula needles, etc.	0%	Standard Rate	Healthcare	Favourable
1st Sch.	Certain items and appliances for Ostomy use, dietetic foods for medicinal purposes and diagnostic kits for HIV, Hepatitis, Cancer and Corona Virus.	0%	Standard Rate	Healthcare	Favourable
5th Sch.	Pickling preparations for metal surfaces; soldering brazing or welding powders and pastes consisting of metal and other materials for LED manufacturers	0%	20%	LED Manufacturer	Favourable
5th Sch.	Pickling preparations for metal surfaces; soldering brazing or welding powders and pastes consisting of metal, Poly Butylene Terephthalate and other materials	0%	20%	LED Manufacturer	Favourable
5th Sch.	Machinery equipment and other project related items for setting up of submarine cable landing stations	0%	Multiple Rates	ISP	Favourable
5th Sch.	Plasticized (Poly Vinyl Chloride)	0%	20%	Syringes Manufacturer	Favourable
5th Sch.	Other unsaturated polyesters	0%	20%	Button Manufacturer	Favourable

## D.2) Custom Duty: Changes in Duty Rates



Section / Clause	Instance	Revised Rate	Previous Rate	Target Sector	Impact
5th Sch.	Skimmed milk powder, Chickpeas, Soybean oil, Palm Olein, Hydrogenated vegetable fats, Malto dextrins, Premixes of vitamins and minerals, Emulsifier, Antioxidant	0%	Multiple Rates	RUSF Manufacturer	Favourable
5th Sch.	Other craft paper	15%	16%	Packaging	Favourable
5th Sch.	Organic composite solvents and thinners, not elsewhere specified or included; prepared paint or varnish removers.	5%	20%	Butyl Acetate Manufacturer	Favourable
5th Sch.	Semi-finished products of Iron or non- alloy Steel	5%	11%	Wire Rod Manufacturer	Favourable
5th Sch.	Other saturated Polyesters	5%	20%	Bukram Manufacturer	Favourable
5th Sch.	Coils of aluminium alloys	0%	5%	Beverage Can Manufacturer	Favourable
5th Sch.	Glass board for manufacturing TV panels (LCD, LED, OLED, HDI etc.)	0%	10%	Home Appliance Manufacturer	Favourable
5th Sch.	Aircraft engine for use in aircraft and trainer aircraft	0%	3%	Airline	Favourable
5th Sch.	Other electric conductors exceeding 32000 V (if imported by manufacturer of transformers registered under ST Act, 1990)	11%	20%	Transformer Manufacturer	Favourable
5th Sch.	Meglumine antimonite	0%	N/A	Pharma	Favourable





## The End

### Disclaimer

1) Information contained in this document is only for guidance purposes and the insights/commentary provided therein are the viewpoint of the ValYou Consulting by taking a holistic perspective therefore, application of these guidelines in a particular scenario / matter may produce incorrect and inappropriate outcomes.

2) We tried our best to provide accurate information but there could be some errors or wilful/wilful omissions therefore, we advise you to refer the original document / statute before proceeding further.

### ValYou Consulting

ValYou Consulting was created by a team of seasoned professional accountants and IT professionals with a commitment to deliver **VAL**ue-added services with “**YOU**-centricity” (VAL+YOU).

Ever since its inception, ValYou is striving to live up to the expectation of its customers with our tailored-made and multifarious solutions of **Accountancy, Risk, Financial Advisory, Tax, Corporate, HR and ERP** services.

Valuably yours!!!

# Suggestions, Comments, Query

[connect@valyouconsulting.com](mailto:connect@valyouconsulting.com)

[www.valyouconsulting.com](http://www.valyouconsulting.com)

0092-321-6711330 

Follow us for ValYou updates  

**Sign-up** for a free online Q&A session through Zoom/Skype

