

A hand holding a blue pen over a calculator on a desk with a laptop and glasses. The image is overlaid with a red and dark blue geometric design.

2019

BUDGET COMMENTARY



USMANI & CO.
CHARTERED ACCOUNTANTS
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PREFACE

Since the announcement of much awaited budget 2019-20, availability of proficient professional commentaries is a great source of insight and understanding of new amendments in existing applicable laws. Keeping in mind the growing need of a common man and small businesses and to educate them for a more fiscal discipline, a nominal effort is made to highlight prominent amendments affecting them in the current budget. This is done to play our due role in assisting the SMEs which contribute substantially in total economic activities of Pakistan. Globally the trend is similar and many initiatives are being taken to ensure regular support to uplift the small and medium entrepreneurs. This document contains simplified views divided into six chapters as follows:

Chapter	Topic
1.	Active Taxpayers List
2.	Budget impact – Individual
3.	Budget impact- SMEs (Business Individual, AOP & Company)
4.	Budget impact - Non-profit organization
5.	General provisions applicable to all taxpayers
6.	Withholding tax table

The changes proposed through the Finance Bill 2019-20 are effective from July 1, 2019 after the approval in the parliament. This document contains the comments, which represent our interpretation of the legislation and we recommend that while considering their application to any particular case, reference be made to the specific wordings of the relevant statutes. The Budget Commentary 2019 can also be accessed on our website www.usmanico.com

Whilst the Government has set a challenging target of revenue generation at Rs. 5,555 billion to finance huge deficit and putting Pakistan into a path of prosperity and sustainability, expectation from responsible citizen arises to pledge:

1. Positivity
2. Honest and timely tax payments
3. Encourage ethical practices
4. Contribution to economic activity by participating in the workforce both men & women
5. Avoidance of imported goods and services
6. Promoting local goods and services
7. Avoidance of over-spending and limiting expenditure to a reasonable level
8. Discourage smuggled goods trade and consumption
9. Support Pakistanis anywhere in the world & develop strong bonding with positive outlook for Pakistan
10. Save time and resources

Be committed to Pakistan, we are all responsible to make our Country a better place!

Usmani & Co.

Karachi-15 June 2019

ACTIVE TAXPAYERS LIST

The terminologies of filer and non-filer have been abolished. Now anyone who is liable to file Annual Tax Return under the Ordinance but has not filed it, will not be included in the Active Taxpayers List and hence will face consequences as given in new Tenth Schedule inserted through Finance Bill 2019-20.

Who is required to file Annual Tax Return

Individual	<ul style="list-style-type: none"> Income exceeds Rs.400,000 Owns plot/unconstructed land above 500 sq yards Owns flat more than 2000 sq ft Owns motor vehicle of 1000cc Has obtained National Tax Number Holds commercial utility connection For residents, member of any Chamber or a professional body
Business individual	Income ranges between Rs. 300,000 to Rs.400,000
Non-profit organization	All are required to file without any condition
Company	All are required to file without any condition

However exceptions are available in case of individual owners of immovable properties if they are widow, orphan, disabled or non-resident.

Requirement for filing of wealth tax statement

1. Every resident individual taxpayer filing a return of income for any tax year
2. Every resident individual taxpayer having foreign income of not less than US dollar 10,000 or having foreign assets with a value of not less than US dollar 100,000.

Under proposed amendment anyone who is liable but does not file the annual tax return will not be included in Active Taxpayers List. In this way anyone who is not in ATL will face following consequences:

- 100% additional payment of withholding tax
- Through the information gathered from the withholding agents, will be subject to provisional Assessment on the basis of imputed income.
- Can purchase property or motor vehicle but source of any amount exceeding Rs. 2 million will need to be clarified.

A separate complicated procedure is proposed for those who are not liable to file return of income can obtain a certificate from the Commissioner on the request raised by the withholding agent. Instead automated request by the tax payer himself should have been allowed to raise for convenience of taxpayers.

Anyone, including an individual, AOP or a company who wants to include their name in ATL can do so without any time limitations by payment of specified surcharge.

BUDGET IMPACT –INDIVIDUAL

Budget Focus- Women

Following measures have been announced for the benefit of women for which further details are awaited:

- Fixed minimum wage rate (both for men and women) at Rs. 17,500
- Stipend for 6 million women in their saving accounts
- Special nutritious food for infants and mothers
- To establish 500 centers for providing online access to free courses to women and children
- Special incentives for parents to send their children to schools in lagging districts
- To provide Rs.100 billion in low cost loans for entrepreneurs to setup/expand businesses

Budget focus- Household expenses

The positive and negative impact on regular household expenses will be as follows:

- Increase in prices of concentrated and unsweetened milk by 10%
- Increase in sales tax rate on sugar to 17% which is currently charged as 8%.
- Decrease in 10% sales tax on sausages, meat and similar products, meat, fish, fat filled milk, in liquid or powder form and cereal, flour and other items as specified.

Residential Status

At present a person who stays in the country for minimum 6 months or more was considered as resident. The current Finance Bill however, reduces this time limit to 3 months, as such any person who stays more than 90 days in Pakistan in anyone financial year (July to June of next year) will be considered as residential person for the purposes of taxation of his/her income.

Another condition of presence for 365 days during the last four years will also be considered in case current year's stay is less than 3 months.

Tax on Gifts

At present gifts of any nature received from any person are not taxable. However, the current Finance Bill seeks to introduce tax on properties received as gifts without paying any consideration from persons other than relatives will be treated as income from other sources. Fair market value of properties shall be taken as income. Relatives in this case includes grandparents, parent, spouse, real brother, real sister, son or daughter.

It is pertinent to note that cash gifts are already taxable under the present law and now through this amendment gifts received through banking channels are also become taxable in the hands of the persons receiving from non-relatives.

Interest income

In case of individuals and association of persons if the annual interest income exceeds Rs. 36 million it will be made part of their total income and taxed at normal rates. Further, the rate of withholding is also proposed to be increased from 10% to 15% in all cases except where annual interest does not exceed Rs. 500,000/-

Foreign Remittances

Limit of remittances has been reduced from Rs. 10 to 5 million in order to claim exemption from investigation proceedings.

Budget impact –Individual
Filing of Tax Return

The Finance Bill seeks to exempt owners of upto 500 sq yards properties from filing of tax returns. This limit was previously upto 250 sq yards. However, the flat ownership area remains the same which carries visible difference in value in city limits.

Date of filing of tax return by Salaried Individuals

The date of filing of tax return is now aligned with the date applicable on sole proprietors and association of persons and proposed as 30 September each year instead of 31 August.

Rental Income

For calculating tax on rental income 3 more slabs have been added for individuals and association of persons upto a value of Rs. 8 million which was previously available upto Rs. 2 million as follows:

Existing slab applicable for the year 2018-19

S. #	Taxable Amount	Tax Rate
1	Up to Rs. 200,000	0%
2	Rs. 200,001 to Rs.600,000	5% of the amount exceeding Rs 200,000
3	Rs. 600,001 to Rs. 1,000,000	Rs. 20,000 + 10% of the amount exceeding Rs 600,000
4	Rs.1,000,001 to Rs.2,000,000	Rs. 60,000 + 15% of the amount exceeding Rs 1,000,000
5	Where the taxable amount of rent exceeds Rs.2,000,000	Rs. 210,000 + 20% of the amount exceeding Rs 2,000,000

Proposed slab applicable for the year 2019-20

S. #	Taxable Amount	Tax Rate
1	Up to Rs. 200,000	0%
2	Rs. 200,001 to Rs.600,000	5% of the amount exceeding Rs 200,000
3	Rs. 600,001 to Rs. 1,000,000	Rs. 20,000 + 10% of the amount exceeding Rs 600,000
4	Rs.1,000,001 to Rs.2,000,000	Rs. 60,000 + 15% of the amount exceeding Rs 1,000,000
5	Where the taxable amount of rent exceeds Rs.2,000,000	Rs. 210,000 + 20% of the amount exceeding Rs 2,000,000
6	Rs.4,000,000 but does not exceed Rs.6,000,000.	Rs. 610,000 + 25% of the amount exceeding Rs 4,000,000
7	Rs.6,000,000 but does not exceed Rs.8,000,000	Rs. 1,110,000 + 30% of the amount exceeding Rs 6,000,000
8	Where the gross amount of rent exceeds Rs.8,000,000	Rs. 1,170,000 + 35% of the amount exceeding Rs 8,000,000

BUDGET IMPACT –INDIVIDUAL

Enhanced powers to enter and search premises

The proposed bill gives additional powers to the Commissioner to enter any premises or place of a taxpayer when there is reliable information of presence of undeclared gold, bearer securities, or foreign currency and to confiscate the same in order to enforce any provision of this Ordinance.

Reduction of tax rebate on teachers and researchers

Tax credit for full time teachers and professors and researchers is now reduced to 25% which was previously available to them at 40%. Certain provisions have been introduced for disallowing this credit in case of full-time teachers or researcher of government training institute and to the teacher of medical profession who drive income from their private medical practices or who receive share consideration from hospital patient.

Capital gains tax exemption on property

In order to further enhance the chargeability of capital gain tax, the holding period of property has been increased from 3 years to 10 years. Different holding periods are proposed for constructed and open plots of land.

The capital gain earned from 2020 onwards, will be taxed as per normal tax slabs which may increase to 35%. In case the capital gain is more than 25% of total income of a salaried individual than his/her salary will be taxed based on the slabs applicable to business individuals.

Director's fee

No change is proposed in respect of tax payment for directorship or fee for attending Board meetings which is currently fixed at 20% of gross amount paid

Tax rates for salaries

The following schedules indicate existing as well as changes affected in applicable tax rates on salaried individuals through Finance Bill 2019-20:

Existing slab applicable for the year 2018-19

S. #	Taxable Amount	Tax Rate
1	Up to Rs. 400,000	0%
2	Rs. 400,001 to Rs.800,000	Rs. 1,000
3	Rs. 800,001 to Rs. 1,200,000	Rs. 2,000
4	Rs. 1,200,001 to Rs. 2,400,000	5% of the amount exceeding Rs 1,200,000
5	Rs. 2,400,001 to Rs. 4,800,000	Rs. 60,000 + 10% of the amount exceeding Rs 2,400,000
6	Exceeding Rs. 4,800,000	Rs. 300,000 + 15% of the amount exceeding Rs 4,800,000

BUDGET IMPACT –INDIVIDUAL

Proposed slab applicable for the year 2019-20

S. #	Taxable Amount	Tax Rate
1	Up to Rs. 600,000	0%
2	Rs. 600,001 to Rs.1,200,000	5% of the amount exceeding Rs.600,000
3	Rs. 1,200,001 to Rs. 1,800,000	Rs.30,000 +10% of amount exceeding Rs. 1,200,000
4	Rs. 1,800,001 to Rs. 2,500,000	Rs.90,000 +15% of amount exceeding Rs. 1,800,000
5	Rs. 2,500,001 to Rs. 3,500,000	Rs. 195,000 + 19.5% of amount exceeding of Rs.2,500,000
6	Rs. 3,500,001 to Rs. 5,000,000	Rs. 370,000 + 20% of amount exceeding of Rs.3,500,000
7	Rs. 5,000,001 to Rs. 8,000,000	Rs. 670,000 + 22.5% of amount exceeding of Rs.5,000,000
8	Rs. 8,000,001 to Rs. 12,000,000	Rs. 1,345,000 + 25% of amount exceeding of Rs.8,000,000
9	Rs. 12,000,001 to Rs.30,000,000	Rs. 2,345,000 + 27.5% of amount exceeding of Rs.12,000,000
10	Rs. 30,000,001 to Rs. 50,000,000	Rs. 7,295,000 + 30% of amount exceeding of Rs.30,000,000
11	Rs. 50,000,001 to Rs.75,000,000	Rs. 13,295,000 + 32.5% of amount exceeding of Rs.50,000,000
12	Where the taxable income exceed Rs. 750,000,000	Rs. 21,420,000 + 35% of amount exceeding of Rs.750,000,000

BUDGET IMPACT—SMEs (BUSINESS INDIVIDUAL, AOP & SMALL COMPANY)

Business individual/Sole proprietor- a person who is doing business in his own name or in any trade name.

Association of person- a firm, Hindu undivided family, any artificial juridical person, anybody of person formed under a foreign law but does not include a company.

Small company-The income tax law defines small company which has paid-up capital and reserves not more than Rs. 50 million, employees not exceeding 250 and yearly sales are not more than 250 million rupees. This definition practically includes small and medium size companies and also include cooperative societies, non-profit organizations by whatever constitution they are formed.

Large size companies are dependent on small and medium size companies mostly for their supplies and services. Often the revenue of large sector is generated through the consumption of small companies. As such the development of establishing a sound and effective taxation system for SMEs is inevitable. Further lowering of taxes for SMEs is important for their growth and long-term sustainability. More importantly increasing tax incentives and exemptions should be allowed which will attract investors who are future tax payers and will encourage voluntary compliance. These incentives will help them to have enough funds for other activities that will lead to business growth and will help SMEs get better equipped to survive in a competitive market.

Despite fixing the income tax rate of large companies at 29%, the Finance Bill 2019 did not propose any change in the existing rates of taxation for small companies and will remain at reducing pattern of 1% each year until reaches at 20% by 2023. However more incentives are required for the growth of SMEs.

Impact on business

The positive and negative impacts on regular business under the Sales Tax Act 1990 will be as follows:

- Simplified and automated procedures are introduced for registration in sales tax.
- Value addition tax @3% on mobile phones is withdrawn.
- Sales tax on food supplied by restaurants and bakeries will be reduced to 7.5 % from 17%.
- Tax will be charged as zero-rated on export of PMC and PVC to Afghanistan and Central Asian Regions.
- Additional sales tax of 2% applicable on auto parts and tyres other than standard tax rate is withdrawn.
- Special procedure on steel sector is abolished and bringing them into normal tax regime.
- Region wise fixed value charged from gas dealers is increased.
- Retailers are divided into two tiers for the purpose of charging sales tax. Tier 1 are those having shops on 1000 sq.ft and above and will be charged on standard rate of sales tax at 17% or 2% of turnover whereas Tier 2 retailers will be taxed through electricity bills.
- Incentive to buyers has been given to buy from registered retailers and demand invoices and get refund of 5% of sales tax.
- Exemption of sales tax on supply of electricity to residential and commercial consumers and industries set before 31 May 2018 is also granted to tribal areas excluding steel and ghee sector.
- Zero rating allowed to five industries i.e. textile, leather, carpets, sports goods and surgical goods have been withdrawn and standard sales tax of 17% will be applicable on these industries with effect from 1 July 2019.
- Reduce rate of sales tax will be charged on gold, silver, diamond and jewelry.
- Marble industry will come under normal sales tax rate instead of existing taxability according to electricity bills.

BUDGET IMPACT–SMEs (BUSINESS INDIVIDUAL, AOP & SMALL COMPANY)

Business license scheme

Every person engaged in business, profession or vocation is required to obtain and display a business license.

Recovery of income tax from partner

It has been proposed that where any recovery of tax payable by an association of persons cannot be made, the same would be recovered from the partner of the Association. The partner would thereafter be allowed to recover the tax paid by him from the AOP.

Fresh graduates

Tax credit for persons employing fresh graduates of 2017 and onwards. This amendment is intended to encourage employment of educated youth.

Tax credit withdrawal on machinery

Tax credit at the rate of 10% which was available to businesses for expansion and modernization of their manufacturing facilities has been withdrawn. This is discouraging for new investment as opposed to Government's efforts for promoting industrialization.

Minimum tax on turnover

Minimum tax is applicable on all resident companies, individuals and association of persons having turnover of Rs. 10 million and above in any financial year at the rates ranges from 0.2% to 1.25%. The current Finance Bill proposes to increase the range of tax rates from 0.25 to 1.5%.

Transactions with unregistered person

In case commission is paid by business owners more than 0.2% of their gross sales to unregistered persons in respect of products given in the Third Schedule of the Sales Tax Act 1990, it will be disallowed as deduction in computing their income under the head "Income from Business". 75% dealers' commission paid will be taken into income of the manufacturer in case it is paid to unregistered person in respect of sales as given in Third Schedule of the Sales Tax Act 1990.

Property purchase ceilings in cash

The bill proposes to discourage cash transactions and have restricted the purchase of property having fair market value of Rs. 5 million and any other asset having fair market value of Rs. 1 million by cash. Any property/asset purchases above these ceilings will disallow initial allowance, normal tax depreciation, amortization and other relevant benefits under the Ordinance.

Existing tax rates applicable to business individuals-2018-19

S. #	Taxable Amount	Tax Rate
1	Up to Rs. 400,000	0%
2	Rs. 400,001 to Rs.800,000	Rs. 1,000
3	Rs. 800,001 to Rs. 1,200,000	Rs. 2,000
4	Rs. 1,200,001 to Rs. 2,400,000	5% of the amount exceeding Rs 1,200,000
5	Rs.2,400,001 to Rs. 3,000,000	Rs. 60,000 + 15% of the amount exceeding Rs 2,400,000
6	Rs.3,000,001 to Rs. 4,000,000	Rs. 150,000 + 20% of the amount exceeding Rs 3,000,000
7	Rs.4,000,001 to Rs. 5,000,000	Rs. 350,000 + 25% of the amount exceeding Rs 4,000,000
8	Taxable income > Rs.5,000,000	Rs. 600,000+29% of amount exceeding Rs 5,000,000

BUDGET IMPACT–SMEs (BUSINESS INDIVIDUAL, AOP & SMALL COMPANY)
Existing tax rates for association of person 2018-19

S. #	Taxable Amount	Tax Rate
1	Up to Rs. 400,000	0%
2	Rs. 400,001 to Rs.1,200,000	5% of the amount exceeding Rs 400,000
3	Rs. 1,200,001 to 2,400,000	Rs. 40,000 + 10% of the amount exceeding Rs 1,200,000
4	Rs.2,400,001 to 3,600,000	Rs. 160,000 + 15% of the amount exceeding Rs 2,400,000
5	Rs.3,600,001 to 4,800,000	Rs. 340,000 + 20% of the amount exceeding Rs 3,600,000
6	Rs.4,800,001 to 6,000,000	Rs. 580,000 + 25% of the amount exceeding Rs 4,800,000
7	Over Rs. 6,000,000	Rs. 880,000 + 30% of the amount exceeding Rs 6,000,000

Proposed tax rates for business individual / association of person 2019-20

S. #	Taxable Amount	Tax Rate
1	Up to Rs. 400,000	0%
2	Rs. 400,001 to Rs.600,000	5% of the amount exceeding Rs 600,000
3	Rs. 600,001 to Rs. 1,200,000	Rs. 10,000 + 10% of the amount exceeding Rs 600,000
4	Rs. 1,200,001 to Rs.2,400,000	Rs. 700,000 + 15% of the amount exceeding Rs 1,200,000
5	Rs.2,400,001 to Rs. 3,000,000	Rs.250,000 + 20% of the amount exceeding Rs 2,400,000
6	Rs.3,000,001 to Rs. 4,000,000	Rs. 370,000 + 25% of the amount exceeding Rs 3,000,000
7	Rs.4,000,001 to Rs. 6,000,000	Rs. 620,000 + 30% of the amount exceeding Rs 4,000,000
8	Taxable income > Rs.6,000,000	Rs. 1,220,000 + 35% of the amount exceeding Rs 6,000,000

Applicable rate of taxation

The above schedules indicate existing and proposed rates of taxation on business individual and association of persons. Until 2018-19 two separate slabs were applicable on business individuals and association of person which are now proposed to be merged with effect from 1 July 2019.

Changes for certain business fall under Final Tax Regime

Final tax regime whereby tax deducted at source is taken as full and final discharge of tax liability has been withdrawn for the following business as proposed in the current Finance Bill 2019. Any tax deducted will now be considered as minimum tax and their taxable income will be taxed at the normal rate of tax slabs applicable to them.

1. Commercial importers/Ship Breakers- Section 148
3. Interest income- Section 151
4. Payments to non-resident- Section 152(1A) and 152(1AA)
5. Sale of goods other than by a manufacturing/listed company-Section 153(1)(a)
6. Advertising services for electronic and print media - Section 153(1)(b)
7. Execution of contract -Section 153(1)(C)
8. Contract with a sports person- Section 153(1)(C)
9. Commission Income- Section 233
10. CNG stations Section 234A



BUDGET IMPACT–SMEs (BUSINESS INDIVIDUAL, AOP & SMALL COMPANY)

Withholding tax exemption withdrawn

The following service providers were allowed to claim exemption from minimum tax in case they pay 2% tax on their income from all sources and provide certain information to the Commissioner under this Ordinance:

1. Freight forwarding services
2. Air cargo services
3. Courier services
4. Manpower outsourcing services
5. Hotel services
6. Security guard services
7. Software development services
8. IT services and IT enabled services
9. Tracking services
10. Advertising services (other than by print or electronic media)
11. Share registrar services
12. Engineering services
13. Car rental services
14. Building maintenance services
15. Services rendered by Pakistan Stock Exchange Limited
16. Services rendered by Pakistan Mercantile Exchange Limited
17. Inspection services
18. Certification services
19. Testing services
20. Training services

Through proposed amendment this exemption is withdrawn and now payments to them are subject to withholding tax rate of 4%.

Rental Income

The rates for calculation of tax on rental income in case of companies is proposed to be enhanced from 15% to 17.5%



BUDGET IMPACT – NON-PROFIT ORGANIZATION

As per present income tax law NPOs are categorized as companies. As such regular conditions of filing of annual income tax return, categorization as withholding agent are essential for them to claim 100 percent tax credit. However, exemption under section 2(36) was required each year for renewal of their status of exemption as NPO. This was creating lot of procedural issues and also encouraging unnecessary interaction with respective FBR offices, which is now removed and it is made part of the condition which is taken once would be applicable for future periods. However further clarifications are needed as it has made this applicable with effect from 1 July 2020 instead of 2019.

After above amendment 100% tax exemption could be claimed in the following conditions:

1. That the return of total income has been filed
2. Tax required to be deducted or collected has been deducted and collected and paid
3. Withholding tax statements for immediately preceding tax years have been filed
4. Approval of the Commissioner has been obtained as the requirements of clause 36 of section 2.

There is no change in given exceptions to the above conditionalities.



BUDGET IMPACT – GENERAL PROVISIONS APPLICABLE TO ALL TAXPAYERS

Cottage Industry

Definition of cottage industry has been changed and now under the proposed amendment any business establishment which does not have a total labour force of more than ten workers, does not have an industrial gas or electricity connection or is located in a residential area will be considered as cottage industry.

Retail price regime for importer

Importers are now included in retail price regime and they will be required to pay sales tax @ 17% at import stage on retail price fixed by importer for the product which will be sold to the customers.

Property taxes

In view of anticipated increase in rates of immovable properties closer to the actual market value, the tax of 3% payable at the time of purchase of property on the difference of value has been abolished.

Advance tax is reduced to 1% to be collected from the taxpayer in active taxpayer list irrespective of any threshold on the fair market value rather than DC value / FBR value of property.

Dividend income

Dividend on shares of power generation companies, WAPDA and coal supplying companies is proposed to be enhanced to 15% from existing reduced rate of 7.5%.

It is also proposed that in case where no tax is payable by the company either due to any exemption or carry forward of business losses or due to any tax credits, the withholding of income tax on dividend by those companies shall be 25% instead of 15%.

Repetitive income tax audit restored

As per present provisions a taxpayer would not be selected for Audit, if his/her income tax audit has been conducted in any of the last three tax years. This clause has now been deleted and an audit can be selected even if carried out earlier than 3 years period.



WITHHOLDING TAX CARD
(EXISTING & PROPOSED)

Section	Type of payment	Rate %			
		Existing 2018-19		Proposed 2019-20	
		Filer	Non-Filer	Filer	Non-Filer
148	Import of goods Deducting/Collecting Authority: Collector of Customs				
	• Import of remittable steel and directly reduced iron by an industrial undertaking for its own use	1 %	1.5 %	1 %	2 %
	• Import of potassic, fertilizers and urea	1 %	1.5 %	1 %	2 %
	• Manufacturers under Notification No. S.R.O 1125(I)/2011 dated December 31, 2011 and importing items covered under S.R.O 1125(I)/2011 dated the 31st December, 2011	1%	1.5%	1 %	2 %
	• Persons importing Gold	1%	1.5%	1%	2%
	• Persons importing cotton	1%	1.5%	1%	2%
	• Designated buyer of LNG on behalf of Government of Pakistan to import LNG	1%	1.5%	1%	2%
	• Import of pulses	2%	3%	2%	4%
	• Industrial undertaking of importing plastic raw material for its own use. For non filers companies Other then companies	1.75 %	-	1.75 % 1.75 %	11% 12 %
148(3A)	Commercial importers under Notification No. S.R.O 1125(I)/2011 dated December 31, 2011 and importing items covered under S.R.O 1125(I)/2011 dated the 31st December,2011 Deducting/Collecting Authority: Collector of Customs				
	• Commercial importers	3 %	4.5 %	3 %	6 %
	• Persons importing coal	4 %	6 %	4 %	8 %
	• Ship breakers on import of ships	4.5%	6.5%	4.5%	9%
	• Industrial undertaking of importing plastic raw material for its own use. - For non filers companies - Other then companies	4.5 %	-	4.5 %	11% 12 %
	• Industrial undertaking not covered above:	5.5 %	8%	5.5 %	11%
	• Not covered above:	6 %	9%	6 %	12%

Section	Type of payment	Rate %			
		Existing 2018-19		Proposed 2019-20	
		Filer	Non-Filer	Filer	Non-Filer
149	Payment of salary Deducting/Collecting Authority: Person responsible for paying salary	Average rate of tax computed on the basis of formula		As per above given slabs sheets on page # 6	
150	Payments of dividend declared / distributed by: Deducting/Collecting Authority: Every person paying dividend				
	• Purchase of a power project privatized by WAPDA	7.5%	7.5%	15%	30%
	• Company set up for power generation	7.5%	7.5%	15%	30%
	• Company supplying coal exclusively to power generation projects	7.5%	7.5%	15%	30%
	• Any other	15%	20%	25 %	50%
	Dividend received from a Stock Fund by: Deducting/Collecting Authority: Collective Investment Scheme, RIET scheme or Mutual fund				
	» Individual	12.5%	12.5%	25 %	50 %
	» Company	12.5%	12.5%	25 %	50 %
	» AOP	12.5%	12.5%	25 %	50 %
	• Dividend from Stock fund is less than capital gains	12.5%	12.5%	25 %	50 %
	• Dividend received from Money Market Fund, Income Fund or any other Fund by:				
	• Individual	12.5%	15%	25 %	50 %
	• Company	25%	25%	25 %	50 %
	• AOP	12.5%	25%	25 %	50 %
	Dividend received by an individual from Rental REIT scheme Deducting/Collecting Authority: Collective Investment Rental Scheme, RIET scheme				
		7.5%	7.5%	25 %	50 %
151	Payment of profit/ yield to resident in respect of following after deducting zakat thereon: Deducting/Collecting Authority: Payer of the profit or yield				
	• Deposit or account maintained with banking company or financial institution by:	10%	17.5%	15 %	30 %

Section	Type of payment	Rate %			
		Existing 2018-19		Proposed 2019-20	
		Filer	Non-Filer	Filer	Non-Filer
	» Non-Filers having profit / yield payment is Rs. 500,000 or less	-	10%	-	10 %
	• Yield on National Saving Schemes and Post Office Saving Account by:	10%	17.5%	10%	20%
	» Non-Filers having profit / yield payment is Rs. 500,000 or less.	-	10%		10%
	Profit on securities issued by Government and local authority by : Deducting/Collecting Authority: Payer of the profit or yield				
		10%	17.5%	10%	20%
	» Non-Filers having profit / yield payment is Rs. 500,000 or less	-	10%	-	10%
	Profit on bond, certificates, debenture, security or instrument of any kind (other than a loan agreement between a borrower and banking Co. or a Development financial institution) by: Deducting/Collecting Authority: Payer of the profit or yield				
		10%	17.5%	10%	20%
	» Non-Filers having profit / yield payment is Rs. 500,000 or less	-	10%	-	10%
152	Payments to non-resident person : Deducting/Collecting Authority: Federal Government, Company, Association of Persons (under law), non-profit organization, Foreign contractor or consultant or consortium or joint venture, Individual (turnover of Rs. 50M or above), AOP (normal) (turnover of Rs. 50M or above). A person registered under the Sales Tax Act, 1990, an exporter or an export house				
	• Royalty	15%	15%	15 %	30 %
	• Fee for technical services	15%		15%	
	• Fee for offshore digital services	5%	5%	5%	10%
	• Shipping income	8%	8%	8%	16%
	• Air Transport income	3%	3%	4%	16%
	• Contract or sub contract under a construction, assembly or installation project	7%	13%	7%	14%
	• Execution of contract	7%	13%	7%	14%
	- By sportsperson	10%		10 %	20 %

Section	Type of payment	Rate %			
		Existing 2018-19		Proposed 2019-20	
		Filer	Non-Filer	Filer	Non-Filer
	• Advertisement services rendered by T.V Satellite Channel	7%	13%	7%	14%
	• Advertisement services relaying from outside Pakistan	10%		10%	
	• Any other contract from construction or services	7%	13%	7%	14%
	• Insurance premium or re-insurance premium	5%		5%	10%
	• Other cases	20%		20%	40%
	• Supplies made by distributors of fast moving consumer goods				
	• In case of companies	4%	7%	2%	4%
	• In case of other than company	4.5%	7.75%	2.5%	5%
	• Sales of goods on amount inclusive of Sales Tax				
	• General				
	i) In the case of Companies	4%	8%	4%	8%
	ii) In the case of other taxpayers	4.5%	9%	4.5%	9%
	iii) In the case of transportation services	2 %		2 %	4 %
153	Payments to residents: Deducting/Collecting Authority: Federal Government, Company, Association of Persons (under law), non-profit organization, Foreign contractor or consultant or consortium or joint venture, Individual (turnover of Rs. 50M or above), AOP (normal)(turnover of Rs. 50M or above). A person registered under the Sales Tax Act, 1990, an exporter or an export house				
	• Rice, cotton seed oil and edible oil other than mentioned below	1.5%	1.5%	1.5%	3%
	• Supplies made by distributors of fast moving consumer goods				
	• In case of companies	2%	4%	2%	4%
	• In case of other than company	2.5%	5%	2.5%	5%
	• Sales of good in other the company	4.5%	9%	4.5%	9 %
	• Sales of other goods in case of company				
	• In case of companies	4%	8%	4%	8%
	• In case of other than company	4.5%	9%	4.5%	9%
	• Transport services	2%	2%	4%	8%

Section	Type of payment	Rate %			
		Existing 2018-19		Proposed 2019-20	
		Filer	Non-Filer	Filer	Non-Filer
	• Other than transport services in case of Company	8%	14.5%	8%	16%
	• Other than transport services other than company	10%	17.5%	10%	20 %
	• Payment to electronic and print media for advertising services				
	i) In the case of filer	1.5%	12 %	1.5%	3 %
	ii) In the case of Companies	1.5%	12%	1.5%	3 %
	iii) In the case of other taxpayers	-	15%	20 %	20 %
	• Execution of contract				
	i) In the case of Companies	7%	14%	7%	14%
	ii) In the case of other taxpayers	7.5%	15%	7.5 %	15%
	iii) In the case of sportspersons	10%	10%	10%	20%
	• Rendering of or providing of stitching, dyeing, printing, embroidery, washing, sizing and weaving	1%	1%	1%	2%
154	Realization of proceeds on account of: Deducting/Collecting Authority: Authorized dealer in foreign exchange collector of customers and banking company				
	• Exports of goods	1%	1%	1%	1%
	• Indenting commission	5%	5%	5%	5%
	• Exports of good & services and sales of goods by indirect exporter under inland back to back letter of credit or standard purchase order of goods specified in seventh schedule	1%	1%	1%	1%
	• Exports of goods by industrial undertaking located in the export processing zones	1%	1%	1%	1%
	• Payment for firm contract to an indirect exporter.	1%	1%	1%	1%
	• Clearance of goods exported	1%	1%	1%	1%
155	Payment of rent (including advance) on immovable property, Deducting/Collecting Authority: Federal Government, Provincial Government, Local Authority, Company, Non-Profit Organization, Charitable Organization and Diplomatic Mission of foreign state, Private educational institution, Boutique, beauty parlor, Hospital, Clinic, Maternity home, Individuals or AOPs paying gross rent of Rs. 1.5 million or more in a year				

Section	Type of payment	Rate %			
		Existing 2018-19		Proposed 2019-20	
		Filer	Non-Filer	Filer	Non-Filer
		5% to 20% in accordance with slab rates as specified in Division V part III of first schedule		As per above given slabs sheets on page # 13	
	Payment of rent on immovable property (In case of Company) Deducting/Collecting Authority: Paid by the Company				
		15%	17.5%	15%	17.5%
156	Payment of prize bond or crosswords puzzle Deducting/Collecting Authority: Person paying the amount where the payment is not in cash				
		15%	25%	15%	30%
	Payment of prize on winning of raffle, lottery, a quiz, offered by companies for promotion of sale.	20%	20%	20%	40%
156A	Payment of commission or discount allowed to a petrol pump operator Deducting/Collecting Authority: Person selling petroleum products to a pump operator				
		12.0%	17.5%	12.0%	24%
156B	Withdrawal of balance under pension funds Deducting/Collecting Authority: Pension fund manager				
	Withdrawal before retirement age	Average rate of tax for 3 preceding years or rate applicable for the year, whichever is lower		Average rate of tax for 3 preceding years or rate applicable for the year, whichever is lower	
	Withdrawal in access of 50% of accumulated balance at or after the retirement age.				
231A	Cash withdrawal from bank (all payments in a day amount exceeding Rs. 50,000) for : Deducting/Collecting Authority: Every Banking Company				
		Exempt	0.6%	Exempt	0.6%
231AA	Advance tax on transaction in bank if the payment for withdrawal is made through any mode of banking transactions including Demand draft, Payment order, Online transfer, Telegraphic transfer, CDR, STDR, RTC, or the sum total of the payments for such transaction in a day, exceeds twenty-five thousand rupees Deducting/Collecting Authority: Every Banking Company, non-banking financial institution, exchange company, or authorized dealer of foreign exchange				
		Exempt	0.6%	Exempt	0.6%
231B	Purchase , registration of transfer of motor vehicle Deducting/Collecting Authority: Excise and taxation (Motor Vehicle)				
	As per engine capacity	Rs. 7,500 to 250,000	Rs.10,000 to 450,000	Rs. 7,500 to 250,000	Rs.15,000 to 500,000

Section	Type of payment	Rate %			
		Existing 2018-19		Proposed 2019-20	
		Filer	Non-Filer	Filer	Non-Filer
231B(1A)	Lease of motor vehicle to non filer Deducting/Collecting Authority: Excise and taxation (Motor Vehicle)				
	As per engine capacity	-	4%	-	4%
231B(2)	Transfer of registration or ownership of a private motor vehicle: Deducting/Collecting Authority: Excise and taxation (Motor Vehicle)				
	As per engine capacity	Rs. 0 to 62,500	Rs. 5,000 to 300,000	Rs. 0 to 62,500	Rs. 0 to 125,000
233	Payment of Brokerage and commission Deducting/Collecting Authority: Federal Government, Local Government, Company and Association of Person constituted by or under any law				
	• Advertising Agents	10%	15%	10%	20%
	• Life insurance agents where commission received is less than Rs. 0.5 million per annum	8%	16%	8%	16%
	• Person not covered in Advertising and life Insurance Agents above	12%	15%	12%	24%
233A	On purchase & sale of shares Deducting/Collecting Authority: Registered Stock Exchange				
	• On purchase of shares	This section has been made inapplicable with effect from 1 st March 2019 through insertion of sub-section 3 vide finance supplementary (second amendment) Act 2019		0.02%	0.04%
	• On sale of shares	0.02%	0.02%	0.02%	0.04%
233AA	On margin financing in shares business or on providing of any margin financing, margin trading or securities lending under Securities (Leveraged Markets and Pledging) Rules, 2011 in share business Deducting/Collecting Authority: National Clearing Company Pakistan Limited				

Section	Type of payment	Rate %			
		Existing 2018-19		Proposed 2019-20	
		Filer	Non-Filer	Filer	Non-Filer
		10% of profit or mark-up or interest earned by the member, margin financier or securities lender		10% of profit or mark-up or interest earned by the member, margin financier or securities lender	
234	On collection of motor vehicle tax of : Deducting/Collecting Authority: Person collecting motor vehicle tax				
	• Passenger transport vehicle with registered seating capacity of 4 to 10 persons	per seat annum		per seat annum	
		Rs. 50	Rs. 100	Rs. 50	Rs. 100
	• Passenger transport vehicle with registered seating capacity of 10 to 20 persons	Rs. 100	Rs. 200	Rs. 100	Rs. 200
	• Passenger transport vehicle with registered seating capacity of 20 or more	Rs. 300	Rs. 500	Rs. 300	Rs. 600
	• Goods transport vehicle	Per kilogram of the laden weight per annum		Per kilogram of the laden weight per annum	
	• Other private motor vehicles	Rs. 800 to 10,000	Rs. 1,200 to 30,000	Rs. 800 to 10,000	Rs. 1,600 to 20,000
234A	In the case of a compressed natural gas station Deducting/Collecting Authority: Person preparing gas consumption bill				
		4%	6%	4%	6%
235	On collection of amount of electricity bill: Deducting/Collecting Authority: Person preparing electricity consumption bill				
	• Where the amount of electricity bill is exceeding Rs. 400 but does not exceed Rs. 20,000	Rs. 80 to 1,500 per month	Rs. 80 to 1,500 per month	Rs. 80 to 1,500 per month	Rs. 80 to 1,500 per month
	• Where bill exceeds Rs. 20,000				
	i) For commercial consumers	12%	12%	12%	12%
	ii) For industrial consumers	5%	5%	5%	5%
235A	On Collection of amount of electricity bill of : Deducting/Collecting Authority: Person preparing electricity consumption bill				
	• Domestic consumer having monthly bill of less than Rs. 75,000	0%	0%	0%	0%

Section	Type of payment	Rate %			
		Existing 2018-19		Proposed 2019-20	
		Filer	Non-Filer	Filer	Non-Filer
	• Domestic consumer having monthly bill of Rs. 75,000 or more	7.5%	7.5%	7.5%	7.5%
235B	Production of steel billets, ingots and mild steel excluding stainless steel Deducting/Collecting Authority: Person preparing electricity consumption bill				
		Rs. 1 / unit of electricity consumed	Rs. 1 / unit of electricity consumed	Rs. 1 / unit of electricity consumed	Rs. 1 / unit of electricity consumed
236	On collection of amount of telephone charges of : Deducting/Collecting Authority: Person preparing telephone bills				
	• Telephone subscriber (bill below Rs. 1,000)	0%	0%	0%	0%
	• Telephone subscriber (bill exceeds Rs. 1,000)	10%	10%	10%	10%
	• Subscriber of internet, mobile, telephone and prepaid internet or telephone card	12.5%	12.5%	12.5%	12.5%
236A	On the sale by public auction or auction by tender Deducting/Collecting Authority: Any person making sale by public auction or auction by tender				
		10%	15%	10%	20%
236B	Domestic air ticket Deducting/Collecting Authority: Airline issuing air tickets				
		5%	5%	5%	5%
236C	On sale or transfer of immovable property for : Deducting/Collecting Authority: Any person responsible for registering or attesting transfer of immovable property				
		1%	2%	1%	2%
236D	On arranging or holding a function in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any such place used for such purpose. Deducting/Collecting Authority: Owner, a lease holder, an operator or a manager of marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose.				
	For Islamabad, Lahore, Multan, Faisalabad, Rawalpindi, Gujranwala, Bahawalpur, Sargodha, Sahiwal, Shekhurpura, Dera Ghazi Khan, Karachi, Hyderabad, Sukkur, Thatta, Larkana, Mirpur Khas, Nawabshah, Peshawar, Mardan, Abbotabad, Kohat, Dera Ismail Khan, Quetta, Sibi, Loralai, Khuzdar, Dera Murad Jamali and Turbat.	5% of the bill or Rs. 20,000 per function whichever is higher		5% of the bill or Rs. 20,000 per function whichever is higher	
	For cities other than those mentioned above	5% of the bill or Rs. 10,000 per function whichever is higher		5% of the bill or Rs. 10,000 per function whichever is higher	

Section	Type of payment	Rate %			
		Existing 2018-19		Proposed 2019-20	
		Filer	Non-Filer	Filer	Non-Filer
236F	Cable operators and other electronic media on issuance of license for distribution services or renewal of license Deducting/Collecting Authority: Pakistan Electronic Media Regulatory Authority				
	<ul style="list-style-type: none"> In case of Cable television operator license category H to B – 10 	Tax on License fee Rs. 7,500 to Rs. 875,500		Tax on License fee Rs. 7,500 to Rs. 875,500	
		Tax on Renewal Rs.10,000 to Rs. 900,000		Tax on Renewal Rs.10,000 to Rs. 900,000	
	<ul style="list-style-type: none"> In case of IPTV, FM radio, MMDS, Mobile TV, Mobile Audio, Satellite TV channel, and landing rights. 	20% of permission fee or renewal fee		20% of permission fee or renewal fee	
236G	Sales to distributors, dealers and wholesalers Deducting/Collecting Authority: Every manufacturer, commercial importer of electronics, sugar, cement, iron and steel products, fertilizers, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam				
	<ul style="list-style-type: none"> Fertilizers: 	0.7%	1.4%	0.7%	1.4%
	<ul style="list-style-type: none"> Other than fertilizers: 	0.1%	0.2%	0.1%	0.2%
236H	Advance tax on Sales to retailers Deducting/Collecting Authority: Every manufacturer, distributor, dealer, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector				
	- Electronic	1%	1%	1%	2%
	- Other	0.5%	1%	0.5%	1%
236HA	Advance tax on sale of certain petroleum products Deducting/Collecting Authority: Every person selling petroleum products to a petrol pump operator or distributor				
		0.5%	1%	0.5%	1%
236I	Fee paid to an educational institution Deducting/Collecting Authority: The person preparing fee voucher or challan				
	<ul style="list-style-type: none"> Where annual fee exceeds Rs. 200,000 	5%	5%	5%	5%

Section	Type of payment	Rate %			
		Existing 2018-19		Proposed 2019-20	
		Filer	Non-Filer	Filer	Non-Filer
236J	On the issuance or renewal of licenses of dealers, commission agents and arhatis etc: Deducting/Collecting Authority: Every market committee				
	• Group or class A	Rs.10,000	Rs.10,000	Rs.100,000	Rs.100,000
	• Group or class B	Rs. 7,500	Rs. 7,500	Rs. 75,000	Rs. 75,000
	• Group or class C	Rs. 5,000	Rs. 5,000	Rs. 50,000	Rs. 50,000
	• Any other category	Rs. 5,000	Rs. 5,000	Rs. 50,000	Rs. 50,000
236K	On purchase or transfer of immovable property: Deducting/Collecting Authority: Any person responsible for registering or attesting transfer of any immovable property				
	• Where value of immovable property is Rs. 4 million	0%	0%	1%	2%
	• Where value of immovable property is more than Rs. 4 million	2%	4%	1%	2%
236L	On purchase of international air ticket (one-way or return) issued from Pakistan on: Deducting/Collecting Authority: Every airline issuing ticket for journey originating from Pakistan				
	• First Executive Class	Rs. 16,000 per person		Rs. 16,000 per person	
	• Other excluding economy	Rs. 12,000 per person		Rs. 12,000 per person	
	• Economy	Rs. 0		Rs. 0	
236P	Banking transaction other than through cash for Non-Filer Deducting/Collecting Authority: Every banking company				
		Not Applicable	0.6%	Not Applicable	0.6%
236Q	On use or right to use industrial, commercial and scientific equipment Deducting/Collecting Authority: Federal Government, Company, Association of Persons (under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 50 M or above), A person registered under the Sales Tax Act, 1990, an exporter or an export house				
		10%	10%	10%	10%
236R	On education related expenses remitted abroad Deducting/Collecting Authority: Banks, Financial institutions foreign exchange ,companies or any other person				
		5%	5%	5%	5%
236U	For General and Life insurance : Deducting/Collecting Authority: every Insurance Company				

Section	Type of payment	Rate %			
		Existing 2018-19		Proposed 2019-20	
		Filer	Non-Filer	Filer	Non-Filer
	• General insurance	4%	4%	0%	4%
	• Life insurance Premium if exceeding Rs. 0.3 million per annum	1%	1%	0%	1%
	• Others	0%	0%	0%	0%
236V	Extraction of Minerals Deducting/Collecting Authority: Provincial Authority collecting royalty per metric ton				
		0%	5%	0%	5%
236W	Advance tax on purchase or transfer of immovable property Deducting/Collecting Authority: Every person responsible for registering or attesting transfer of any immovable property				
		3%	3%	omitted	
236X	Advance tax on Tobacco Deducting/Collecting Authority: Pakistan Tobacco Board				
		5% of purchase value		0%	5%
236Y	Advance tax on amount remitted abroad through Credit ,Debit or Prepaid cards Deducting/Collecting Authority: Every banking Company				
		1%	3%	1%	3%



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