

**Finance  
Supplementary  
(Second Amendment)  
Bill, 2019**

A

BILL

Further to amend the tax laws:

WHEREAS it is expedient further to amend certain laws relating to taxes and duties and for the matters connected therewith and ancillary thereto;

It is hereby enacted as follows: -

1. **Short title and commencement.**— (1) This Act shall be called the Finance Supplementary (Second Amendment) Act, 2019.

(2) It shall come into force at once unless otherwise provided in any of the provisions of this Act.

2. **Amendment of Customs Act, 1969 (IV of 1969).**— In the Customs Act, 1969 (IV of 1969), the following further amendments shall be made which shall come into force at once except clause 2 (2) (ii) which shall take effect from thirty first day of March, 2019, namely: -

(1) In the First Schedule, in chapter 99, in sub-chapter-VII, in column(1), for the PCT code 9925 and the entries relating thereto in columns (2) and (3), the following shall be substituted, namely: -

“9925 (A) Artificial kidneys, hemodialysis machines, 0”; and  
hemodialyzers, A.V. fistula needles, hemodialysis fluids and powder, blood tubing tines for dialysis, reverse osmosis plants for dialysis, double lumen catheter for dialysis, catheters for renal failure patients, peritoneal dialysis solution and cardiac

catheters.

(B) Following items and appliances for Ostomy use -

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.
11. Ostomy (Colostomy/Ileostomy/ Urostomy) Mouldable Ring
12. Ostomy (Colostomy/Ileostomy/ Urostomy) Elastic Tape

13. Ostomy (Colostomy/Ileostomy/ Urostomy)  
Barrier Cream
14. Ostomy (Colostomy/Ileostomy/ Urostomy)  
Protective Sheets
15. Ostomy (Colostomy/Ileostomy/ Urostomy) Cap
16. Ostomy (Colostomy/Ileostomy/ Urostomy)  
Protective Seal
17. Plastic Clips for closing the Ostomy bags.
18. Liquid washers and wipes for cleaning and  
washing peristomalskin
19. Night Drainage Bag
20. Cystoscope
21. Lithotripter
22. Colonoscope
23. Sigmoidoscope
24. Laparoscope
25. Suprapubic Cystostomy Set
26. Ryles Tube (Nasogastric Tube)
27. Foley's Catheter
28. Endoscope (Video Endoscopes)
29. Linear Cutter/Stapler
30. Circular Stapler
31. Right Angle Cutter/Stapler

32. 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°)

33. Urological Endoscopic Instruments:

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

(2) In the Fifth Schedule, -

- (i) in Part-VII, in Table-B, in column (1), the following amendments shall be made, namely: -
  - (a) against serial numbers 15 and 16, in column (4), for the figure "5", the figure "3", shall be substituted; and
  - (b) against serial number 18, in column (4), for the figure "5", the figure "0", shall be substituted.

- (ii) After Part-VII, as amended aforesaid, the following new "Part-VIII", shall be added, namely: -

**"Part-VIII**

**Imports of inputs/raw materials of Industrial Sector**

**TABLE**

S. No.	Description	PCT Code	Customs Duty (%)	Conditions
(1)	(2)	(3)	(4)	(5)
1	<b>Footwear Sector:</b>			If imported by manufacturers of Footwear, registered under the Sales Tax Act, 1990
	(i) Toluene	2902.3000	3%	
	(ii) Butanone (methyl ethyl ketone)	2914.1200	3%	
	(iii) Other	3207.1090	3%	
	(iv) Other	3208.1090	20%	
	(v) Other	3208.9090	20%	
	(vi) Mould release preparations	3403.9910	3%	
	(vii) Shoe adhesives	3506.9110	16%	
	(viii) Other	3506.9190	16%	
	(ix) Shoe lasts	3926.9060	16%	
	(x) Other	4005.1090	11%	
	(xi) Other	4005.9900	11%	
(xii) Machinery for making or	8453.2000	0%		

	repairing footwear			
	(xiii) Parts	8477.9000	0%	
	(xiv) Injection or compression types	8480.7100	0%	
2	<b>Tanners:</b>			If imported by Tanners, registered under the Sales Tax Act, 1990
	(i) Formic acid	2915.1100	16%	
	(ii) Other	2915.1290	3%	
	(iii) Other	2933.9990	11%	
	(iv) Synthetic organic tanning substances	3202.1000	3%	
	(v) Other	3202.9090	11%	
	(vi) Basic dyes and preparations based thereon	3204.1300	3%	
	(vii) Other	3204.9000	16%	
	(viii) Of a kind used in the paper or like industries	3809.9200	11%	
	(ix) Of a kind used in the leather or like industries	3809.9300	11%	
	(x) Acrylic binders	3906.9020	20%	
	(xi) Polyurethanes	3909.5000	0%	
	(xii) Machinery for preparing, tanning or working hides, skins or leather	8453.1000	0%	

	(xiii) Parts	8453.9000	0%	
3	<b>Leather Sector:</b>			If imported by manufacturers of leather sector, registered under the Sales Tax Act, 1990
	(i) Magnesium oxide	2519.9010	0%	
	(ii) Other	2836.9990	0%	
	(iii) Sodium formate	2915.1210	0%	
	(iv) Tanning substances, tanning preparations based on chromium sulphate	3202.9010	20%	
	(v) Disperse dyes and preparations based thereon	3204.1100	16%	
	(vi) Stamping foils	3212.1000	11%	
	(vii) Of a kind used in the leather or like industries	3403.1110	16%	
	(viii) Of a kind used in the leather or like industries including fat liquors	3403.9110	16%	
4	<b>Gloves:</b>			If imported by manufacturers of Gloves, registered under the Sales Tax Act, 1990
	(i) Latex	4002.1100	0%	
	(ii) Other	4002.1900	0%	
	(iii) Other	4016.1090	5%	
	(iv) Machines for reeling, unreeling, folding, cutting or pinking textile fabrics	8451.5000	0%	



	(v) Other	8452.2900	0%	
	(vi) Other	8477.3090	0%	
	(vii) Buttons	9606.2920	20%	
	(viii) Other	9606.2990	20%	
6	<b>Furniture:</b>			
	Other	8465.9190	0%	If imported by manufacturers of Furniture registered under the Sales Tax Act, 1990
7	<b>Ceramics:</b>			If imported by manufacturers registered under the Sales Tax Act, 1990
	(i) Vitrifiable enamels and glazes, engobes (slips) and similar preparations	3207.2000	3%	
	(ii) Containing by weight more than 50 % of graphite or other carbon or of a mixture of these products	6903.1000	3%	
	(iii) Other	6903.2090	3%	
8	<b>Diapers/ Sanitary Napkins:</b>			If imported by manufacturers of diapers/sanitary
	(i) Other	3506.9190	5%	
	(ii) Other	3906.9090	5%	

	(iii) Of polymers of ethylene	3920.1000	16%	napkins registered under the Sales Tax Act, 1990, subject to annual quota determination and verification by the Input Output Co-efficient Organization (IOCO) and certification by the Engineering Development Board.
	(iv) Of other plastics	3921.1900	16%	
	(v) Of polymers of ethylene	3923.2100	5%	
	(vi) Weighing not more than 25 g/m <sup>2</sup>	5603.1100	11%	
	(vii) Weighing more than 25 g/m <sup>2</sup> but not more than 70 g/m <sup>2</sup>	5603.9200	16%	
	(viii) Weighing more than 70 g/m <sup>2</sup> but not more than 150 g/m <sup>2</sup>	5603.9300	11%	
9	<b>Home Appliance Sector:</b>			
	(i) Cyclopentane	2902.1910	0%	
	(ii) Tetrafluoroethane	2903.3930	0%	
	(iii) Acrylonitrile butadiene styrene (ABS) copolymers	3903.3000	0%	
	(iv) Other poly-ethers	3907.2000	0%	
	(v) Insulation tape double sided	3919.1010	0%	
	(vi) Adhesive tape	7607.1910	0%	

	(vii) Used with HCFC and non-CFC gases	8414.3010	0%	quota determination and verification by the Input Output Co- efficient Organization (IOCO).	
	(viii) Of machines of heading 8414.1000 and 8414.3010	8414.9010	0%		
	(ix) Evaporators (roll bond / fin / tube on plate types)	8418.9910	0%		
	(x) Motors of an output not exceeding 37.5 W	8501.1000	0%		
	(xi) Other	8501.4090	16%		
	(xii) Burglar or fire alarms and similar apparatus	8531.1000	0%		
	(xiii) Other	9030.8900	0%		
	(xiv) Of a kind used in refrigerators, deep freezers and air conditioners	9032.1010	0%		
	(xv) Other	9032.1090	16%		
10	<b>Infant Formula:</b>				
	Other	1901.9090	5%		Imports by manufacturers of infant formula milk, registered under the Sales Tax Act, 1990,

				subject to annual quota determination and verification by the Input Output Co-efficient Organization (IOCO).
11	<b>Chemical Manufacturing sector:</b>			If imported by manufacturers of chemicals, registered under the Sales Tax Act, 1990".
	(i) o-Xylene	2902.4100	0%	
	(ii) Octanol (octyl alcohol) and isomers thereof	2905.1600	0%	
12	Other	3812.3900	3%	If imported by of PVC / Plastic manufacturers, registered under the Sales Tax Act, 1990".

3. **Amendments of the Sales Tax Act, 1990.**— In the Sales Tax Act, 1990, the following further amendments shall be made, namely:-

- (1) after section 67, the following new section shall be inserted, namely:-

**“67A. Payment of refund through promissory notes.—** (1) Notwithstanding anything contained in section 67, the sales tax refunds payable under this Act may be paid through promissory notes, instead of paying sales tax refunds through cheques or electronic advice to State Bank of Pakistan, in the mode and manner and carrying such features as laid down in the Tenth Schedule to this Act.

(2) The refund under sub-section (1) shall be paid in the aforesaid manner to the claimants who opt for payment in such manner.”; and

(2) in the Sixth Schedule,—

(a) in Table-1, in column (1),—

(i) against serial number 110, in column (2), after the word “Islamabad”, the expression “for the period ending on the 30<sup>th</sup> June, 2023” shall be inserted;

(ii) for serial number 117 and entries relating thereto in columns (2) and (3), the following shall be substituted, namely:—

“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”;
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(iii) serial number 118 and entries relating thereto in columns (2) and (3), shall be omitted; and

(iv) after serial number 149 and the entries relating thereto in columns (2) and (3), the following new serial number and the entries shall be added respectively, namely:-

"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><u>Conditions:</u></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	Chapters 84 and 85';
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	another industrial undertaking in Pakistan	
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(b) in Table-3, in the Annexure, in column (1),--

(i) against serial number 7, in column (2), in the entry at serial number 1, for the word "etc", the expression ". This exemption in relation to renewable energy shall remain in force up to the 30<sup>th</sup> June, 2023" shall be substituted; and

(ii) against serial number 14A, in column (2), for the expression "etc.", the expression "as imported on or before the 30<sup>th</sup> June, 2023" shall be substituted;

(3) In the Ninth Schedule, in the Table, in column (1), for serial number 2 and entries relating thereto in columns (2), (3), (4) and (5), the following shall be substituted, namely:--

"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\$	Rs. 150	Rs. 150	-
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30			
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	”; and

(4) after the Ninth Schedule, amended as aforesaid, the following new Schedule shall be added, namely:-

#### “THE TENTH SCHEDULE

*[See section 67A]*

1. **Application.** This Schedule applies to the sales tax refund promissory notes to be issued in lieu of payable refunds as provided in section 67A.

2. **Definitions.-** In this Schedule, unless there is anything repugnant in the subject or context,-



(1) "note" or 'promissory note' means sales tax refund promissory note; and

(2) "promissory note office" or "note office" means an office established in the Board for issuance, registration, transfer, re-issuance, redemption and handling other matters in relation to the notes.

3. **Issuance and printing.**— (1) The promissory notes shall be issued by the Note Office in lieu of sales tax refunds as found admissible under the Sales Tax Act, 1990, to the refund claimants.

(2) The notes shall be printed by Pakistan Security Printing Corporation with security features and in the form as the Board may determine.

4. **Features of promissory notes.**— (1) The maturity period of the promissory notes shall be three years from the date of issuance.

(2) The promissory notes shall be issued in multiples of one hundred thousand Rupees.

(3) The promissory notes shall bear annual simple profit at ten *per cent* and shall be redeemable after the period of maturity.

(4) The promissory notes shall be redeemable before maturity only at the option of the Board along with simple profit payable at the time of redemption.

(5) The promissory notes shall be traded freely in the country's secondary markets.

- (6) The promissory notes shall be approved security for calculating the statutory liquidity reserve.
- (7) The promissory notes shall be accepted by the banks as collateral.
- (8) There shall be no compulsory deduction of *Zakat* against the promissory notes and *sahib-e-nisab* may pay *Zakat* voluntarily according to *Shariah*.

5 **Transfer of notes.** - The notes shall be transferable only in the manner provided hereunder:—

- (a) It shall be transferable by endorsement and delivery like a promissory note payable to order;
- (b) no endorsement of a note shall be valid unless made by the signature of the holder or his duly constituted attorney or representative inscribed on the back of the note itself;
- (c) no writing on a note shall be valid for the purpose of negotiation if such writing purports to transfer only a part of the amount denominated by the note;
- (d) The note office may decline to accept a note endorsed in blank for any purpose unless the endorsement in blank is converted into that in full before presentation.

6. **Payment on redemption.**- (1) When a note becomes due for payment, it shall be presented at the note office by the holder.

(2) On redemption, the profit on the notes shall be paid along with the face value, in the form of a crossed cheque drawn on the State Bank of Pakistan.

(3) The cheque shall be signed by the incharge of note office and another signatory as appointed by the Board.

(4) The principal amount along with the profit shall be debited to the revenue account "B02368-Sales Tax Refund".

7. **Procedure when a note is lost etc.**— (1) The procedure to be followed for the issue of a duplicate note in place of a note which is claimed to have been lost, stolen, destroyed, mutilated or defaced either wholly or in part, shall, *mutatis mutandis*, be the same as laid out in respect of the promissory note in the Public Debt Rules, 1946.

(2) In case of an executant being unable to write, the procedure as provided in the Public Debt Rules, 1946, shall be followed."

4. **Amendment of Income Tax Ordinance, XLIX of 2001.**—In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made which shall come into force at once except clauses 4(12)(A)(b), 4(12)(B) and 4(12)(C)(f) which shall take effect from the first day of July, 2019, namely:—

- (1) in section 5A, in sub-section (1), for the expression "year 2017 and onwards", the expression "years 2017 to 2019" shall be substituted;
- (2) in section 37A, in sub-section (5), for the full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:—

“Provided that so much of the loss sustained on disposal of securities in tax year 2019 and onwards that has not been set off against the gain of the person from disposal of securities chargeable to tax under this section shall be carried forward to the following tax year and set off only against the gain of the person from disposal of securities chargeable to tax under this section, but no such loss shall be carried forward to more than three tax years immediately succeeding the tax year for which the loss was first computed.”;

(3) in section 49, after sub-section (4), in the proviso, for the word “licenses”, the expression “, licenses and renewal of the spectrum and licenses” shall be inserted.

(4) after section 99A, the following new section shall be inserted, namely:—

**“99B. Special procedure for small traders and shopkeepers.-** Notwithstanding anything contained in this Ordinance, the Federal Government may, by notification in the official Gazette, prescribe special procedure for scope and payment of tax, filing of return and assessment in respect of such small traders and shopkeepers, in such cities or territories, as may be specified therein.”;

(5) in section 123, after sub-section (1), the following new sub-section shall be inserted, namely:—

“(1A) Where an offshore asset of any person, not declared earlier, is discovered by the Commissioner or any department or agency of the Federal Government or a Provincial Government, the Commissioner may at any time before issuing any assessment order under section 121 or amended assessment order under section 122, issue to the person a provisional assessment order or provisional amended assessment order, as the case may be, for the last completed tax year of the person taking into account the offshore asset discovered.”;

(6) in section 148, in sub-section (8), clause (a) shall be omitted;

(7) in section 165,—

(A) in sub-section (1),—

(a) for the word “monthly”, wherever occurring, the word “biannual” shall be substituted;

(b) for the word “month”, wherever occurring, the word “half-year” shall be substituted; and

(B) for sub-section (2), the following shall be substituted, namely:—

“(2) Every prescribed person collecting tax under Division II of this Part or Chapter XII or deducting tax under Division III of this Part of Chapter XII shall furnish statements under sub-section (1) as per the following schedule, namely:—

(a) in respect of the half-year ending on the 30<sup>th</sup> June, on or before the 31<sup>st</sup> day of July;

- (b) in respect of the half-year ending on the 31<sup>st</sup> December, on or before the 31<sup>st</sup> day of January"; and
- (C) after sub-section (2A), the following new sub-section shall be inserted, namely:—
- “(2B) Notwithstanding anything contained in this section, the Commissioner as he deems fit, may by notice in writing, require any person, collecting or deducting tax under this Ordinance, to furnish a statement for any period specified in the notice within such period of time as may be specified in the notice.”;
- (8) in section 227C,—
- (A) after clause (b), in the first proviso,—
- (a) for clause (i), the following shall be substituted, namely,—
- “(i) locally manufactured motor vehicle having engine capacity not exceeding 1300 CC; locally manufactured motorcycle, motorcycle-rikhshaw and rikhshaw; locally manufactured agricultural tractor;”;
- (b) in clause (ii), after the word “Pakistanis”, the words “or a non-resident Pakistani citizen holding international passport” shall be inserted; and
- (B) in the second proviso, in clause (ii), after the word “Pakistanis”, the words “or a non-resident Pakistani citizen holding international passport” shall be inserted;
- (9) section 230E shall be omitted;

(10) in section 233A, after sub-section (2), the following new sub-section shall be added, namely:—

“(3)” This section shall not apply from the first day of February, 2019.”;

(11) in the First Schedule,—

(A) in Part I, in Division IIA, in the Table, in column (1),—

(a) against S. No. 1.,—

(i) in column (3), for the figure “0”, the figure “4” shall be substituted; and

(ii) in columns (5) and (6), for the corresponding figures “3” and “2”, the figure “4” shall be substituted; and

(b) against S. No. 2., in column (5), for the figure “1”, the figure “0” shall be substituted;

(B) in Part II, in the proviso, in clause (b), for the full stop at the end, a colon shall be substituted and thereafter the following new proviso shall be added, namely:—

“Provided further that the rate of tax on value of import of mobile phone by any person, shall be as set out in the following Table:

Table

S.No.	C & F Value of mobile phone (in US Dollar)	Tax (in Rs.)	
		Filer	Non-filer

(1)	(2)	(3)
1	Up to 30	70
2	Exceeding 30 and up to 100	730
3	Exceeding 100 and up to 200	930
4	Exceeding 200 and up to 350	970
5	Exceeding 350 and up to 500	3,000
6	Exceeding 500	5,200";

(C) in Part IV,—

- (a) in Division VI, the expression "0.3% of the cash amount withdrawn for filers and" shall be omitted;
- (b) in Division VIA, for the expression "0.3% of the transaction for filers and 0.6%", the expression "0.6% of the transactions" shall be substituted;
- (c) in Division VII, in clause (1), in the Table, against S. No. 1 to 9, for the entries in column (4), the following shall respectively be substituted, namely,—

"Rs. 15,000
Rs. 37,500
Rs. 60,000
Rs. 150,000
Rs. 225,000
Rs. 300,000
Rs. 450,000



Rs. 600,000
Rs. 675,000”;

- (d) in Division XI, after the Table, the following new proviso shall be added, namely:—

“Provided further that the rate for the 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, shall be 5% of the bill ad valorem or Rs. 5,000 per function whichever is higher”;

- (12) in the Second Schedule,—

- (A) in Part I,—

- (a) In clause (66), after sub-clause (Ixii), the following sub-clauses shall be added, namely:—

“(Ixiii) National Disaster Risk Management Fund.

(Ixiv) Deposit Protection Corporation established under sub-section (1) of section 3 of Deposit Protection Corporation Act 2016 (Act XXXVII of 2016).”; and

- (b) in clause (126I), for the full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:—

“Provided that this clause shall also apply to such undertaking set up between the 1<sup>st</sup> March, 2019 and the 30<sup>th</sup> June, 2023 for a period of five years beginning from the date such industrial undertaking is set up.”;

- (B) in Part III, after the omitted clause (16), the following new clause shall be inserted, namely:—

“(17) The tax on dividend income derived by a company, if the recipient of the dividend, for the tax year, has surrendered loss to or received loss from the company distributing the dividend under section 59B, shall be reduced to the extent of percentage of ordinary shareholding the recipient of dividend has in the company distributing the dividend.”;

- (C) in Part IV,—

- (a) in clause (11A), after clause (xxx), the following sub-clauses shall be added, namely:—

“(xxx) National Disaster Risk Management Fund.

(xxxii) Deposit Protection Corporation established under sub-section (1) of section 3 of Deposit Protection Corporation Act 2016 (Act XXXVII of 2016).”;

- (b) after clause (38C), the following new clause shall be inserted, namely:—

“(38D) The provisions of section 151 and 153 shall not apply to the National Disaster Risk Management Fund.”;

- (c) after clause (81), the following new clause shall be inserted, namely:—

“(81A) The provisions of clause (a) of sub-section (1) of section 165 shall not apply to banking companies for furnishing information of taxes collected and deducted under sections 231A and 151.”;

- (d) after clause (95), the following new clause shall be inserted, namely,-

“(95A) The provisions of section 236A shall not apply in respect of auction of franchise rights to participating teams in a national or international league organized by any board or other organization established by the Government in Pakistan for the purposes of controlling, regulating or encouraging major games and sports recognized by the Government with effect from the first day of July, 2019.”;

- (e) after clause (101), the following new clause shall be inserted, namely:—

“(101A) The provision of section 231A shall not apply to a Pak Rupee account if the deposits in the account are made solely from foreign remittances credited directly into such account.”;

(f) after clause (110), the following new clause shall be added, namely:—

“(111) The provisions of section 4B shall not apply to so much of the taxable income of banking company subject to reduced rate of tax at 20% under rules 7D, 7E and 7F of the Seventh Schedule for tax years 2020 to 2023.”;

(13) in the Seventh Schedule,—

(A) after rule 7C, the following new rules shall be inserted, namely:—

**“7D. Reduced rate of tax for additional advances to micro, small and medium enterprises.—** (1) The amount of interest income offered for tax arising from additional advances to micro and small enterprises, for the tax years 2020 to 2023, shall be taxed at the rate of 20% instead of the rate provided in Division II of Part I of the First Schedule:

Provided that such reduced rate of tax shall be available subject to filing of details of such advances along with gross and net margin earned from such advances.

(2) For the purpose of this rule, the terms "micro, small and medium enterprises" shall have the same meaning as provided in Prudential Regulations issued by State Bank of Pakistan.

(3) Additional advances means advances in addition to average amount of such advances made in such sector by the bank for tax year 2019.

**7E. Reduced rate of tax for additional advances to low cost housing finance.—** (1) The amount of interest income offered for tax arising from additional advances for low cost housing finance, for the tax years 2020 to 2023, shall be taxed at the rate of 20% instead of the rate provided in Division II of Part I of the First Schedule:

Provided that such reduced rate of tax shall be available subject to filing of details of such advances along with gross and net margin earned from such advances.

(2) For the purpose of this rule, the terms "low cost housing" shall have the same meaning as provided in Prudential Regulations issued by State Bank of Pakistan.

(3) Additional advances means advances in addition to average amount of such advances made in such sector by the bank for tax year 2019.

**7F. Reduced rate of tax for additional advances as Farm Credit.—** (1) The amount of interest income offered for tax arising from additional advances to Farm Credit in Pakistan, for tax years 2020 to 2023, shall be taxed at the rate of 20% instead of the rate provided in Division II of Part I of the First Schedule:

Provided that such reduced rate of tax shall be available subject to filing of details of such advances along with gross and net margin earned from such advances.

(2) For the purpose of this rule, the terms " Farm Credit" shall have the same meaning as provided in Prudential Regulations issued by State Bank of Pakistan for Agriculture Financing excluding advances made to a company as defined in section 80.

(3) Additional advances means advances in addition to average amount of such advances made in such sector by the bank for tax year 2019."

**5. Amendments of the Federal Excise Act, 2005.-** In the Federal Excise Act, 2005, the following further amendments shall be made, namely:-

- (1) in section 29, in sub-section (2), in clause (aa), in sub-clause (ii), for the expression "section 30", the expression "sub-section (1) of section 29" shall be substituted; and
- (2) in the First Schedule,-
  - (a) in TABLE I, in column (1),-
    - (i) against serial number 55,-
      - (A) in column (2), after the word "above", occurring twice, the expression ", but not exceeding 3000 cc" shall be substituted; and
      - (B) after the word "twenty" in column (4), the expression "-five" shall be substituted; and
    - (ii) after serial number 55 and the entries relating thereto in columns (2), (3) and (4), amended as aforesaid, the

following new serial numbers and entries relating thereto shall respectively be inserted, namely:-

"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	87.03	Thirty per cent <i>ad val.</i>
55B	Locally manufactured or assembled motor cars, SUVs and other motor vehicles of cylinder capacity of 1800cc or above, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing	87.03	Ten per cent <i>ad val.</i> ".

	cars of cylinder capacity of 1800cc or above		
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5. **Amendments in Finance Act, 2018**, - In the Finance Act, 2018(XXX of 2018), in section 10, for the "TABLE", the following shall be substituted namely: -

**"TABLE**

<b>S. No.</b>	<b>Mobile Phones having C&amp;F Value (US Dollars)</b>	<b>Rate of levy per set in Pak Rupees</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
1	Up to 30	Nil
2	Above 30 and up to 100	Nil
3	Above 100 and up to 200	500
4	Above 200 and up to 350	1500
5	Above 350 and up to 500	3500
6	Above 500	7000"

**STATEMENT OF OBJECTS AND REASONS**

The purpose of this bill is to give effect to the fiscal stabilization objective of the Government and shall come into force on the next day of assent given to this Act by the President of Islamic Republic of Pakistan except clause 2 (2) (ii) which shall have effect from 31<sup>st</sup> March, 2019 and clauses 4(1), 4(2), 4(12)(A)(b), 4(12)(B), 4(12)(C)(d), 4(12)(C)(f) and 4(13)(A) which shall have effect from the first day of July, 2019.

(Asad Umar)  
Minister for Finance, Revenue and Economic Affairs



# NOTES ON CLAUSES

## FINANCE SUPPLEMENTARY (SECOND AMENDMENT) BILL, 2019

### CUSTOMS ACT, 1969 (IV OF 1969)

- Clause 2(1)                      Seeks to amend First Schedule to the Customs Act, 1969 to give effect to the proposed exemption on import of all items for Ostomy use;
- Clause 2(2)(i)(a)              Seeks to amend Fifth Schedule to the Customs Act, 1969 to give effect to the proposed exemption of duty on newsprint;
- Clause 2(2)(i)(b)              Seeks to amend Fifth Schedule to the Customs Act, 1969 to give effect to the proposed reduction in rate of customs duty on Plastic Moulding Compound;
- Clause 2(2)(ii)                 Seeks to add proposed Part-VIII of Fifth Schedule to the Customs Act, 1969 to give effect to the proposed reduction in rate of customs duty on certain industrial raw materials/ inputs;

## SALES TAX ACT, 1990

Clause 3(1)	Seeks to insert new section 67A after section 67
Clause 3(2)(a)(i)	Seeks to insert the words "for the period ending on 30 <sup>th</sup> June, 2023" after the word " Islamabad" in Table-1 in the Sixth Schedule
Clause 3(2)(a)(ii)	Seeks to substitute serial number 117 and entries relating thereto in columns (1), (2) and (3) in Table-1 in the Sixth Schedule
Clause 3(2)(a)(iii)	Seeks to omit serial number 118 and entries relating thereto in columns (1), (2) and (3) in Table-1 in the Sixth Schedule
Clause 3(2)(a)(iv)	Seeks to add new serial number 150 and entries relating thereto in columns (1), (2) and (3) after serial number 149 in Table-1 in the Sixth Schedule
Clause 3(2)(b)(i)	Seeks to substitute the full stop and phrase ".This exemption in relation to renewable energy shall remain in force up to 30 <sup>th</sup> June, 2023" for the word "etc" in column (2) against serial number 7 in column (1) in the Annexure in Table-3 in the Sixth Schedule
Clause 3(2)(b)(ii)	Seeks to substitute the words "as imported on or before 30 <sup>th</sup> June, 2023" for the word and full stop "etc." in column (2) against serial number 14A in column (1) in the Annexure in Table-3 in the Sixth Schedule
Clause 3(3)	Seeks to substitute serial number 2 and entries relating thereto in columns (1), (2), (3), (4) and (5) in column (1) in the Table in the Ninth Schedule
Clause 3(4)	Seeks to add Tenth Schedule after Ninth Schedule

## AMENDMENT OF INCOME TAX ORDINANCE, XLIX OF 2001

- Clause 4(1) Seeks to amend section 5A to abolish tax on undistributed profits after tax year 2019
- Clause 4(2) Seeks to amend section 37A to allow carry forward of capital losses for tax year 2019 and onwards for three years
- Clause 4(3) Seeks to extend exemption on income of Federal Government from sale of spectrum and licenses to renewal of licenses.
- Clause 4(4) Seeks to insert section 99B to empower Federal Government to prescribe schemes for small traders and shopkeepers
- Clause 4(5) Seeks to amend section 123 to provide for provisional assessment of off-shore assets
- Clause 4(6) Seeks to amend section 148 to make tax collected on certain commercial imports as final tax
- Clause 4(7) Seeks to amend section 165 to make requirement of filing of withholding statement bi-annual instead of monthly, to make the relevant related technical changes and to authorize empower Commissioner to call for withholding statement for
- Clause 4(8) Seeks to amend section 227C to relax restriction for non-filers on purchase of locally manufactured motor vehicles up to 1300CC and to relax restriction on purchase of immovable property as well as locally manufactured vehicles for non-resident Pakistani citizens
- Clause 4(9) Seeks to omit section 230E which provided for establishment of

Directorate General of Transfer Pricing

- Clause 4(10) Seeks to amend section 233A to abolish advance income tax on members of stock exchange from 1<sup>st</sup> February 2019
- Clause 4(11)(A) Seeks to abolish super tax on non-banking persons after tax year 2019 and to keep rate of super tax for banking companies at 4%.
- Clause 4(11)(B) Seeks to provide advance income tax rates on import of mobile phones.
- Clause 4(11)(C)(a) Seeks to abolish advance income tax on cash withdrawals for filers
- Clause 4(11)(C)(b) Seeks to abolish advance income tax on purchase of banking instruments against cash for filers
- Clause 4(11)(C)(c) Seeks to increase rate of advance income tax on purchase registration or booking of motor vehicles by non-filers.
- Clause 4(11)(C)(d) Seeks to reduce the minimum rate of withholding tax in case of small marriage halls
- Clause 4(12)(A)(a) Seeks to grant exemption from tax on income to National Disaster Risk Management Fund and Deposit Protection Corporation
- Clause 4(12)(A)(b) Seeks to enhance and extend exemption from tax on profit & gains to manufacturers of plant and machinery and equipment for dedicated use in renewable generation set up between 1<sup>st</sup> March, 2019 and 30<sup>th</sup> June, 2023 for five years
- Clause 4(12)(B) Seeks to reduce tax liability on inter-corporate dividend in case of companies availing group relief
- Clause 4(12)(C)(a) Seeks to grant exemption to National Disaster Risk Management

- Fund and Deposit Protection Corporation from minimum tax u/s 113
- Clause 4(12)(C)(b) Seeks to grant exemption to National Disaster Risk Management Fund from tax deductions under section 151 and 153
- Clause 4(12)(C)(c) Seeks to grant exemption to banks from filing withholding statements in respect of certain sections
- Clause 4(12)(C)(d) Seeks to grant exemption from deduction of tax on auction of franchise rights to teams participating in national or international sports league
- Clause 4(12)(C)(e) Seeks to grant exemption from withholding tax on cash withdrawal to accounts solely fed through foreign remittances
- Clause 4(12)(C)(f) Seeks to exempt taxable income of banking company from additional financing in specific sectors from super tax.
- Clause 4(13) Seeks to amend Seventh Schedule to provide for reduced rate of tax on income of banks arising from additional financing to Micro, Small & Medium Enterprises, Low-cost Housing, and Farm Credit

## FEDERAL EXCISE ACT, 2005

- Clause 5(1) Seeks to substitute the phrase "sub-section (1) of section 29" for the phrase "section 30" in sub-clause (ii), in clause (aa) in sub-section (2) of section 29
- Clause 5(2)(a)(i)(A) Seeks to substitute the comma and words ", but not exceeding 3000 cc" after the word "above", occurring twice, in column (2) against serial number 55 in column (1) in Table I in the First Schedule
- Clause 5(2)(a)(i)(B) Seeks to insert the hyphen and word "-five" after word "twenty", in column (4) against serial number 55 in column (1), in Table I in the First Schedule
- Clause 5(2)(a)(ii) Seeks to insert new serial numbers 55A and 55B and entries relating thereto in columns (1), (2), (3) and (4) after serial number 55 in Table I in the First Schedule