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BUDGET IN FLASH 2021

PEOPLES BUDGET

40% OF WHT PROVISIONS HAVE BEEN ABOLISHED

NO NEW TAX FOR SALARIED PERSON

EXEMPTION AUTO ACCEPTED AFTER FIFTEEN DAYS

PAYMENTS OF REFUND WILL BE

CGT REDUCED TO 12.5%

LOSS ADJUSTMENT AGAINST PROPERTY INCOME

INCLUSION OF TELECOM SECTORS IN INDUSTRIAL UNDERTAKINGR

TAX ON GP FUND

WITHDRAWAL OF EXEMPTIONS ON PERSONAL INCOME

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(Established in 1983)

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PREFACE

This document contains our brief comments on the proposed amendments introduced through the Finance Bill, 2020 in the fiscal laws of the country. Our detailed comments will follow in a separate document, which will be released in due course.

The comments in this document may not be taken to be our opinion on the proposed amendments.

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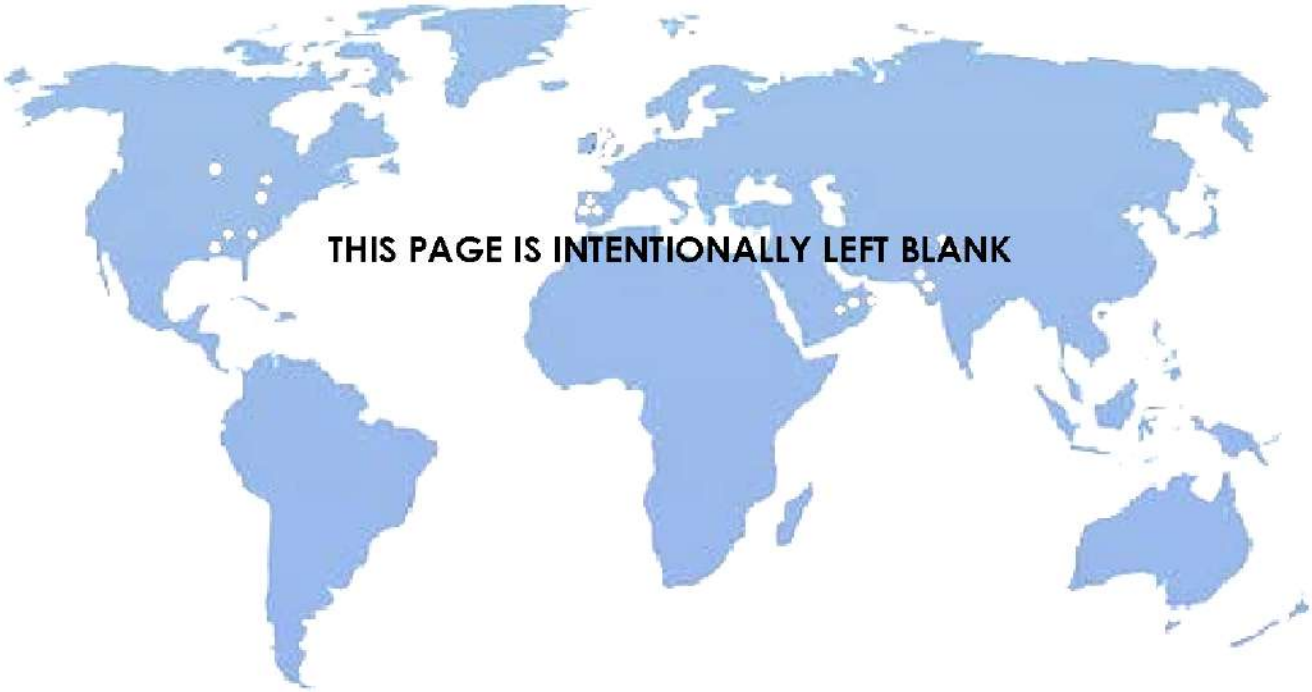

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FLASH HIGHLIGHTS

• Income Tax

Measures that may have adverse impact are marked in red color.

REVENUE MEASURES

- **INCOME FROM PROPERTY – Section 15**
  Elimination of block taxation of property income and shift to normal tax regime.
- **CAPITAL GAINS TAX – Section 37**
  Reduction of block taxation on capital gain on disposal of immoveable properties if gain exceeds Rs. 20 million.
- **PROFIT ON DEBT – Section 151**
  Reduction in block taxation on interest income, if it exceeds Rs. 5 million.
- **VEHICLE DISPOSAL – Section 231B**
  Tax on "on" money on vehicles, if vehicle is disposed without registration.
- **WHOLESELLERS & RETAILERS – Section 236G & 236H**
  Expansion of scope of withholding tax collection from supply chain below manufacturers and importers of specified sectors.
- **DOMESTIC ELECTRICITY BILLS – Section 235A**
  Reduction in threshold of monthly electricity bill for withholding tax on electricity consumption from 75,000 to 25,000 from domestic users not appearing on Active Taxpayers' list.

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- **NOTICE OF CONCEALMENT – SECTION 176**

  Removal of requirement of issuance of separate notice in concealment cases.
- **SUB LEASE INCOME – SECTION 155A**

  Withholding of tax on rental income of sub-lessee.
- **BROKERAGE & COMMISSION – SECTION 233**

  Broadening of scope of withholding agents for the purpose of collection of withholding tax on commission income.
- **SALE OF PROPERTY –SECTION 236C & 236K**

  Streamlining withholding tax collection on sale and purchase of immoveable property.
- **GP AND OTHER FUNDS – SIXTH SCHEDULE**

  Taxability of profit on debt component of GP fund and other such funds.
- **EXEMPTIONS ARE WITHDRAWN – SECOND SCHEDULE**

  Withdrawal of personal income tax exemptions.
- **SECOND AMENDMENT ORDINANCE 2021**

  During the current financial year, Tax Laws (Second Amendment) Ordinance, 2021 was promulgated to implement corporate income tax reforms to provide level playing field to all businesses. Certain tax credits, concessions and exemptions were withdrawn. The provisions of the Ordinance have been made part of the Finance Bill.

EXPORT SPECIFIC

- **EXPORT OF SERVICE – SECTION 154A**

  Special regime for export of services at par with export of goods to be taxed @ 1% under final tax regime.
  Rationailzation of withholding tax regime for exporters.
- **SEZE, STZA, ZD & ZE**

  Exemption to Special Economic Zone Enterprises from payment of minimum tax.
  Ten year tax exemption for Special Technology Zone Authority, Zone Developers and Zone Enterprises.
  Tax exemption on the import of capital goods and dividend income of private funds from investment in special technology zone enterprise.

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RELIEF MEASURES

- **Deletion of 12 withholding taxes**

Provision	Description
153B	Collection of tax on payment of royalty to residents.
231A	Collection of tax on cash withdrawal.
231AA	Collection of tax on banking instruments.
236P	Collection of tax on banking transactions other than through cash.
236Y	Collection of tax from persons remitting amounts abroad through credit or debit or prepaid cards.
236B	Collection of tax on domestic air travel.
236L	Collection of tax on international air travel.
236V	Collection of tax on extraction of minerals.
233A	Collection of tax from members by a stock exchange registered in Pakistan.
233AA	Collection of tax on marginal financing by NCCPL.
234A	Collection of tax from CNG stations.
236HA	Collection of tax on certain petroleum products.

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- Merging of 3 withholding taxes with other existing provisions

Provision	Description	Merged with
150A	Deduction of tax on return on investment in Sukuks.	Proposed to be merged in section 151 for residents and in section 152 for non-residents which deal with such payments.
152A	Deduction of tax on payments for foreign produced commercials.	To be merged with section 152 which deals with payments to non-residents.
236S	Collection of tax on dividend in specie.	To be merged with section 150 which deals with dividend.

- Reduced rate of withholding tax of 3% on oilfield services, warehousing services, logistic services, collateral management services and telecommunication services.

- **DISPOSAL OF ASSETS TO NON-RESIDENT– SECTION 37**
  Non recognition of gain/loss on disposal of assets to non-residents under gift from relative, inheritance and agreement to live apart.

- **REDUCTION IN TURNOVER TAX RATE – SECTION 113**
  Reduction in generalized rate on Minimum Tax on Turnover basis and increase in threshold for individuals and AOPs for chargeability of minimum tax.

SECTOR SPECIFICS

- **IT ENABLED SERVICES**
  Broadening of scope of IT services by inclusion of cloud computing and data storage services.
- **SMEs**
  Introduction of special tax regime for manufacturing SMEs.
- **REFINERIES**
  Exemption from tax on income of deep conversion new refineries and BMR projects of existing refineries for 10 years.

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- **BUILDERS & DEVELOPERS**
  Extension in time limits for availing tax benefits under section 100D and Eleventh Schedule vide Income Tax (Amendment) Ordinance 2021 dated 21.02.2021 made part of the bill.

- **TELECOM**
  Inclusion of telecommunication services in definition of industrial undertaking.

- **AGRICULTRE AND POULTRY FARMING**
  Inclusion of live animals, raw hides and unpackaged meat in definition of agriculture produce.

EXEMPTIONS & REDUCTIONS

- Unconditional grant of exemption from tax to certain organizations.
- Exemption from tax on import of books and agriculture equipment.
- Exemption from tax for bagasse fired power generating units and reduced rate of tax on dividend income from such projects.
- Tax exemptions and concessions for Roshan digital accounts and implementation of electric vehicles and mobile phone policy implemented vide Tax Laws (Amendment) Ordinance, 2021 dated 11.02.2021 made part of bill.
- Exemption to Electronic warehousing receipts traded on Pakistan Mercantile Exchange.
- Reduction in tax liability by 25% for women entrepreneurs.
- Reduction in tax rate on capital gain tax on disposal of securities from 15% to 12.5%.

DEDUCTIBLE ALLOWANCES & ADJUSTMENTS

- Allowance of provincial WWF and WPPF as a deductible allowance while calculating income.
- Adjustment of business loss against property income.

WITHDRAWAL OF POWER

- Withdrawal of power of tax authorities to conduct inquiry under section 122(5A).
- Withdrawal of power of Commissioner to reject advance tax estimates presented by taxpayer.

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STREAMLING MEASURES

- Strengthening mechanism of Alternate dispute resolution (Section 134A).
- Elimination of requirement of filing of application for automated issuance of refund (Section 170A)
- Introduction of time limitation for disposal of show cause notices (Section 122).
- Recording of e-hearing to be admissible evidence (Section 227E).
- Automated issuance of exemption certificates if application is not disposed by Commissioner within 15 days (Section 159).
- Removal of requirement of updating tax profile (Section 114A shall be omitted).
- Clarity regarding taxation of income of co-operative societies from sale and services to its own members. Income is taxable (Section 18).
- Delegation of power of Federal Government to Board with the approval of Federal Minister in-charge (Sub clause II of Clause 62A of Section 2).
- Extension of time limitation for issuance of notice for filing of return in case of foreign income or foreign assets (Section 114).
- Time limitation for completion of assessment in pursuance of orders of the Commissioner (Section 122).
- Streamlining measure for monitoring of withholding taxes requiring taxpayers to file online statement along with reconciliation (Section 165).
- Establishment of Directorate of compliance Risk Management in FBR (Section 230I).

DOCUMENTATION MEASURES

- Tax credit on installation of point of sale machines.
- Notification of business bank accounts made mandatory.
- Measures for the documentation of business of used cars.
- Harmonization of procedure for investigation and prosecution of offences under domestic tax laws.

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• Sales Tax

SALES TAX ACT 1990

The proposed budgetary measures pertaining to Sales Tax for Financial Year 2021-2022 are:

REVENUE MEASURES

- **Broadening of sales tax for Online Market Place - Addition of clause 18A in Section 2**
  The sale of goods through online market place is proposed to be brought into the sales tax net by deeming the online market place as supplier in respect of third party sales through their platform.

- **Required Brand License for Manufacturers - Addition of Section 40E**
  For specified goods, it is proposed that it may be made mandatory for manufacturers of such goods to obtain brand license for each separate brand or SKU.

- **Prize Scheme - Addition of sub-section 02 in section 56C**
  Section 56C provides for prize scheme to promote tax culture. To ensure that the said incentive is not misused, a new sub-section is proposed to be inserted to provide for randomize "mystery shopping".

- **Addition of Ser. No. 56 in Table-1of the Eight Schedule**
  The rate of sales tax on potassium chlorate is proposed to be increased from Rs. 80 per kg to Rs. 90 per kg in addition to 17% standard rate.

- Withdrawing of Zero Rating on certain Products - Zero-rating is proposed to be withdrawn from Petroleum Crude Oil, parts/components of zero-rated plant and machinery, import of plant and machinery by petroleum and gas sector and supply, repair and maintenance of ships.

- **Omission of exemptions other than basic food items, health and education product – Sixth Schedule**
  Sixth Schedule is proposed to be streamlined and exemptions other than relating to basic food items, health and education are proposed to be withdrawn.

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- **Reduced rates on certain products proposed to be charged at standard rate – Eight Schedule**
  Eighth Schedule is proposed to be streamlined and reduced rates other than relating to basic food items, health and education are proposed to be brought into standard regime.

- **Withholding of sales tax as whole proposed for Used and Reclaimed lead batteries sector – Eleventh Schedule**
  Reclaimed lead and used lead batteries is an unorganized sector. Therefore, entire amount of sales tax in respect of sales of such goods is proposed to be withheld at source under Eleventh Schedule.

- **Sales tax will be charged on the retail price of Sugar – Third Schedule**
  To ensure collection of due taxes, sales tax on sugar is proposed to be levied on retail price by including the said product in Third Schedule.

RELIEF MEASURES

- **Threshold of Cottage Industries is now upto Rs. 10 million – The Sixth Schedule**
  The minimum annual threshold of turnover from all supplies for cottage industry is proposed to be increased from Rs. 3 million to Rs. 10 million.

- **Threshold of Tier -1 retailer has been increased – Section 2 (43A)**
  The threshold of shop area in case of furniture outlet/showrooms is proposed to be increased from 1000 square feet to 2000 square feet for inclusion in tier- 1 retailer.

- **Public Limited Companies are now can avail the facility to adjust the full input tax**
  Public limited companies are proposed to be excluded from the purview of section 8B.

- **A new section for extension of time for furnishing of returns has been introduced – Section 26AB**
  A separate section introduced for allowing extension of time for furnishing of return.

- **Exemption for publication and printing of Holy Quran – The Sixth Schedule**
  Exemption is proposed to be granted to art and printing paper for publication and printing of Holy Quran.

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- **Exemption of imports of CKD kits by Manufacturers of Electric Vehicles –The Sixth Schedule**
  Exemption on import of CKD kits for electric vehicles by manufacturers granted by Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.

- **Goods imported by international Athletes temporarily have been exempted –The Sixth Schedule**
  To facilitate international athletes, exemption to goods temporarily imported by athletes/sportsmen granted by Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.

- **Imports of Auto disable Syringes imported through Grant has been exempted – The Sixth Schedule**
  Tax exemption to auto disable syringes granted vide Tax Laws (Second Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.

- **Import of Plant, Machinery and Raw Material by STZ has been exempted –The Sixth Schedule**
  To encourage IT industry in the country, import of plant, machinery and raw material by Special Technology Zone is proposed to be exempted from sales tax.

- **Tax Exemption for Formers and for storage of grain**
  To facilitate farmers and encourage storage of grain, tax exemption on locally manufactured silos is proposed to be granted till 30.06.2026.

- **Reduced Tax proposes for supply of electric vehicles locally – The Sixth Schedule**
  Reduced rate of sales tax @ 1% on locally supply of electric vehicles granted vide Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.

- **Fixed Sales tax on SIM cards is proposed to be deleted – The Ninth Schedule**
  In order to address litigation issue, fixed tax on SIM cards is proposed to be deleted with effect from 1st July, 2020.

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- **Exemption from Value addition tax on import of electrical vehicles, CKD kits for small car, 2-3 wheelers, HCVs and all these vehicles in CBU conditions –Twelfth Schedule**

  Exemption from value addition tax on import of electric vehicles, CKD kits for small car, 2-3 wheelers, HCVs and all these vehicles in CBU conditions was granted vide Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Twelfth Schedule.

- **Adjustment made by the registered person in respect of amount payable or receivable – New proviso in section 73**
  For facilitation purpose, the concept of constructive payment is proposed to be introduced in section 73.

- **Compensation against delayed refund is also proposed – New proviso in section 67**
  To provide relief to the registered persons, the benefit of compensation for delayed payment of refund is also proposed to be extended to those persons in whose case order under section 66 is passed.

- **Common Identifier Number – New section 21B introduced**
  For promoting ease of doing business, the concept of Common Identifier Number is proposed to be introduced.

- **Border sustenance Markets are proposed to be considered as Tax-exempt areas –Sub-section 5 of the Section 40D**
  For establishment of Border Sustenance Markets, exemption from sales tax is proposed to be granted on food related and other consumable goods.

- **Exemption and Zero-rating to authorized Exporters –The Fifth Schedule**
  In order to introduce umbrella Export Facilitation Scheme by Customs Wing, exemption on import and zero-rating on local supplies in respect of raw materials, components, parts and plant and machinery to authorized exporters is proposed.

- **Reduction of sales tax rates of locally manufactured Vehicles –The Eight Schedule**
  Rising prices of locally manufactured small cars is a major concern for low earning families. Accordingly it is proposed that small cars upto engine capacity of 850cc may be exempted from value added tax besides reducing sales tax rate from 17% to 12.5%.

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STREAMLINING MEASURES

- There are various provisions in the Sales Tax Act 1990 which require some corrections or streamlining, while some changes are being proposed for the purpose of Ease of Doing Business for registered persons. At places some drafting errors also need to be corrected. All such measure are listed below:

S. No.	Section	Amendments proposed with Rationale
1	2(4AA)	A new definition has been inserted to define Commissioner (Appeals).
2.	2(37)(iii)	The word "of" is inserted to correct drafting error
3.	2(43A)(g)	The definition of tier-1 retailer is streamlined through insertion of a new clause whereby a retailer who has acquired point of sale accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan is also included in the definition of tier-1 retailer
4.	3(1B)(a)	The word "on" is substituted to correct drafting error.
5.	11(5)	Under section 11(5), a show-cause notice can be issued for recovery of amounts not paid or short-paid within five years of relevant date. Since sales tax is payable on monthly basis, the time bar also applies on monthly basis. However, audits are undertaken on full-6.year basis. Furthermore, audits for income tax and sales tax for the same financial or tax year are undertaken concurrently, the demand in case of sales tax may get time-barred one to two years earlier as compared to demand for income tax. In order to streamline the said provision, the words "relevant date", is proposed to be changed with the words "end of the financial year in which the relevant date falls"

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6.	25AA(2)	A new sub-section is added to provide enabling provision in the Act for prescribing rules for determining transfer pricing of taxable supplies between associates to reflect fair market value in arm's length transactions.
7.	22(1)	Section 22(1) has been amended to strengthen and streamline the requirement of record keeping.
8.	47(7)	For the word "Collector", the word "Commissioner" is substituted to correct drafting error.
9.	48(2)	Enabling provision has been inserted in respect of request from a foreign jurisdiction under a tax treaty, a multilateral convention, and inter-governmental agreement or similar agreement or mechanism.
10.	50 (2)	Procedure for collection, arrangement and publishing of the rules issued under Sales Tax Act, 1990 has been streamlined.
11.	56A	Provisions regarding sharing of data with foreign countries on reciprocal basis were introduced through Tax Laws (Amendment) Ordinance, 2021 which is now being incorporated in Sales Tax Act, 1990. Moreover, mechanism for assistance in recovery of taxes on request from foreign countries on reciprocal basis is also proposed by inserting sub-section (3).
12.	76(2)	Enabling provision has been inserted for authorizing and prescribing the manner for utilizing the fees and service charges collected under section 76(1)

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13.	S. No. 18 of Table-II of the Sixth Schedule	S. No. 18 of Table-II of Sixth Schedule to the Sales Tax Act, 1990 which grant exemption to marble and granite manufacturers having annual turnover less than Rs. 5 million, is proposed to be omitted. The said exemption is already available under section 2(5AB) of the Sales Tax Act, 1990.
14.	S. No. 19 and 20 of Table-II of the Sixth Schedule	Exemption on bricks and crush stones has already expired on 30th June, 2018. Accordingly, these serial numbers are proposed to be omitted being redundant.

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• Federal Excise Duty

The proposed budgetary measures pertaining to Federal Excise Duty (FED) for FY 2021-22 are:

REVENUE MEASURES

1. **Federal Excise Duty Rate Proposed to be arises on Mobile Services- First Schedule, Table –II:-**
   In order to reap reasonable revenue from this sector, federal excise on mobile phone calls exceeding three minutes @ Rs 1 per call, SMS message @ Rs. 0.1 per SMS and internet data usage @ Rs. 5 per GB is being proposed. This will result into mild taxation of a broad spectrum of population.

2. **Imposed Federal Excise Duty on Heated Tobacco with new Amendment – First Schedule, Table-I:-**
   Electronically heated tobacco products are also proposed to be brought into the tax net by inserting new S. No. 8c of Table-1 of the First Schedule to the Federal Excise Act, 2005.

RELIEF MEASURES

3. **Exemption of Federal Excise Duty Encourage Investment and Economic Growth in FATA & PATA 151- 6th Schedule, Table-1:-**
   In order to facilitate the people of tribal area and encourage investment and economic growth in these areas, exemption is being given from levy of FED to the industrial units located in FATA and PATA.

4. **Proposed Revise Return Provision in Federal Excise Act 2005 - Section 4, in Sub-section (4):-**
   The provision to revise return without prior approval of the Commissioner-IR which is accessible in Sales Tax Act, 1990 is now proposed to be made available in Federal Excise Act, 2005.

5. **Federal Excise Duty Exemption for 4- Wheelers Cars - First Schedule, Table-1, column (1):-**
   Exemption from federal excise duty to 4-wheelers granted vide Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Federal Excise Act.

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6. **Federal Excise Duty Rate Reduced By 1% on Telecommunication – First Schedule Part III: -**
The rate of federal excise duty on telecommunication is proposed to be reduced from 17% to 16%.

7. **Federal Excise Duty Exclusion of Merchant Discount Rate through Payment on Account - First Schedule, Table II:-**
Payment on account of Merchant Discount Rate (MDR) is proposed to be excluded from the purview of FED.

8. **Federal Excise Duty Exemption on Food and Other Consumable Goods - Sixth Schedule, Table-3:-**
For establishment of Border Sustenance Markets, exemption from federal excise duty is proposed to be granted on food related and other consumable goods.

9. **Federal Excise Duty Exemption on Small Cars Engine Upto 850cc - Eighth Schedule, Table-1:-**
Rising prices of locally manufactured small cars is a major concern for low earning families. Accordingly, it is proposed that small cars upto engine capacity of 850cc may be exempted from federal excise duty.

10. **Federal Excise Duty Exemption on Import and Local Supplies - Fifth Schedule, Table, in column (1):-**
In order to introduce new Export Facilitation Scheme, 2021, exemption on import and zero-rating on local supplies in respect of raw materials, components, parts and plant and machinery to registered persons is proposed.

11. **Withdrawal of Federal Excise Duty on Fruit Juices - Sixth Schedule, Table-2, in column (1):-**

Federal excise duty on fruit juices was imposed vide Finance Act, 2019 and subsequently, prices of juices were increased. Moreover due to pandemic, this sector is faced with adverse situation. In order to provide relief to this sector, it is proposed to withdraw federal excise duty on juices.

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STREAMLINING MEASURES

Exemption of Federal Excise Duty for the Proficiency and Execution of Businesses:-
There are various provisions in the Federal Excise Act, 2005 which require some corrections or streamlining, while some changes are being proposed for the purpose of Ease of Doing Business for registered persons. At places some drafting errors also need to be corrected. All such measure is listed below:

S. No.	Section	Amendments proposed with Rationale
1.	14(4)	Enabling provision has been inserted in respect of request from a foreign jurisdiction under a tax treaty, a multilateral convention, and inter-governmental Agreement or similar agreement or mechanism.
2.	47A	Provisions regarding sharing of data with foreign countries on reciprocal basis were introduced through Tax Laws (Amendment) Ordinance, 2021 which is now being incorporated in Federal Excise Act, 2005. Moreover, mechanism for assistance in recovery of taxes on request from foreign countries on reciprocal Basis is also proposed by inserting sub-section (3).
3.	49(2)	Enabling provision has been inserted for authorizing and prescribing the manner for utilizing the fees and service charges collected under section 49(1)
4.	S. No. 56 of Table-1 of the First Schedule to the Federal Excise Act, 2005	To correct drafting error, PCT heading for filter rod has been substituted.
5.	Heading of column (2) of Table-2 of the First Schedule to the Federal Excise Act, 2005	To correct drafting error, the word "Services" has been substituted for the word "Goods"

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INDUSTRIAL RELIEF MEASURES

1. Reduction / exemption of CD, ACD & RD on import of goods falling under 589 PCT codes to incentivize the textile industry.
2. Reduction / exemption of CD, ACD & RD on import of flat rolled products of HRC and stainless steel.
3. Reduction / exemption of CD and ACD on raw materials and intermediary goods and point of sale machines falling under 328 tariff lines as a consequent of tariff rationalization.
4. To incentivize the pharmaceutical sector and to keep the prices stable in the market, -
   - Exemption of CD & ACD on more than 350 APIs
   - Plant, machinery and equipment subject to concessionary rate of 5%
   - Exemption of CD & ACD on raw material of auto-disable syringes and Reduction in tariff on finished auto-disable syringes
5. Reduction / exemption on inputs / raw materials of food processing industry.
6. Reduction of CD & ACD on uncoated paper and paperboard for printing and graphic arts industry.
7. Reduction / exemption of CD & ACD on Vaccines for veterinary medicines and feed additives to incentivize the dairy sector.
8. Reduction / exemption of CD & ACD on goods falling under more than 100 PCT codes relating to Tourism industry.
9. Reduction of duties on raw material/inputs of footwear industry.
10. Reduction / exemption of CD & ACD on inputs for poultry industry.
11. Reduction / exemption of CD & ACD on raw material for manufacturer of aseptic plastic packaging.

    Exemption of ACD on import of raw materials for cables / optical fiber manufacturers.

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12. Reduction / Exemption of CD & ACD on raw materials for Paint Industry.
13. Reduction / Exemption of CD & ACD on raw materials for Chemical and Artificial Leather Industry.
14. Reduction / Exemption of CD & ACD on inputs for Electronics Manufacturing Industry.
15. Reduction / exemption of CD & ACD on raw materials / inputs of furniture, coating, boiler manufacturing industry, bobbins and cops manufacturing industry etc.

RELIEF TO COMMON MAN

1. Reduction of ACD on goods falling under 2436 tariff lines pertaining to 20% customs duty slab from 7% to 6%.
2. Extension in exemption from customs duties on import of COVID-19 related items for further six month.
3. Exemption of CD &ACD on Inputs of Ready-To-Use Supplementary Foods (RUSF) and Ready-To-Use Therapeutic Food (RUTF).
4. Exemption of CD & ACD on 06 life-saving drugs.
5. Enhance the value of unsolicited gifts through post or courier from Rs.20,000 to 30,000.
6. CD & ACD Exemption for Hermetic Bags & Cocoons:-Exemption of CD & ACD on import of grain storage hermetic bags and cocoons.
7. Rationalization of tariff structure on auto sector.

REVIEW OF REGULATORY DUTY (RD) REGIME:

1. Rationalization of RD on import of Mobile Phones to encourage import substitution
2. Increase in rates of RD on import of non-essential / luxury items to support local industry.
3. Reduction of RD on import of cocoa paste, butter and powder being industrial input goods.

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EXPORT FACILITATION MEASURES:

1. To ease of doing business, a new Uniform Export Facilitation Scheme is being proposed. The existing schemes shall be phased out in next two years.
2. Bond to Bond Transfer of goods through WeBOC without prior approval of the Collector is being proposed to be allowed.
3. Reduction of RD on export of molasses, skin and hides to boost positive image of the country with our important trading partners across the world.

MISCELLANEOUS

Establishment of Border Sustenance Markets to mitigate the problems faced by the people residing in border areas due to fencing and counter-smuggling measures.

LEGISLATIVE CHANGES:

1. Introduction of a concept of Common bonded warehousing to encourage Small and Medium Enterprises.
2. Empowering Collector of customs to determine customs value there by facilitating trade.
3. Enabling the Director General Valuation to take appropriate decision on appeal and capping the time limit for such proceedings. Facilitation of trade by avoiding time consumed in unnecessary litigations.
4. Allowing the importers to amend manifest till berthing event without seeking approval from custom authorities and hence ease of doing business.
5. Enable customs authorities to allow bona fide amendment in into-bonds goods declaration and thus facilitate trade.
6. Allowing the Collector to extend warehousing period for six months. Reducing the processing time of the requests and promoting ease of doing business.
7. Reducing the time limit allowed for decision of the cases wherein the impugned goods are lying at sea ports, airports or dry-ports and thus decreasing the cost of doing business.

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8. Enable customs authorities to issue correction / corrigendum certificate in case of genuine / obvious error and facilitate trade.

9. Inclusion of other law enforcement agencies for the purpose of reward and increasing their motivation.

10. Affording opportunity of being heard to the registered users of WeBOC in accordance with the canons of natural justice.

11. Increasing the period of validity of advance ruling from the current one year to three years in accordance with international benchmarks and facilitating trade thereof.

12. Provision for the classification committee to avoid unnecessary litigation on account of classification disputes and consequently decreasing the cost of doing business.

13. Removal of fine in case of delay in filing of goods declaration and thereby providing ease of doing business.

ENFORCEMENT FEATURES:

1. Inclusion of master bill of lading and certificate of origin in the existing definition of document to discourage origin fraud.
2. Inclusion of the retailing in definition of smuggling to discourage retailers from selling smuggled goods.
3. Making shipping lines responsible for re-export of banned items imported in commercial quantities.
4. Increasing the pitch of fine in case of non-placement of invoice and packing list in container to inculcate compliance.
5. Discouraging smuggling by denying release of vehicles used repeatedly for smuggling against redemption fine.

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• Islamabad Capital Territory (Tax on Services)

RELIEF MEASURES

Zero-rated Tax Proposed for the Expansion and Enlargement of Export Services in IT Sector - Section (1A):-

In order to promote and encourage IT sector, it is proposed that export of services may be zero-rated.

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