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**BILL**

*to give effect to the financial proposals of the Federal Government for the year beginning on the first day of July, 2008, and to amend certain laws*

WHEREAS it is expedient to make provisions to give effect to the financial proposals of the Federal Government for the year beginning on the first day of July, 2008, and to amend certain laws for the purposes hereinafter appearing;

It is hereby enacted as follows:-

1. **Short title, extent and commencement.**— (1) This Act may be called the Finance Act, 2008.

(2) It extends to the whole of Pakistan.

(3) It shall, unless otherwise provided, come into force on the first day of July, 2008.

2. **Amendment of Act XLV of 1860.** — In the Pakistan Penal Code, 1860 (Act XLV of 1860), after section 489F, the following new section shall be inserted, namely: —

**“489G. Counterfeiting or using documents resembling national prize bonds or unauthorized sale thereof.—** Whosoever counterfeits or causes to counterfeit, or performs any act to use for any purpose whatsoever or delivers to any person, any document purporting to be, or in any manner resembling to the national prize bonds or the serial number of national prize bonds, or promotes the sale of national prize bonds or serial number

of national prize bonds, in contravention of the rules made for that purpose, shall be punishable with the imprisonment for a term which may extend to five years, or with fine not exceeding one hundred thousand rupees, or with both.”.

3. **Amendment of Schedule II, Act V of 1898.** — In the Code of Criminal Procedure, 1898 (Act V of 1898), in Schedule II, after the entries relating to section 489F, the following new entries shall be inserted, namely:-

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“489G	Counterfeiting or using documents resembling national prize bonds or unauthorized sale thereof	Ditto	Ditto	Ditto	Ditto	Imprisonment of either description for 5 years or fine of 100,000 rupees or both	Court of Sessions or Magistrate of the first class”
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4. **Amendment of Act VII of 1947.**— In the Foreign Exchange Regulation Act, 1947 (VII of 1947), after section 23J the following new section shall be inserted, namely:-

**“23 K Powers to impose penalty, etc.-** (1) Without prejudice to provisions of sections 3AA, 23 or 23B if any person, in the opinion of State Bank, contravenes any provision of this Act, or any order, rule, regulation or direction issued there under the State Bank may, impose penalty which may extend to one million rupees for each contravention and where the

contravention is a continuous one with a further penalty which may extend to twenty thousand rupees for each day during which such contravention continues.

(2) Where the person guilty of such contravention is a company or other body corporate, every director, manager, secretary or other officer or agent thereof shall also be deemed guilty of such contravention if the contravention was committed with his knowledge or consent or if he did not exercise due diligence to prevent the commission of the offence.

(3) If any person, fails to pay any penalty imposed on him or it, within the time stipulated in the order imposing the penalty, the State Bank may, without any notice to such person, recover the amount of such penalty from any account, or assets, monetary or otherwise, of the defaulter held with State Bank or any bank or a financial institution.

(4) If any bank or financial institution to which notice has been sent under sub-section (3) fails to debit the amount of penalty under the said sub-section, it shall itself be liable to pay such amount to the State Bank, as if it had itself committed the contravention under sub-section (1)".

5. **Amendment of Ordinance XXV of 1961.**— In the Petroleum Products (Development Surcharge) Ordinance, 1961 (XXV of 1961), the following further amendments shall be made, namely:-

(1) in section 2, –

(a) after sub-section (4B), the following new sub-section shall be inserted, namely:-

“(4C) “licensee” means the licensee defined under the Compressed Natural Gas (CNG) (Production and Marketing) Rules, 1992, or the Liquefied Petroleum Gas (Production and Distribution) Rules, 2001, as the case may be, and as specified by rules made under section 6;” and

(b) in sub-section (5), after the words “First Schedule”, the words “and includes Compressed Natural Gas and Liquefied Petroleum Gas” shall be inserted; and

(2) in section 3, after sub-section (1), the following new sub-section shall be added, namely:-

“(1A) Every licensee shall pay to the Federal Government a development surcharge that may be prescribed by the rules made under section 6.”.

6. **Amendment of Ordinance X of 1965.**— In the Provincial Employees’ Social Security Ordinance, 1965 (W.P. Ordinance No. X of 1965), the following further amendments shall be made, namely. —

(1) In section 2, —

(a) in clause (8), in sub-clause (f), for the word “five”, occurring twice, the word “ten” shall be substituted; and

- (b) in clause (25a), for the words “two hundred ten”, the words “three hundred and sixty” shall be substituted;
- (2) in section 20, –
  - (a) in sub-section (1), after the word “rate” the words “not more than six *per cent*” shall be inserted; and
  - (b) in the proviso, for the word “two”, the word “four” and for the word “five”, the word “ten” shall respectively be substituted; and
- (3) in section 20A, in sub-section (1), for the words “two hundred ten”, the words “three hundred and sixty” shall be substituted.

7. **Amendment of Ordinance VI of 1968.**– In the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968 (W.P. Ordinance No. VI of 1968), the following further amendments shall be made, namely: –

- (1) in section 1, in sub-section (1), the words “West Pakistan” shall be omitted; and
- (2) in the Schedule, in standing order 15, in paragraph (5), the words, full stop and comma “subsistence allowance of not less than fifty percentum of wages. If the workman is found not guilty, he shall be deemed to have been on duty during the period of suspension and shall be entitled” shall be omitted.

8. **Amendments of Act IV of 1969.** – In the Customs Act, 1969 (IV of 1969), the following further amendments shall be made, namely:-

- (1) after section 3D, the following new section shall be inserted, namely;

**“3DD. Directorate General of Post Clearance Audit (PCA). –**

The Directorate General of Post Clearance Audit (PCA) shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.”;

- (2) in section 21, clause (ab) shall be omitted;
- (3) in section 155F, in sub-section (1), for the full stop at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:-

“Provided that the Collector of Customs may, in exceptional circumstances, after recording reasons in writing, suspend the use of unique user identifier of any person forthwith on receipt of any complaint or information about violation of the Customs Act, 1969 (IV of 1969).”;

- (4) in section 156, in sub-section (1), in the Table, in column (1), against serial number 43, in column (3), after the word “owner” occurring for the first time, the words “or any other such person having custody of the aforesaid goods” shall be inserted;
- (5) in section 179, in sub-section (3), for the word “ninety”, occurring for the first time, the words “one hundred and twenty” shall be substituted;
- (6) in section 194-C, in sub-section (4), in clause (c), for the word “five” the word “ten” shall be substituted;

- (7) in section 195-C, after sub-section (4), following new sub-section (4A) shall be inserted, namely;—

“(4A) Notwithstanding anything contained in sub-section (4), the Chairman may, on the application of an aggrieved person for reasons to be recorded in writing and on being satisfied that there is an error in the order or decision, pass such order as he deems just and equitable.”; and

- (8) the amendments set out in the Schedule to this Act shall be made in the First Schedule to the Customs Act, 1969 (IV of 1969).

9. **Amendment of Ordinance XVII of 1969.**— The following further amendments shall be made in the Securities and Exchange Ordinance, 1969 (XVII of 1969), namely:—

- (1) in section 2, in sub-section (1), in clause (cd), after the word “delivery” occurring for the first time, the words “or settlement” shall be inserted;
- (2) for sections 15A and 15B, the following shall be substituted, namely:—

“**15A. Prohibition of insider trading.**— (1) No person shall indulge in insider trading.

(2) Insider trading shall include, —

(a) an insider person transacting any deal, directly or indirectly, using inside information involving listed securities to which the inside information pertains, or using others to transact such deals;

(b) any other person to whom inside information has been passed or disclosed by an insider person transacting any deal, directly or indirectly, using inside information involving listed securities to which the inside information pertains, or using others to transact such deals;

(c) transaction by any person as specified in clauses (a) and (b), or any other person who knows, or ought to have known under normal and reasonable circumstances, that the information possessed and used for transacting any deal is inside information;

(d) an insider person suggesting or recommending to another person to engage in dealing in any listed securities to which the inside information possessed by the insider person pertains, without the inside information being disclosed to the person who has dealt in such securities.

(3) The following shall not be deemed as insider trading, –

(a) any transaction performed under an agreement that was concluded before the time of gaining access to inside information; or

(b) the disclosure of inside information by an insider person as required under law.

(4) No contract shall be void or unenforceable by reason only of an offence under this section.



**15B. Inside information.-** (1) “Inside information” means, –

- (a) information which has not been made public, relating, directly or indirectly to listed securities or one or more issuers and which, if it were made public, would be likely to have an effect on the prices of those listed securities or on the price of related securities;
- (b) in relation to derivatives on commodities, information which has not been made public, relating, directly or indirectly, to one or more such derivatives and which are traded in accordance with accepted market practices on those markets; or
- (c) in relation to persons responsible for the execution of orders concerning listed securities, information which is conveyed by a client to such person and related to the client's pending orders.

**15C. Insiders.-** (1) Insiders shall include, –

- (a) sponsors, executive officers and directors of an issuer;
- (b) sponsors, executive officers, directors and partners of a legal person or unincorporated business association, in which the issuer holds shares or voting rights, directly or indirectly, of twenty *per cent* or more;

- (c) sponsors, executive officers, directors and partners of a legal person or unincorporated business association who holds, directly or indirectly, shares or voting rights of ten *per cent* or more in an issuer;
- (d) sponsors, executive officers and directors of an organization, that has been engaged in the placement of listed securities or the public offer of securities or the issuing and marketing of such securities, who has had access to insider information during his employment till a period of one year after leaving employment;
- (e) any natural person holding, directly or indirectly, ten *per cent* or more shares of an issuer;
- (f) sponsors, executive officers and directors of credit institutions in which the issuer has an account;
- (g) any person obtaining inside information as part of his employment or when discharging his usual duties in an official capacity, or in any other way relating to work performed under contract of employment or otherwise;
- (h) any person obtaining inside information through unlawful means; and
- (i) a spouse, lineal ascendant or descendant, partner or nominee of a person referred to in clauses (a) to (h).

**15D. Listed companies responsibilities to disclose inside information.**- (1) Listed companies shall inform the public, in the manner

specified by the Commission, as soon as possible of inside information which directly concerns the listed securities.

(2) Listed companies may delay the public disclosure of inside information, as referred to in sub-section (1) in order not to prejudice their legitimate interests, provided that such delay will not mislead the public and provided that the company is able to ensure the confidentiality of the information. The company shall inform the Commission of the decision to delay the public disclosure of inside information forthwith.

(3) Whenever a listed company or a person acting on its behalf, discloses any inside information to any third party in the normal exercise of employment, profession or duties, complete and effective public disclosure of that information must be made simultaneously in the manner specified by the Commission:

Provided that the provisions shall not apply if the person receiving the information owes a duty of confidentiality, regardless of whether such duty is based on a law, regulations, articles of association or contract.

(4) Listed companies or persons acting on its behalf, must maintain and regularly update a list of persons employed, under contract or otherwise in the manner specified by the Commission, who have

access to inside information, and provide such list to the Commission whenever the Commission requests it.

- (5) Persons discharging managerial responsibilities within a listed company and, where applicable, persons closely associated with them, shall notify the Commission of transactions conducted on their own account relating to the securities of such listed company in the manner specified by the Commission.
- (6) The Exchanges shall adopt structural provisions, operating procedures and surveillance techniques to detect and prevent insider trading and market abuse practices, within such time as may be specified by the Commission and according to the regulations made hereunder.

**15E. Liability for contravention.-** (1) Any person who contravenes the provisions of sub-section (1) of section 15A shall be liable to fine, to be imposed by the Commission, of rupees ten million or three times the amount of gain made or loss avoided by such person, or loss suffered by another person, whichever amount is higher.

- (2) In addition to the fine imposed under sub-section (1), such person,—
  - (a) may be directed by the Commission, —
    - (i) to surrender to the Commission, an amount equivalent to the gain made or loss avoided by him; or

- (ii) to pay any other person who has suffered a loss, an amount equivalent to the loss so suffered by such person; and
- (b) may, where such person is an executive officer, director, auditor, advisor, consultant of a listed company, be removed from such office by an order of the Commission and debarred from auditing any listed company for a period of upto three years; or
- (c) may, where such person is registered as a broker or agent, be liable to cancellation of registration.

(3) Where an insider person discloses inside information to any other person who is not required to possess such information for any reason, the insider person shall be liable to fine, to be imposed by the Commission, which may extend to rupees thirty million.

**15F. Power to make Regulations.-** The Commission may make regulations to regulate persons who produce or disseminate research concerning listed securities or issuers of listed securities and persons who produce or disseminate other information recommending or suggesting investment strategy, intended for distribution channels or for the general public.” ;

(3) in section 21, –

- (a) in sub-section (1), in clause (b), after the word “any” occurring for the second time, the words “person or” shall be inserted;
- (b) in sub-section (2), –
  - (i) after the word “Exchange”, occurring for the first time, the words “or any other person” shall be inserted; and
  - (ii) after the word “such”, occurring for the first time, the words “person or” shall be inserted;
- (4) in section 32E, after sub-section (1), the following new sub-section (1A) shall be inserted, namely:-

“(1A) Without prejudice to the generality of the foregoing power and sub-section (2) of section 33, the rules made in pursuance of this section may *inter alia* provide for-

- (a) the matters to be included in any scheme of demutualization and corporatization and the manner of its approval by the members of the stock exchange;
- (b) the power of the Commission to approve any scheme of demutualization and corporatization including the power to impose any conditions;
- (c) the process and procedure to be followed for purposes of demutualization and corporatization;
- (d) matters regarding appointment of directors and chairman of the board of a stock exchange after demutualization,

including but not limited to restrictions, if any, on such appointments;

- (e) restriction of rights, if any, attached to the shares issued pursuant to corporatization;
- (f) matters including restrictions, if any, on disinvestment, further issue and sale and purchase of shares of a stock exchange after demutualization;
- (g) matters regarding limits or restriction on holding of shares by different categories of shareholders of a stock exchange, and the requirement for divestment of shares by shareholders in particular circumstances; and
- (h) matters regarding trading rights on a stock exchange and restrictions if any in this regard.”.

10. **Amendment of Ordinance, XX of 1969.** – In the Minimum Wages for Unskilled Workers Ordinance, 1969 (W.P. Ordinance No. XX of 1969), in the Schedule, in column (2), for the figure “4600”, occurring thrice, the figure “6000” shall be substituted.

11. **Amendments of Ordinance No. XXXVI of 1971.** – In the Workers Welfare Fund Ordinance, 1971 (XXXVI of 1971), the following further amendments shall be made, namely: –

- (1) in section 2, in clause (f) after sub-clause (iv), the following new sub-clause shall be added, namely.-

“(iva) any establishment, to which the West Pakistan Shops and Establishment Ordinance, 1969 (W.P. Ordinance No.VIII of 1969), for the time being applies;”;

- (2) in section 4,
  - (a) in sub-section (1), the words “of so much” and “as is assessable under the Ordinance” shall be omitted;
  - (b) in sub-section (4) the words and comma “At the time of making an assessment under the Ordinance, or as soon thereafter as may be the” and “on the basis of the income so assessed” shall be omitted; and
  - (c) in sub-section (5) for the word “assessed” the word “total” shall be substituted and the words “subsequent to the assessment made under the Ordinance” shall be omitted; and
- (3) in section 11-B, in sub-section (3) after the word “sanction” at the end the words “with the previous approval of the Governing Body” shall be added.

12. **Amendments of Act XIV of 1976.** – In the Employees’ Old-age Benefits Act, 1976 (XIV of 1976), the following further amendments shall be made, namely: –

- (1) in section 1, in sub-section (4), –
  - (a) in clause (i), –
    - (i) for the word “ten”, occurring twice, the word “five” shall be substituted; and



- (ii) for the colon at the end, a full stop shall be substituted and thereafter the proviso shall be omitted; and
- (b) in clause (ia) for the word “twenty”, the word “five” shall be substituted;
- (2) in section 9, in sub-section (1), for the word “six” the word “five” shall be substituted;
- (3) in section 22, in sub-section (2), in clause (ii), for the full stop at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely: –

“Provided that nothing in this section shall apply to an employee insured under the provisions of this Act on or after 1st day of July, 2008.”;

- (4) in section 47, clause (e) shall be omitted; and
- (5) In the Schedule, –
  - (a) for paragraph (2), the following shall be substituted, namely: –

“(2) The monthly wages of an insured person, referred to in paragraph (1), shall be calculated on the basis of wages on which contributions were paid in respect of the twelve calendar months immediately preceding the date on which insured person fulfils the conditions for entitlement to any benefits under this Act:

Provided that the old-age pension or invalidity pension payable to an insured person and survivor’s pension payable to the

survivors of the deceased insured person shall not be less than two thousand rupees per month for pension commencing on or after 1st day of July, 2008.”; and

- (b) in paragraph (3) for the figure “2007” the figure “2008” shall be substituted.

13. **Amendment of Ordinance XXXI of 1980.**- In the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), the following further amendments shall be made, namely: -

- (1) after section 18, the following new section shall be inserted, namely: -

**“18A. Power to issue directions.**-(1) Notwithstanding anything contained in any other provision of this Ordinance, where the Registrar is satisfied that it is necessary and expedient so to do, –

- (a) in the public interest; or
- (b) to prevent the affairs of any modaraba from being conducted in a manner detrimental to the interest of holders of Modaraba Certificates; or
- (c) to secure the proper management of any modaraba generally,

he may issue such directions to a modaraba company or the modaraba companies generally, as he may deem fit, and the modaraba company and its management shall be bound to comply with such directions.

- (2) The Registrar may, on a representation made to him or on his own motion, modify or withdraw any direction issued under sub-section (1) and in so

modifying or canceling any direction may impose such conditions as he thinks fit.”;

(2) after section 41, the following new sections shall be inserted, namely: -

**“41A. Power to make regulations.-** (1) The Commission may, by notification in official Gazette, make such regulations as are necessary to carry out the purposes of this Ordinance:

Provided that the power to make regulations conferred by this section shall be subject to the condition of previous publication and before making any regulations the draft thereof shall be published in the manner considered most appropriate by the Commission for eliciting public opinion thereon within a period of not less than fourteen days from the date of publication.

(2) Any regulation made under sub-section (1) may provide that a contravention thereof shall be punishable with a fine which may extend to one hundred thousand rupees and where the contravention is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which such contravention continues.

**41B. Power to issue directives, circulars, codes, guidelines, etc.-** The Commission may issue such directives, circulars, codes, guidelines or notifications as are necessary to carry out the purposes of this Ordinance and the rules and regulations made under this Ordinance.”.

14. **Amendment of Ordinance XLVII of 1984.**- The following further amendments shall be made in the Companies Ordinance, 1984 (XLVII of 1984), namely:-

(1) in section 158, –

(a) in sub-section (1), for the word “three” the word “four” shall be substituted; and

(b) in sub-section (4), –

(i) in clause (a), for the word “twenty”, the word “fifty” shall be substituted, and for the word “fifty” the words “five hundred” shall be substituted; and

(ii) in clause (b), for the word “ten”, the words “one hundred” shall be substituted;

(2) in section 187, –

(a) in clause (h), in sub-clause (iv), after the semicolon the word “and” shall be omitted;

(b) in clause (j), the words “member of a Stock Exchange” shall be omitted and for the words “member”, occurring for the second time the words and comma “person or is a sponsor, director or officer of a corporate brokerage house” shall be inserted; and

(c) after the proviso, the following new proviso shall be added, namely:-

“Provided further that the prohibition contained in clause (j) shall not apply where the company is a stock exchange.”;

(3) in section 206, in sub-section (2), –

(a) in clause (b), the word “and”, at the end, shall be omitted; and

(b) in clause (c) for the full stop, at the end, a semicolon shall be substituted and thereafter the following new clauses shall be inserted, namely:-

“(d) an agreement or contract with an NBFC licensed to undertake asset management services in relation to an investment company registered with the Commission; and

(e) an agreement or contract with an NBFC licensed as a venture capital company in relation to a fund registered with the Commission.”;

(4) in section 208, in sub-section (2A), in clause (b), after the word “to” the words “such class of” shall be omitted;

(5) in section 233, –

(a) in sub-section (1), for the word “three” the word “four” shall be substituted;

(b) in sub-section (4), –

- (i) after the word “shall”, occurring for the first time, the words “in the form and manner specified by the Commission” shall be inserted; and
  - (ii) the words “the registered address of” shall be omitted;
- (6) in section 251, in sub-section (1), for the words “forty-five days of the declaration in the case of a listed company and within thirty days in the case of any other company”, the words “such time as specified by the Commission” shall be substituted;
- (7) in section 282G, in sub-section (2), after the word “rules”, wherever occurring, the words “or regulations” shall be inserted;
- (8) in section 282J, in sub-section (2), after the word “rules” the words “or regulations” shall be inserted;
- (9) in section 282K, in sub-section (1), after the word “rules” the words “or regulations” shall be inserted; and
- (10) in section 282M, in sub-section (1), after the word “rules” the words “or regulations” shall be inserted.

15. **Amendments of Finance Act 1989 (V of 1989).** – The following further amendment shall be made in Finance Act 1989 (V of 1989), namely, –

- (1) In section 7, –
  - (a) in sub-section (1), for the full stop, at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:-

“Provided that in case of a bank, the capital value tax shall be paid when general power of attorney is used to enforce the mortgage of property offered as collateral for obtaining loan.”;

(b) for clause (e) the following shall be substituted, namely: –

“(e) urban area” means area falling within the limits of–

- (i) the Islamabad Capital Territory;
- (ii) a Cantonment Board;
- (iii) the rating areas as defined under the Urban Immovable Property Act, 1958 (W.P V of 1958) as inforce in Punjab, NWFP, Sindh and Balochistan except where the rate under section 117 of the respective Provincial Local Government Ordinance, 2001 is zero;
- (iv) in addition to (iii) up to forty kilometres from the outer limits of the Cantonment Boards in Karachi and up to forty kilometres from the notified rated areas of Karachi City District;
- (v) in addition to (iii) up to thirty kilometres from the outer limits of the Cantonment Boards in Lahore and Faisalabad and up to thirty kilometres from the

notified rated areas of Lahore and Faisalabad City District;

- (vi) in addition to (iii) in all cases other than Karachi, Lahore and Faisalabad up to ten kilometres from the outer limits of the Cantonment Boards and up to ten kilometres from the notified rated areas; and
- (vii) such areas the Federal Board of Revenue may, from time to time, by notification in the official Gazette, specify.”.

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

(1) in section 2,—

(i) for sub-section (2A), the following shall be substituted, namely,-

“(2A) **“arrears”**, in relation to a person, means, on any day, the sales tax due and payable by the person under this Act before that day but which has not yet been paid,”; and

(ii) for clause (3), the following shall be substituted, namely: –

**“(3). associates (associated persons)”** means, –

(i) subject to sub-clause (ii), where two persons associate and the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or



both persons may reasonably be expected to act in accordance with the intentions of a third person;

(ii) two persons shall not be associates solely by reason of the fact that one person is an employee of the other or both persons are employees of a third person;

(iii) without limiting the generality of sub-clause (i) and subject to sub-clause (iv), the following shall be treated as associates, namely: –

(a) an individual and a relative of the individual;

(b) members of an association of persons;

(c) a member of an association of persons and the association, where the member, either alone or together with an associate or associates under another application of this section, controls fifty *per cent* or more of the rights to income or capital of the association;

(d) a trust and any person who benefits or may benefit under the trust;

(e) a shareholder in a company and the company, where the shareholder, either alone or together with an associate or associates under another application of this section, controls either directly or through one or more interposed persons –

- (i) fifty *per cent* or more of the voting power in the company;
  - (ii) fifty *per cent* or more of the rights to dividends; or
  - (iii) fifty *per cent* or more of the rights to capital; and
- (f) two companies, where a person, either alone or together with an associate or associates under another application of this section, controls either directly or through one or more interposed persons –
- (i) fifty *per cent* or more of the voting power in both companies;
  - (ii) fifty *per cent* or more of the rights to dividends in both companies; or
  - (iii) fifty *per cent* or more of the rights to capital in both companies.
  - (iv) Two persons shall not be associates under clause (a) or (b) of sub-clause (iii) where the Collector is satisfied that neither person may reasonably be expected to act in accordance with the intentions of the other.
  - (v) In this clause, “relative” in relation to an individual, means –

- (a) an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or
  - (b) a spouse of the individual or of any person specified in clause (a).”;
- (iii) clause (3A) shall be renumbered as clause (3AA) and before clause (3AA), renumbered as aforesaid, the following shall be inserted, namely,-

“(3A) “**association of persons**” includes a firm, a Hindu undivided family, any artificial juridical person and any body of persons formed under a foreign law, but does not include a company;”;
- (iv) for clause (4), the following shall be substituted, namely:–

“(4) “**Board**” means the Federal Board of Revenue established under section 3 of the Federal Board of Revenue Act, 2007;”;
- (v) clause (5AA) shall be renumbered as (5AAA) and before clause (5AAA), renumbered as aforesaid, the following shall be inserted, namely,-

“(5AA) “**company**” means-

  - (a) a company as defined in the Companies Ordinance, 1984 (XL VII of 1984);

- (b) a body corporate formed by or under any law in force in Pakistan;
  - (c) a *modaraba*;
  - (d) a body incorporated by or under the law of a country outside Pakistan relating to incorporation of companies;
  - (e) a trust, a co-operative society or a finance society or any other society established or constituted by or under any law for the time being in force; or
  - (f) a foreign association, whether incorporated or not, which the Board has, by general or special order, declared to be a company for the purposes of the Income Tax Ordinance 2001 (XLIX of 2001);
- (vi) for clause (6B), the following shall be substituted, namely,-
- “(6B) “**default surcharge**” means the default surcharge levied under section 34;”;
- (vii) in clause (9), for the words, “Federal Government”, the word “Board”, shall be substituted;
- (viii) after clause (11), the following new clause shall be inserted, namely,-
- “(11A) “**firm**” means the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all;”;

- (ix) in clause (13) the word “lawfully” shall be omitted;
- (x) for clause (14), the following shall be substituted, namely:–
  - “(14) “**input tax**”, in relation to a registered person, means-
    - (a) tax levied under this Act on supply of goods to the person;
    - (b) tax levied under this Act on the import of goods by the person;
    - (c) in relation to goods or services acquired by the person, tax levied under the Federal Excise Act, 2005 in sales tax mode as a duty of excise on the manufacture or production of the goods, or the rendering or providing of the services; and
    - (d) Provincial sales tax levied on services rendered or provided to the person;
- (xi) for clause (20), the following shall be substituted, namely:–
  - “(20) “**output tax**”, in relation to a registered person, means-
    - (a) tax levied under this Act **on** a supply of goods, made by the person;
    - (b) tax levied under the Federal Excise Act, 2005 in sales tax mode as a duty of excise on the manufacture or production

of the goods, or the rendering or providing of the services, by the person;

(c) Provincial sales tax levied on services rendered or provided by the person;”

(xii) for clause (21), the following shall be substituted, namely:–

“(21) “ **person**” means,–

(a) an individual;

(b) a company or association of persons incorporated, formed, organized or established in Pakistan or elsewhere;

(c) the Federal Government;

(d) a Provincial Government;

(e) a local authority in Pakistan; or

(f) a foreign government, a political subdivision of a foreign government, or public international organization;”;

(xiii) after clause (22), the following new clause shall be added, namely,-

“(22A) “ **Provincial sales tax**” means tax levied under.–

(a) the Balochistan Sales Tax Ordinance, 2000 (I of 2000);

(b) Islamabad Capital Territory (Tax on Services) Ordinance, 2001 (XLII of 2001);

(c) the Punjab Sales Tax Ordinance , 2000 (Pb. Ord. II of 2000);

- (d) the North West Frontier Province Sales Tax Ordinance, 2000 (III of 2000); and
- (e) the Sindh Sales Tax Ordinance, 2000 (VIII of 2000);”;
- (xiv) clause (28A) shall be omitted;
- (xv) clause (29A) shall be renumbered as (29AA) and before clause (29AA), renumbered as aforesaid, the following shall be inserted, namely,-  
  
“(29A) ”**sales tax**” means-
  - (a) the tax, additional tax, or default surcharge levied under this Act;
  - (b) a fine, penalty or fee imposed or charged under this Act; and
  - (c) any other sum payable under the provisions of this Act or the rules made thereunder;”;
- (xvi) in clause (31), for the word “resemble”, the word “resembles” shall be substituted;
- (xvii) for clause (33), the following shall be substituted, namely:–  
  
“(33) “**supply**,” means a sale or other transfer of the right to dispose of goods as owner, including such sale or transfer under a hire purchase agreement:

Provided that the Federal Government, may by notification in the official Gazette, specify such other transactions which shall or shall not constitute supply.”;

(xviii) for clause (34), the following shall be substituted, namely:–

“(34) “**tax**”, unless the context requires otherwise, means sales tax;”;

(xix) for clause (35), the following shall be substituted, namely:–

“(35) “**taxable activity**”, means any economic activity carried on by a person whether or not for profit, and includes-

- (a) an activity carried on in the form of a business, trade or manufacture;
- (b) an activity that involves the supply of goods, the rendering or providing of services or both to another person;
- (c) a one-off adventure or concern in the nature of a trade; and
- (d) anything done or undertaken during the commencement or termination of the economic activity,

but does not include-

- (a) the activities of an employee providing services in that capacity to an employer;
- (b) an activity carried on by an individual as a private recreational pursuit or hobby; and



- (c) an activity carried on by a person other than an individual which, if carried on by an individual, would fall within clause (b).”;
- (xx) in clause (43), for semi colon, occurring first time, a comma shall be substituted;
- (xxi) for clause (44), the following shall be substituted, namely:–

“(44) “**time of supply**,” in relation to,–

- (a) a supply of goods, other than under hire purchase agreement, means the time at which the goods are delivered or made available to the recipient of the supply;
- (b) a supply of goods under a hire purchase agreement, means the time at which the agreement is entered into; and
- (c) services, means the time at which the services are rendered or provided;”;

“(44A) “trust”, means an obligation annexed to the ownership of property and arising out of the confidence reposed in and accepted by the owner, or declared and accepted by the owner for the benefit of another, or of another and the owner, and includes a unit trust;

“(44AA) “unit trust”, means any trust under which beneficial interests are divided into units such that the entitlements of

the beneficiaries to income or capital are determined by the number of units held”; and

(xxii) in clause (47), the comma and the words“, and a person who in addition to making retail supplies is engaged in wholesale business” shall be omitted.

(2) in section 3,--

(a) for the word “fifteen”, wherever occurring, the word “sixteen” shall be substituted; and

(b) sub-section (4) shall be omitted;

(3) section 3AA shall be omitted;

(4) in section 7, in sub-section (1), for the proviso, the following shall be substituted, namely:-

“Provided that where a registered person did not deduct input tax within the relevant period, he may claim such tax in the return for any of the six succeeding tax periods.”;

(5) in section 8, in sub-section (1), in clauses (a), (b) and (ca) after the word “goods” the words “or services” shall be inserted;

(6) in section 8B, in sub-section (1), in the first proviso, the words “after the start of production of a new unit”, shall be omitted;

(7) in section 10, in sub-section (1), for the first proviso, the following shall be substituted, namely:-

“Provided that in case of excess input tax against supplies other than zero-rated or exports, such excess input tax may be carried forward to the next tax period and shall be treated as input tax for that period and the Board may, subject to such conditions and restrictions as it may impose, by notification in the official Gazette, prescribe the procedure for refund of such excess input tax;”;

- (8) in section 11, in sub-section (4),
- (a) after the word “given”, the words “within five years” shall be inserted; and
- (b) in the proviso, for the word “ninety”, occurring twice, the words, “one hundred and twenty”, shall be substituted;
- (9) in section 13, in sub-section (2), in clause (a), after the word “or” occurring for the first time, the words “import or supply of” shall be inserted;
- (10) in section 25, in sub-section (2), in the proviso, for the full stop at the end, a colon shall be substituted and thereafter the following new proviso shall be inserted, namely:-

“Provided further that nothing in this sub-section shall bar the sales tax officer from conducting audit of the records of the registered person if the same were earlier audited by the office of the Auditor-General of Pakistan”;

- (11) in section 26, in sub-section (3), for the word “ninety”, the words “one hundred and twenty”, shall be substituted;

- (12) section 26AA shall be omitted;
- (13) in section 30, after clause (f), the following new clause shall be inserted, namely:-  
“(ff) a Senior Auditor of Sales Tax;”;
- (14) section 32AA shall be omitted;
- (15) in section 33,—
- (a) the brackets and figure “(1)”, appearing for the first time, shall be omitted; and
  - (b) in the TABLE, in column (1), serial number 20 and the entries relating thereto in columns (2) and (3) shall be omitted;
- (16) in section 34, in sub-section (1),—
- (a) in clause (a),—
    - (i) the words and comma “for the first six months of default,” shall be omitted; and
    - (ii) after the word “one”, the words “and half” shall be inserted;
  - (c) after semi colon at the end, the word “and” shall be added; and
    - (ii) clause (b) shall be omitted;
- (17) in section 36, in sub-section (3), in the proviso, for the word “ninety”, occurring twice, the words, “one hundred and twenty”, shall be substituted;

- (18) in section 45A, in sub-section (2), for the words, brackets and figure “sub-section (1)”, the words “this section”, shall be substituted;
- (19) in section 45-B, in sub-section (2), in the first and second provisos, for the word, “ninety”, occurring twice, the words, “one hundred and twenty”, shall be substituted;
- (20) in section 46,—
- (a) for sub-section (1), the following shall be substituted, namely:-
- “(1) Any person including an officer of Sales Tax not below the rank of an Additional Collector, aggrieved by any order passed by—
- (a) the Collector of Sales Tax (Appeals) under section 45B,
- (b) the Collector of Sales Tax through adjudication or under any of the provisions of this Act or rules made thereunder,
- (c) the Board under section 45A,
- may, within sixty days of the receipt of such decision or order, prefer appeal to the Appellate Tribunal.”;
- (b) in sub-section (7), for the words, “six”, the word, “eight”, shall be substituted;
- (c) in sub-section (9),—
- (i) in clause (a), for the words “fifteen hundred thousand”, the words “ten million” shall be substituted; and

(ii) in clause (b), for the words “fifteen hundred thousand”, the words “ten million” shall be substituted;

(21) in section 47A, after sub-section (4), the following new sub-section shall be inserted, namely:—

“(4A) Notwithstanding anything contained in sub-section (4), the Chairman may on the application of an aggrieved person, for reasons to be recorded in writing, and on being satisfied that there is an error in order or decision may pass such order as he deems just and equitable.”;

(22) section 50 shall be numbered as sub-section (1) of that section and after sub-section (1), renumbered as aforesaid, the following new sub-section shall be added, namely:-

“(2) All rules made under sub-section (1) or any other provisions of this Act, shall be collected, arranged and published along with general orders and departmental instructions and rulings, etc., if any, at appropriate intervals and sold to the public at reasonable price”;

(23) after section 58, the following shall be inserted, namely:-

“58A. **Representatives.**— (1) For the purpose of this Act and subject to sub-sections (2) and (3), “representative” in respect of a registered person, means –

- (a) where the person is an individual under a legal disability, the guardian or manager who receives or is entitled to receive income on behalf, or for the benefit of the individual;
- (b) where the person is a company (other than a trust, a Provincial Government, or local authority in Pakistan), a director or a manager or secretary or agent or accountant or any similar officer of the company;
- (c) where the person is a trust declared by a duly executed instrument in writing whether testamentary or otherwise, any trustee of the trust;
- (d) where the person is a Provincial Government, or local authority in Pakistan, any individual responsible for accounting for the receipt and payment of money or funds on behalf of the Provincial Government or local authority;
- (e) where the person is an association of persons, a director or a manager or secretary or agent or accountant or any similar officer of the association or, in the case of a firm, any partner in the firm;
- (f) where the person is the Federal Government, any individual responsible for accounting for the receipt and payment of moneys or funds on behalf of the Federal Government; or
- (g) where the person is a public international organization, or a foreign government or political sub-division of a foreign government, any

individual responsible for accounting for the receipt and payment of moneys or funds in Pakistan on behalf of the organization, government, or political sub-division of the government.

(2) Where the Court of Wards, the Administrator General, the Official Trustee, or any receiver or manager appointed by, or under, any order of a Court receives or is entitled to receive income on behalf, or for the benefit of any person, such Court of Wards, Administrator General, Official Trustee, receiver, or manager shall be the representative of the person for the purposes of this Act.

(3) Subject to sub-section (4), where a person is a non-resident person, the representative of the persons for the purpose of this Act for a tax year shall be any person in Pakistan:—

- (a) who is employed by, or on behalf of, the non-resident person;
- (b) who has any business connection with the non-resident person;
- (c) from or through whom the non-resident person is in receipt of any income, whether directly or indirectly;
- (d) who holds, or controls the receipt or disposal of any money belonging to the non-resident person;
- (e) who is the trustee of the non-resident person; or
- (f) who is declared by the Collector by an order in writing to be the representative of the non-resident person.



(4) No person shall be declared as the representative of a non-resident person unless the person has been given an opportunity by the Collector of being heard.

**58B. Liability and obligations of representatives.**– (1) Every representative of a person shall be responsible for performing any duties or obligations imposed by or under this Act on the person, including the payment of tax.

(2) Subject to section 58 and sub-section (5) of this section, any tax that, by virtue of sub-section (1), is payable by a representative of a registered person shall be recoverable from the representative only to the extent of any assets of the registered person that are in the possession or under the control of the representative.

(3) Every representative of a registered person who pays any tax owing by the registered person shall be entitled to recover the amount so paid from the registered person or to retain the amount so paid out of any moneys of the registered person that are in the representative's possession or under the representative's control.

(4) Any representative, or any person who apprehends that he may be assessed as a representative, may retain out of any money payable by him to the person on whose behalf he is liable to pay tax (hereinafter in this section referred to as the "principal"), a sum equal to his estimated liability under this Act, and in the event of disagreement between the principal and such a representative or a person as to the amount to be so

retained, such representative or person may obtain from the Collector a certificate stating the amount to be so retained pending final determination of the tax liability, and the certificate so obtained shall be his authority for retaining that amount.

(5) Every representative shall be personally liable for the payment of any tax due by the representative in a representative capacity if, while the amount remains unpaid, the representative—

(a) alienates, charges or disposes of any moneys received or accrued in respect of which the tax is payable; or

(b) disposes of or parts with any moneys or funds belonging to the registered person that is in the possession of the representative or which comes to the representative after the tax is payable, if such tax could legally have been paid from or out of such moneys or funds.

(6) Nothing in this section shall relieve any person from performing any duties imposed by or under this Act on the person which the representative of the person has failed to perform.”;

(24) after section 61, the following new section shall be inserted, namely:-

**“61A. Repayment of tax to persons registered in Azad Jammu and Kashmir.**— Subject to such conditions, limitations or restrictions as it may deem fit to impose, the Board may authorize the repayment in whole or in part of the input tax paid on any goods acquired in or imported into

Pakistan by the persons registered in Azad Jammu and Kashmir as are engaged in making of zero-rated supplies.”;

- (25) in section 67, for the words and comma “as aforesaid, of filing of refund claim”, the words “in this behalf” shall be substituted;
- (26) for section 69, the following shall be substituted, namely:-

**“69. Issuance of duplicate of sales tax documents.**— An officer of sales tax not below the rank of Assistant Collector may, on payment of one hundred rupees, issue an attested duplicate of any sales tax document as is available with the department or has been filed under this Act or rules made thereunder to a relevant registered person applying for the same.”;

- (27) in the Third Schedule, in the Table, in column (1), serial numbers 12, 13, 19 and 20 and the entries relating thereto in columns (2) and (3), shall be omitted; and
- (28) in the Sixth Schedule, in TABLE -1,—
  - (a) against serial number 13, in column (2),—
    - (i) for the comma, occurring for third time, the word “or” shall be substituted; and
    - (ii) the words “or packaged”, occurring at the end, shall be omitted;
  - (b) against serial number 15, in column (2),—



beds or more.

- (h) against serial number 59, in column (3),
  - (i) for the word “and”, a comma shall be substituted; and
  - (ii) for the word and figures “and 99.25”, the comma, words and figures “, 99.25 and 99.38”, shall be substituted;
- (i) after serial number 69, in column (3), after the figures “8701.9020”, and comma and figures “, 8701.9090”, shall be inserted; and
- (j) after serial number 70, the following new serial number and the entries relating thereto in column (2) and (3) shall be inserted, namely:-

“71 Goods and services Respective headings”  
purchased by non-resident  
entrepreneurs and traders  
visiting Pakistan to participate  
in trade fairs and exhibitions  
subject to reciprocity and  
such conditions and  
restrictions as may be  
specified by the Board.

17. **Amendment of Act XII of 1992.**— In the Economic Reforms Act, 1992 (XII of 1992), for section 3 of the following shall be substituted , namely

**“3 Act to override other laws.—** Except the Foreign Exchange Regulation Act, 1947 (VII of 1947) and the rules and regulations made thereunder, the provisions of this Act shall have effect notwithstanding anything contained in the Customs Act, 1969 (IV of 1969) and the Income Tax Ordinance, 1979 (XXXI of 1979), or any other law for the time being in force.”.

18. **Amendment of Section 2 Act XXXIII of 1997.** – In the Supreme Court (Number of Judges) Act, 1997 (XXXIII of 1997), in section 2, for the words “be sixteen” the words “not be more than twenty-nine” shall be substituted and shall be deemed always to have been so substituted on the 3<sup>rd</sup> day of November, 2007.

19. **Amendments of Act of XL of 1997.** – In the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), the following further amendments shall be made, namely:-

(1) in section 31, –

(a) in sub-section (4), in the proviso, for the full stop, at the end, a semi-colon shall be substituted and thereafter the following proviso shall be added, namely:-

“Provided further that the Authority shall, on a monthly basis, review and revise the approved tariff on account of any variations in the fuel charges and policy guidelines to be issued by the Federal Government in this behalf and recommend the tariff so revised to the Federal Government for notification in the official gazette.”; and

- (b) after sub-section (4) amended as aforesaid, the following new sub-section shall be added, namely:-

“(5) Each distribution company shall pay to the Federal Government such surcharge as may be notified by the Federal Government, from time to time, in respect of each unit of electric power sold to the consumers and any amount paid under this sub-section shall be considered as a cost incurred by the distribution company to be included in the tariff determined by the Authority.”

20. **Amendment of Act XLII of 1997.** – The following further amendments shall be made in the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), namely:-

- (1) in section 7,–

(a) in sub-section (2), for the words “the vacancy being filled occurred” the words “of appointment” shall be substituted; and

(b) after sub-section (2), the following new sub-section shall be inserted, namely:-

“(3) Notwithstanding anything contained in sub-section (1) and (2),–

(a) a person, who on the date of his appointment is older than sixty two years of age, shall not be appointed as a Commissioner; and

(b) a Commissioner shall stand retired upon reaching the age of sixty-five years.”;

(2) in section 12, –

(a) in sub-section (1), for the word “ten” the word “nine” shall be substituted;

(b) in sub-section (2), in clause (a), -

(i) for the word “six” the word “five” shall be substituted; and

(ii) sub-clause (i) shall be omitted and sub-clause (ia) shall be re-numbered as sub-clause (i); and

(c) for sub-section (7), the following shall be substituted, namely:-

“The Federal Government shall designate one of the Members to be the Chairman of the Board, who shall in the event of a tie have a casting vote.”;

(3) in section 20, in sub-section (4), –

(a) after clause (h), the following new clause shall be inserted, namely:-

“(ha) hearing and deciding investor complaints against persons involved in brokerage business for violations of securities laws, rules, regulations, directives, codes, etc.”;

(b) in clause (i), for the word “prosecuting” the words “initiating action against the” shall be substituted;



- (c) after clause (ja) the following new clause shall be inserted, namely:-
- “(jb) maintaining and issuing panels of auditors from which companies may appoint auditors, and approving audit firms for financial institutions, listed companies and NBFIs;” ;
- (d) in clause (u), the word “and” shall be omitted;
- (e) in clause (v), after the semi-colon, the word “and” shall be inserted at the end; and
- (f) after clause (v) amended as aforesaid, the following new clause shall be inserted, namely:-
- “(w) promoting and regulating any scheme, fund, arrangement or undertaking (including but not limited to pension, superannuation gratuity and provident funds and schemes) established by or on behalf of companies and state owned corporations as employers, for entitlement of post employment benefits of their employees.” ;
- (4) in section 32, in sub-section (5), in clause (d), after the word “Commission” the words “passed under this Act or any other law administered by the Commission” shall be inserted;
- (5) after section 32, the following new section shall be inserted, namely:-
- “32A. Implementation of orders of the Commission.-** The Commission may issue such directions as may be necessary or expedient to give effect to its orders or to prevent abuse of its

process, including but not limited to, seeking the assistance of the local administration or Police who shall be bound to provide such assistance.”; and

- (6) in section 33, in sub-section (1), in the proviso in clause (c), the words “in a court of law” shall be omitted; and

**21. Repeal of Ordinance XXXII of 2000:**– (1) The Khushhali Bank Ordinance, 2000 (XXXII of 2000) is hereby repealed.

- (2) **Removal of difficulties.**– If any difficulty arises in giving effect to the provisions of this section, the Federal Government may make such order as may appear to it to be necessary for the purpose of removing difficulty.

**22. Amendment of Ordinance XXXIX of 2000.** – In the Insurance Ordinance of 2000 (XXXIX of 2000), the following further amendments shall be made, namely:–

- (1) in section 11, in sub-section (3), in clause (a) for the figure “100,000” the figure “500,000” shall be substituted;
- (2) in section 66, sub-section (4) shall be omitted;
- (3) in section 94, for the words “The provisions” the words, figures and commas “Except section 102, 103, 104, 105, 106,107, 108 and 109, the provisions” shall be substituted; and
- (4) in section 102, in sub-section (1) the word “direct” shall be omitted;

**23. Amendment of Islamabad Capital Territory (Tax on Services) Ordinance XLII of 2001.**– in section 3, in sub-section (1), for the word “fifteen”, the word “sixteen” shall be substituted.

24. **Amendment of Ordinance XLIX of 2001.** – In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:-

(1) in section 2,-

(a) for clause (5B), the following shall be substituted, namely:-

“(5B) “asset management company” means an asset management company as defined under the Non-Banking Finance Companies and Notified Entities Regulations, 2007;”;

(b) in clause (19),-

(i) in sub-clause (d), the word “or” at the end shall be omitted;

(ii) in sub-clause (e), after the colon appearing at the end, the word “or” shall be added; and

(iii) in sub-clause (e) amended as aforesaid, the following new sub-clause shall be inserted, namely:-

“(f) any after tax profit of a branch of a foreign company operating in Pakistan;”;

(c) in clause (19A), after the word “Card” the words “or National Identity Card for Overseas Pakistanis” shall be inserted;

(d) after clause (19A), the following new clauses shall be inserted, namely:

“(19B) The terms “addressee”, “automated”, “electronic”, “electronic signature”, “information”, “information system”, “originator”

and “transaction”, shall have the same meanings as defined in the Electronic Transactions Ordinance, 2002 (LI of 2002);

(19C) “electronic record” includes the contents of communications, transactions and procedures under this Ordinance, including attachments, annexes, enclosures, accounts, returns, statements, certificates, applications, forms, receipts, acknowledgements, notices, orders, judgments, approvals, notifications, circulars, rulings, documents and any other information associated with such communications, transactions and procedures, created, sent, forwarded, replied to, transmitted, distributed, broadcast, stored, held, copied, downloaded, displayed, viewed, read, or printed, by one or several electronic resources and any other information in electronic form;

(19D) “electronic resource” includes telecommunication systems, transmission devices, electronic video or audio equipment, encoding or decoding equipment, input, output or connecting devices, data processing or storage systems, computer systems, servers, networks and related computer programs, applications and software including databases, data warehouses and web portals as may be prescribed by the Board from time to time, for the purpose of creating electronic record;

(19E) “telecommunication system” includes a system for the conveyance, through the agency of electric, magnetic, electro-magnetic, electro-chemical or electro-mechanical energy, of speech, music and other sounds, visual images and signals serving for the impartation of any matter otherwise than in the form of sounds or visual images and also includes real time online sharing of any matter in manner and mode as may be prescribed by the Board from time to time.”;

(e) for clause (30A), the following shall be substituted, namely:-

“(30A)“ investment company” means an investment company as defined under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;”;

(f) for clause (30B), the following shall be substituted, namely:-

“(30B) “leasing company” means a leasing company as defined under the Non-Banking Finance Companies and Notified Entities Regulation, 2007;”;

(g) after clause (31), the following new clause shall be inserted, namely:-

“(31A) “Local Government” shall have the same meaning as defined in the Punjab Local Government Ordinance, 2001 (XIII of 2001), the Sindh Local Government Ordinance, 2001

(XXVII of 2001), the NWFP Local Government Ordinance, 2001 (XIV of 2001) and the Balochistan Local Government Ordinance, 2001 (XVIII of 2001);”;

(h) for clause (35B), the following shall be substituted, namely:-

“(35B) “non-banking finance company” means an NBFC as defined under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;”;

(i) clauses (45A) and (45B), shall be omitted;

(j) for clause (47A), the following shall be substituted, namely:-

“(47A) “Real Estate Investment Trust (REIT) Scheme” means a REIT Scheme as defined under the Real Estate Investment Trust Regulations, 2008;”;

(k) for clause (47B), the following shall be substituted, namely:-

“(47B) “Real Estate Investment Trust (REITMC) Management Company” means REITMC as defined under the Real Estate Investment Trust Regulations, 2008;”;

(2) in section 21, in clause (m), for the word “ten” the word “fifteen” shall be substituted;

(3) after section 23, the following new section shall be inserted, namely:-

“23A. **First Year Allowance (FYA).**- (1) Plant, machinery and equipment installed by any industrial undertaking set up in specified rural and under

developed areas, and owned and managed by a company shall be allowed First Year Allowance in lieu of initial allowance under section 23 at the rate specified in Part II of the Third Schedule against the cost of the “eligible depreciable assets” put to use after July 1, 2008.

(2) The provisions of section 23 except sub-sections (1) and (2) shall mutatis mutandis apply.

(3) The Federal Government may notify “specified areas” for the purposes of sub-section (1).”;

(4) in section 54, for the colon occurring for the fifth time, full stop shall be substituted and the proviso, shall be omitted;

(5) in section 57A, after sub-section (2), the following new sub-section shall be inserted, namely:-

“(2A) In case of amalgamation of Non-banking Finance Company, modarabas or insurance company, the accumulated loss under the head “Income from Business” (not being speculation business losses) of an amalgamating company or companies shall be set off or carried forward against the business profits and gains of the amalgamated company and *vice versa*, up to a period of six tax years immediately succeeding the tax year in which the loss was first computed in the case of amalgamated company or amalgamating company or companies.”

(6) in section 61, in sub-section (2), in clause (b),-

- (i) in sub-clause (i), for the word “thirty” the word “ten” shall be substituted; and
  - (ii) in sub-clause (ii), for the word “fifteen” the word “ten” shall be substituted;
- (7) in section 101, after sub-section (13), the following new sub-section shall be inserted, namely:-
- “(13A) Any amount paid on account of insurance or re-insurance premium by an insurance company to an overseas insurance or re-insurance company shall be deemed to be Pakistan source income.”;
- (8) in section 106, in sub-section (1), after the words and bracket “company” occurring for the second time, the words and comma “or a branch of a foreign company operating in Pakistan,” shall be inserted;
- (9) section 113, shall be omitted;
- (10) after section 113B, the following new section shall be added, namely:-
- “113C. Taxation of builders and developers.-** (1) Subject to this Ordinance, a person who is a developer of land for residential, commercial or industrial purposes or a builder engaged in construction of houses, commercial or industrial property, shall be liable to pay tax at the rates specified in Division IAA of Part I of the First Schedule.



(2) The tax paid under sub-section (1) shall be minimum tax on the income of such person.”;

(11) in section 115,-

(a) for sub-section (1), the following shall be substituted, namely:-

“(1) Where the entire income of a taxpayer in a tax year consists of income chargeable under the head “Salary”, Annual Statement of Deduction of Income Tax From Salary, filed by the employer of such taxpayer, in prescribed form, the same shall, for the purposes of this Ordinance, be treated as a return of income furnished by the taxpayer under section 114:

Provided that where salary income, for the tax year or the last tax year is five hundred thousand rupees or more, the taxpayer shall file wealth statement as required under section 116.”;

(b) in sub-section (3), for the words, brackets and figures “sub-clauses (iii) through (vii)”, the words, brackets and figure “sub-clause (iii)”, shall be substituted;

(12) after section 120, the following new section shall be added, namely: –

“120A. **Investment Tax on income.**- (1) Subject to this Ordinance, the Board may make a scheme of payment of investment tax in

respect of undisclosed income, representing any amount or investment made in movable or immovable assets.

(2) Where any person declares undisclosed income under subsection (1) in accordance with the scheme and the rules, the tax on such income called investment tax shall be charged at such rate as may be prescribed.

(3) Where a person has paid tax on his undisclosed income in accordance with the scheme and the rules, he shall –

- (a) be entitled to incorporate in his books of account such undisclosed income in tangible form; and
- (b) not be liable to pay any tax, charge, levy, penalty or prosecution in respect of such income under this Ordinance.

(4) For the purposes of this section –

- (i) “undisclosed income” means any income, including any investment to be deemed as income under section 111 or any other deemed income, for any year or years, which was chargeable to tax but was not so charged; and
- (ii) “investment tax” means tax chargeable on the undisclosed income under the scheme under subsection (1) and shall have the same meaning as given

in clause (63) of section 2 of the Income Tax Ordinance, 2001.”;

- (13) in section 124, in sub-section (2), after the word “Commissioner” occurring thrice, the words, brackets and commas “or Commissioner (Appeals), as the case may be,” shall be inserted;
- (14) in section 129, in sub-sections (5), (6) and (7) for the word “three” the word “four” shall be substituted;
- (15) in section 134A, after sub-section (4), the following new sub-section shall be inserted, namely:-

“(4A) Notwithstanding anything contained in sub-section (4), the Chairman may, on the application of an aggrieved person, for reasons to be recorded in writing, and on being satisfied that there is an error in order or decision, pass such order as he deems just and equitable.”;

- (16) in section 137,-
  - (a) in sub-section (1), the words and figure “section 113 or” shall be omitted;
  - (b) in sub-section (2), for the word “thirty” the word “fifteen” shall be substituted;

- (17) after section 146A, the following new section shall be inserted, namely:-

“146B. **Tax arrears settlement incentives scheme.**- (1) Subject to provisions of this Ordinance, the Board may make scheme in respect of

recovery of tax arrears or withholding taxes and waiver of additional tax or penalty levied thereon.

(2) The Board may make rules under section 237 for implementation of such scheme.”;

(18) in section 147,-

(a) sub-section (4AA), shall be omitted;

(b) in sub-section (6A),-

(i) after the word “after” the words, brackets and full stop “making adjustment for the amount (if any) already paid.” shall be added; and

(ii) clauses (a) and (b), shall be omitted;

(19) in section 148, sub-section (4A), shall be omitted;

(20) in section 152,-

(a) after sub-section (1A), the following new sub-section shall be inserted, namely:-

“(1AA) Every person making a payment of insurance premium or re-insurance premium to a non-resident person shall deduct tax from the gross amount paid at the rate specified in Division II of Part III of the First Schedule;”;

(b) after sub-section (1B), the following new sub-section shall be inserted, namely:-

“(1BB) The tax deducted under sub-section (1AA) shall be a final tax on the income of the non-resident person arising out of such payment.”;

(c) in sub-section (5), after the word and comma “section,” the words and comma “other than payments liable to reduced rate under relevant agreement for avoidance of double taxation,” shall be inserted;

(d) in sub-section (7),-

(i) in clause (a), after the word “Pakistan” the words “and is supported by import documents”, shall be inserted; and

(ii) in clause (b), the following explanation shall be added, namely:-

“Explanation,- Payments to non-residents include remittances, through foreign currency accounts and exchange companies and this section shall mutatis mutandis apply, on transactions through such accounts and companies.”;

(21) in section 153,-

(a) in sub-section (5), clause (e), shall be omitted;

(b) in sub-section (6A),-

(i) for the words “any person” the words “a company” shall be substituted; and

- (ii) the words and full stop “The provision of this sub-section shall be deemed always to have been so enacted and shall have had effect accordingly.” shall be omitted;
- (c) sub-section (6B), shall be omitted;
- (d) in sub-section (9),-
  - (i) in clause (b), the words, comma, brackets and figures “other than a small company, as defined in clause (59A) of section 2”, shall be omitted;
  - (ii) in clause (e), the word “or” shall be omitted;
  - (iii) in clause (f), for full stop at the end, a semi-colon shall be substituted;
  - (iv) after clause (f), amended as aforesaid, the following new clauses shall be added, namely:-
    - “(g) an association of persons, having turnover of fifty million rupees or above; or
    - (h) an Individual, having turnover of twenty-five million rupees or above.”; and
  - (v) after the explanation of expression “sale of goods”, the following new expression shall be added, namely:-

“manufacturer” for the purpose of this section means, a person who is engaged in production or manufacturing of goods, which includes-

(a) any process in which an article singly or in combination with other articles, material, components, is either converted into another distinct article or produce is so changed, transferred, or reshaped that it becomes capable of being put to use differently or distinctly; or

(b) a process of assembling, mixing, cutting, packing, repacking or preparation of goods in any other manner.”.

(22) after section 153, the following new section shall be inserted, namely:-

“153A. **Payments to non-resident media persons.-** Every person making a payment for advertisement services to a non-resident media person relaying from outside Pakistan shall deduct tax from the gross amount paid at the rate specified in Division IIIA of Part III of the First Schedule.”;

(23) in section 155, in sub-section (2), the words and figure “subject to section 15” shall be omitted;

(24) in section 159, for sub-section (3), the following shall be substituted, namely:-

“(3) The Board may, from time to time, by notification in the official Gazette –

(a) amend the rates of withholding tax prescribed under this Ordinance; or

(b) exempt persons, class of persons, goods or class of goods from withholding tax under this Ordinance.”;

(25) in section 169, in sub-section (1), in clause (b),-

(a) after the brackets and figure “(1B)”, the word, brackets and figure “or sub-section (1BB)” shall be inserted; and

(b) after the figure and comma “153,”, the word, figure and comma “section 153A,” shall be inserted;

(26) in section 174, after sub-section (4), the following new sub-section shall be added, namely:-

“(5) The Commissioner may require any person to install and use an Electronic Tax Register of such type and description as may be prescribed for the purpose of storing and accessing information regarding any transaction that has a bearing on the tax liability of such person.”;

(27) for Part IX, the following shall be substituted, namely:-



## **“PART IX**

### **TAXPAYER’S REGISTRATION**

181. **Taxpayer’s registration.-** (1) Every taxpayer shall apply in the prescribed form and in the prescribed manner for registration.

(2) The Commissioner having jurisdiction over a case, where necessitated by the facts of the case, may also register a taxpayer in the prescribed manner.

(3) Taxpayers’ registration scheme shall be regulated through the rules to be notified by the Board.”;

(28) in section 184, after sub-section (4), the following new sub-section shall be added, namely:-

“(5) where, in consequence of any order under this Ordinance, the amount of tax in respect of which any penalty imposed under sub-section (1) is reduced, the amount of the penalty shall be reduced accordingly.”;

(29) in section 193, in clause (b), after the word “fine” the words “not exceeding fifty thousand rupees” shall be added;

(30) in CHAPTER XI, after PART II, the following new PART III shall be added, namely:-

## **“PART III**

### **DIRECTORATE-GENERAL OF WITHHOLDING TAXES**

230A. **Directorate-General of Withholding Taxes.**- (1) The Directorate-General of Withholding Taxes shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorate General of Withholding Taxes.”;

(31) for section 231B, the following shall be substituted, namely:-

“231B . **Purchase of motor cars and jeeps.**- Every person shall pay, at the time of registration of a new motor car or a jeep, advance tax at the rates specified in Division VII of Part IV of the First Schedule:

Provided that the provisions of this section shall not be applicable in the case of –

- (i) the Federal Government;
- (ii) the Provincial Government;
- (iii) a foreign diplomat; or
- (iv) a diplomatic mission in Pakistan.”;

(32) in section 233A,-

(a) in sub-section (1), in clause (d), the brackets and word “(Badla)” shall be omitted; and

(b) for sub-section (2), the following shall be substituted, namely;

“(2) The tax collected under clauses (a) to (c) of sub-section (1) shall be minimum tax.”;

(33) in section 234, for the marginal note “Transport business” the marginal note “Tax on motor vehicles” shall be substituted;

(34) in section 235, in sub-section (4), after the word “section” occurring for the first time, the words “upto bill amount of twenty thousand rupees per month” shall be inserted;

(35) after section 237, the following new section shall be added, namely:-

“237A **Electronic record.**- (1) The Board may require any person to use its information system and electronic resource, in order to replace or supplement, its manual business processes by automated business processes and substitute its paper based records by electronic record.

(2) Electronic record generated, maintained, issued, served, received, filed or requisitioned through the electronic resource of the Board shall by itself sufficiently and conclusively prove its validity, authenticity and integrity and shall be treated to have been done so according to the provisions of this Ordinance.”;

(36) **General amendment.-** In the said Ordinance, for the words “local authority” wherever occurring, the words “Local Government” shall be substituted;

(37) in the FIRST SCHEDULE,-

(a) in Part I,-

(i) in Division I, in clause (1A), for the TABLE, the following shall be substituted, namely:-

**“TABLE**

<b>S. No</b>	<b>Taxable Income</b>	<b>Rate of tax.</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
1.	Where the taxable income does not exceed Rs.180,000,	0%
2.	Where the taxable income exceeds Rs.180,000 but does not exceed Rs.250,000,	0.50%
3.	Where the taxable income exceeds Rs.250,000 but does not exceed Rs.350,000,	0.75%
4.	Where the taxable income exceeds Rs.350,000 but does not exceed Rs.400,000,	1.50%
5.	Where the taxable income exceeds Rs.400,000 but does not exceed Rs.450,000,	2.50%
6.	Where the taxable income exceeds Rs.450,000 but	3.50%

	does not exceed Rs.550,000,	
7.	Where the taxable income exceeds Rs.550,000 but does not exceed Rs.650,000,	4.50%
8.	Where the taxable income exceeds Rs.650,000 but does not exceed Rs.750,000,	6.00%
9.	Where the taxable income exceeds Rs.750,000 but does not exceed Rs.900,000,	7.50%
10.	Where the taxable income exceeds Rs.900,000 but does not exceed Rs.1,050,000,	9.00%
11.	Where the taxable income exceeds Rs.1,050,000 but does not exceed Rs.1,200,000,	10.00%
12.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.1,450,000,	11.00%
13.	Where the taxable income exceeds Rs.1,450,000 but does not exceed Rs.1,700,000,	12.50%
14.	Where the taxable income exceeds Rs.1,700,000 but does not exceed Rs.1,950,000,	14.00%
15.	Where the taxable income exceeds Rs.1,950,000 but does not exceed Rs.2,250,000,	15.00%
16.	Where the taxable income exceeds Rs.2,250,000	16.00%

but does not exceed Rs.2,850,000,

17.	Where the taxable income exceeds Rs.2,850,000 but does not exceed Rs.3,550,000,	17.50%
18.	Where the taxable income exceeds Rs.3,550,000 but does not exceed Rs.4,550,000,	18.50%
19.	Where the taxable income exceeds Rs.4,550,000 but does not exceed Rs.8,650,000,	19.00%
20.	Where the taxable income exceeds Rs.8,650,000.	20.00%

Provided that where income of a woman taxpayer is covered by this clause, no tax shall be charged if the taxable income does not exceed Rs.240,000/-:

Provided further that where the total income of a taxpayer marginally exceeds the maximum limit of a slab in the table, the income tax payable shall be the tax payable on the maximum of that slab plus tax on –

- (i) 20% of the amount by which the total income exceeds the said limit where the total income does not exceed Rs.500,000.
- (ii) 30% of the amount by which the total income exceeds in each slab but total income does not exceed Rs.1,050,000.

- (iii) 40% of the amount by which the total income exceeds in each slab but total income does not exceed Rs.2,000,000.
  - (iv) 50% of the amount by which the total income exceeds in each slab but total income does not exceed Rs.4,450,000.
  - (v) 60% of the amount by which the total income exceeds in each slab but the total income exceeds Rs.4,450,000.”;
- (ii) after Division IA, the following new Division, shall be added, namely:-

**“Division IAA**

**Rate of Tax on Builders and Developers**

Rate of payment of tax under sub-section (1) of section 113C, shall be,-

- (a) in the case of a builder Rs.50 per sq. ft. on covered constructed area; and
  - (b) in the case of a developer Rs.100 per sq. yard on the area of land developed.”;
- (iii) in Division II,-
- (a) paragraph (ii), shall be omitted; and

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

“Provided where the turnover exceeds the prescribed limit of Rs.250 million, tax shall be payable at the following rates, namely:-

	<b>Turnover</b>	<b>Rate</b>
(i)	Income attributable to turnover exceeding Rs.250 million but does not exceed Rs.350 million	25% plus
(ii)	Income attributable to turnover exceeding Rs.350 million but does not exceed Rs.500 million	30% plus
(iii)	On the income attributable to turnover exceeding Rs.500 million.”;	35% plus

(iv) in Division VI, for paragraph (a), the following shall be substituted, namely:-



“(a) The rate of tax to be paid under section 15, in the case of individual and association of persons, shall be-

<b>S.No.</b>	<b>Gross amount of rent</b>	<b>Rate of tax</b>
(1)	Where the gross amount of rent does not exceed Rs.150,000.	Nil.
(2)	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.400,000.	5 per cent of the gross amount exceeding Rs.150,000.
(3)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.12,500 plus 10 per cent of the gross amount exceeding Rs.400,000.
(4)	Where the gross amount of rent exceeds Rs.1,000,000.	Rs.72,500 plus 15 per cent of the gross amount exceeding Rs.1,000,000.

(b) The rate of tax to be paid under section 15, in the case of company, shall be-

<b>S.No.</b>	<b>Gross amount of rent</b>	<b>Rate of tax</b>
(1)	Where the gross amount of rent does not exceed Rs.400,000.	5 per cent of the gross amount of rent.
(2)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 10 per cent of the gross amount of rent exceeding Rs.400,000.
(3)	Where the gross amount of rent exceeds Rs.1,000,000.	Rs.80,000 plus 15 per cent of the gross amount of rent exceeding Rs.1,000,000.”;

(b) in Part II, for the figure “5” the figure “2” shall be substituted;

(c) in Part III,-

(i) in Division II,-

(a) after clause (1), the following new clause shall be inserted, namely:-

“(1A) The rate of tax to be deducted from payments referred to in sub-section (1AA) of section 152, shall be 5% of the gross amount paid.”;

- (ii) after Division III, the following new Division shall be added, namely:-

**“Division IIIA**

**Payments to non-resident media persons**

The rate of tax to be deducted under section 153A, shall be 10% of the gross amount paid.”;

- (iii) in Division V, for the existing paragraph, the following shall be substituted, namely:-

“(a) The rate of tax to be deducted under section 155, in the case of an individual and association of persons, shall be-

<b>S.No.</b>	<b>Gross amount of rent</b>	<b>Rate of tax</b>
(1)	Where the gross amount of rent does not exceed Rs.150,000.	Nil.
(2)	Where the gross amount of rent exceeds Rs.150,000 but does not exceed Rs.500,000.	5 per cent of the gross amount exceeding Rs.150,000.
(3)	Where the gross amount of rent exceeds Rs.500,000 but does not exceed Rs.1,300,000.	Rs.17,500 plus 10 per cent of the gross amount exceeding Rs.500,000.
(4)	Where the gross amount of rent exceeds Rs.1,300,000.	Rs.97,500 plus 15 per cent of the gross amount exceeding Rs.1,300,000.

(b) The rate of tax to be deducted under section 155, in the case of a company, shall be-

<b>S.No.</b>	<b>Gross amount of rent</b>	<b>Rate of tax</b>
(1)	Where the gross amount of rent does not exceed Rs.400,000.	5 per cent of the gross amount of rent.
(2)	Where the gross amount of rent exceeds Rs.400,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 10 per cent of the gross amount of rent exceeding Rs.400,000.
(3)	Where the gross amount of rent exceeds Rs.1,000,000.	Rs.80,000 plus 15 per cent of the gross amount of rent exceeding Rs.1,000,000.”;

(d) in Part IV,-

(i) in Division III,-

(a) for the heading “Transport Business” the heading “Tax on Motor Vehicles” shall be substituted;

(b) for clause (3), the following shall be substituted, namely:-

“(3) Other private motor cars with engine capacity

of—

(a) upto 1000cc	500
(b) 1001cc to 1199cc	750
(c) 1200 to 1299cc	1000
(d) 1300cc to 1599cc	2000
(e) 1600cc to 1999cc	3000
(f) 2000cc and above	5000”;

(ii) in Division IV, in the table, in serial number “1” in the third column, for the word and figure “Rs.2000”, the words and figure “at the rate of 10 per cent” shall be substituted;

(iii) in Division V, for paragraph (a), the following shall be substituted, namely:-

“(a) in the case of a telephone 10% of the subscriber (other than mobile exceeding phone subscriber) where the amount of bill.”; amount of monthly bill exceeds Rs.1000.

(iv) in Division VI, for the figure “0.2”, the figure “0.3” shall be substituted;

(v) for Division VII, the following shall be substituted, namely:-

**“Division VII**

**PURCHASE OF MOTOR CARS AND JEEPS**

The rate of payment of tax under section 231B shall be as follows:-

<b>Engine Capacity</b>	<b>Amount of Final Tax</b>
upto 850cc	Rs.10,000
851cc to 1000cc	Rs.14,000
1001cc to 1300cc	Rs.22,500
1301cc to 1600cc	Rs.22,500
1601cc to 1800cc	Rs.35,000
1801cc to 2000cc	Rs.30,000
Above 2000cc	Rs.50,000”;

(38) in the **SECOND SCHEDULE**,.-

(a) in Part I,-

(i) clauses (2), (6) and (21) shall be omitted;

- (ii) in clause (25), after the word “beneficiary” occurring for the second time, a full stop shall be added and sub-clauses (i) to (iv) shall be omitted;
- (iii) in clause (57), in sub-clause (3), paragraph (x), shall be omitted;
- (iv) in clause (61), in the proviso,-
  - (i) in sub-paragraph (a), for the word “thirty” the word “ten” shall be substituted; and
  - (ii) in sub-paragraph (b), for the word “fifteen” the word “ten” shall be substituted;
- (v) clauses (62), (63A) and (63B) shall be omitted;
- (vi) in clause (66), after the proviso, the following new sub-clauses shall be inserted, namely:-
  - “(xix) Pension of a former President of Pakistan and his widow under the President Pension Act, 1974 (IX of 1975).
  - (xx) State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation.”;
- (vii) in clause (72), in sub-clause (ii), for the semicolon, full stop shall be substituted and sub-clause (iii) shall be omitted;



- (viii) clauses (77), (82) and (83) shall be omitted;
- (ix) in clause (98), for the full stop, at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:-

“Provided that the exemption of this clause shall not be applicable to the Pakistan Cricket Board.”;

- (x) for clause (99), the following shall be substituted, namely:-

“(99) Any income derived by a Collective Investment Scheme or a REIT Scheme, if not less than ninety per cent of its accounting income of that year, as reduced by capital gains whether realized or unrealized, is distributed amongst the unit or certificate holders or shareholders as the case may be.

Explanation.- For the purpose of this clause the expression “accounting income” means income calculated under the generally accepted Accounting Principles and verified by the auditors.”;

(xi) in clause (99A), for the words “real estate investment trust” the words “REIT Scheme” shall be substituted;

(xii) for clause (103), the following shall be substituted, namely:-

“(103) Any distribution received by a taxpayer from a collective investment scheme registered by the Securities and Exchange Commission of Pakistan under the Non-Banking Finance Companies and Notified Entities Regulations, 2007, including National Investment (Unit) Trust or RIET Scheme or a Private Equity and Venture Capital Fund out of the capital gains of the said Schemes or Trust or Fund on which tax has already been paid.”;

(xiii) in clause (103A), after the figure and letters “59AA” the word, figure and letter “or section 59B” shall be inserted;

(xiv) in clause (110), for the figure “2008” the figure “2010” shall be substituted;

(xv) clauses (132A), (133A) and (138) shall be omitted;

(b) in Part II,

(i) clauses (6), (9A), (10), (13), (13A) and (13B) shall be omitted;

- (ii) in clause (13C), for the figure “1” the figure “2” shall be substituted;
- (iii) in clause (13G), sub-clauses i, to iii, and vii to xxiv, shall be omitted;
- (iv) clause (13H), shall be omitted;
- (v) after clause (13H) omitted as aforesaid, the following new clause shall be inserted, namely:-

“(13HH) Tax shall be deducted under section 153 at the rate of 1% on the sale value of rice to be sold by Rice Exporters Association of Pakistan (REAP) to Utility Store Corporation, in accordance with the provisions of the agreement, signed with Ministry of Food, Agriculture and Livestock (MINFAL) on May 5, 2008.”;

- (vi) clauses (14), (15) and (16) shall be omitted;
- (c) in Part III,-
- (i) clause (3), shall be omitted;
  - (ii) after clause (4), the following new clause shall be added, namely:-

“(5) The tax payable under clause (a) of sub-section (1) of section 151, in respect of any amount

paid as yield or profit on investment in Bahbood Savings Certificate or Pensioners Benefit Account shall not exceed 10% of such profit.”;

- (d) in Part IV,-
  - (i) clauses (3A) and (11) shall be omitted;
  - (ii) in clause (16), -
    - (a) figure “113”, shall be omitted;
    - (b) for the colon, at the end of first proviso full stop shall be substituted; and
    - (c) second proviso shall be omitted;
  - (iii) in clause (19), for the words and figure “sections 113 and” the word “section“ shall be substituted;
  - (iv) clauses (33), (36), (41A) and (42A) shall be omitted;
  - (v) in clause (43A), the words and brackets “including Permanent Establishment of Non-resident Petroleum Exploration and Production (E&P) Companies” shall be omitted;
  - (vi) in clause (46), after the word “refinery”, the words and brackets “or Permanent Establishment of Non-resident Petroleum Exploration and Production (E&P) Companies” shall be inserted;

(vii) in clause (46A), for the brackets and figure “(6B)”, the brackets and figure “(6)” shall be substituted;

(viii) for clause (47B), the following shall be substituted, namely:-

“(47B) The provisions of sections 150, 151 and 233 shall not apply to any person making payment to National Investment Unit Trust or a collective investment scheme or a modaraba or Approved Pension Fund or an Approved Income Payment Plan or a REIT Scheme or a Private Equity and Venture Capital Fund or a recognized provident fund or an approved superannuation fund or an approved gratuity fund.”;

(ix) for clause (56), the following shall be substituted, namely:-

“(56) The provisions of section 148, shall not be applicable to the import of goods classified under Pakistan Customs Tariff falling under Chapters 27, 52.01, 86 and 99.”;

(x) in clause (57),-

(a) the figure “113” shall be omitted;

(b) in the first proviso, for the colon, a full stop shall be substituted and second proviso shall be omitted;

(xi) clause (58), shall be omitted;

(xii) after clause (64), the following new clauses shall be added, namely:-

“(65) any income derived by a project, approved by Designated National Authority (DNA), from the transfer or sale of Clean Development Mechanism Credits i.e. Certified Emission Reductions, verified Emission Reductions; and

(66) the provisions of section 235, shall not be applicable to the exporters-cum-manufacturers of –

(a) carpets.

(b) leather and articles thereof including artificial leather footwear;

(c) surgical goods;

(d) sports goods; and

(e) textile and articles thereof;

(39) in the **THIRD SCHEDULE**, –

- (a) in Part II,-
- (i) in the heading, after the word “ALLOWANCE” the words “AND FIRST YEAR ALLOWANCE” shall be added;
  - (ii) under the heading, in the brackets, after figure “23” the word and figure “and 23A” shall be inserted;
  - (iii) the existing paragraph shall be numbered as paragraph (1);  
and
  - (iv) after paragraph (1), the following new paragraph shall be added, namely:-

“(2) The rate of First Year Allowance under section 23A shall be 90%.”;

(40) in the **FOURTH SCHEDULE**, –

- (a) in rule 5, –
- (i) for sub-rule (b), the following shall be substituted, namely:-  
“(b) subject to the provisions of rule 6A, any amount of investment written off shall be allowed as a deduction, but any amount taken to reserve to meet depreciation of investments shall not be allowed as a deduction, and any sums taken credit for in the accounts on account of appreciation of investment shall not be treated as part of the profits and gains, unless these have been crystallized as gains or losses on the realization of investments.”;

- (ii) in sub-rule (c), for the full stop at the end, the semicolon and word “; and” shall be substituted;
- (iii) after sub-rule (c) amended as aforesaid, the following new sub-rule shall be added, namely:-
  - “(d) no deduction shall be allowed for any expenditure incurred on account of insurance premium or re-insurance premium paid to an overseas insurance or re-insurance company or a local agent of an overseas insurance company until tax at the rate of 5% is withheld on the gross amount of insurance or re-insurance premium.”;
- (iv) in rule 6A, for the figure “2008” the figure “2010” shall be substituted;

(41) in the **SIXTH SCHEDULE**, –

- (a) in Part I, in rule 3, in sub-rule (a), after the word “salary” the words, figure and comma “or Rs.100,000, whichever is low” shall be inserted;
- (b) in Part II, in rule 5, for the words and commas “at the average rate of tax at which the employee was liable to tax during the preceding three years or during such period, if less than three years, as he was a member of the fund,” the words “at the rate applicable to the year of withdrawal” shall be substituted; and



**(42) in the SEVENTH SCHEDULE,-**

(a) in rule 1, -

(i) for sub-rule (c), the following sub-rules shall be substituted, namely:-

“(c) Provisions for classified advances and off balance sheet items shall be allowed in accordance with the provisions of sections 29 and 29A.

(ii) sub-rules (d), (e) and (f), shall be omitted;

(iii) rule 7, shall be omitted; and

(iv) in rule 8, after sub-rule (1), the following new sub-rule shall be inserted, namely:-

“(1A) The accumulated loss under the head “Income from Business” (not being speculation business losses) of an amalgamating banking company or banking companies shall be set off or carried forward against the business profits and gains of the amalgamated company and vice versa, up to a period of six tax years immediately succeeding the tax year in which the loss was first computed in the case of amalgamated banking company or amalgamating banking company or companies.”.

25. **Amendments of Act of CIII of 2002.** – In the Listed Companies (Substantial Acquisition of Voting Shares and Take-Overs) Ordinance, 2002 (CIII of 2002), the following further amendments shall be made, namely:-

- (1) in section 2, in sub-section (1), –
  - (a) in clause (k), after the word “rules” the words “or regulations” shall be inserted;
  - (b) clause (l) shall be omitted;
- (2) section 3 shall be renumbered as sub-section (1) of that section and
  - (a) in sub-section (1) renumbered as aforesaid, –
    - (i) for the word “Nothing” the words and comma “Except as provided otherwise in sub-section (2), nothing” shall be substituted;
    - (ii) in clause (b) after the word “issue” the words “except voting shares allotted and issued under sub-section (7) of section 86 of the Companies Ordinance, 1984 (XLVII of 1984)” shall be added;
    - (iii) clause (f) shall be omitted;
    - (iv) in clause (k), the word “and” occurring at the end, shall be omitted; and

(v) in clause (l), for the full stop at the end, a semicolon shall be substituted and thereafter the following new clauses shall be added, namely:-

“(m) transfer of voting shares to a person’s relatives without monetary consideration;

(n) acquisition of voting shares in the ordinary course of business by CFS financiers acting as financiers;

(o) a scheme of rehabilitation of a company approved by the Commission;

(p) transfer by sponsors of a holding company to such holding company within two years of incorporation of holding company, voting shares of such listed company or companies held by the sponsors on the date of incorporation of the holding company, which will after the transfer of such shares become subsidiary or subsidiaries of the said holding company; and

(q) acquisition of voting shares by a strategic investor in case of disinvestment by existing shareholders of a stock exchange pursuant to the demutualization process.” ;

(b) after sub-section (1) the following shall be inserted, namely:-

- “(2) After the acquirer acquires voting shares pursuant to clauses (a), (b), (c), (d), (e), (g), (i), (j), (m), and (o) of sub-section (1) the acquirer shall make a disclosure of the acquisition in the prescribed manner.”
- (3) in section 12, for the words “acquirer may decide” the words “Commission may prescribe” shall be substituted;
- (4) in section 13, in sub-section (5), –
- (a) after the word and comma “company,” the words and comma “whether incorporated in Pakistan or outside Pakistan,” shall be inserted; and
- (b) in the proviso, after the word “thereof” at the end the words “in the public announcement of offer” shall be inserted.
- (5) section 15 shall be renumbered as sub-section (1) of that section and in sub-section (1) renumbered as aforesaid clauses (f), (h), (i) and (j) shall be omitted and after sub-section (1), amended as aforesaid, the following new sub-section shall be added, namely: -
- “(2) The manager to the offer shall,-
- (a) on the day of the public announcement of offer ensure that the proposed public announcement of offer is filed with the Commission, target company and also sent to the stock exchange on which the voting shares of the target company are listed in accordance with this Ordinance;

- (b) upon fulfillment of the necessary obligations by the acquirer under this Ordinance and the rules and regulations, cause the release of the balance amount of the security to the acquirer; and
  - (c) after ensuring compliance with the provisions of the Ordinance and any other laws or rules and regulations as may be applicable, send a report to the Commission within forty-five days from the date of closure of public offer or earlier withdrawal thereof.”;
- (6) in section 26, –
  - (a) in sub-section (3), for the word “one” the word “fifty” and for the word “ten” the word “two hundred” shall respectively be substituted; and
  - (b) in sub-section (4), for the word “shall” the word “may” shall be substituted;
- (7) after section 29, the following new sections shall be inserted, namely:-

**“29A. Power of the Commission to make regulations.-** (1) The Commission may, by notification in the official Gazette, make such regulations not inconsistent with provisions of this Ordinance and the rules made thereunder as are necessary to carry out the purposes of the Ordinance and incidental and connected matters:

Provided that the power to make regulations conferred by this section shall be subject to the condition of previous publication and before making any regulations the draft thereof may be published in the manner considered most appropriate by the Commission for eliciting public opinion thereon within a period of not less than seven days from the date of publication.

(2) Without prejudice to the generality of subsection (1), the Commission may make regulations for or with respect to—

- (a) the form, manner, timing and submission of offers letters;
- (b) public announcements;
- (c) public offers;
- (d) independent advice to shareholders;
- (e) the obligations of directors;
- (f) obligations and restrictions of the acquirer and manager to the offer;
- (g) the standard of care and responsibility;
- (h) the timing and content of documents;
- (i) the offer timetable;

- (j) asset valuations and offer pricing and mode of payment;
- (k) restrictions on dealings before and during the offer;
- (l) disclosure of dealings;
- (m) security to ensure completion of a takeover offer;
- (n) acceptable securities;
- (o) mandatory offers, offer size and acquisition;
- (p) conditional offers;
- (q) competitive bids;
- (r) conduct of enquiry; and
- (s) any other matter that this Ordinance requires for regulations to be made or for any matter the Commission considers necessary to ensure the proper conduct of takeovers.

(3) Any regulation made under this section may provide that a contravention thereof shall be punishable with a fine which may extend to thirty million rupees and, where the contravention is a continuing one, with a further fine which may extend to one hundred thousand rupees for every day after the first during which such contravention continues.

**29B. The power of the Commission to issue directives, circulars, guidelines, etc.-** The Commission may issue such directives, codes, guidelines, circulars or notifications as are necessary to carry out the purposes of this Ordinance, the rules and regulations made thereunder.”.

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

(1) in section 2, –

(a) for clause (9a), the following shall be substituted, namely:-

“(9a) “duty due” means duty in respect of clearances made or services provided or rendered during a month and shall be paid at the time of filing of return;”;

(b) after clause (12), the following new clause shall be inserted:

“(12a) “franchise” means an arrangement under which the franchisee is contractually or otherwise granted any right to produce, manufacture, sell or trade in or do any other business activity in respect of goods or to provide service or to undertake any process identified with franchiser against a fee or consideration including royalty or technical fee, whether or not a trade mark, service mark, trade name, logo, brand name or any such representation or symbol, as the case may be, is involved;”;

(2) in section 3,-



- (a) in sub-section (1), in clause (d) after the word “rendered” the words, “including services originating outside but terminating” shall be inserted;
  - (b) in sub-section (5), in clause(c) after the word “service”, the comma and words “,provided where services are rendered by the person out of Pakistan, the recipient of such service in Pakistan shall be liable to pay duty” shall be inserted;
- (3) in section 4,-
- (a) in sub-section (4), for the word” ninety” the words “one hundred and twenty” shall be substituted; and
  - (b) after sub-section (7), the following new sub-section shall be added, namely:-
    - “(8) A composite return as may be prescribed for the purpose of sales tax and duty chargeable under this Act shall, unless otherwise directed by the Board, be deemed to be a return for the purpose of this section.”;
- (4) the existing section 7 shall be renumbered as sub-section (1) thereof and thereafter, the following new sub-section shall be added, namely,-
- “(2) The Federal Government may, by notification in the official Gazette, declare that any of the provisions of the Sales Tax Act, 1990, relating to the levy of and exemption from sales tax, registration, book keeping and invoicing requirements, returns, offences and

penalties, appeals and recovery of arrears shall, with such modifications and alterations as it may consider necessary or desirable to adapt them to the circumstances, be applicable in regard to like matters in respect of the duty leviable under this Act.”;

(5) for section 8, the following shall be substituted, namely:-

“8. **Default surcharge.** –If a person does not pay the duty due or any part thereof within the prescribed time or claims a refund of duty or drawback or makes an adjustment which is not admissible to him, he shall, in addition to the duty due, pay default surcharge at the rate of one and a half per cent per month.

*Explanation.*– For the purpose of this section,–

- (a) the period of default shall be reckoned from the date following the due date on which the duty was payable to the preceding day on which the duty is actually paid; and
- (b) in case of inadmissible adjustment or refund of duty or drawback, the period of default shall be reckoned from the date of such adjustment or as the case may be, refund of duty or drawback is received.”;

(6) in section 12, for sub-section (1),the following shall be substituted, namely:-

“(1) Where any goods are liable to duty under this Act at a rate dependent on their value, duty shall be assessed and paid on the basis of value as

determined in accordance with sub-section (46) of section 2 of the Sales Tax Act, 1990, excluding the amount of duty payable thereon.”;

(7) in section 14, –

(a) in sub-section (1), after the word “date”, the words “but where non or short payment of duty or erroneous payment of refund is attributable to collusion or deliberate act, the period for issuing notice shall be five years” shall be added; and

(b) in the Explanation after the word “section” and comma, the words “refund includes drawback of duty and” shall be inserted;

(8) in section 19, –

(a) in sub-section(1),-

(i) for the words “ten thousand rupees”, the words “five thousand rupees in case of non-filing of return and ten thousand rupees or five per cent of the duty involved whichever is higher in case of non or short payment of duty due” shall be substituted; and

(ii) for the full stop at the end, a colon shall be substituted and thereafter the following proviso shall be inserted, namely,-

“Provided that where a person files the return within fifteen days after the due date he shall pay a penalty of one hundred rupees for each day of default”; and

- (b) in sub-section(5) after the word “goods” the words “or services” shall be inserted;
- (9) in section 31, in sub-section (3), for the word, “ninety” occurring twice, the words, “one hundred and twenty”, shall be substituted;
- (10) in section 33, in sub-section (2), in the proviso, for the word “ninety” occurring twice, the words“ one hundred and twenty” shall be substituted;
- (11) in section 35, in sub-section (3), for the word “two”, the word “five” shall be substituted;
- (12) in section 36, for the word “three” the word “five” shall be substituted;
- (13) in section 38, after sub-section (4), the following new sub-section shall be added, namely;
- “(4A) Notwithstanding anything contained in sub-section (4), the Chairman may, on the application of an aggrieved person, for reasons to be recorded in writing and on being satisfied that there is an error in order or decision, pass such order as he deems just and equitable.”;
- (14) after section 43, the following new section shall be added, namely:-
- “43A. **Issuance of duplicate of federal excise documents.**– An officer of federal excise not below the rank of Assistant Collector may, on payment of one hundred rupees, issue an attested duplicate of any federal excise document as is available with the department or has

been filed under this Act or rules made thereunder to a relevant registered person applying for the same.”;

(15) in the FIRST SCHEDULE,-

(a) in TABLE I, in column (1),-

(i) against serial number 1, in column (4), for the word “Fifteen”, the word “Sixteen” shall be substituted;

(ii) against serial number 2, in column (4), for the word “Fifteen”, the word “Sixteen” shall be substituted;

(iii) against serial number 6, in column (2), the word “indigenous”, occurring for the first time, shall be omitted;

(iv) for serial numbers, 9, 10 and 11 and the entries relating thereto in columns (2), (3) and (4), the following shall be substituted, namely:-

“9.	Locally produced cigarettes	24.02	Sixty-three per cent of
	if their retail price exceeds		the retail price.
	sixteen rupees per ten		
	cigarettes.		

10.	Locally produced cigarettes	24.02	Three rupees and
	if their retail price exceeds		seventeen pisas per
	seven rupees and forty		ten cigarettes plus sixty-
	three pisas per ten		nine per cent per

cigarettes but does not exceed sixteen rupees per ten cigarettes. incremental rupee or part thereof.

11. Locally produced cigarettes 24.02 Three rupees and if their retail price does not exceed seven rupees and forty three paisas per ten cigarettes. seventeen paisas per ten cigarettes.”;

(v) against serial number 13, in column (4), for the words, “Seven hundred and fifty”, the words “Nine hundred” shall be substituted;

(vi) after serial number 48 and entries relating thereto in columns (2), (3) and (4), the following new serial number and the entries relating thereto shall be inserted, namely:-

“49. Motor cars and other 87.03 Five per cent motor vehicles principally ad val”;  
designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars of cylinder

capacity exceeding 850cc.

- (vii) in the interpretation, after paragraph (2), the following shall be added, namely;

“Restriction.- For the purpose of levy, collection and payment of duty at the rates specified in column (4) against serial numbers 9, 10 and 11, no cigarette manufacturer shall reduce price from the level adopted on the day of the announcement of the Budget 2008-09.”;

- (b) in TABLE II, in column (1),—

- (i) against serial number 1, in column (4), for the word “Fifteen” the word “Sixteen” shall be substituted;
- (ii) against serial number 2, in column (4), for the word “Fifteen” the word “Sixteen” shall be substituted;
- (iii) against serial number 3, for the entries relating thereto in columns (2), (3) and (4), the following shall be substituted, namely.-

**“Facilities for travel**

**98.03**

- |  |           |   |
|--|-----------|---|
| (a) Services provided or rendered in respect of travel by air of the | 9803.1000 | Sixteen per cent of the charges plus rupees |
|--|-----------|---|

	passenger within the territorial jurisdiction of Pakistan		twenty per ticket
(b)	Services provided or rendered in respect of travel by air of the passengers embarking on international journey to or from Pakistan	9803.1100	
(i)	Passengers embarking to or from SAARC region, UAE (Middle East), Saudi Arabia, Africa, Afghanistan		Three thousand two hundred and forty rupees for economy and economy plus classes and four thousand two hundred and forty rupees for club, business and first classes.
(ii)	Passengers embarking to or from Europe, Far East, China, USA, Canada, Australia,		Four thousand two hundred and forty rupees for economy and economy plus



South America, others.

classes and five thousand seven hundred and forty rupees for club, business and first classes.”;

- (iv) against serial number 4, in column (4), for the word “Fifteen” the word “Sixteen” shall be substituted;
- (v) against serial number 5, in column (4), in clause (ii), for the word “Fifteen” the word “Sixteen” shall be inserted;
- (vi) for serial number 6, and entries relating thereto in columns (2), (3) and (4) the following shall be substituted, namely.-

“Telecommunication services	98.12 (all sub-headings)	Twenty- one per cent off the charges”;
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- (vii) in serial number 7, in column (2),-
  - (a) after the word “re-insurer”, the words “in case where direct insurance service has been provided” shall be added;and

(b) against clauses, (i), (ii), (iii), (iv) and (v) in column 4, for the word “Five” wherever occurring, the word, “Ten” shall be substituted;

(viii) against serial number 8, in column (4), for the word “Five” the word “Ten” shall be substituted;

(ix) against serial number 11, in column (4), for the word “Five” the word “Ten” shall be substituted; and

(16) in the THIRD SCHEDULE,-

(a) in TABLE-I, in column 1,-

(i) serial numbers 3A and 3B and entries relating thereto in columns (2) and (3) shall be omitted;

(ii) against serial number 11 in column 2, for the words and brackets “National Petrocarbon (Pvt.) Limited, Pipri, Karachi”, the words “a duly registered manufacturer of carbon black” shall be substituted;

(iii) after serial number 16 and the entries relating thereto in columns (2) and (3), the following new serial number and the entries relating thereto in columns (2) and (3) shall be added, namely:-

“17.	Goods for further manufacture	Respective
	of goods in the Export	headings.”; and

## Processing Zones

- (b) in TABLE II, in column (1), after serial number 3 and entries relating thereto in columns (2) and (3), the following new serial numbers and the entries relating thereto shall be added:-

“4	Life insurance	9813.1500
5	Health insurance	9813.1600
6	Crop insurance	9813.1600”;

27. **Amendment of Federal Board of Revenue Act, 2007.** – In the Federal Board of Revenue Act, 2007, the following amendments shall be made, namely:-

- (1) in section 4, for clause (m) the following shall be substituted, namely:-

“(m) to establish a Foundation and a Fund relating thereto so as to provide support and incentives such as subsidy in the housing, transport, medical, education, uniform or liveries and such other matters to the employees and for the welfare of the present and retired employees and their families and to create, establish, organize, assist in the social and cultural activities;” .;

- (2) in section 5, in sub-section (1),-

- (a) in clause (i), the word “and”, at the end, shall be omitted; and
- (b) in clause (j), for the full stop, at the end, a semicolon shall be substituted and thereafter the following new clauses shall be added, namely:-

- "(k) power to grant incentives and rewards to the employees;
  - (l) power to establish performance standards for employees on the basis of merit and specified performance standards;
  - (m) power to prescribe mode and method of continuous appraisal for employees; and
  - (n) power to process matters incidental to or conducive to the attainment of all or any of the foregoing.”;
- (3) in section 7, in sub-section (1), for the full stop, at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:-

“Provided that the Chairman, may by notification in the official Gazette and by recording reasons thereof in writing, exclude certain classes of representations from the purview of this section. “.