



COMMENTS ON THE FINANCE ACT, 2017



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The Comments on the Finance Act, 2017 contains a review of the Finance Act, 2017 as they relate to direct and indirect taxes. The amendments proposed by the Finance Bill, 2017 have now been enacted through the Finance Act, 2017 with some changes in the proposed amendments and also incorporating some new amendments. This document contains the review of changes proposed through Finance Bill as well as amendments enacted through the Finance Act.

The provisions of the Finance Act, 2017 are generally applicable from 01 July 2017, unless otherwise specified.

This document contains the comments, which represent our interpretation of the legislation, and we recommend that while considering their application to any particular case, reference be made to the specific provisions of the relevant statutes.

These comments can be downloaded from our website at www.mzco.com.pk

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INCOME TAX

FAST MOVING CONSUMER GOODS

SECTION 2(22A)

The Finance Act, 2017 excluded 'durable goods' from the definition of fast moving consumer goods and thereby the benefits of reduced rate of withholding tax under section 153 and minimum tax rate prescribed in Division IX of Part I First Schedule to such goods have been withdrawn. Yet the concept of 'durable goods' remains to be defined.

LIAISON OFFICE

SECTION 2(30C)

The Finance Act, 2017 inserted a new clause of definition in order to remove the ambiguity as to the concept of "Liaison Office", which is presently excluded from the definition of Permanent Establishment, as follows;

"liaison office" means a place of business acting for the principal, head office or any entity of which it is a part, and

- (a) its activities do not result in deriving income in Pakistan; and
- (b) maintains itself out of any amount remitted from outside Pakistan received through normal banking channels.

Explanation,- It is clarified that-

- (i) a place of business shall not be treated as liaison office if it engages in -
 - (a) commercial activities;
 - (b) trading or industrial activities; or
 - (c) the negotiation and conclusion of contracts;
- (ii) the activities shall be treated to be commercial activities, if these include –
 - (a) providing after sales services for goods or services; or
 - (b) marketing or promoting pharmaceutical and medical products or services;
- (iii) subject to clause (i), a place of business shall be treated as a liaison office, if it undertakes activities of-
 - (a) an exploratory or preparatory nature, to investigate the possibilities of trading with, or in, Pakistan;
 - (b) exploring the possibility of joint collaboration and export promotion;
 - (c) promoting products where such products are yet to be supplied to, or sold in, Pakistan;
 - (d) promoting technical and financial collaborations between its principal and taxpayers in Pakistan; or
 - (e) provision of technical advice and assistance.”;

OFFICER INLAND REVENUE**SECTION 2(38A)**

The Finance Act, 2017 has included "District Taxation Office" and "Assistant Director Audit" within the definition of Officer Inland Revenue.

ONLINE MARKETPLACE**SECTION 2(38B)**

The Finance Act, 2017 inserted a clause of definition for "Online Marketplace" as follows;

"Online marketplace" means an information technology platform run by e-commerce entity over an electronic network that acts as a facilitator in transactions that occur between a buyer and a seller."

The businesses falling under the definition of "Online Marketplace" will enjoy the reduced rate of minimum tax under section 113 of 0.5% instead of 1.25%. Moreover, the rate of collection of tax at source on commission will be 5% instead of 12% which shall be final tax.

STARTUP**SECTION 2(62A)**

The Finance Bill, 2017 sought to insert a new clause of definition of "Startup" as a business of a resident individual, AOP or a company registered or incorporated in Pakistan on or after first day of July, 2012 and the person is engaged in or intends to offer technology driven products or services to any sector of the economy provided that the person is registered with and duly certified by the Pakistan Software Export Board (PSEB) and has turnover of less than one hundred million in each of the last five tax years.

Thereafter, the Finance Act, 2017 has made amendment in the above definition whereby the entity should have "commenced on or after first day of July, 2012" instead of "registered or incorporated in Pakistan on or after first day of July, 2012". Moreover, the Finance Act, 2017 has included a further proviso in the definition whereby 'any business of a person or class of persons, subject to the conditions as the Federal Government may, by notification in the official Gazette, specify'.

**SUPER TAX FOR REHABILITATION
OF TEMPORARILY DISPLACED PERSONS****SECTION 4B**

The Finance Act, 2015 introduced one time Super Tax for rehabilitation of temporarily displaced persons. This tax was payable by banking companies at the rate of 4% and by all other taxpayers including companies, Association of Persons and individuals at the rate of 3% of income. This was extended to the tax year 2016; now the Finance Act, 2017 has extended the application of Super Tax to the tax year 2017.

TAX ON UNDISTRIBUTED PROFITS**SECTION 5A**

The section 5A provided for levy of tax at 10% on undistributed reserves of a public company. However, this tax was not levied if the public company distributed 40% of its after tax profit or 50% of its paid up capital, whichever is less.

The Finance Bill, 2017 amended this section to remove the second criteria of '50% of its paid up capital' and hence the only condition of 'distribution of 40% of its after tax profit' is now applicable.

While approving the Finance Bill, a further amendment was made whereby the rate of tax on undistributed profit has been reduced to 7.5% from 10% and it has also been clarified that this would be applied on accounting profit before tax.

TAX ON RETURN ON SUKUKS**SECTION 5AA**

Last year the final tax was levied on return on investment in sukuk issued by a Special Purpose Vehicle (SPV) at the rate of 25% in case of company and 10%-12.5% in case of individual or AOP.

Now the Finance Act, 2017 has included the sukuk issued by a company within the ambit of this section. Moreover, tax at prescribed rate shall be deducted by the SPV and company at the time of making payment to sukuk holders.

TAX ON BUILDERS AND DEVELOPERS**SECTION 7C(4), 7D(4) & 8**

Section 7C and 7D were introduced by Finance Act, 2016 to provide for a tax regime applicable to builders and developers respectively for projects initiated and approved after the first day of July 2016. Now the Finance Act, 2017 has amended the sections so as to restrict the application of the provisions to builders and developers for projects initiated and approved during the tax year 2017 having paid the applicable tax liability under Rule 13S of the Income Tax Rules, 2002 or granted installments by the Chief Commissioner under Rule 13U or 13ZB respectively of the Income Tax Rules, 2002.

Furthermore, the Finance Act, 2017 has amended section 8 to exclude tax on builders and developers under section 7C and 7D respectively from the final tax regime.

VALUE OF PERQUISITES**SECTION 13(7)**

Previously, tax free loan exceeding Rs. 500,000 provided to an employee was treated as perquisite and taxed in the hand of employee. The Finance Act, 2017 enhanced the limit to Rs.1 Million.

DEDUCTIONS NOT ALLOWED**SECTION 21(O)**

Previously this clause (o) was inserted by the Finance Act, 2016 whereby expenditure incurred by pharmaceutical companies on sales promotion, advertisement and publicity in excess of 5% of the turnover was added to the income. Now the Finance Act, 2017 has enhanced this limit to 10% of the turnover.

DEPRECIATION**SECTION 22(15)**

The Finance Act, 2017 clarified that a taxpayer can claim depreciation on an asset co-owned with Islamic financial institution licensed by the State Bank of Pakistan or the Securities and Exchange Commission of Pakistan pursuant to an arrangement of Mushrika financing or diminishing Musharika financing.

TAX ON CAPITAL GAINS**SECTION 37A**

Presently, capital gains on share of a public company, voucher of Pakistan Telecommunication Corporation, Modaraba Certificate, instrument of redeemable capital and debt securities are subject to tax depending on holding period of such securities at rates ranging from 7.5% to 15% in the case of filer, and 11% to 18% in the case of non-filer. Whereas, gain on securities acquired before 01 July 2012 are subject to tax at 0%.

The Finance Bill, 2017 proposed flat rate of 15% in the case of filer and 20% in the case of non-filer, where the security was acquired on or after 01 July 2013. Gain on securities acquired before 01 July 2013 would be subject to tax at 0%.

After approval, the Finance Act, 2017 now provides flat rate of 15% in the case of filer and 20% in the case of non-filer, where the security was acquired on or after 01 July 2016. Whereas for securities acquired before 01 July 2016, the rate of tax will be the same as applicable for tax year 2017.

**EXEMPTIONS AND TAX CONCESSIONS
IN THE SECOND SCHEDULE****SECTION 53(1), (4)**

Vide the insertion in sub-section 53(2) the Finance Act, 2017 authorizes the Board with the approval of the Minister in charge of the Federal Government pursuant to the approval of the Economic Coordination committee of cabinet to amend the second schedule. The Finance Act, 2017 further validates all notifications issued prior to first day of July, 2016 and not rescinded and those issued on first day of July 2016 to continue to be enforced till thirteenth day of June, 2018.

**DEDUCTIBLE ALLOWANCE FOR
EDUCATION EXPENSES****SECTION 60D**

The Finance Act, 2017 has enhanced the maximum limit of income from Rs. 1 Million to Rs.1.5 Million for claiming allowance for education expenses.

**TAX CREDIT FOR INVESTMENT IN
SHARES AND INSURANCE****SECTION 62**

In addition to tax credit for investment in shares and insurance available to a resident person other than a company, the Finance Act, 2017 has now provided that this tax credit will also be available in respect of cost of acquiring in the tax year, sukuks offered to the public by a public company listed and traded on the stock exchange in Pakistan, provided the resident person is the original allottee of the sukuks.

The Finance Act further provides that where a tax credit has been allowed in respect of life insurance premium and subsequently the insurance policy is surrendered within two years of its acquisition, the tax credit allowed shall be deemed to have been wrongly allowed and the Commissioner shall re-compute the tax payable by the taxpayer for the relevant tax years and provisions of the Ordinance shall, so far as may, apply accordingly.

**TAX CREDIT FOR INVESTMENT IN
HEALTH INSURANCE****SECTION 62A**

Previously, the tax credit was allowed for investment in health insurance in accordance with the formula restricting the investment to lesser of the premium paid in a year or 5% of the person's taxable income for the year or one hundred thousand rupees. Now the Finance Act, 2017 has increased this limit to one hundred and fifty thousand rupees.

**TAX CREDIT TO A PERSON REGISTERED
UNDER THE SALES TAX ACT, 1990****SECTION 65A**

The Finance Act, 2017 has withdrawn the tax credit of 3% which was available to the manufacturers making sales to persons registered under the Sales Tax Act, 1990 provided that such sales to be 90% of total sales.

TAX CREDIT FOR ENLISTMENT**SECTION 65C**

To encourage enlistment of companies in the stock exchange, tax credit equal to 20% of the tax payable was allowed in the year of enlistment and the following tax year. The Finance Act, 2017 has extended the period for additional two years during which tax credit would be allowed at the rate of 10 % for each additional year.

PRINCIPLES OF TAXATION OF COMPANIES**SECTION 94(3)**

The Finance Act, 2017 has omitted sub-section 3 which was superfluous since taxation of dividend irrespective of the fact whether received from a resident or non-resident company by a resident is taxed in terms of section 5 of the Ordinance.

SPECIAL PROVISION RELATING TO THE PRODUCTION OF OIL & NATURAL GAS, AND EXPLORATION AND EXTRACTION OF OTHER MINERAL DEPOSITS**SECTION 100(2)**

The Finance Act, 2017 proviso has been inserted to bring the profit and gains derived from Sui gas field within the purview of the Fifth Schedule which is applicable to the oil and gas sector.

TAX CREDIT FOR CERTAIN PERSONS**SECTION 100C**

Presently the nonprofit organizations, trusts and welfare are allowed 100% tax credit subject to the conditions that the return of income has been filed and withholding tax obligations have been met. The Finance Bill, 2017 proposed to insert another condition that the administrative and management expenditure of such entity should not exceed fifteen percent of the total receipts.

After approval, the Finance Act, 2017 further provides that the above condition would not be applicable if charitable and welfare activities of the entity have commenced for the first time within last three years; and total receipts of the entity during the tax year are less than Rs. 100 million.

Moreover, a new sub-section has been inserted whereby the surplus funds of the entity will be taxable at 10%. The definition of the surplus funds as proposed through Finance Bill, 2017 has also been amended in the Finance Act, 2017 as follows;

"Surplus funds mean funds or monies:

- not spent on charitable and welfare activities during the tax year;
- received during the tax year as donations, voluntary contributions, subscriptions and other incomes;
- which are more than 25% of the total receipts of the non-profit organization received during the tax year; and
- are not part of restricted funds i.e. the un-spent funds treated as revenue during the year due to obligation placed by the donor."

MINIMUM TAX ON INCOME OF CERTAIN PERSONS**SECTION 113(1) & 1st SCHEDULE**

The Finance Act, 2017 has enhanced the standard minimum tax rate of 1% to 1.25%.

PERSONS NOT REQUIRED TO FURNISH A RETURN OF INCOME**SECTION 115(3)**

The Finance Act, 2017 has enacted to exempt certain persons from filing return of income merely because they own property or motor vehicle. The persons exempted are widow, orphan below the age of 25, disable person and non-resident person.

WEALTH STATEMENT**SECTION 116(3)**

The Finance Act, 2017 has restricted the right to revise a wealth statement along with revised wealth reconciliation statement to receipt of a notice under sub-section (9) of section 122 as against the previous entitlement of revision before an assessment was made in terms of sub-section (1) or (4) of section 122.

EXTENSION OF TIME FOR FURNISHING RETURN AND OTHER DOCUMENTS**SECTION 119(4)**

The Finance Act, 2017 has authorized the Chief Commissioner to grant extension or further extension for a period not exceeding 15 days unless there are exceptional circumstances justifying a longer extension of time if commissioner has not granted extension for furnishing return under sub-section (3) or sub-section (4).

**BEST JUDGEMENT ASSESSMENT
(Ex-Parte Assessment)****SECTION 121(1)**

The Finance Act, 2017 has enacted for best judgment assessment on non-filing of return of income in response to notice under section 114 of the Ordinance.

PROVISIONAL ASSESSMENT**SECTION 122C**

The Finance Act, 2017 has enacted to omit this section relating to provisional assessments as the subject is covered under section 121 on best judgment assessment.

ADVANCE TAX PAID BY INDIVIDUAL TAXPAYER**SECTION 147(2) & (4B)**

The Finance Act, 2017 has enhanced threshold for payment of advance tax in respect of individual taxpayers from 500,000 to 1,000,000 for the payment of advance tax liability in four equal installments.

**IMPORT OF FERTILIZER BY MANUFACTURER
OF FERTILIZER****SECTION 148(7)B**

The Finance Act, 2017 has brought the import of fertilizer by the manufacturer of fertilizer into the ambit of final tax regime.

TAX ON IMPORT OF PLASTIC RAW MATERIAL**SECTION 148(8)**

The Finance Act, 2017 provides reduced rate of tax collection on import of plastic raw material as follows which will be treated as minimum tax:

- 1.75% of the import value as increased by customs duty, sales tax and federal excise duty, in case of import by industrial undertaking, being a filer.
- 4.5% of the import value as increased by customs duty, sales tax and federal excise duty, in case of import by a commercial importer, being a filer.

TAX RATE ON DIVIDEND**SECTION 150, 5**

The Finance Bill, 2017 proposed to enhance the general rate of tax on dividends from 12.5% to 15%, and in the case of dividends received from a mutual fund from 10% to 12.5%.

After approval, the Finance Act, 2017 provides that in case of dividend received from a mutual fund, the rate of tax would be 12.5% if the amount of dividend is above Rs. 2.5 million and 10% if the amount of dividend is less than or equal to Rs. 2.5 million.

PAYMENT TO NON-RESIDENTS**SECTION 152(1b), (4A)**

The Finance Act, 2017 has inserted a proviso whereby it will be mandatory for the non-resident taxpayer to file an option to opt for final tax regime in respect of income arising from followings:

- (a) a contract or sub-contract under a construction, assembly or installation project in Pakistan, including a contract for the supply of supervisory activities in relation to such project; or
- (b) any other contract for construction or services rendered relating thereto; or
- (c) a contract for advertisement services rendered by T.V. Satellite Channels, shall deduct tax from the gross amount payable under the contract at the rate specified in Division II of Part III of the First Schedule. Presently all non-resident taxpayers earning income referred to above fall under final tax regime without any exception.

Resulting amendment has also been made in sub-section (4A) empowering the Commissioner to either issue reduced rate or nil rate certificate where the non-resident taxpayer has not exercised the option to be taxed under the final tax regime.

PAYMENT FOR SERVICES**SECTION 153(1)**

The Finance Act, 2017 has enacted to clarify that where the recipient of a payment receives payment for services from an agent who retains their fee / service charge then the agent shall be treated to have been paid the fees / service charges by the recipient and the recipient shall collect tax along with the payment received.

REVISION OF WITHHOLDING TAX STATEMENT**SECTION 165(2A)**

A sub-section has been added authorizing the taxpayer to revise the withholding tax statement within a period of sixty days of filing of such statement upon discovery of any omission or wrong statement therein.

**FURNISHING OF INFORMATION BY
FINANCIAL INSTITUTION INCLUDING BANKS****SECTION 165B**

The Finance Act, 2017 has enlarged the scope of the section by requiring financial institutions to provide information to the Federal Board of Revenue with respect to "all reportable persons" other than non-resident persons to whom it is presently applicable. The term "reportable persons" and "financial institutions" are defined in Chapter XIIA of the Income Tax Rules, 2002.

NOTICE TO OBTAIN INFORMATION OR EVIDENCE**SECTION 176**

A firm of Cost and Management Accountants as defined in the Cost and Management Accountant Act, 1966 has also been made eligible to conduct the audit of the taxpayer affairs under section 177 of the Ordinance, if appointed by the Commissioner.

OFFENCES & PENALTIES**SECTION 187(17) & (18)**

The Finance Act, 2017 has inserted two more offences in the list as follows:

S. No.	Offences Sections	Penalties
17.	Any reporting financial institution or reporting entity who fails to furnish information or country-by-country report to the Board as required under section 107, 108 or 165B within the due date.	Such reporting financial institution or reporting entity shall pay a penalty of two thousand rupees for each day of default subject to a minimum penalty of twenty five thousand rupees.
18.	Any person who fails to keep and maintain document and information required under section 108 or Income Tax Rules, 2002	1% of the value of transactions, the record of which is required to be maintained under section 108 and Income Tax Rules, 2002

**PROSECUTION FOR NON-COMPLIANCE WITH
CERTAIN STATUTORY OBLIGATIONS****SECTION 191**

The Finance Act, 2017 has enlarged the scope to cover the non-compliance of the notice by the Commissioner in respect of filing of return of income within a stipulated time and also on non-payment of default surcharge as a result of which the provision of prosecution will be attracted.

**DEFAULT SURCHARGE ON ADVANCE TAX FOR
SPECIAL TAX YEAR****SECTION 205(1b)**

The Finance Act, 2017 has inserted a proviso which enacts that the calculation of default surcharge for failure to pay advance tax in case of a person having a special tax year shall be calculated on and from the first day of the fourth quarter of the special tax year till the date on which the assessment is made or the last day of the special tax year whichever is earlier.

ADVANCE RULING**SECTION 206A**

The Finance Act, 2017 has omitted the proviso (3) which stipulated that the advance ruling shall not apply to non-resident taxpayer having permanent establishment (PE) in Pakistan. Now PE of the non-resident person in Pakistan can also avail the benefit of advance ruling after fulfilling the prescribed conditions.

INCOME TAX AUTHORITIES**SECTION 207(1),(3A)(4)(4A), 208**

The Finance Act, 2017 has introduced two more designations 'District Taxation Officer' and 'Assistant Director Audit' into the hierarchy of the taxation officers for the purposes of the Ordinance and the Rules.

DISCLOSURE OF INFORMATION BY PUBLIC SERVANT SECTION 216(3)(KA)

A clause has been inserted to empower tax authorities for disclosure of information to Employees Old Age Benefit Institution in respect of information regarding salaries statement furnished under section 165 of the Ordinance.

DIRECTOR GENERAL OF BROADENING OF TAX BASE**SECTION 230D**

A sub-section has been inserted whereby a separate and designated Directorate is being created for the purposes of broadening of tax base.

DIRECTOR GENERAL OF TRANSFER PRICING**SECTION 230E**

A sub-section has inserted to create a separate and designated Directorate for the purposes of audit of transfer pricing in respect of transactions between associates that they are at arm's length. It is clarified in the proposed change that the Directorate is independent of audit proceedings under section 177, 214C or 214D.

This Directorate shall comprise Director General, Directors, Additional Director, Deputy Director, Assistant Director and such other officer as the Board may approve and assign their functions, jurisdiction and powers as well as the criteria for the selection for audit of transfer pricing.

ADVANCE TAX ON PRIVATE VEHICLES**SECTION 231 B (1A)**

The Finance Act, 2017 has amended this section to levy three percent advance tax on the value of the motor vehicle leased to a non-filer by a financing institution under conventional mode or under Shariah based financing.

COLLECTION OF TAXES BY A STOCK EXCHANGE REGISTERED IN PAKISTAN**SECTION 233A**

The Finance Act, 2017 has substituted sub-section (2) whereby tax collected at source would be final tax on such transaction which presently is an adjustable tax. Tax under this section is required to be collected on:

- a) from member of Stock Exchange on purchase of shares in lieu of tax on the commission earned by such members; and
- b) from the members of Stock Exchange on sale of shares in lieu of tax on the commission earned by such members.

TAX ON COMMISSION TO AN ADVERTISING AGENT**SECTION 233(2A)**

The Finance Act, 2017 provides that Federal Government, a Provincial Government, a Local Government, a company, an AOP constituted by, or under any law, making payment on account of commission to an advertising agent, directly or through electronic or print media, is required to deduct tax at the rate of 10% for filer and 12% for non-filer. This shall be final tax on the income of the advertising agent.

CNG STATIONS**SECTION 234A**

The Finance Act, 2017 enacted an amendment to this section to make the tax collected with the gas bill under section (1) and in the electricity bill under section 235 of the Ordinance to be the final tax of the CNG station.

ELECTRICITY CONSUMPTION INCLUDING DOMESTIC CONSUMERS**SECTION 235(2), 235(4), 235A**

The amendments made to explain that for the purposes of application of withholding tax on electricity bills including those of domestic consumers, shall include "sales tax and all incidental charges".

Moreover, amendment in sub-section (4) has been made whereby the tax collected on billings of Rs. 30,000 per month to Rs. 360,000 per annum is treated as minimum tax on income of such person other than companies.

ADVANCE TAX ON SALE, PURCHASE OR TRANSFER OF IMMOVABLE PROPERTY**SECTION 236C, 236K, 236W**

The amendment has inserted an explanation to enlarge the scope of authorities registering, recording or attesting the transfer of any immovable property. With the change any person responsible for registering or attesting or recording transfer of any immovable property will also have the responsibility to collect advance tax at the time of

transfer by a local authority, housing authority, housing society, co-operative society and registrar of property.

Sub-section (2) has also been amended whereby a proviso has been inserted which stipulates that the tax collected on immovable property acquired and disposed of within the same tax year shall be minimum tax.

**ADVANCE TAX ON SALE OF DISTRIBUTORS,
DEALERS, WHOLESALERS AND RETAILERS**

SECTION 236G, 236H

Vide Finance Bill, 2017 the amendment was proposed to be made to include "batteries" into the scope of the products on which advance tax to be collected at the applicable rate provided in the law. Now the Finance Act, 2017 has withdrawn this proposal.

ADVANCE TAX ON TOBACCO

SECTION 236X

The Finance bill, 2017 inserted a new section whereby Pakistan Tobacco Board is to collect advance tax at the rate of five percent of the purchase value of tobacco from every person including manufacturer of cigarettes. This tax is to be collected at the time collecting Cess on tobacco. This is an adjustable tax against the final tax liability of the taxpayer. Now the Finance Act, 2017 provides that the above tax shall be collected by the Pakistan Tobacco Board as well as its contractors.

VALIDATION

SECTION 241

Vide Finance Act, 2017 a section has been inserted whereby in exercise of the power conferred by the Federal Government all notification and orders issued and notified before 1st day of July 2017 shall be deemed to have validly issued or notified notwithstanding anything contained in any judgment of the High Court and the Supreme Court.

FIRST SCHEDULE**DIVIDEND INCOME****PART-I, DIVISION-III**

The Finance Act, 2017 has increased the rate of tax from 12.5% to 15% on dividend received from other than power sector companies and mutual funds and also rationalized and enhanced the rate of tax from 10% to 12.5% on dividend received from mutual funds. Now the rates of tax on dividend income are as follows:

		Status of taxpayer		
		Individual	Company	AOP
a)	Dividend received by person from the following companies; <ul style="list-style-type: none"> • Supplying coal exclusively to power generation projects • Purchasers of a power project privatized by WAPDA • Set-up for power generation 	7.5%	7.5%	7.5%
b)	Dividend received by person from Collective Investment Scheme, Real Estate Investment Trust (REIT) Scheme or Mutual Fund	12.5% (10% if dividend from mutual fund is below 2.5 million)	25%	12.5%(10% if dividend from mutual fund is below 2.5 million)
c)	All other dividend	15%	15%	15%

PROFIT ON DEBT**PART-I, DIVISION-IIIA**

The Finance Act, 2017 has substituted table of tax rate for profit on debt as follows:

S. No.	Profit on debt	Rate of tax
1.	Where profit on debt does not exceed Rs.5,000,000	10%
2.	Where profit on debt exceeds Rs.5,000,000 but does not exceed Rs.25,000,000	12.5%
3.	Where profit on debt exceeds Rs.25,000,000	15%

CAPITAL GAIN ON SALE OF SECURITIES**37A& PART-I, DIVISION-VI**

The Finance Act, 2017 has simplified of the stock market transactions; a flat / single rate of tax at 15% for filers and 20% for non-filers irrespective of the holding period of securities.

Holding Period of Security	Previous tax rate tax year 2017		Current tax rate tax year 2018*	
	Filer	Non-filer	Filer	Non-filer
Less than twelve months.	15%	18%	15%	20%
Twelve months or more but less than twenty-four months.	12.5%	16%		
Twenty-four months or more but less than four years	7.5%	11%		
Four years or more	0%	0%	0%	0%
Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	5%	5%	5%	5%

* During approval of the Finance Act, 2017 it has been enacted that new rates will be applicable on the securities acquired after 1 July, 2016.

TAX ON DIVIDEND**150,PART-III, DIVISION-I**

The Finance Act, 2017 has increased the rate of tax for filers. Further, the Act has also enhanced existing tax rates required to be deducted by a collective investment scheme or a mutual fund (being derived by filer) according to the following rates:

Person	Stock Fund	Money market fund, income fund or REIT scheme or any other fund	
		Filer	Non-filer
Individual	to 12.5% from 10%	to 12.5% from 10%	15%(no change)
Company	to 12.5% from 10%	25% (no change)	25%(no change)
AOP	to 12.5% from 10%	to 12.5% from 10%	15%(no change)

PAYMENT TO NON-RESIDENTS 152(1A) &(2A) AND PART-III, DIVISION-II

The Finance Act, 2017 has enhanced the rate of tax for non-filers as follows:

	Sale of goods		Providing of services (other than transport)		Execution of contract	
Category	Previous	Current	Previous	Current	Previous	Current
Company	6% of the gross amount payable	7% of the gross amount payable	12% of the gross amount payable	14% of the Gross amount payable	12% of the gross amount payable	13% of the gross amount payable
Any other case	6.5% of the gross amount payable	7.75% of the gross amount payable	15% of the gross amount payable	17.5% of the gross amount payable	12% of the gross amount payable	13% of the gross amount payable

PAYMENT FOR GOODS OR SERVICES**153& PART-III DIVISION-II**

The Finance Act, 2017 has reduced the withholding tax for distributors of fast moving consumer goods being tax filers

- i. in case of a company, to 2% from 3% of the gross amount payable; and
- ii. in any other, to 2.5% from 3.5% of the gross amount payable

The Finance Act, 2017 has enhanced withholding tax rate for non-filer

	Sale of goods		Providing of services		Execution of contract	
Category	Previous	Current	Previous	Current	Previous	Current
Company	6% of the gross amount payable	7% of the gross amount payable	12% of the gross amount payable	14.5% of the gross amount payable	10% of the gross amount payable	12% of the gross amount payable
Any other case	6.5% of the gross amount payable	7.75% of the gross amount payable	15% of the gross amount payable	17.5% of the gross amount payable	10% of the gross amount payable	12.5% of the gross amount payable

INCOME FROM PROPERTY**155 & PART-III, DIVISION-V**

The Finance Act, 2017 has enhanced the withholding tax rate from 15% to 17.5% on payment of rent to the company being non-filer. Previously a flat rate of 15% was applicable irrespective of the fact whether the company is filer or a non-filer.

PRIZE AND WINNINGS**156 PART-III, DIVISION-VI**

The Finance Act, 2017 has enhanced the rate of tax for non-filers from 20% to 25% on payment of prize on a prize bond, or winning from a raffle, lottery, prize on winning of quiz, prize offered by companies for promotion of sale, cross-word puzzle.

PETROLEUM PRODUCTS**156A PART-III, DIVISION-VIA**

The Finance Act, 2017 has enhanced the rate of tax for non-filers from 15% to 17.5% on the amount of commission or discount allowed to the petrol pump operator.

CNG STATIONS**234A PART-III, DIVISION-VIB**

The Finance Act, 2017 has enhanced the advance tax rate from 4% to 6% on gas bill of a CNG stations being non-filer.

TELEPHONE USERS**236& PART-IV, DIVISION-V**

The Finance Act, 2017 has reduced the rate of collection of advance tax to 12.5% as against the previous rate of 14% on the amount of bill from the subscribers of internet services and mobile telephone and prepaid internet or telephone card.

ADVANCE TAX ON PRIVATE MOTOR VEHICLES**231B& PART-IV, DIVISION-VII**

The Finance Act, 2017 has reduced the rate of collection of advance tax in respect of filers only in first three slabs at the time of registration of a motor vehicle or jeep as well as at the time of sale of a motor vehicle or jeep at the following rates:

	At the time of registration or sale (sub section (1) and (3))	
Engine capacity	Revised	Previous
Up to 850 cc	7,500	10,000
851 cc to 1000 cc	15,000	20,000
1001 cc to 1300 cc	25,000	30,000

ADVANCE TAX AT THE TIME OF SALE BY AUCTION**236A & PART-IV, DIVISION-VIII**

The Finance Act, 2017 has enhanced rate of collection of advance tax from 10% to 15% on gross sale price of any property or goods sold by auction to a non-filer.

ADVANCE TAX ON SALE OF RETAILERS**236H & PART-IV, DIVISION-XV**

The Finance Act, 2017 has replaced the existing advance tax rate with the followings:

Category of sale	Rate of tax	
	Filer	Non-filer
Electronics	1%	1%
Others	0.5%	

ADVANCE TAX ON INSURANCE PREMIUM**236U& PART-IV, DIVISION-XXV**

The Finance Act, 2017 has increased the threshold limit from 0.2 million to 0.3 million for charging advance tax from non-filers on life insurance premium.

SECOND SCHEDULE**PART I- EXEMPTION FROM TOTAL INCOME****Income of certain charitable and other institutions****Clause 66**

The Finance Act, 2017 has extended tax exemption to the followings:

- Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on December 25, 2015.
- Gulab Devi Chest Hospital.
- Pakistan Poverty Alleviation Fund.
- National Academy of Performing Arts.
- Pakistan Sweet Homes Angels and Fairies Place
- National Rural Support Programme

The Finance Act, 2017 has inserted following new clauses in the Second Schedule;

Japan International Cooperation Agency (JICA)**Clause 140A**

Any profit on debt received by Japan International Cooperation Agency (JICA), from Islamabad- Burhan Transmission Reinforcement Project (Phase-I) undertaken in pursuance to the loan agreement for Islamabad-Burhan Transmission Reinforcement Project (Phase-I).

Profit and gains derived by a start-up**Clause 144**

Profit and gains derived by a start-up as defined in Clause (62A) of section 2 for the tax year in which the startup is certified by the Pakistan Software Export Board and the following two tax years.

PART-IV EXEMPTION FROM SPECIFIC PROVISIONS**Withholding tax under section 153****Clause 9A**

The Finance Act, 2014 had provided exemption from application of withholding tax under section 153 on purchase of scrap by steel melters, steel re-rollers and composite steel units. This exemption is subject to collection of tax under section 235B of the Ordinance.

The Finance Act, 2017 has now withdrawn the above exemption for steel re-rollers.

Exemption from Final Tax**Clause 56A**

The Finance Act, 2017 has omitted this Clause as it has become redundant as a consequence of omission of section 236 E of the Ordinance.

Exemption from Section 148 to Petroleum Products**Clause (56)(ia)**

The Finance Act, 2017 has included in sub-clause (ia) names of M/s. Z&M Oils (Pvt.) Ltd, Exceed Petroleum (Pvt.) Ltd, Petrowell (Pvt.) Ltd, Quality-1 Petroleum (Pvt.) Ltd, Horizon Oil Company (Pvt.) Ltd, Outreach (Pvt.) Ltd, Kepler Petroleum (Pvt.) Ltd to provide the exemptions to these entities as well from section 148 on import of petroleum products.

Taxation of Hajj group operators**Clause 72A**

The previous clause provides that the Hajj operators pay Rs.5,000 per Haji in respect of Hajj operation up to tax year 2016. The Finance Act, 2017 has extended this facility to Hajj operator for the tax year 2017.

Non applicability of withholding of tax on import by Industrial Undertaking**Clause 72B**

The previous clause provided that quantity of raw materials to be imported which is sought to be exempt from tax under section 148 shall not exceed 110% of the quantity of raw materials imported and consumed during the previous tax year. The Finance Act, 2017 has increased this limit from 110% to 125%.

Moreover, the Finance Act 2013 had provided exemption from the application of withholding tax on imports under section 148 for industrial undertaking if the tax liability for the current year, on the basis of determined tax liability for any of the preceding 2 tax years, whichever is higher, has been paid and a certificate to this effect is issued by the Commissioner.

The Finance Act, 2017 has now enacted that the above exemption would not be available to an industrial undertaking importing raw material specified in section 148(8) of the Ordinance i.e. plastic raw material imported by an industrial undertaking, edible oil and packing material.

Exempt from application of Section 153 (1)(b) on Specified Services**Clause 94**

The above clause was inserted vide Income Tax (Second Amendment) Act, 2016 which provided the facility of reduced rate of 2% to a company being a filer and engaged in certain specified services. The Finance Act, 2017 has included the building maintenance services and services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange in the ambit of this clause.

Further, this exemption was expiring in the tax year 2017. The Finance Act, 2017 has extended the period for one more year till tax year 2018.

**Exemption from withholding on Cash
withdrawal from a bank**

Clause 101

The Finance Act, 2017 has inserted this clause to provide tax exemption from the provisions of section 231A in respect of cash withdrawal made from a "Branchless Banking (BB) Agent Account" utilized to render branchless banking services to customers.

**Exemption from advance tax on private
motor vehicles section 231B**

Clause 102

The Finance Act, 2017 has exempted light commercial vehicles leased under the Prime Minister Youth Business Loan scheme from collection of advance tax prescribed in section 231(B), sub-section (1A).

SEVENTH SCHEDULE

Notional gain or notional loss

Sub-rule (g) of Rule 1

The Finance Act, 2017 has inserted an explanation to sub-rule (g) of Rule 1 to clarify that the notional loss shall not be construed as to allow a notional loss or charge to tax any notional gain on any investment under the any regulation or instruction unless all the event that determined gain or loss have occurred and the gain or loss can be determined with reasonable accuracy.

EIGHTH SCHEDULE

**Period for furnishing the statement
by NCCPL increase**

Sub-rule (6) of Rule 1

The Finance Act, 2017 has increased the period allowed to NCCPL for furnishing the statement of Capital Gain and tax computed thereon in the quarter from 30 days to 45 days of the end of each quarter.

SALES TAX

TIER-1 RETAILERS 2(43A)

SECTION

The Finance Act, 2017 has inserted a new clause 43A to define 'Tier-1 retailers' as follows:

- A retailer operating as a unit of a national or international chain of stores;
- A retailer operating in an air-conditioned shopping mall, plaza or centre excluding kiosks;
- A retailer whose cumulative electricity bill during the immediately preceding twelve months exceeds rupees six hundred thousand; and
- A wholesaler-cum-retailer who is engaged in bulk import and supply of consumer goods on wholesale basis to retailers and on retail basis to the general body of consumers.

SCOPE OF TAX

SECTION 3(1)(b), SECTION 4

The Finance Act, 2017 has inserted clarification that the sales tax is chargeable and payable on the goods imported into Pakistan irrespective of their final destination in various territories of Pakistan. This is made to remove anomaly as to applicability of sales tax at import stage where final destination is non-tariff areas.

SECTION 3(1A)

The Finance Act, 2017 has imposed further tax of 2% on the zero rated goods when supplied to the un-registered persons. Presently, zero rated goods were not subject to further tax on supply to unregistered person. However, zero rated supplied to diplomats, privileged persons, duty free shops and similar categories shall be excluded from the ambit of further tax.

SECTION 3(9A)

The Finance Act, 2017 has regularized the taxability of Tier-1 retailers. Tier-1 retailers are under obligation to pay sales tax @17% under normal regime and comply with all the applicable provisions of the Sales Tax Act, 1990 and related rules thereunder including filing of monthly sales tax returns and input tax adjustment. Now the Finance Act, 2017 gives an option to Tier-1 retailers to pay sales tax on turnover regime at the rate of 2% of their total turnover including exempt sales. In this respect, the option needs to be filed before the concerned Chief Commissioner by 15th July, 2017 which will remain in force for the whole financial year.

The Tier-1 retailers making supply of finished goods to the five sectors covered through

Notification No. S.R.O 1125(1)/2011 shall continue to pay sales tax under relevant notification.

EXEMPTION**SECTION 13(7)**

The Finance Act, 2017 legitimizes amendments introduced from July 1, 2016 till June 30, 2018 if not earlier rescinded and that such notifications shall remain in force till June 30, 2018, if not earlier rescinded.

APPOINTMENT OF AUTHORITIES**SECTION 30**

The Finance Act, 2017 has enacted authorities as District Taxation Officer, Deputy Commissioner Inland Revenue, Assistant Commissioner Inland Revenue and Assistant Director Audit to be inserted in the list of Inland Revenue authorities.

SECTION 30 (2A) and (2B)

The Finance Act, 2017 has changed hierarchy and authority for allocation of jurisdiction whereby the Board will only assign jurisdiction to the Chief Commissioners who will further assign jurisdiction to the Commissioners in respect of person or class of person or areas.

Presently, the Board is delegating/ directing work directly to both the Chief Commissioners and the Commissioners.

OFFENCES AND PENALTIES**SECTION 33**

The Finance Act, 2017 imposed penalty and offence for the person who manufactures, possesses, transports, distributes, stores or sells cigarette packs without or with counterfeited tax stamps, stickers, labels etc.

RECOVERY OF ARREARS OF TAX**SECTION 48**

The Finance Act, 2017 has inserted new proviso to restrain the Commissioner to initiate recovery proceedings where appeal against an order is pending before Commissioner Appeals under section 45B subject to payment of 25% of the amount of tax due.

SERVICE OF ORDERS, DECISIONS**SECTION 56**

The Finance Act, 2017 has enacted to include service of electronically sent notices to companies whether public or private to be construed as proper service.

VALIDATION**SECTION 74A**

The Finance Act, 2017 has inserted a new section to revalidate all the notifications and orders issued by Federal Government, before the commencement of the Finance Act, 2017 notwithstanding anything contained in any judgment of a High Court or the Supreme Court.

POWER TO BOARD WITH THE APPROVAL OF THE MINISTER INCHARGE

The Finance Act, 2017 shifts powers of the Federal Government under various sections of the Sales Tax Act, 1990 to the Board with the approval of the Minister Incharge as follows:

Sections	Functions
3 (2)(b), (3A), (5)	To charge, collect and pay sales tax in the specified manner at the higher or lower rate of sales tax; To levy sales tax liability on the recipient of goods; To levy and collect tax at the extra rate or amount.
4 clause C	To specify any goods for zero rating.
7 (3)	To allow a registered person to adjust input tax paid from the output tax.
7A (1), (2)	To levy and collect sales tax on specified goods on value addition; To specify the minimum value addition required to be declared by specific class of persons.
8(1)(b)	To specify such goods on which sales tax is not admissible.
13(2)(a)	To allow exemption under section 13 following the approval of the Economic Coordination Committee of Cabinet.
13(6)	Exclusive Power of the Board to place before the National Assembly all notifications issued under section 13.
60	To provide exemptions to importers who are importing goods temporarily with a view to subsequent export.

65	To provide exemption of sales tax which was not levied or short levied as a result of general practice.
71	To prescribe special procedures for various purposes of the Act.

THIRD SCHEDULE**FERTILIZERS**

The Finance Act, 2017 moved various types of fertilizers from the Third Schedule to Eight Schedule of the Sales Tax Act, 1990 which are not manufactured from imported LNG. The proposed amendment will reduce the amount of sales tax from the flat rate of 17% to support the farmers.

SIXTH SCHEDULE**TABLE 1 - IMPORTS AND SUPPLIES**

The Finance Act, 2017 made following significant amendments to this Table

S. no.	Exemptions / Amendments
38	Semi manufactured Gold of less than 5kg has been exempted.
81	Oil seeds of Palm nuts and kernels have been exempted.
97	Markers and porous tipped pens have been exempted.
100A	Clarifies that plant, machinery, equipment, appliances and accessories are covered in the ambit of materials and equipment for construction of Gwadar Port.
100C	Exemption for the vehicles imported by the China Overseas Ports Holding Company Limited and its operating companies for 23 years for construction, development and operation of Gwadar Port and it's free zone.
130	Restricting the scope of exemption of sales tax from premixes for growth stunting to Sodium Iron, and other premixes of vitamins, minerals and micro-nutrients (food grade).
133	Exemption withdrawn on certain ingredients for pesticides, cadusafos technical material and Tiethanolamine and its salts.

134	Exemption for the gift or donation from a foreign government or organization to the Federal or the Provincial Governments or any public sector organization subject to recommendations of the Cabinet Division and concurrence by the Federal Board of Revenue. Further, goods imported or supplied to non-profit organization have been exempted.
135	Sunflower and canola hybrid seeds meant for sowing have been exempted.
136	Combined harvesters upto five years old have been exempted.
137	Single cylinder agriculture diesel engines (compression-ignition internal combustion piston engines) of 3 to 36 HP, and CKD kits thereof have been exempted.

TABLE 3- CONDITIONAL EXEMPTION TO PLANT AND MACHINERY

The Finance Act, 2017 substituted earlier serial no. 14, which provided exemption to Solar Home Systems with the following tariff headings;

S. No.	Item Description	Tariff Heading
14	Solar Power Systems	8501.3210
(1)	Off-grid/On-grid solar power system (with or without provision for USB/charging port) comprising: (i) PV Module. (ii) Charge controller. (iii) Batteries for specific utilization with the system (not exceeding 50 Ah in case of portable system). (iv) Essential connecting wires (with or without switches). (v) Inverters. (vi) Bulb holder	8541.4000 9032.8990 8507.2090 8507.3000 8507.6000 8544.4990 8504.4090
(2)	Water purification plants operating on solar energy.	8536.6100 8421.2100

The Finance Act, 2017 has exempted parts for following items from the levy of sales tax:

S. No.	Item Description
14A	<ul style="list-style-type: none"> • Solar Parabolic Power Plants, • Solar Dish Stirling Engine, • Solar Air Conditioning Plant, • Solar Desalination System, • Solar Water Heaters, • PV Modules if imported separately.

The Finance Act, 2017 has introduced new tariff for exemption of sales tax for Wind turbines and its parts;

S. No.	Item Description	Tariff Heading
14A	Wind Turbines	
(a)	Wind Turbines for grid connected solution above 200 KW (complete system)	8412.8090
(b)	Wind Turbines upto 200 KW for off-grid solutions comprising: (i) Turbine with Generator/ Alternator. (ii) Nacelle with rotor with or without tail. (iii) Blades. (iv) Pole/ Tower. (v) Inverter for use with Wind Turbine. (vi) Deep Cycle Cell/ Battery (for use with wind turbine)	8412.8090 Respective headings 8507.2090

The Finance Act, 2017 exempts following new items from application of sales tax if imported for promotion of renewable energy technologies or for conservation of energy;

S. No.	Item Description	Tariff heading
15		
(i)	SMD/LED/LVD lights with or without ballast, fittings and fixtures	8539.3290
(ii)	SMD/LED/LVD street lights with or without ballast, fittings and fixtures	8539.3290
(iii)	Tubular day lighting device	9405.5010

(vii)	LVD induction lamps	8539.3290
(viii)	LED bulb/tube lights	8543.7090
(x)	Light emitting diodes (light emitting in different colors)	8541.5000
(xi)	Water pumps operating on solar energy along with solar pump Controllers	8541.5000
(xii)	Energy saver lamps of varying voltages	8541.5000
(xiii)	Energy Saving Tube Lights	8413.7010
(xiv)	Sun Tracking Control System	8413.7090 8504.4090
(xv)	Invertors	8539.3110 8539.3210 8539.3120 8539.3220
(xvi)	Charge controller/ current Controller	8543. 7090

The Finance Act, 2017 introduced new tariff headings on imported parts and components for manufacturing of LED lights subject to conditions that such manufacturer be registered under the Sales Tax Act, 1990 and this shall be subject to annual quota determined by the Input Output Coefficient Organization;

S. No.	Description	Tariff Headings
15A	Aluminum housing/ shell for LED (LED light fixture)	9405.1090
	Metal clad printed circuit boards (MCPCB) for LED	8543.0000
	Constant current power supply for of LED lights (1-300W)	8504.4090
	Lenses for LED Lights	9001.9000

EIGHT SCHEDULE**TABLE 1- REDUCED RATE SUBJECT TO CONDITIONS PRESCRIBED**

The Finance Act, 2017 omits the various redundant tariff headings along with change of tariff headings due to change in Tariff headings in the First Schedule to the Custom Act. Further, following significant amendments have also been made:

The Finance Act, 2017 has extended the exemption period on the following items;

S. No.	Item Description	Extension period
34	Set top boxes, TV broadcast transmitter and satellite dishes	Extension of exemption till 2018

Further, the Finance Act, 2017 has included the following goods in the Eight Schedule for conditional exemption:

S. No.	Description	Tariff Heading	Rate of Sales Tax	Condition
35	DAP	Respective heading	Rs. 100 per 50 kg bag	Nil
36	NP (22-20)	Respective heading	Rs. 168 per 50 kg bag	If manufactured from gas other than imported LNG
37	NP (18-18)	Respective heading	Rs. 165 per 50 kg bag	- Do -
38	NPK-I	Respective heading	Rs. 251 per 50 kg bag	- Do -
39	NPK-II	Respective heading	Rs. 222 per 50 kg bag	- Do -
40	NPK-III	Respective heading	Rs. 341 per 50 kg bag	- Do -
41	SSP	Respective heading	Rs. 31 per 50 kg bag	- Do -
42	CAN	Respective heading	Rs. 98 per 50 kg bag	- Do -
43	Natural gas	Respective heading	10%	- Do -
44	Phosphoric Acid	2809.201	5%	If imported by fertilizer company for manufacturing of

				DAP
45	Following machinery for poultry sector			Import and supply
	(i) Machinery for preparing feeding stuff	8436.1000	7%	
	(ii) Poultry incubators and brooders	8436.2100 and 8436.2900	7%	
	(iii) Insulated sandwich panels	9406.0090	7%	
	(iv) Poultry sheds	9406.0020	7%	
	(v) Evaporative air cooling system	8749.6000	7%	
	(vi) Evaporative cooling pad	8479.9010	7%	
46	Multimedia projectors	8528.6210	10%	If imported by educational institution
47	Locally produced coal	27.01	Rs. 425 per metric tonne or 17% ad valorem, whichever is higher	Nil

NINTH SCHEDULE

The Finance Act, 2017 rationalized the sales tax rates on the import or local supply of mobile phones and at the time of registration of IMEI numbers by CMOs as follows:

Particulars	Change in Rate
Low priced cellular mobile phones or satellite phones	From Rs. 300 to Rs. 650
Medium priced cellular mobile phones or satellite phones	From Rs. 1000 to Rs. 650

EXCISE DUTY

POWERS OF FEDERAL GOVERNMENT TRANSFERRED TO BOARD

SECTION 3 & 16

The Finance Act, 2017 has vested the powers of the Federal Government under various sections of the Federal Excise Act, 2005 to the Board to be exercised on approval of the Minister Incharge. Such transfer of powers is specified in section 3 and 16:

- to levy and collect FED on such goods as specified through notification and are brought from non-tariff areas to tariff areas;
- to levy excise duty at such higher or lower rate or rates;
- issue of notification for exemption of goods or class of goods, subject to existence of conditions already specified therein; and
- placing of all notifications issued in a financial year before the National Assembly.

PROTECTION TO ISSUED NOTIFICATIONS

SECTION 16(6)

The Finance Act, 2017 has enacted to:

- extend the life of already lapsed notifications issued prior to July 1, 2016 to remain effective till June 30, 2018, hence to this effect the Finance Act, 2017 enacted for retrospective protection to lapsed notification; and
- prescribe greater period for life for notifications issued after July 1, 2016 to have effective life of two years instead of one year.

OFFENCES, PENALTIES, FINES AND ALLIED MATTERS SECTION 19

The Finance Act, 2017 separates provisions for offence and its penalty in relation to activities related to Cigarettes in following manner:

- manufacture or production manner contrary to the FED Act, 2005 or the rules made thereunder; or
- manufacture or production of counterfeited cigarettes without tax stamps, stickers, labels etc.; or
- the manufacture or production of cigarettes packs without affixing or affixing counterfeited cigarettes or tax stamps, stickers, labels etc.

The Finance Act, 2017 has enacted that the machinery, equipment, instruments etc. used in such manufacture or production to be confiscated and destroyed as approved by the Commissioner and no person shall be entitled to any claim or compensation in respect of such machinery or equipment.

**APPOINTMENT OF FEDERAL EXCISE OFFICERS
AND DELEGATION OF POWERS****SECTION 29(1)(EA), (FA)**

The Finance Act, 2017 has introduced new authorities as District Taxation officer and Assistant Director Audit to be inserted in the list of Federal Excise Officers.

SECTION 29 (1AA), (1AB)

The Finance Act, 2017 has enacted changes in hierarchy and authority for allocation of jurisdiction whereby the Board will only assign jurisdiction to the Chief Commissioners who will further assign jurisdiction to the Commissioners in respect of person or class of person or areas.

Presently, the Board is delegating / directing work directly to both the Chief Commissioners and the Commissioners.

**DEPOSIT, PENDING APPEAL, OF DUTY
DEMANDED OR PENALTY****SECTION 37**

The Finance Act, 2017 inserted new proviso to restrain the Commissioner from recovery proceedings where appeal against the Order is pending before the Commissioner Appeals under section 33 of the Federal Excise Act, 2005; subject to payment of 25% of the demand. Similar provisions already exists in Income Tax law.

VALIDATION**SECTION 43(A)**

The Finance Act, 2017 has inserted a new proviso to revalidate the notifications issued before commencement of the Finance Act, 2017 notwithstanding anything contained in any judgment of a High Court or the Supreme Court.

SERVICE OF NOTICES AND OTHER DOCUMENTS**SECTION 47(1)(D), 2(D)**

The Finance Act, 2017 provided legal coverage for service of notice electronically through email or to the e-folder maintained for the purpose of e-filing of statutory returns.

FIRST SCHEDULE

The Finance Act, 2017 substituted serial number 9 and 10 related to duty on locally produced cigarettes by implementing different excise rates for the period:

S. No.	Previous Provision	Enacted Provision
9	<p>For the period from 01-07-2016 to 30-11-2016, Rupees 3,436 per 1,000 cigarettes if their on-pack printed retail price exceeds 4,000 rupees per 1,000 cigarettes</p> <p>And</p> <p>For the period from 01-12-2016 onwards, Rupees 3,705 per thousand cigarettes if their on-pack printed retail price exceeds 4,400 rupees per 1,000 cigarettes</p>	<p>Rupees 3,740 per 1,000 cigarettes if their on-pack printed retail price exceeds 4,500 rupees per thousand cigarettes.</p>
10	<p>For the period from 01-07-2016 to 30-11-2016, Rupees 1,534 per 1,000 cigarettes if their on-pack printed retail price does not exceeds Rupees 4,000 per 1,000 cigarettes</p> <p>And</p> <p>For the period from 01-12-2016 onwards, Rupees 1,649 per 1,000 cigarettes if their on-pack printed retail price does not exceeds Rupees 4,400 per 1,000 cigarettes.</p>	<p>Rupees 1,670 per 1,000 cigarette if their on-pack printed retail price exceeds 2,925 rupees per 1,000 cigarettes but does not exceed 4,500 rupees per thousand cigarettes.</p> <p>Rupees 800 per 1,000 cigarette if their on-pack printed retail price does not exceeds 2,925 rupees per thousand cigarettes.</p>

TABLE 2 SERIAL NO. 6

The Finance Act, 2017 has reduced rates on telecommunication services (only for FED applicable areas) from 18.5% to 17%.

THIRD SCHEDULE**TABLE 1- SERIAL NO. 19**

The Finance Act, 2017 has amended the scope of exemption provided on the imports of materials and equipment to include plants, machinery, equipment, appliances and accessories for the construction of Gwadar port and development of free zones for Gwadar port imported by China Overseas Ports Holding Company Limited (COPHCL) and its operating companies.

TABLE1- SERIAL No. 20A

The Finance Act, 2017 has provided exemption to vehicle imported by COPHCL and its operating companies for construction, development and operations of Gwadar Port and Free Zone Area for a period of twenty-three years subject to conditions specified under PCT heading 9917(3).



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