

The Finance Supplementary (2nd Amendment) Bill 2019

LIST OF AMENDMENTS

CLAUSE 2

1. MR. ASAD UMER, Minister for Finance, Revenue and Economic Affairs to move that in the Finance Supplementary (Second Amendment) Bill, 2019 as introduced in the National Assembly, for clause 2, the following shall be substituted, namely;-

“2. Amendment of Customs Act, 1969 (IV of 1969). - In the Customs Act, 1969 (IV of 1969), the following further amendments shall be made which shall come into force at once except clause 2(1)(a) and 2(2)(i) which shall take effect from first day of July, 2019 and clause 2(2) (iii) which shall take effect from thirty first day of March, 2019, namely: -

(1) In the First Schedule, in chapter 99, -

(a) In sub-chapter-V, against PCT code 9917, in column (2), in serial (2), for the words “plant and machinery”, the words and comma “plant, machinery and firefighting equipment” shall be substituted; and

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

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

(B) Following items and appliances for Ostomy use: -

1. 3aseplate/Stoma Wafer/Flange.
2. Ostomy (Colostomy/Ileostomy/Urostomy) bags (All type)
3. Ostomy (Colostomy/Ileostomy/Urostomy) Paste
4. Ostomy (Colostomy/Ileostomy/Urostomy) Belt
5. Ostomy (Colostomy/Ileostomy/ Urostomy) Deodorizers
6. Ostony (Colostomy/ Ileostomy/ Urostomy) Strip Paste
7. Stoma Powder/Ostomy Powder (Colostomy/Ileostomy/Urostomy Powder/Ileostomy/Urostomy Powder)
8. Ostomy (Colostomy/Ileostomy/Urostomy) Skin Barrier Spray and Wipe
9. Ostomy (Colostomy/Ileostomy/Urostomy) Adhesive Remover Spray and Wipe.

10. Ostomy (Colostomy/Ileostomy/Urostomy) Mouldable Ring
11. Ostomy (Colostomy/Ileostomy/Urostomy) Elastic Tape
12. Ostomy (Colostomy/Ileostomy/Urostomy) Barrier Cream
13. Ostomy (Colostomy/Ileostomy/Urostomy) Protective Sheets
14. Ostomy (Colostomy/Ileostomy/Urostomy) Cap
15. Ostomy (Colostomy/Ileostomy/Urostomy) Protective Seal
16. Plastic Clips for closing the Ostomy bags.
17. Liquid washers and wipes for cleaning and washing peristomal skin
18. Night Drainage Bag
19. Cystoscope
20. Lithotripter
21. Colonoscope
22. Sigmoidoscope
23. Laparoscope
24. Suprapubic Cystostomy Set
25. Ryles Tube (Nasogastric Tube)
26. Foley's Catheter
27. Endoscope (Video Endoscopes)
28. Linear Cutter/Stapler
29. Circular Stapler
30. Right Angle Cutter/Stapler
31. Laparoscopic Hand Instruments:
 - a) Dissector
 - b) Grasper
 - c) Scissors
 - d) Clipper
 - e) Hook
 - f) Retractors

g) Needles Holders

h) Knot Pusher

i) Telescope (0°, 30°)

32. Urological Endoscopic Instruments:

(a) Resectoscope (Rotating and Fix)

(b) Optical Urethrotome

(c) Telescope (0°, 30°, 75°)

(d) Turp Resecting Loops

(2) In the Fifth Schedule, -

(i) In Part-I, in column (1), after Sr.33, the following new serial number and the entries relating thereto in columns (2), (3), (4) and (5) shall be added, namely: -

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"34	Plant and machinery	Chapters	0%	This exemption shall be
	excluding consumer	84 and 85		available subject to
	durable goods and			fulfillment of following
	office equipment as			conditions, namely: -
	imported by greenfield			(a) the importer is
	industries, intending to			registered under the
	manufacture taxable			Sales Tax Act on or after
	goods, during their			the first day of July, 2019;
	construction and			(b) the industry is not
	installation period.			established by splitting up
				or reconstruction or
				reconstitution of an

undertaking already in
existence or by transfer
of machinery or plant from
another industrial
undertaking in Pakistan.

(c) exemption certificate
issued by the
Commissioner Inland
Revenue having
jurisdiction; and

(d) the goods shall not be
sold or otherwise
disposed of without prior
approval of the FBR and
the payment of customs
duties and taxes leviable
at the time of import.";

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(ii) in Part-VII, in Table-B, in column (1), the following amendments shall be made, namely: -

(a) against serial numbers 15 and 16, in column (4), for the figure "5", the figure "3", shall be substituted;
and

(b) against serial number 18, in column (4), for the figure "5", the figure "0", shall be substituted.

(iii) After Part-VII, as amended aforesaid, the following new “Part-VIII”, shall be added, namely: -

“Part-VIII

Import of industrial inputs/raw materials

TABLE

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S. No.	Description Conditions	PCT Code	Customs Duty (%)
1	Magnesium oxide Nil	2519 9010	0%
2	Other Nil	2836.9990	0%
3	Cyclopentane Nil	2902.1910	0%
4	o-Xylene Nil	2902.4100	0%
5	Tetrafluoroethane Nil	2903.3930	0%
6	Octanol (octyl alcohol) and isomers thereof Nil	2905.1600	0%
7	Formic acid Nil	2915.1100	16%
8	Sodium formate Nil	2915.1210	0%
9	Other Nil	3204.9000	16%
10	Verifiable enamels and glazes, engobes (slips) Nil	3207.2000	3%

and similar preparations

11 Nil	Of a kind used in the leather or like industries	3403.1110	16%
12 Nil	Of a kind used in the leather or like industries including fat liquors	3403.9110	16%
13 Nil	Of a kind used in the paper or like industries	3809.9200	11%
14 Nil	Of a kind used in the leather or like industries	3809.9300	11%
15 Nil	Acrylonitrile butadiene styrene (ABS) copolymers	3903.3000	0%
16 Nil	Other poly-ethers	3907.2000	0%
17 Nil	Polyurethanes	3909.5000	0%
18 Nil	Insulation tape double sided	3919.1010	0%
19 Nil	Shoe lasts	3926.9060	16%
20 Nil	Latex	4002.1100	0%
21 Nil	Other	4002.1900	0%
22 Nil	Other	4016.1090	5%
23 Nil	Containing by weight more than 50% of graphite or other carbon or of a mixture of these products	6903.1000	3%
24 Nil	Other	6903.2090	3%
25 Nil	Adhesive tape	7607.1910	0%

26 Nil	Used with HCFC and non-CFC gases	8414.3010	0%
27 Nil	Of machines of heading 8414.1000 and 8414.3010	8414.9010	0%
28 Nil	Evaporators (roll bond/fin/tube on plate types)	8418.9910	0%
29 Nil	Machines for reeling unreeling, folding, cutting or pinking textile fabrics	845.5000	0%
30 Nil	Other	8452.2900	0%
31 Nil	Machinery for preparing, tanning or working hides, skins or leather	8453.1000	0%
32 Nil	Machinery for making or repairing footwear	8453.2000	0%
33 Nil	Parts	8453.9000	0%
34 Nil	Other	8465.9190	0%
35 Nil	Other	8477.3090	0%
36 Nil	Parts	8477.9000	0%
37 Nil	Injection or compression types	8480.7100	0%
38 Nil	Motors of an output 'not exceeding 37 .5 W	8501.1000	0%

39 Nil	Other	8501 4090	16%
40 Nil	Burglar or fire alarms and similar apparatus	8531.1000	0%
41 Nil	Other	9030.8900	0%
42 Nil	Of a kind used in refrigerators, deep freezers and air conditioners	9032.1010	0%
43 Nil	Other	9032.1090	16%
44 If imported by manufacturers of	(i) Other	3506 9190	5%
	(ii) Other	390 [^] .9090	5%
	diapers/sanitary napkins registered under the		
	(iii) Of polymers of ethylene	3920.100v,)	16%
	Sales Tax Act, 1.990, subject to annual quota		
	(iv) Of other plastics	3921.1900	16%
	determination and		
	(v) Of polymers of ethylene verification by the Input	3923.2100	5%
	Output Coefficient		

(vi) Weighing not more than 25 g/m ² Organization (IOCO)	5603.1100	11%
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and certification by the

(vii) Weighing more than 25 g/m ² but not more	5603.9200	16%
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Engineering

than 70 g/m²
Development Board.

(viii) Weighing more than 70 g/m ² but not more	5603.9300	11%
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than 150 g/m²

45 Other Imports by	1901.9090	5%
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manufacturers of

infant formula milk,

registered under the

Sales Tax Act, 1990,

subject to annual

quota determination

and verification by the

Input Output Co

efficient Organization

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CLAUSE 3

2. MR. ASAD UMER, Minister for Finance, Revenue and Economic Affairs to move that in the Finance Supplementary (Second Amendment) Bill, 2019 as introduced in the National Assembly, in clause 3,

(1) the existing sub-clause (4) shall be omitted and existing sub-clauses (1), (2) and (3) shall be re-numbered as (2), (3) and (4), respectively.

(2) Before sub-clause (2), re-numbered as aforesaid, the following new sub-clause (1) shall be inserted, namely:-

“(1) in section 2, the existing clause (11 A) shall be re-numbered as (11B), and after clause (11), the following new clause shall be inserted, namely-

“(11 A) “FBR Refund Settlement Company (Private) Limited” means the company with this name as incorporated under the Companies Ordinance, 1984, for the purpose of settlement of sales tax and income tax refund claims including payment by way of issuing refund bonds under section 67A;”;

(3) in sub-clause (2), re-numbered as aforesaid, for the proposed section 67A, the following shall be substituted, namely:-

“67A. Payment of refund through sales tax refund bonds.- (1)

Notwithstanding anything contained in section 67, the sales tax refunds payable under this Act may also be paid through sales tax refund bonds to be

issued by FBR Refund Settlement Company (Private) Limited, in book-entry form through an establishment licensed by the Securities Exchange Commission of Pakistan as a central depository under the Securities Act, 2015, in lieu of payment to be made through issuance of cheques or bank debit advice.

(2) The Board shall issue a promissory note to FBR Refund Settlement Company Private Limited, hereinafter referred to as the company, incorporating the details of refund claimants and the amount of refund determined as payable to each for issuance of sales tax refund bonds, hereinafter referred to as the bonds, of the same amount.

(3) The bonds shall be issued in values in multiples of one hundred thousand rupees.

(4) The bonds so issued shall have a maturity period of three years and shall bear annual simple profit at ten per cent.

(5) The bonds shall be traded freely in the country’s secondary markets.

(6) The bonds shall be approved security for calculating the statutory liquidity reserve.

(7) The bonds shall be accepted by the banks as collateral.

(8) There shall be no compulsory deduction of Zakat against the bonds and sahib-e-nisab may pay Zakat

voluntarily according to Shariah.

(9) After period of maturity, the company shall return the promissory note to the Board and the Board shall make the payment of amount due under the bonds, along with profit due, to the bond holders.

(10) The bonds shall be redeemable in the manner as in the preceding sub-section before maturity only at the option of the Board along with simple profit payable at the time of redemption in the light of general or specific policy to be formulated by the Board.

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

(12) The Federal Government may notify procedure to regulate the issuance, redemption and other matters relating to the bonds, as may be required.”;

(4) in sub-clause (3), re-numbered as aforesaid, in paragraph (b), in sub-paragraph (ii), after the semi-colon at the end, the word “and” shall be added;

(5) in the re-numbered sub-clause (4), for the expression “; and”, a full stop shall be substituted.

CLAUSE 4

3. MR. ASAD UMER, Minister for Finance, Revenue and Economic Affairs to move

that in the Finance Supplementary (Second Amendment) Bill, 2019 as introduced in the National Assembly, in clause 4,

(1) in the heading, for the expression “4(12)(A)(b), 4(12)(B) and 4(12)(C)(f)”, the expression u4(13)(A)(b) and 4(13)(B)(f)” shall be substituted;

(2) the sub-clauses (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12) and (13) shall be re-numbered as (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13) and (14) respectively and following new clause shall be inserted, namely:-

“(1) in section 4B, for the expression “to 2020”, the words “and onwards”

(2) for sub-clause (4), re-numbered as aforesaid the following shall be substituted, namely:-

“(4) in section 49, after sub-section (4), in the proviso, after the word “licenses”, the words “and renewal thereof shall be inserted.”;

(3) in sub-clause (9), re-numbered as aforesaid, the following shall be substituted;

“(9) in section 227C, after clause (b),-

(A) in the first proviso,-

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

“(i) locally manufactured motor vehicle” and

(b) in clause (ii), after the word “Pakistanis”, the words “or a nonresident Pakistani citizen holding international passport” shall be inserted;

(B) in the second proviso, in clause (ii), after the word “Pakistanis”, the words “or a non-resident Pakistani

citizen holding international passport” shall be inserted”;

(4) for sub-clause (10), re-numbered as aforesaid, the following shall be substituted, namely:-

“(10) for section 230E, the following shall be substituted, namely:-

“230E Directorate General of International Tax Operations,- (1)

The Directorate General of International Tax Operations 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) The Board may, by notification in the official Gazette-

(a) specify the functions and jurisdiction of the Directorate General and its officers; and

(b) confer the powers of authorities specified in section 207 upon the Directorate General and its officers.

(3) The functions and powers of the Directorate General of International Tax Operations shall include but not limited to-

(a) receive and send information from other jurisdictions under spontaneous, automatic and on demand exchange of information under exchange of information agreements;

(b) ‘ levy and recover tax by passing an assessment order under

section 123(1A) in case of undeclared off-shore assets and incomes;

(c) receive, transmit and exchange country by country reports to the jurisdictions that are parties to international agreements with Pakistan and

(d) conduct transfer pricing audit in cases selected for such audit by the Director General of International Tax Operations.

(4) The Board may, by notification in the official Gazette, specify the criteria for selection of the taxpayer for transfer pricing audit.

Explanation.- For the removal of doubt, it is clarified that transfer pricing audit refers to the audit for determination of transfer price at arm’s length in transactions between associates and is independent of audit under section 177, 214C which is audit of the income tax affairs of the taxpayer.”;

(5) in sub-clause (11), re-numbered as aforesaid, in the proposed sub-section (3), for the word “February”, the word “March” shall be substituted;

(6) in sub-clause (13), re-numbered as aforesaid-

(A) in paragraph (A),-

(i) in sub-paragraph (a), in clause (66), after the proposed sub-clause (Ixiv), the following new sub-clause shall be added, namely:-

“(Ixv) SARMAYA-E-PAKISTAN LIMITED”;

(ii sub-paragraph (b) is re-numbered as (c) and the following new sub- paragraph shall be inserted, namely:-

“(b) after the omitted clause (103B), the following new clause shall be inserted namely:-

“(103C) Dividend income derived by a company, if the recipient of the dividend, for the tax year has availed group relief under section 59B, computed according to the following formula-

$A * B / C$

Where-

A is the amount of dividend;

B is the shareholding of the company receiving the dividend in the company distributing the dividend; and

C is the total ordinary share capital of the company distributing the dividend”;

(B) after the paragraph (c), re-numbered as aforesaid, the following new paragraph shall be added, namely:-

“(d) after clause (126N), the following new clause shall be inserted, namely:-

“(126O) Profits and gains of a company from a green field industrial undertaking for a period of five years incorporated on or after the first day of July, 2019 provided that the green field industrial undertaking is not formed by the splitting up or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan before the commencement of the new business”;

(C) Paragraph (B) shall be omitted;

(D) Paragraph (B) omitted as aforesaid, the paragraph (C) shall be re-numbered as

(B) and the existing sub-paragraphs (b), (c), (d), (e) and (f) shall be re-numbered as (d), (e), (f), (g) and (h) respectively and-

(i) in sub-paragraph (a), in clause (11 A), after the proposed sub-clause (xxxii), the following new sub-clauses shall be added, namely:-

“(xxxiii) SARMAYA-E-PAKISTAN LIMITED; and

(xxxiv) Green field industrial undertaking qualifying for

exemption under clause (126O) of Part I of the Second Schedule”;

(ii) sub-paragraph (b) re-numbered as aforesaid, the following new sub-

“(36B) The provisions of section 151 shall not apply to profit on debt paid on promissory notes issued under the provisions of Sales Tax Act, 1990;

(36C) The provisions of section 151 shall not apply to profit on debt paid on Pakistan Banao Certificate;

(36D) The provisions of section 150 and 151 shall not apply to profit on debt paid to SARMAYA-E-PAKISTAN LIMITED; and

(36E) The provisions of section 151 shall not apply on profit on debt paid on bonds issued under Federal Government Duty Drawback Bonds Rules, 2019”;

(c) after clause (60C), the following new clauses shall be added, namely:-

(60D) The provisions of section 148 shall not apply on import of fire fighting equipments by industrial undertakings set up in the special economic zones established by the Federal Government.””

(iii) in paragraph (h), re-numbered as aforesaid, in the proposed clause “(111)”, after the word “company”, the words “as defined in the said

“(14) in the Seventh Schedule, after rule 7C, the following new rules shall be inserted, namely:-

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

(2) A banking company shall furnish a certificate from external auditor along with accounts while e-filing return of income certifying the amount of such advances made in preceding tax year, additional advance made for the tax year and net mark-up earned from such additional advances for the tax year.

(3) Notwithstanding anything contained in this Ordinance, the Commissioner may require the banking company to furnish details of the advances to micro, small and medium enterprises.

(4) For the purposes of this rule, the term “micro, small and medium enterprises” shall have the same meaning as provided in Prudential Regulations issued by State Bank of Pakistan.

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

(6) The taxable income arising from additional advances under sub rule (1) shall be determined according to the following formula, namely:-

Taxable income subject to reduced rate of tax = $A \times B/C$ Where-

A is taxable income of the banking company

B. is net mark-up income earned from such advances for the tax year as declared in the annual accounts; and

C. is total of the net mark-up, non mark-up income of the banking company as per accounts.

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

(2) A banking company shall furnish a certificate from external auditor along with accounts while e-filing return of income certifying the amount of such advances made in preceding tax year, additional advance made for the tax year and net mark-up earned from such additional advances for the tax year.

(3) Notwithstanding anything contained in this Ordinance, the Commissioner may require the banking company to furnish details of the advances made for low cost housing.

(4) For the purposes of this rule, the term “low cost housing” shall have the same meaning as provided in Prudential Regulations issued by State Bank of Pakistan.

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

(6) The taxable income arising from additional advances under sub-rule (1) shall be determined according to the following formula, namely:-

Taxable income subject to reduced rate of tax = $A * B/C$

Where-

A is taxable income of the banking company

B is net mark-up income earned from such advances for the tax year as declared in the annual accounts; and

C is total of the net mark-up, non mark-up income of the banking company as per accounts.

7F. Reduced rate of tax on additional advances as Farm

Credit.- (1) The taxable income arising from additional advances for Farm Credit in Pakistan, for the tax years 2020 to 2023, shall be taxed at the rate of 20% instead of the rate provided in Division II of Part I of the First Schedule.

(2) A banking company shall furnish a certificate from external auditor along with accounts while e-filing return of income certifying the amount of such advances made in preceding tax year, additional advance made for the tax year and net mark-up earned from such additional advances for the tax year.

(3) Notwithstanding anything contained in this Ordinance, the Commissioner may require the banking company to furnish details of the advances made for Farm Credit.

(4) For the purposes of this rule, the term "Farm Credit" shall have the same meaning as provided in Prudential Regulations issued by State Bank of Pakistan for agriculture financing excluding such advances made to a company as defined in section 80.

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

(6) The taxable income arising from additional advances under sub-rule (1) shall be determined according to the following formula, namely:-

Taxable income subject to reduced rate of tax = $A \times B/C$

Where-

A. is taxable income of the banking company

B. is net mark-up income earned from such advances for the tax year as declared in the annual accounts; and

C. is total of the net mark-up, non mark-up income of the banking company as per accounts".

CLAUSE 5

4. MR. ASAD UMER, Minister for Finance, Revenue and Economic Affairs to move

that in the Finance Supplementary (Second Amendment) Bill, 2019 as introduced in the National Assembly, in clause 5,

(i) in sub-clause (2), in paragraph (a), in sub-paragraph (ii), in column (1), against newly proposed S. No.

58B, in column (2), for the figure “1800”, the figure “1700” shall be substituted;

STATEMENT OF OBJECTS AND REASONS

5. MR. ASAD UMER, Minister for Finance, Revenue and Economic Affairs to move
that in the Finance Supplementary (Second Amendment) Bill, 2019 as introduced in the National
Assembly, in the Statement of Objects and Reasons,

(1) for the expression “2(2)(ii)”, the expression “2(2)(iii)” shall be substituted; and

(2) for the expression “2(l)(a), 2(2X0,4(1), 4(2), 4(12)(A)(b), 4(I2)(B), 4(12)(C)(d), 4(12)(C)(f) and
4(13)(A)”, the expression “4(13)(A)(b) and 4(13)(B)(f)” shall be substituted.

Islamabad, the TAHIR HUSSAIN

6th March. 2019. Secretary