

BUDGET FY 2020-21- SALIENT FEATURES

KEY HIGHLIGHTS:

- The total outlay of the Federal budget 2020-21 is Rs.7.3 trillion which is 11% lower than the size of the budget estimates 2019-20.
- The next year's fiscal deficit is estimated at Rs. 3,195 billion which is 7% of GDP.
- Federal Government has projected 27% growth in the FBR's tax revenue vs. current year projected figures of Rs.3908 billion.
- Collection under Gas Infrastructure Development Cess (GIDC) is estimated at Rs.15 billion

SUBSIDIES:

- Subsidy for Inter-Disco Tariff Differential is Rs.110 billion
- Subsidy to LNG sector for providing Gas on lower rates to industry Rs.10 billion against Rs. 24 billion in FY19-20
- Fertilizer Plant Subsidy (Engro, Fatima) Rs.6 billion
- Subsidy to pick up KESC's Tariff Differential Rs.10 billion
- Subsidy to KESC for industrial support package Rs.5 billion

Tax Amendments

INCOME TAX :

- Threshold of Rs.4 million providing option for charging of tax on income from property under normal regime is being removed.
- Under section 21(l) currently, the threshold for payment of any expense is Rs. 10,000 per transaction and Rs. 50,000 per account per year. These thresholds have been proposed to be increased to Rs. 25,000 and Rs. 250,000, respectively.
- Under section 21(m) currently, the threshold for payment of salaries in cash is Rs. 15,000. This threshold has been proposed to increase to Rs. 25,000.
- Expenditure by an industrial undertaking in proportion of supplies made to sales tax unregistered persons is proposed to be disallowed. This proportionate

disallowance will only be applicable in cases where supplies equal or exceed Rs.100 million per person. This disallowance will not exceed 20% of total expenditure claimed (section 21 (P)+(Q))

- Depreciation allowance for a depreciable asset for only half year in the first year of use for assets introduced after 01-07-2020. For the year of disposal for such assets, 50% depreciation expenses will be allowed (Section 22, 28)
- Banking period and tax rates on Capital Gains on immovable property are being reduced (section 37)
- Amount of donation for the purpose of calculating tax credit is proposed to be reduced to 10% and 15% for company and others respectively.
- Non profit organizations, trust etc. are being required to file a statement of voluntary contributions and donations received in the preceding years (section 100C)
- Section 65C provides tax credit of 20% and 10% for first two years and next two years, respectively, for enlistment in Pakistan Stock Exchange. The bill proposes to restrict this tax credit for companies listed up to 30th June 2022 only.
- Permanent establishment of non-residents will also now be subject to minimum tax under section 113 of the Ordinance.
- Statement under section 115 is being incorporated as a part of the return u/s 114(2).
- Commissioner shall be bound to approve return revision requests in cases of bonafide omission or wrong statement.
- Newly inserted section 114A requires filing of a profile electronically in the prescribed form and manner by a person applying for registration, a person deriving income chargeable to tax "under income from business", person whose income is subject to final tax , NPO, Trust or Welfare institution and any other person prescribed by Board.
- Commissioner empowered to call define information from any source and to revise assessment on basis of this information or audit.
- Concept of agreed assessment introduced through section 122D.
- Existing fee of Rs 1000/- for filing appeal is being revised as under:
 - A. Appeal against an assessment:

- i. By a company: Rs. 5000
- ii. Other than a company: Rs 2500

B. Appeal in other cases:

- i. By a company: Rs. 5000
- ii. Other than a company: Rs. 1500

Identical amendments have been made in section 45B of Sales Tax Act, 1990.

- Mandatory deposit of 10% of demand before filing appeal to Tribunal (ATIR).
- Advance tax at import under section 148 is being revised as 1% for capital goods, 2% for raw materials and 5.5% for finished goods irrespective of status of the importer. However, the prevailing concessional rates on certain items such as cotton and goods previously importable by manufacturers under the rescinded SRO 1125(I)/2011 dated 31.12.2011, etc. are being maintained.
- Clause 72B, Part IV of second schedule which enabled industrial undertakings to claim exemption certificate from applicability of section 148 on import of raw materials is being withdrawn.
- Enhancement of threshold for becoming prescribed person for withholding of tax is being revised from fifty to hundred million rupees and a similar threshold of hundred million rupees is being prescribed for a sales tax registered person to become a withholding agent. (Section 153)
- Commissioner bound to issue exemption certificate, on the basis of advance tax payment for the year, within fifteen days of filing of application, failing which the certificate will be automatically issued through the system. (Section 153)
- Tax deduction on payment for toll manufacturing to be treated at par with supply of goods, i.e. to withhold tax at rates of 4% and 4.5% as the case may be – (Section 153).
- Withholding tax statements under section 165 of the Ordinance to be filed on quarterly basis as against the existing bi-annual. (Section 165)
- Manual verification and processing of refunds is being substituted by expeditious automated refunds with direct payments into Bank account of claimant. (section 170)

- Through section 175A legal framework is being provided for real time access to database of various organizations, departments etc. Same provision is being made vide Section 56A of Sales Tax Act.
- Section 177 is being amended to provide for audit through electronic means on the basis of sectoral Benchmarks. Same provision is being made in Section 25 of Sales Tax Act.
- Removal of withholding tax on insurance premium - Section 236U and certain other categories of businesses.
- Advance tax on payment of dividend is being increased from 15% to 25% (Division I, Part II of First Schedule)

SALES TAX:

- Period of non filing of Sales Tax Return or withholding statement revised from two consecutive months to three consecutive months to remain in ATL (Section 2 (I) and Section 21).
- Provincial sales tax levied on services rendered or provided by person also come under ambit of federal output tax, and currently it is only applicable on services rendered in Islamabad Capital Territory as other provinces have already promulgated their respective sales tax on services acts. To streamline definition and bring clarity now the bill proposes to substitute the words "Provincial sales tax" with "Islamabad Capital Territory (Tax on Services), 2001(XLII of 2001)". Section 2(20)
- FBR being empowered to impose restrictions on wastage of raw materials on which input tax may be claimed (Section 7). Similar provision made in section 6 of FED Act.
- Restriction of claiming input tax on goods supplied to un-registered person, for which CNIC number or NTN are not mentioned is being extended to services made to unregistered person without CNIC number or NTN (Section 8)
- Amendment in section 38 to empower Sales Tax Officer to have real time electronic access to records of tax payer.
- Minimum threshold of supplies by retailers for obtaining CNIC of the buyers being increased from Rs 50,000 to Rs.100,000. (Section 23)

- Certain amendments have been made in provisions related to Alternate Dispute Resolution in Sales Tax Act, 1990, Income Tax ordinance, 2001 and FED Act.
- Provisions for service of orders, Decisions etc through electronic means introduced in all tax laws.
- Monetary limits imposed upon manufacturer for supply to unregistered person is now being extended to all registered persons.
- Sales tax rate for organized retail sector which is integrated online with FBR through POS is being reduced from 14% to 12%. (Eighth Schedule)
- The condition of customs duty at a rate less than 16% for availing exemption from minimums value addition tax is being waived on all raw materials and intermediary goods imported by a manufacturer for in house consumption. (Twelfth Schedule)

FEDERAL EXCISE DUTY:

- The condition of audit only once in every three years is being omitted. Thus audit can now be conducted at any time. (Section 46).
- The bill proposes that the Appellate Tribunal may proceed on an appeal as per procedures laid down in sections 131 and 132 of the Income Tax Ordinance, 2001.
- Reduction of FED on cement from Rs. 2 per kg to Rs. 1.75 per kg. (First Schedule)

CUSTOMS:

- Customs duties being changed as per Annex "A".
- Exemption of customs duties on import of raw material by manufacturers of buttons. (Sr. no 122 Fifth Schedule)
- Reduction in custom duty on import of raw material by manufacturers of interlining/buckram. (Sr. no 123 Fifth Schedule)

ANTI-DUMPING DUTIES ACT:

- Through the Finance Bill, it has been proposed that in case the determination of anti-dumping duty. Preliminary or final, is stayed by competent Court, the goods may provisionally be released subject to provision of security by importer in the

form of "Bank guarantee" or "Pay order" alongwith indemnity bond equivalent to amount of duty involved, which may be encashed by the Custom Authorities in case levy is upheld by Court and the duty is not settled by importer.

THE FIRST SCHEDULE

[see section 3(19(ii))]

In the Customs Act, 1969 (IV of 1969), in the First Schedule, for the corresponding entries against "PCT Code", "Description" and "CD%" specified in columns (1), (2), (3) and (4) appearing in chapter 1 to 99, the following corresponding entries relating to "PCT Code", "Description" and "CD%" shall be substituted, namely: -

"2529.1000	- Feldspar	0
2530.9030	- - - Earth colours	3
2707.5000	- Other aromatic hydrocarbon mixtures of which 65 % or more by volume (including losses) distils at 250°C by the ISO 3405 method (equivalent to the ASTM D 86 method)	16
2710.1991	- - - -Mineral oil which has flash point at or above 200°F	3
2710.1997	- - - -Transformer oil	11
2801.2000	- Iodine	3
2801.3000	- Fluorine; bromine	3
2803.0020	- - - Carbon black (other than rubber grade)	16
2803.0030	- - - Acetylene black	0
2811.1100	- - Hydrogen fluoride (hydrofluoride acid)	3
2811.1200	- - Hydrogen cyanide (hydrocyanic acid)	3
2811.1920	- - - Phosphorous acid hypo phosphoric acid	3
2811.1990	- - - Other	3
2812.1100	- - Carbonyl dichloride (phosgene)	3
2812.1200	- - Phosphorus oxychloride	3
2812.1300	- - Phosphorus trichloride;	3
2812.1400	- - Phosphorus pentachloride	3
2812.1500	- - Sulphur monochloride	3
2812.1600	- - Sulphur dichloride	3
2812.1700	- - Thionyl chloride	3
2812.1910	- - - Arsenic trichloride	3
2812.1990	- - - Other	3
2812.9000	- Other	3
2813.1000	- Carbon disulphide	3
2813.9000	- Other	3
2816.1010	- - - Magnesium hydroxide	3
2816.1090	- - - Other	3
2821.1020	- - - Iron hydroxides	3
2821.2000	- Earth colours	3
2827.1000	- Ammonium chloride	0
2835.3900	- - Other	3

2836.9930	- - - Bicarbonate of ammonium	3
2837.1100	- - Of sodium	3
2902.1920	- - - Limonene(Dipentene)	3
2902.9010	- - - Naphthalene	3
2903.9200	- - Hexachlorobenzene (ISO) and DDT (ISO) (clofenotane (INN), 1,1,1-trichloro-2,2-bis(p-chlorophenyl)ethane)	3
2904.1010	- - - Benzene sulphonic acid	3
2915.1100	- - Formic acid	16
2915.2100	- - Acetic acid	3
2915.3200	- - Vinyl acetate	0
2915.7090	- - - Other	3
2917.1200	- - Adipic acid, its salts and esters	0
2929.9020	- - - N,N-Dialkyl(methyl, ethyl, n-propyl, or isopropyl) phosphoramidic dihalides	3
2929.9030	- - - Dialkyl(methyl, ethyl, n-propyl or isopropyl)N,N-dialkyl (methyl, ethyl, n-propyl or isopropyl)phosphoramidates	3
2929.9090	- - - Other	3
2933.7990	- - - Other	3
2933.9100	- - Alprazolam (INN), camazepam (INN), chlordiazepoxide (INN), clonazepam (INN), clorazepate, delorazepam (INN), diazepam (INN), estazolam (INN), ethyl loflazepate (INN), fludiazepam (INN), flunitrazepam (INN), flurazepam (INN), halazepam (INN), lorazepam (INN), lormetazepam (INN), mazindol (INN), medazepam (INN), midazolam (INN), nimetazepam (INN), nitrazepam (INN), nordazepam (INN), oxazepam (INN), pinazepam (INN), prazepam (INN), pyrovalerone (INN), temazepam (INN), tetrazepam (INN) and triazolam (INN);salts thereof	3
2933.9200	- - Azinphos-methyl (ISO)	3
2934.1090	- - - Other	3
2935.1000	- N-Methylperfluorooctane sulphonamide	3
2935.2000	- N-Ethylperfluorooctane sulphonamide	3
2935.3000	- N-Ethyl-N-(2-hydroxyethyl) perfluorooctane sulphonamide	3
2935.4000	- N-(2-Hydroxyethyl)-N-methylperfluorooctane sulphonamide	3
2935.5000	- Other perfluorooctane sulphonamides	3
2939.6900	- - Other	3
2939.7900	- - Other	3
2939.8090	- - - Other	3
3002.3000	- Vaccines for veterinary medicine	3
3202.9010	- - - Tanning substances, tanning preparations based on chromium sulphate	16
	- - Disperse dyes and preparations based thereon:	
3204.1110	- - - Powdered	3
3204.1120	- - - Liquid	11

3204.1190		- - - Other	16
3204.1710		- - - Powdered	3
3204.1720		- - - Liquid	11
3204.1790		- - - Other	16
3204.1990		- - - Dyes, synthetic	11
3205.0000		Colour lakes; preparations as specified in Note 3 to this Chapter based on colour lakes.	3
3207.2000		- Vitriifiable enamels and glazes, engobes (slips) and similar preparations	3
3207.3000		- Liquid lusters and similar preparations	3
3212.9010		- - - Aluminium paste and powder	11
3403.1910		- - - Greases	16
3506.9110		- - - Shoe adhesives	11
3802.1000		- Activated carbon	3
3802.9000		- Other	3
3806.1010		- - - Gum Rosin	0
3807.0000		Wood tar; wood tar oils; wood creosote; wood naphtha; vegetable pitch; brewers' pitch and similar preparations based on rosin, resin acids or on vegetable pitch.	3
3810.1000		- Pickling preparations for metal surfaces; soldering brazing or welding powders and pastes consisting of metal and other materials	0
3810.9010		--- Preparations of a kind used as cores or coatings for welding electrodes or rods	0
3824.8500		- - Containing 1,2,3,4,5,6-hexachlorocyclohexane (HCH (ISO)), including lindane (ISO, INN)	3
3824.8600		- - Containing pentachlorobenzene (ISO) or hexachlorobenzene (ISO)	3
3824.8700		- - Containing perfluorooctane sulphonic acid, its salts, perfluorooctane sulphonamides, or perfluorooctane sulphonyl fluoride	3
3824.8800		- - Containing tetra-, penta-, hexa-, hepta- or octabromodiphenyl ethers	3
3824.9100		- - Mixtures and preparations consisting mainly of (5-ethyl-2-methyl-2-oxido-1,3,2-dioxaphosphinan-5-yl)methyl methyl methylphosphonate and bis[(5-ethyl-2-methyl-2-oxido-1,3,2-dioxaphosphinan-5-yl)methyl] methylphosphonate	3
3824.9920		- - - Ion exchangers	3
3824.9930		- - - Prepared binders	3
3824.9980		- - - Chloroparaffins liquid	3
3903.2000		- Styrene- acrylonitrile (SAN) copolymers	0
		- Other:	
3903.9010		- - - Styrene acrylic emulsion	11
3903.9090		- - - Other	11
3909.3100		- - Poly(methylene phenyl isocyanate) (crude MDI, polymeric MDI)	3

3910.0000		Silicones in primary forms.	0
3911.1010		- - - Petroleum resins	16
3921.1300		- - Of polyurethanes	16
4005.1020		- - - Sheets	3
4005.9100		- - Plates, sheets and strip	3
4007.0010		- - - Single cord	16
4007.0090		- - - Other	16
4804.2100		- - Unbleached	3
4804.2900		- - Other	3
4805.3000		- Sulphite wrapping paper	3
4805.4000		- Filter paper and paperboard	3
4809.2000		- Self- copy paper	3
6903.1000		- Containing by weight more than 50 % of graphite or other carbon or of a mixture of these products	3
6903.2090		- - - Other	3
6903.9010		- - - Refractory products of a kind used in industrial ovens, kilns and furnaces	11
		- - - Forgings of crank shaft:	
7326.1911		- - - - Upto 10 Kg	11
7326.1919		- - - - Other	11
7604.1010		- - - Bars and rods	3
7613.0010		- - - Aerosol cans without valves and covers	11
7616.9920		- - - Aluminium slugs	16
8007.0010		- - - Tin plates, sheets and strip, of a thickness exceeding 0.2 mm.	3
8007.0020		- - - Tin foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials), of a thickness (excluding any backing) not exceeding 0.2 mm; tin powders and flakes.	3
8308.9020		- - - Buckle	16
8410.1100		- - Of a power not exceeding 1,000 kW	3
8410.9010		- - - For machines of heading 8410.1100	3
8412.8090		- - - Other	3
8412.9090		- - - Other	3
8413.8200		- - Liquid elevators	3
8413.9140		- - - Other parts for machines of heading 8413.1100	3
8414.2000		- Hand- or foot- operated air pumps	3
8419.9020		- - - Of machine of heading 8419.4000 and 8419.5000	16
8424.2020		- - - For industry	3
8425.4200		- - Other jacks and hoists, hydraulic	3
8481.1000		- Pressure- reducing valves	11
8501.5210		- - - Submersible motors of stainless steel	11
8504.3100		- - Having a power handling capacity not exceeding 1 kVA	16

8504.9040		- - - Toroidal cores and strips	3
8506.5000		- Lithium	3
8535.2110		- - - Up to 17.5 kV	3
8536.5010		- - - Pressure switches	3
8539.9030		- - - Base cap for tube light	3
8539.9090		- - - Other	3
8543.1000		- Particle accelerators	3
8543.2000		- Signal generators	3
8901.2000		- Tankers	3
8901.3000		- Refrigerated vessels, other than those of subheading 8901.20	0
8902.0000		Fishing vessels; factory ships and other vessels for processing or preserving fishery products.	0
9013.8000		- Other devices, appliances and instruments	0
9028.2000		- Liquid meters	0
9402.1010		- - - Dentists' chairs	3
9406.9050		- - - Modular clean room panels	20
9903		<u>Imports by Privileged personnel/ organization:</u> (i) Goods imported by privileged personnel or by organizations or by any person authorized by the contracting parties, under grant-in- aid agreements (including those agreements which cover off budget foreign contributions or funds brought by registered INGO's without any financial liabilities to the Government of Pakistan) signed by the Economic Affairs Division (EAD) and or by any Ministry authorized by the Government of Pakistan and duly concurred by the Federal Board of Revenue (FBR) (ii) Goods imported by the foreign airlines under Air Services Agreements signed by the Aviation Division, Cabinet Secretariat, Government of Pakistan with other countries on the basis of reciprocity and duly concurred by the Federal Board of Revenue.	0
9917		(1) Goods imported into and exported (except to tariff area of Pakistan) from the Export Processing Zones established under the Export Processing Zone Authority Ordinance, 1980 (IV of 1980) and any enactment relating to Gwadar Special Economic Zone, subject to such conditions, limitations and restrictions as the Federal Board of Revenue may impose from time to time. (2) Capital goods, as defined in the preamble of Part-I of the Fifth Schedule to the Customs Act, and firefighting equipment, except the items listed under Chapter 87 of the Pakistan Customs Tariff, imported for setting up of a Special Economic Zone (SEZ) by zone developers and for installation in that zone	0

by Zone Enterprises, on one-time basis as prescribed in the SEZ Act, 2012 and rules thereunder subject to such conditions, limitations and restrictions as the Federal Board of Revenue may impose from time to time. Co-developer as defined in Special Economic Zone Rules, 2013, shall also be entitled to avail the same incentives and exemptions for the same period as available to the Developer under the SEZ Act 2020, subject to condition that the Developer of the SEZ relinquishes its rights to the incentives and exemptions in favour of the Co-developer; provided further that the respective Special Economic Zone Authority duly endorses such reassignment, and ensures that such reassignment shall not be misused.

(3) Following imports for construction, development and operations of Gwadar port and Free Zone Area subject to such conditions, limitations and restrictions as the Federal Board of Revenue may impose from time to time: -

(i) Equipments and materials (plant, machinery, equipment, appliances and accessories), imported by the Concession holder, its operating companies including Gwadar International Terminals Limited and Gwadar Marine Services Limited, and their contractors and sub-contractors exclusively for construction and operation of the terminals and the Free Zone Area for a period of forty (40) years;

(ii) Ship bunker oils imported by the Concession holder for the sole purposes of supplying fuels and lubricants to all visiting ships including foreign and local and fishing vessels at Gwadar Port for a period of forty (40) years;

(iii) Vehicles imported by the concession holder and its operating companies for a period of twenty-three (23) years for construction, development and operations of Gwadar Port and Free Zone Area under the regulatory mechanism. The regulatory mechanism for such vehicles, including the number and types importable, shall be devised by the Ministry of Port & Shipping and FBR (in consultation with the Provincial Government if so required) and notified by the FBR;

(iv) Imports by the following businesses to be established in the Gwadar Free Zone Area for a period of 23 years with effect from 1st July, 2016, packaging, distribution, stuffing and de-stuffing, CFS, container yard, warehousing including cool and cold rooms, transshipment, labelling, light end assembly and re-assembly, imports and exports/value added exports, value adding of imports, other similar or related businesses activities and such commercial activities as are required to support the free zone.

9925	<p>(A) Artificial kidneys, hemodialysis machines, hemodialyzers, A.V. fistula needles, hemodialysis fluids and powder, blood tubing tines for dialysis, reverse osmosis plants for dialysis, double lumen catheter for dialysis, catheters for renal failure patients, peritoneal dialysis solution and cardiac catheters.</p> <p>(B) Following items and appliances for Ostomy use: -</p> <ol style="list-style-type: none"> 1. Baseplate/Stoma Wafer/Flange. 2. Ostomy (Colostomy/Ileostomy/ Urostomy) bags (All type) 3. Ostomy (Colostomy/Ileostomy/ Urostomy) Paste 4. Ostomy (Colostomy/Ileostomy/ Urostomy) Belt 5. Ostomy (Colostomy/Ileostomy/ Urostomy) Deodorizers 6. Ostomy (Colostomy/ Ileostomy/ Urostomy) Strip Paste 7. Stoma Powder/Ostomy Powder (Colostomy/Ileostomy/Urostomy Powder/ Ileostomy/Urostomy Powder) 8. Ostomy (Colostomy/Ileostomy/ Urostomy) Skin Barrier Spray and Wipe 9. Ostomy (Colostomy/Ileostomy/ Urostomy) Adhesive Remover Spray and Wipe. 10. Ostomy (Colostomy/Ileostomy/Urostomy) Adhesive Spray & Wipe. 11. Ostomy (Colostomy/Ileostomy/ Urostomy) Mouldable Ring 12. Ostomy (Colostomy/Ileostomy/ Urostomy) Elastic Tape 13. Ostomy (Colostomy/Ileostomy/ Urostomy) Barrier Cream 14. Ostomy (Colostomy/Ileostomy/ Urostomy) Protective Sheets 15. Ostomy (Colostomy/Ileostomy/ Urostomy) Cap 16. Ostomy (Colostomy/Ileostomy/ Urostomy) Protective Seal 17. Plastic Clips for closing the Ostomy bags. 18. Liquid washers and wipes for cleaning and washing peristomal skin 19. Night Drainage Bag 20. Cystoscope 21. Lithotripter 22. Colonoscope 23. Sigmoidoscope 24. Laparoscope 25. Suprapubic Cystostomy Set 26. Ryles Tube (Nasogastric Tube) 27. Foley's Catheter 28. Endoscope (Video Endoscopes) 29. Linear Cutter/Stapler 30. Circular Stapler 31. Right Angle Cutter/Stapler 32. Laparoscopic Hand Instruments: <ol style="list-style-type: none"> a) Dissector 	0
------	--	---

		<ul style="list-style-type: none"> b) Grasper c) Scissors d) Clipper e) Hook f) Retractors g) Needles Holders h) Knot Pusher i) Telescope (0o, 30o) <p>33. Urological Endoscopic Instruments:</p> <ul style="list-style-type: none"> (a) Resectoscope (Rotating and Fix) (b) Optical Urethrotome (c) Telescope (0o, 30o, 75o) (d) Turp Resecting Loops (e) Diathermy Cord <p>(C) Dietetic foods for medicinal purposes, subject to submission of provisional enlistment certificate duly issued under the Drug Regulatory Authority Act, 2012 (XXI of 2012), and the rules made thereunder, by the Drug Regulatory Authority of Pakistan.</p>	
9939		Diagnostic kits for HIV, Hepatitis. Cancer and Corona Virus	0"
