

SALIENT FEATURES

Customs – Budget FY 2020-21

Industrial Relief Measures

1. Exemption of additional custom duties on those tariff lines which are now @ 0% customs duty in tariff.
2. Reduction of custom duty on 40 raw materials of various industries.
3. Tariff rationalization under National Tariff Policy 2019, by reducing customs duty on 90 tariff lines from 11% to 3% and 0%.
4. Allowing the exemption on import of raw material to those Nashiran-e-Quran also who do not have their own in-house printing facility.
5. Reduction in regulatory duty from 12.5% and 17.5% to 6% and 11%, respectively on Hot Rolled Coils (HRC) of Iron and steel falling under PCT codes 7208 and 7225& 7226, respectively.
6. On the request of various local industries, a number of their inputs/intermediary raw materials are being allowed concessional import under new serial number of the fifth schedule through IOCO quota determination.
 - Exemption of custom duties on import of raw materials by manufacturers of Butyl Acetate.
 - Exemption of custom duty on import of raw material by manufacturer of syringes and saline infusion sets.
 - Exemption of customs duties on import of raw material by manufacturers of buttons.
 - Reduction in custom duty on import of raw material by manufacturers of interlining/buckram.
 - Reduction of custom duty and exemption of additional custom duty and regulatory duty on import of raw materials by manufacturers of Wire rod
 - Exemption of custom duties and regulatory duty on import of machinery, equipment and other project related items for setting up of internet cable landing stations.

- Exemption of custom duties on import of raw material by beverage can manufacturers.
- Reduction in Custom duty and exemption from Additional custom duty on import of raw material by food packaging industry.

Relief to Common Man

1. Exemption from customs duties on import of 61 COVID19 related items, which was due to expire on 20th June has been extended due to the continuation of pandemic.
2. Exemption from 2% ACD on import of edible oils and oil seeds under PM's COVID19 Relief Package has been extended.
3. Exemption of duties & taxes on import of Dietetic Foods for Children with inherited metabolic disorders.
4. Exemption of all duties & taxes on import of Diagnostic Kits for Cancer and Corona Virus.
5. Exemption of Customs duties on inputs of Ready to use Supplementary Foods (RUSF).
6. Exemption of Customs duties on import of life saving drug Meglumine Antimonite for treatment of leishmaniasis.
7. Extension up to 2023, in exemption of customs duties on imports for setting up new industries in erstwhile FATA area.

Miscellaneous

1. Reduction in regulatory duty on smuggling prone items to bring these items under legal imports
2. Regulatory duty on several industrial inputs is also being reduced to decrease their cost of doing business
3. Tariff protection for domestic industry by increasing/levy of regulatory duty on import of those items which are also locally manufactured
4. Incentivizing soap manufacturing industry by reducing rate of Additional customs duty on Palm Stearin
5. Enhancing scope of concessions available to Special Economic Zones

SALIENT FEATURES

SALES TAX

The proposed budgetary measures pertaining to Sales Tax for FY 2020-21 are:

RELIEF MEASURES

1. The minimum threshold of supplies by retailers for obtaining CNIC of the buyers is proposed to be increased from Rs 50,000 to 100,000;
2. In wake of COVID-19, the Federal Government granted exemption to health related items and equipment through SRO 237(I)/2020 dated 20-3-2020 which is going to expire on 19-6-2020. In the present circumstances vis-à-vis COVID-19, the said period is being extended for another three months starting from the 20th June 2020.
3. Exemption allowed on import of dietetic foods intended for special medical purposes for the children suffering from Inherited Metabolic Syndrome;

MEASURES FOR REMOVAL OF ANOMALIES

- 3(a) In order to encourage documentation, it has been decided to provide relief to organized retail sector which is integrated online with FBR through Point of Sale system. Their existing sales tax rate is proposed to be reduced from 14% to 12%

STREAMLINING MEASURES

4. Concept of conducting audit proceedings through electronic means introduced;
5. Ninth Schedule is proposed to be amended in line with Mobile Manufacturing Policy approved by the ECC of the Cabinet;

6. Insertion of the Tax Laws Amendment Ordinance 2019, relating to tax concessions and exemptions to Gawadar Port and Gawadar Free Zone, in the Finance Bill 2020;
7. To strengthen the Alternate Dispute Resolution process and to make it more taxpayer-friendly, it is proposed that the taxpayer is allowed to withdraw his case from any court of law or any appellate authority after decision of ADRC. Furthermore, the decision of ADRC, once it is conveyed by the taxpayer to the tax authorities, is binding upon the tax authorities;
8. The scope of section 73 is proposed to be widened to cover all registered persons supplying taxable goods;
9. Board is empowered to fix minimum production on the basis of single or more inputs and for fixation of wastage;
10. Real-time access to information and databases to the Board by various authorities such as NADRA, FIA, provincial excise & taxation departments etc.

SALIENT FEATURES

FEDERAL EXCISE DUTY

The proposed budgetary measures pertaining to Federal Excise Duty (FED) for FY 2020-21 are:

HEALTH RELATED MEASURES

1. Increase in the rate of FED on cigars, cheroots , and cigarillos and cigarettes from 65% to 100% of retail price; increase in the rate of FED on filter rods from Rs 0.75 to Rs 1 per filter rod;
2. Levy of FED on e-liquids of electric cigarettes @ Rs 10 per ml.
3. Levy of FED on caffeinated energy drinks @ 25%;

MEASURES FOR REMOVAL OF ANOMALIES

4. Levy of FED @ 7.5% ad valorem in case of locally manufactured double cabin (4x4) pick-up vehicles and @ 25% in the case of imported ones.

4(a) In the wake of worsening affect of COVID-19 and reduction in production of cement, it has been proposed to reduce FED on cement from Rs. 2 per kg to Rs. 1.75 per kg.

STREAMLINING MEASURES

5. Board is empowered to fix minimum production on the basis of single or more inputs and for fixation of wastage;
6. The scope of seizure of non-duty paid goods is extended to all products subject to FED besides cigarettes and beverages;
7. Real-time access to information and databases to the Board by various authorities such as NADRA, FIA, provincial excise & taxation departments etc.

SALIENT FEATURES

BUDGET 2020-21

INCOME TAX

RELIEF MEASURES

- **Deletion of Withholding Taxes**

To augment efforts towards simplification of the withholding tax regime, the following withholding tax provisions are being deleted:

Section	Short Description
236R	Collection of advance tax on education related expenses remitted abroad
235B	Tax on steel melters and composite units
156B	Withdrawal of balance under pension fund
148A	Tax on local purchase of cooking oil or vegetable ghee by certain persons
236D	Advance tax on functions and gatherings
236F	Advance tax on cable operators and other electronic media
236J	Advance tax on dealers, commission agents and arhatis etc.
236U	Advance tax on insurance premium
236X	Advance tax on tobacco

This measure would reduce the cost of the compliance of taxpayers, enhance the control of FBR over the withholding tax regime and would be pivotal in promoting ease of doing business.

- **Enhancement of Threshold for Becoming Prescribed Person for Withholding of Tax on Supplies, Services and Contracts 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.**
- **Reduction in Holding Period and Tax Rates for Capital Gain on Immoveable Property**

to incentivize and propel economic activity in the real estate sector, the bifurcation of plots and constructed property for determining holding period of capital gains is being done away with i.e. the holding period for taxation of capital gains on disposal of immovable property is being restricted to 4 years. In addition, rates are also being reduced on capital gains emanating from disposal of immoveable property.

- **Increase in Threshold of Section 21(l) per transaction delineated under section 21(l) is being increased from Rs. 10,000/- to Rs. 25,000/-. Similarly, the threshold of payments under a single from Rs.50,000/- to Rs.250,000/-.**
- **Increase in Threshold of Section 21(m) from Rs. 15,000/- per month to Rs. 25,000/- per month.**
- **Enabling Adjustability of Property Expenses for All Individuals/AOPs**
- **Exempting Withholding Tax on Cash Withdrawal to the extent of Foreign Remittances**
- **Promoting Investment in Government Debt Instruments through a foreign bank account, a non-resident rupee account repatriable or a foreign currency account.**
- **Issuance of Centralized Income Tax Refunds**
- **Hajj Operators to be Exempted from Withholding Tax on Payments to Non-Residents**

- **Explanation for excluding Vehicles Up to 200cc from the Ambit of Advance Tax**
- **Advance Tax on Auction of Immovable Property to be Collected in Installments**
- **Prompt Issuance of Exemption Certificates to Public Listed Companies within 15 days**
- **Collection of Advance Tax by Educational Institutions not to Apply to Persons on the ATL**
- **Rationalizing Tax on Imports**

by shifting from person-specific rates to goods specific rates cascaded according to the type of goods, with tax @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 remeltable scrap of iron and steel, potassic and urea fertilizers, LNG, Gold, Cotton, goods that were importable by manufacturers under the rescinded SRO 1125(I)/2011 dated 31.12.2011, mobile phones etc. are being maintained.

- **Agreed Assessment through arbitration by Assessment Oversight Committee**
- **Strengthening Alternate Dispute Resolution Mechanism**
- **Taxation Of Resident Shipping Companies as per latest marine policy**

PROCEDURAL MEASURES

- **Taxpayer's Profile**
Automated Adjusted Assessment to rectify computational errors and wrongly claimed credits
- **Real-Time Access to Databases of Certain Organizations**
- **Audit on the Basis of Benchmark Ratios**
- **Enabling E-Audit**

- **Strengthening Compliance Regime of Non-Profit / Welfare Organizations**
- **Electricity Expense to be Treated as an Inadmissible Business Deduction subject to non-disclosure of name of actual user from 01.01.2021**
- **Disallowance of Business Expenditure Proportionate to Sales Made to Sales Tax Unregistered Persons**
- **Rationalizing Depreciation Deduction based on the Half Year Rule**
- **Limiting Interest Deductibility to Foreign Affiliates**

TECHNICAL MEASURES

- **Rationalization of Cost of Transport Vehicle for Claiming Deduction on Account of Lease Rentals**
- **Filing of Withholding Statements under section 165 on Quarterly Basis**
- **Incentivizing and Promoting the Construction Industry**
- **Tax Exemptions and Concessions for the Gwadar Port and the Gwadar Free Zone**
- **Incorporation of Relief measures provided through SROs during the COVID pandemic**