

SALIENT FEATURES BUDGET 2009-10

SALES TAX ACT 1990

The amendments are applicable from July 01, 2009 specified otherwise.

- Default surcharges shall be recovered at the rate of KIBOR plus three percent per annum”
- Zero-rating of wheel chairs for special people.
- Exemption of Lysine Sulphate.
- Withdrawal of Exemption on import of ware potatoes and onion.
- Reduction in the period by which the Collector / Officer can extend the time limit for adjudication of cases under Sales Tax Act, 1990.
- Time period is being introduced in proceeding of ADRC (Alternate Dispute Resolution Committee).
- Reduction in the period by which the Collector / Federal Excise Officer can extend the time limit for adjudication of cases under Sales Tax Act, 1990.
- Redefining the time period regarding reopening of any decision or order by the Board or Collector to three years.

SALIENT FEATURES

INCOME TAX

- Income tax at import stage is being enhanced from 2% to 4%.
- Tax deducted in case of manufacturer of cooking oil and vegetable ghee industry providing of services is to be considered minimum tax liability instead of final discharge of tax liability accordingly, return of income u/s. 114 is required to be filed instead filing of statement u/s. 115.
- Minimum tax u/s. 113 proposed to be reintroduced subject to certain conditions
- Bonus to corporate employees shall be taxed at 30% as separate block for tax year 2009 only in case of income exceeds Rs. 1 Million (Excluding Bonus).
- Salaried person deriving income exceeding Rs. 500,000/- per annum shall file return of income electronically alongwith wealth statement.
- Tax credit of 2.5% of tax to every manufacturer subject to conditions.
- Scope of revision of return of income is being restricted.
- In case of statement u/s. 115 filed wherein payment of tax made exceeding Rs. 20,000, the person other than company has to file wealth statement.
- Time limit prescribed to pass order by Commissioner (Appeals).
- Time period is being given to finalize proceeding in case of ADRC (Alternate Dispute Resolution Committee).
- Change of mechanism in working of advance tax u/s. 147 with reference to minimum tax u/s. 113 of the Income Tax Ordinance, 2001.
- Non profit organization is being included in the list of prescribed persons for withholding tax purpose u/s. 153 of the Income Tax Ordinance, 2001.
- Collector of Customs is being authorized to collect advance tax at the time clearing of goods exported.
- Firms given power to obtained information required for referred to conduct audit.
- Heavy amount to fine is proposed in case of various defaults.
- The board is being empowered to call records.
- Advance tax at the time of sale by auction introduced.
- Tax credit upto 50% of the taxable income of Rs. 750,000 which ever is low on account of interest payment on housing loans.
- In case of non corporate commercial / industrial consumer tax deducted on electricity bills exceeding Rs. 30,000 shall be adjustable u/s. 235.
- In Seventh Schedule amended whereby, banks are allowed deduction at the rate of 1% of classified advances.

- Cigarettes and pharmaceutical products distributors, withholding tax rate in respect of such taxpayer is being reduced from 3.5% to 1%.
- Income tax rate on indenting commission is being enhanced from 1% to 5%.
- Advance tax on all type of vehicles manufactured locally.
- Income tax is being increased at 5% tax on tax liability in case of individual and AOP whose taxable income rupees one million or more, this is one time tax for the Tax year 2009 only.
- Value of vehicle for the purpose of depreciation is being restricted to Rs. 1.5M.
- The facility of exemption u/s. 148 available to trading house is being withdrawn.
- The basic limit of exemption from income tax in respect of salaried persons is proposed to be increased from Rs.1,80,000 to Rs.2,00,000. In the case of women salaries taxpayers, this limit is proposed to be increased from Rs.2,40,000 to Rs.2,60,000.
- Presently, receipts form accumulated balance of voluntary pension scheme is exempt up to 25% of the available balance. The said limit is proposed to be enhance to 50%.
- In case of claim of refund the tax payer will be required to furnish a copy of challan and other relevant document.
- An amendment is being proposed in section 124 of the Income Tax Ordinance, 2001 by virtue of which the taxpayers would be provided the facility of filing appeal against the reassessment order.
- An amendment is being proposed in section 115 of the Income Tax Ordinance to provide for filing of revised statement by the tax payer on account of any omission or wrong statement of particulars of income.
- The motor vehicle registration authorities are being empowered to collect advance tax payable on purchase of a new locally manufactured motor vehicle at the time of registration of such vehicle.
- It is being made mandatory that the taxpayers who are required to file wealth statement shall also file wealth statement reconciliation giving necessary details and documents in support thereof.
- An amendment is being proposed in section 177 of the Income Tax Ordinance 2001 to empower the Commissioner of Income Tax to delegate powers to a chartered accountant firm for conducting audit of a taxpayer.
- It is proposed that any person owning immovable property with a land area having 500 sq. yards, flat having covered area 2000 sq.ft or owns a motor vehicle having engine capacity of 1000CC or more shall file return of income.
- Taxation Officers are being empowered to pass best judgment assessment orders in the cases of the taxpayers who failed to furnish statutory statement as required under section 115 of the Income Tax Ordinance, 2001.
- The rate of CVT on transfer of immoveable property is being enhanced from 2% to 4%.

SALIENT FEATURES

FEDERAL EXCISE ACT, 2005

- Reduction of Federal Excise Duty on cement from Rs. 900 / PMT to Rs.700/ PMT effective from 14th June 2009.
- Withdrawal of 5% Federal Excise Duty on motor cars effective from 14th June 2009.
- Reduction of Federal Excise Duty on telecommunication services from 21% to 19% effective from 1st July 2009.
- Enhancement of Federal Excise Duty on Cigarette.
- Levy of FED on advertisement in newspapers, periodicals, hoarding boards, pole signs, sign board and shop boards.
- Enhancement of rate of FED on insurance services from 10% to 16%.
- Levy of FED on fund services provided by banks at the rate of 16%.
- Levy of FED on services provided by the port and terminal operators including wharfage in respect of imports at the rate of 16%.
- Reduction in the period by which the Collector / Federal Excise Officer can extend the time limit for adjudication of cases under Sales Tax Act, 1990 and Federal Excise Act, 2005 respectively.
- Redefining the time period regarding reopening of any decision or order by the Board or Collector to three years.
- Regularization of the system of Alternate Dispute Resolution.
- Levy of FED on service provided by stock broker at the rate of 16%.
- Introduction of KIBOR as the rate of amount payable in addition to refund in case of delay in payment of refund of Excise.
- Harmonization of provisions regarding appeals to Appellate Tribunal under Federal Excise Act, 2005 with Customs Act, 1969.

CUSTOMS ACT, 1969

- Concession/exemption on pharmaceutical raw material, lifesaving drugs and cancer diagnostic.
- Exemption from customs duty on colostomy bags (PCT 3926.9050).
- Reduction of duty on mobile phones from Rs. 500/set to Rs. 250/set and removal of RD @ Rs. 250/set.
- Exemption of duty on Betain (PCT 2923.9010) for poultry industry.
- Exemption form duty on calf milk replace (CMR) from existing 20% duty rate.
- Exemption from duty on premix of micro nutrients (cattle fee premix) from 20% duty rate for dairy development.
- Reduction of duty from 10% to 5% on raw materials for manufacturing pre-fabricate steel buildings.
- Continuation of exemption of duty on import of Agricultural tractors.
- Reduction of duty on import Kits for 4-stoke auto-rickshaws from 32.5% to 20%.
- Extension in scope of exempted relief goods falling under chapter 99 of Customs Tariff.
- Increase in duty on hydrogen peroxide from 5% to 10% to protect local manufacturer.
- Increase in duty on Isobutyl Acetate from 5% to 20% to protect local manufacturer.
- Increase in duty on Welded stainless steel pipes from 5% to 15% to protect local manufacturer.
- Increase of duty on multi system air conditioners of capacity 5 tones and above from 10% to 35% plus regulatory duty @ 15%.
- Regulatory duty on as many as 397 items ranging from 15% to 50% vide SRO 482(I) 2009 effective from 14th June 2009.
- Reduction in concessionary rate by 5% on import of pharmaceutical packing materials (PVC rigid film and aluminum foil).
- Incentive for manufacturing of LPG, CNG dispensers and energy efficient door and windows.
- Reduction of duty from 10% to 5% on CRC black plate for manufacture of tin plate.
- Reduction of duty on raw materials of transformers and control panels.
- Exemption from duty on import of linear alkyl benzene from 5%.
- Increase of duty on import of Spark Plugs and Wire Condensers from 5% to 10%.
- Increase in duty on plastic sanitary ware from 20% to 25%. Continuation of 5% CD rate of SKD kits for LCD/Plasma TVs manufacturers for further period of one year.
- Increase in scope of exemptions on import of solar equipments.
- Exemption on steel tubes for manufacturing of CNG cylinders.
- Increase of duty on tufted carpets from 10% to 15% to avoid misdeclaration with other types of carpets.

SALIENT FEATURES

- Rationalization of duty on silicon sealant.
- Exemption on imports for manufacturing parts/components for engineering sector.
- Increase in duty on conductors falling under PCT code 8544.6000 from 20% to 25%.
- Partial waiver of exemption of RD for manufacturers of sack Kraft papers bags.
- Inclusion of condition “Not manufactured locally” in SRO 656(1)/06 for OEMS.
- Freezing duty structure on cars/Jeeps and LCVs for a period of one year.
- Regulatory duty @ 10% on Pigment thickener is merged in Tariff.
- Rationalization of duty on unglazed ceramic tiles to bring duty incidence at par with that on glazed tiles.
- Rationalization of duty on Spin finish oil to check misdeclaration.
- Rationalization of duty on LED panels to check misdeclaration.
- Rationalization of duty rate on carbon black of rubber grade and other.
- Uniform rate of duty on Cameras of PCT 8525.8000 to avoid misdeclaration.
- Rationalization of duty on rolling coating printing ink.
- Rationalization of duty on printed aluminum foil to avoid misdeclaration.
- Increase in duty on residue oil (PCT Code 2713.9090) from 10% to 15%.
- Rationalization of duty rate on import of cinematographic films from 5%ad.val. 5%ad.val plus Rs. 5 per meter.
- Improvement in Tariff Based System for vehicles:
 - Customs Duty on CBU motorcycles is proposed to be reduced from 70% to 65%.
 - Customs Duty on non-localized components and sub-assemblies of motorcycles is proposed to be reduced from 20% to 15%.
 - Additional Duty of 32.5% is proposed to be increased on four localized parts of motorcycles to protect local vendor industry;
 - Customs Duty on five non localized components used in the manufacture of ‘Trailer’ is proposed to be reduced from 15% to 5% to promote local manufacturing of Trailers;
 - Tyres have been included in TBS on statutory rate of duty.
 - Change in description of PCT CODES 3824.9094 and 7228.3010.
 - Correction of PCT codes of Polyamides based paints and CNG buses.
 - Creation of separate PCT code for cryogenic tanks and secondary quality steel sheets falling under PCT code 7210.5000.
- Continuation of regulatory duty on luxury / non-essential goods.
- Non change in duty structure on cars/jeeps and LCVs for a period of one year.
- Streamlining of Customs Valuation System.
- Definition of “documents” is being amended to include certificate of country of origin, Vessel Information Report (VIR), Carrier Declaration Information.

- Definition of KIBOR (Karachi Inter Bank Offered Rate) is being added for purpose of the Act and surcharge rates have been prescribed as KIBOR plus three per cent per annum in Sections 21A, 83, 86 and 202A.
- Due to increase in prices of gold and other precious items, the limit for taking cognizance under the smuggling related provisions is being enhanced from Rs. 50,000 to 200,000.
- A proviso is being added to section 15 so that offences relation to goods imported or exported in violation of intellectual property rights shall be adjudicated by appropriate officer of customs.
- Section 25A is being amended to empower Director Customs Valuation to determine customs value on his own motion to control under invoicing more effectively.
- Section 32 is being amended to curb the tendency of deliberate wrong self assessment and less payment of revenue through computerized clearance system.
- Section 33 is being amended so that no refund shall be allowed if sanctioning authority is satisfied that incidence of customs duty and other levies has been passed to the buyer or consumer.
- Section 155F is being amended to empower Collector to immediately suspend Unique Use Identifier on information of misuse of the same. However, the Collector of Customs shall, after giving opportunity of hearing, pass an order confirming suspension or otherwise the use of Unique User Identifier.
- Section 179 is being amended so that Principal Appraiser and Superintendent of Customs are empowered to adjudicate petty cases not exceeding Rs. 50,000. Moreover, the time limit for finalization of adjudication shall commence from the date of issuance of show cause notice and period of adjournments by the party etc shall be excluded for computation of time limit.
- Section 194B is being amended that Appellate Tribunal shall not pass stay order for suspending recovery of duty and taxes without providing opportunity of hearing to respondents and such stay shall not exceed 180 days.
- Section 195 is being amended to enhance the period of reopening of cases from two to three years.