

SALIENT FEATURES BUDGET 2010-11

SALES TAX ACT, 1990

The amendments are applicable from July 01, 2010 specified otherwise.

- Value Added Tax (VAT) is proposed to be effective from October 1, 2010.
- Increase in the rate of sales tax by 1% across the board effective from July 1, 2010.
- Amendments made through Finance (Amendment) Ordinance, 2009 have been given legal cover to become part of the Act.
- No need to issue audit report/contravention in case proceeding u/s. 25 of the Sales Tax Act, 1990.
- The Board has been empowered to select cases for audit through computer balloting.

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INCOME TAX

- Withholding tax at import stage in case of commercial importer is proposed to be increased from 4% to 5%.
- Withholding tax @ 0.3% has been proposed on banking transaction including demand draft, pay order, online transfer, telegraphic transfer, CDR, STDR, RTC, or the sum total of the payments for such truncations in a day, exceeds Rs. 25,000/-. This is in addition to cash withdrawal.
- Individual having turnover exceeding Rs. 50 million has been prorated to be included in the list of prescribed person for the purpose of withholding tax u/s. 153 of the Income Tax Ordinance, 2001.
- Exemption on capital gain on sale of shares of the listed companies has been withdrawn.
- Rate of income tax in case of AOP @ 25% of total income.
- Minimum turnover tax has been enhanced from 0.5% to 1%, AOP and individual having turnover exceeding Rs. 50 million have also been covered under this regime.
- Basic exemption in case of salary and business person is proposed to be enhanced to Rs. 300,000/-.
- 100% depreciation expense is proposed to be allowed on Ramp built to provide access to disabled persons.

- AOP has been brought at par with a company for the purpose of advance tax u/s. 147 of the Income Tax Ordinance, 2001.
- Threshold limit for advance tax in case of individual has been enhanced to Rs. 500,000/-.
- 5% tax credit is proposed to be allowed to a company in the tax year of its enlistment.
- 10% withholding tax deductible on Government Securities is proposed to be a final tax.
- Maximum rate of withholding tax in case of non-resident person reduced from 30% to 20%.
- Withholding tax on gross value of Inland Air Ticket has been proposed @ 5%. Under the scheme the Inland Air-Ticketing persons shall withholding the tax, which will be adjustable against the tax liability of the purchaser of such ticket.
- Withholding tax by stock exchange shall be adjustable instead of minimum tax liability.
- Income from property has been proposed to be excluded from FTR, however, the income shall be subject to reduced existing rate.
- The mandatory requirement of filing of wealth statement by the taxpayers in FTR cases with yearly tax amounting to Rs. 35,000/- is proposed to be included in Section 116 of the Income Tax Ordinance, 2001.

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- Quarterly advance tax payments are paid by 25th of last month, as compared to earlier requirement of such payments by 15th of every month after the end of a quarter.
- Board has assumed power to select cases for audit through computer balloting in addition to already power rests with the Commissioner u/s. 177 of the Income Tax Ordinance, 2001.
- Certain relieves is proposed to be given to industrial and commercial taxpayers of Khyber Paktunkhwa, FATA & PATA.
- For the wellbeing of listed company a Tax credit of BMR costs incurred by such a company is proposed to be provided @ 10% for the tax year of its incurrence. This concession has been proposed to be admissible for the tax years 2011 to 2015;
- Various amendments with reference to re-designation of authorities, nomenclature of appellate forum were made through finance (Amendment) Ordinance, 2009 to cater inland revenue reform in order to give legal cover, the same have been made part of Finance Bill 2010, with immediate effect.
- Scope of Section 111 of the Income Tax Ordinance, 2001, is proposed to be enlarged.
- No appeal shall lie against penalty order.

- Various penalties have been proposed for different nature of offence inline with Sales Tax Act, 1990.

- Exemption from taxation of perquisites on waiver of employees obligation to pay or repay, and amount owed to employer, is proposed.

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FEDERAL EXCISE ACT, 2005

- Withdrawal of restriction on adjustment of Federal Excise Duty paid on beverage concentrate.
- Levy of Federal Excise Duty @ Rs. 1/- per filter rod for cigarettes is aimed at realization of revenue on sale of filter rods of unregistered and illicit manufacturer of cigarettes, effective from June 6, 2010.
- Increase rate of Federal Excise Duty on Natural Gas from Rs. 5.09 per MMBTu to Rs. 10/- per MMBTu, effective from July 1, 2010.
- Levy of 10% Federal Excise Duty on electricity intensive home appliances.

CUSTOMS ACT, 1969

- Reduction of customs duty on crude palm oil from Rs. 9,000/MT to Rs. 8,000/MT to decrease cost of vegetable ghee and oil
- Exemption of customs duty on import of photographic plates and film for x-ray to lower cost of medical diagnoses for general public.
- Reduction of duty to 5% on pharmaceutical raw material and drugs to provide relief to common man.
- Reduction of duty on equipment for dedicated use of renewable energy to encourage use of renewable energy resources.
- Reduction of duty on raw materials for laundry soap and detergent to provide relief to general public.
- Concession of customs duty on import of Road Sweeping Lorries to increase efficiency of municipal and local governments.
- Exemption of customs duty on import of fully dedicate LPG buses and dispensing equipment to encourage use of cheaper environment friendly fuel.
- Exemption of customs duty on import of raw material/components for energy saving lamps to support its local manufacturers.

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- Exemption of customs duty and sales tax on rice processing machinery to boost value addition and export of rice.
- Reduction of duty on raw materials of leather industry to encourage leather exports.
- Reduction of duty on raw materials of glass industry to make them more competitive.
- Reduction of duty on secondary quality tin mill black plate for manufacturers of tin plate to reduce their manufacturing cost.
- Exemption of duty on milk filters to support dairy industry.
- Exemption of duty on other than pure bred breeding animals to bring their duty at par with pure bred breeding animals.
- Exemption of duty on silk yarn spun from other than silk waste to rationalize tariff.