

SENATE SECRETARIAT

REPORT OF THE STANDING COMMITTEE ON FINANCE, REVENUE, ECONOMIC AFFAIRS, STATISTICS AND PRIVATIZATION ON THE TAX LAWS (AMENDMENT) BILL, 2016

I, Senator Saleem Mandviwala, Chairman Standing Committee on Finance, Revenue, Economic Affairs, Statistics and Privatization, have the honour to submit, on behalf of the Committee, this report on the Tax Laws (Amendment) Bill, 2016, referred by the House on 8th September, 2016, to the Committee for consideration and report.

2. The composition of the Standing Committee is as under: -

(1)	Senator Saleem Mandviwala	Chairman
(2)	Senator Ilyas Ahmed Bilour	Member
(3)	Senator Muhammad Mohsin Khan Leghari	Member
(4)	Senator Muhammad Talha Mahmood	Member
(5)	Senator Nasreen Jalil	Member
(6)	Senator Kamil Ali Agha	Member
(7)	Senator Islamuddin Shaikh	Member
(8)	Senator Ms. Ayesha Raza Farooq	Member
(9)	Senator Sardar Fateh Muhammad Muhammad Hassani	Member
(10)	Senator Mushahid Ullah Khan	Member
(11)	Senator Saud Majeed	Member
(12)	Senator Mohsin Aziz	Member
(13)	Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization	Ex-Officio Member

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3. The Committee considered the said Bill clause by clause in its afternoon meeting held on 16th September, 2016, at Parliament House, Islamabad, which was attended by the following, namely:-

(1)	Senator Saleem Mandviwala	Chairman
(2)	Senator Muhammad Mohsin Khan Leghari	Member
(3)	Senator Mushahid Ullah Khan	Member
(4)	Senator Mohsin Aziz	Member
(5)	Senator Sardar Fateh Muhammad Muhammad Hassani	Member

5. After detailed deliberations, the Committee proposed the following amendments in the said Bill:-

CLAUSE 3

i. that in Clause 3, in sub-clause (6), in paragraph (a), in the proposed proviso to sub-section (1) of Section 236C :-

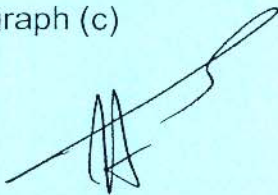
(a) the words **"a Shaheed belonging to Pakistan Armed Forces or"**, occurring in the second and third lines, shall be omitted; and

(b) the words **"Shaheed or"**, occurring in the ninth lines, shall be omitted;

ii. that in Clause 3, in sub-clause (6), after the proposed paragraph (a), the following new paragraph shall be added, namely:-

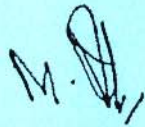
"(b) national and international award winning artist, author, sports personality"; and

iii. that in Clause 3, in sub-clause (6), the proposed paragraph (b), shall be re-numbered as paragraph (c)

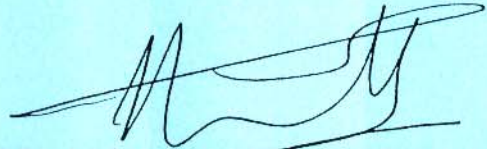


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5. The Committee recommends that the proposed recommendations shall be transmitted to the National Assembly as required under Article 73 of the Constitution. The Bill as laid in the Senate is annexed.



(MUHAMMAD TAHIR KHAN)
Secretary (Committee)



(SENATOR SALEEM MANDVIWALLA)
Chairman (Committee)

Islamabad, the
16th September, 2016

SENATE SECRETARIAT

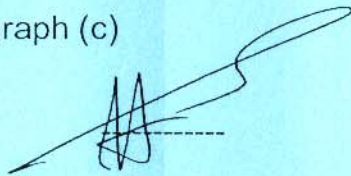
RECOMMENDATIONS OF SENATE OF PAKISTAN IN THE
TAX LAWS (AMENDMENT) BILL, 2016

The Senate of Pakistan recommends to the National Assembly that the following amendments shall be made in the Tax Laws (Amendment) Bill, 2016:-

CLAUSE 3

- i. that in Clause 3, in sub-clause (6), in paragraph (a), in the proposed proviso to sub-section (1) of Section 236C :-
 - (a) the words **"a Shaheed belonging to Pakistan Armed Forces or"**, occurring in the second and third lines, shall be omitted; and
 - (b) the words **"Shaheed or"**, occurring in the ninth lines, shall be omitted;
- ii. that in Clause 3, in sub-clause (6), after the proposed paragraph (a), the following new paragraph shall be added, namely:-

"(b) national and international award winning artist, author, sports personality"; and
- iii. that in Clause 3, in sub-clause (6), the proposed paragraph (b), shall be re-numbered as paragraph (c)



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ORDINANCE NO.V OF 2016

AN

ORDINANCE

further to amend certain tax laws

WHEREAS it is expedient further to amend certain tax laws
for the purposes hereinafter appearing;

AND WHEREAS the Senate and the National Assembly are
not in session and the President is satisfied that circumstances exist
which render it necessary to take immediate action;

NOW, THEREFORE, in exercise of the powers conferred by clause (1) of Article 89 of the Constitution of the Islamic Republic of Pakistan, the President is pleased to make and promulgate the following Ordinance:—

1. **Short title and commencement.**—(1) This Ordinance may be called the Tax Laws (Amendment) Ordinance, 2016.

(2) It shall come into force at once, except section 2, which shall have effect from the first day of July, 2016.

2. **Amendment of Sales Tax Act, 1990.**—In the Sales Tax Act, 1990, in section 2, in clause (14),—

- (a) in sub-clause (c) the word “and” at the end shall be omitted; and
- (b) after sub-clause (c), amended as aforesaid, the following new clause shall be inserted, namely:—

“(d) provincial sales tax levied on services rendered or provided to the person; and”;

3. **Amendment of Ordinance XLIX of 2001.**—In the Income Tax Ordinance, 2001 (XLIX of 2001),—

- (1) after section 5A, the following new section shall be inserted, namely:—

“5AA. **Tax on return on investments in sukuk.**—(1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IIIB of Part I of the First Schedule, on every person who receives a return on investment in *sukuk* from a special purpose vehicle.

- (2) The tax imposed under sub-section (1) on a person who receives a return on investment in *sukuk* shall be computed by applying the relevant rate of tax to the gross amount of the return on investment in *sukuk*.

- (3) This section shall not apply to a return on investment in *sukuk* that is exempt from tax under this Ordinance.”;

- (2) in section 8, after the figure “5A”, occurring twice, the comma and figure “, 5AA” shall be inserted;

- (3) in section 28, in sub-section (2), after the word “securitization” the words “or issuance of *sukuk*” shall be inserted;

- (4) after section 150, the following new section shall be inserted, namely:—
- “150A. **Deduction of tax by special purpose vehicle.**—Every special purpose vehicle making payment of a return on investment in *sukuks* to a sukuk holder shall deduct tax from the gross amount of return on investment at the rate specified in Division IB of Part III of the First Schedule.”;
- (5) in section 153, in sub-section (5), in clause (g), after the word “receivables” the words “or issuance of *sukuks*” shall be inserted;
- (6) in section 236C,—
- (a) in sub-section (1), for the full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:—
- “Provided that this sub-section shall not apply to a seller, being the dependant of a *Shaheed* belonging to Pakistan Armed Forces or a person who dies while in the service of the Pakistan Armed Forces or the service of Federal or Provincial Government, in respect of first sale of immovable property acquired from or allotted by the Federal Government or Provincial Government or any authority duly certified by the official allotment authority, and the property acquired or allotted is in recognition of or for services rendered by the *Shaheed* or the person who dies in service.”; and
- (b) sub-section (4) shall be omitted;
- (7) in the First Schedule,—
- (a) in Part I, after Division IIIA, the following new Division shall be inserted, namely:—

“Division IIIB

Rate of Tax on Return on investment in *sukuks* received from a special purpose vehicle

The rate of tax imposed under section 5AA on return on investment in *sukuks* received from a special purpose vehicle shall be—

- (a) 25 % in the case the *sukuk*-holder is a company;

- (b) 12.5% in case the *sukuk*-holder is an individual or an association of person, if the return on investment is more than one million; and
- (c) 10% in case the *sukuk*-holder is an individual and an association of person, if the return on investment is less than one million.”; and
- (b) in Part III, after Division IA, the following new Division shall be inserted, namely:—

“Division IB

Return on Investment in *Sukuks*

The rate of tax to be deducted under section 150A shall be—

- (a) 15% in case the *sukuk*-holder is a company;
- (b) 12.5% in case the *sukuk*-holder is an individual or an association of person, if the return on investment is more than one million;
- (c) 10% in case the *sukuk*-holder is an individual and an association of person, if the return on investment is less than one million; and
- (d) 17.5% in case the *sukuk*-holder is a non-filer”; and
- (8) in the Second Schedule,—
 - (a) in Part I, in clause (136), in the proviso, after the word “securitization” the words “or redemption of *sukuks*” shall be inserted; and
 - (b) in Part IV, in clause (38),
 - (i) for the figure and word “and 233” the comma, figures and word “,233 and 236Q” shall be substituted; and
 - (ii) after the word “securitization” the words “or issue of *sukuks*” shall be added.

STATEMENT OF OBJECTS AND REASONS

To provide adjustment of provincial sales tax paid on services as an input tax against output tax liability under the Sales Tax Act, 1990 so as to reduce cost of doing business in the country. Moreover, allowing input tax on services will reduce prices of commodities and inflation which at present is in single digit.

2. To remove the ambiguity and clarify section 236C of Income Tax Ordinance, 2001, regarding exemption from withholding tax at the time of sale of immovable property by the dependents of *shaheeds* belonging to Pakistan Armed Forces and those who die while in the service of the Pakistan Armed Forces or the Federal and Provincial Governments, so as to restrict the provision to the intended scope.
3. To promote shariah compliant products and to bring parity between conventional Term Finance Certificates (TFCs) issued against securitization of receivables in Special Purpose Vehicle (SPV) structure and shariah compliant companies issuing Sukuks against fixed assets under Sukuk Regulations, 2015. Similar tax treatment is intended to be given to the shariah compliant companies issuing sukuku through special purpose vehicles as is given to the companies issuing TFCs through special purpose vehicle.
4. The amendments are being introduced with immediate effect through promulgation of Ordinance in order to remove hardship to the taxpayers and collect revenues without any loss of time.

The Ordinance seeks to amend Sales Tax Act, 1990 and Income Tax Ordinance, 2001.

Senator Mohammad Ishaq Dar
Minister for Finance, Economic Affairs,
Revenue, Statistics and Privatization