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PART I

Acts, Ordinances, President's Orders and Regulations

GOVERNMENT OF PAKISTAN
MINISTRY OF LAW AND JUSTICE

Islamabad, the 31st August, 2016

No. F. 2(1)2016-Pub.— The following Ordinance promulgated by the President is hereby published for general information:—

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;

(775)

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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 sukuks.**—(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 *sukuks* from a special purpose vehicle.

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

(3) This section shall not apply to a return on investment in *sukuks* 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 *sukuks*” 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.

MAMNOON HUSSAIN,
President.

NYLA QURESHI,
Acting Secretary.