

SENATE OF PAKISTAN

REPORT NO.12 OF 2019



House of the Federation

**REPORT OF THE STANDING COMMITTEE ON FINANCE,
REVENUE AND ECONOMIC AFFAIRS**

ON

**THE FINANCE SUPPLEMENTARY (SECOND AMENDMENT)
BILL, 2019**

PRESENTED BY

SENATOR FAROOQ HAMID NAEK

SENATE SECRETARIAT

REPORT OF THE STANDING COMMITTEE ON FINANCE, REVENUE AND ECONOMIC AFFAIRS ON THE FINANCE SUPPLEMENTARY (SECOND AMENDMENT) BILL, 2019

The Finance Supplementary (Second Amendment) Bill, 2019, was presented in the National Assembly on 23rd January, 2019, by Mr. Asad Omer, Minister for Finance, thereafter, on the same day a copy of the said Bill, was laid in the Senate to make recommendations thereon, to the National Assembly under Article 73 of the Constitution, to the National Assembly.

2. The proposals were invited from the members of the Senate so as to reach by Friday, the 25th January, 2019, at the latest. The Honourable Chairman Senate announced that the proposals received for making recommendations on the Finance Supplementary (Second Amendment) Bill, 2019, shall be sent to the Senate Standing Committee on Finance, Revenue and Economic Affairs, which shall examine them and present its report to the House.

3. Notices of 90 proposals were received from the members which were referred to the Standing Committee on Finance, Revenue and Economic Affairs for consideration and report.

4. During the meeting held on 30th January, 2019, at 11.00 a.m., while considering the said Bill, the Committee expressed serious reservations on the absence of Minister for Finance, Revenue and Economic Affairs, Minister of State for Revenue, Secretary Finance and the Chairman FBR. All the Committee Members were of the considered opinion that a Standing Committee is the extension of the Parliament which is a supreme institution of the country and the business of the Standing Committees should be given first priority by all the executives. Thereafter, the Committee adjourned the meeting till 12.00 noon.

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5. The Committee again met at 12.00 noon, during which the Chairman Committee opined that the meeting was postponed due to the absence of the Finance Minister, Secretary Finance and the Chairman FBR so that a valuable discussions could be made on the most important issue i.e. the Finance Supplementary (Second Amendment) Bill, 2019. The Committee was of the considered opinion that presence of the executives was an essential requirement as prescribed in the Rules of Procedure and Conduct of Business in the Senate, 2012. Since the measures taken through the said Bill was to provide relief to the local industries so that the exports of the country could be enhanced, therefore, the presence of the Minister for Finance, Minister of State for Revenue and the Chairman FBR was essential to brief the Committee objects and reasons of the amendments proposed in the said Bill. As all the above persons were again absent, the meeting of the Committee was again adjourned till 02.30 p.m. with the direction that atleast Minister of State for Revenue and the Chairman FBR must be present in the meeting.

6. The Committee considered the Finance Supplementary (Second Amendment) Bill, 2019, clause by clause, and the recommendations of each Senator were considered and deliberated upon. While considering sub-clause (5) of clause 4, of the Bill, Senators Muhammad Talha Mahmood, Imam-ud-Din Shouqeen, Mian Muhammad Ateeq Shaikh and Sherry Rehman, voted for omission of sub-clause (5), while Senators Mohsin Aziz & Dilawar Khan voted in favour. The Committee recommended by majority that sub-clause (5) of clause 4 of the Bill shall be omitted. Regarding sub-clause (12) of clause (4) of the Bill, the Committee unanimously recommended that in clause (4), in sub-clause (12), in paragraph (C), sub-paragraph (d) & sub-paragraph (f), shall be omitted and directed the FBR to bring an appropriate amendment for sub-paragraph (f), through Finance Bill, 2019-20.

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7. The following attended the meetings:-


| | | |
|-------|--|-------------------|
| (1) | Senator Farooq Hamid Naek | Chairman |
| (2) | Senator Ayesha Raza Farooq | Member |
| (3) | Senator Dilawar Khan | Member |
| (4) | Senator Muhammad Talha Mahmood | Member |
| (5) | Senator Imam-ud-Din Shouqeen | Member |
| (6) | Senator Mohsin Aziz | Member |
| (7) | Senator Aurangzeb Khan | Member |
| (8) | Senator Mian Muhammad Ateeq Shaikh | Member |
| (9) | Senator Sherry Rehman | Member |
| (10) | Muhammad Hammad Azhar Minister of State for Revenue | Ex-Officio Member |
| <hr/> | | |
| (11) | Senator Sirajul Haq | Mover |
| (12) | Senator Kalsoom Parveen | Mover |
| (13) | Senator Muhammad Usman Khan Kakar | Mover |
| (14) | Senator Khanzada Khan | Mover |

The list of other participants from various ministries/divisions and departments is annexed.

8. The proposals of Members of the Senate referred to the Standing Committee on Finance, Revenue and Economic Affairs are at **Annex-A**. The recommendations finalized by the Committee placed at **Annex-B** may be adopted by the House. The Committee also gave approval for presentation of this report in its meeting held in the evening of 31st January, 2019.



(MUHAMMAD TAHIR KHAN)
Secretary (Committee)



(SENATOR FAROOQ HAMID NAEK)
Chairman (Committee)

Islamabad, the
31st January, 2019

**PROPOSALS OF MEMBERS OF THE SENATE OF PAKISTAN TO
THE FINANCE SUPPLEMENTARY (SECOND AMENDMENT)
BILL, 2019**

(1). SENATOR KALSOOM PARVEEN

1. Tax on coal being extracted from the province of Baluchistan be revised keeping in view the difficulties and overhead expenditure in extracting the coal from the mines of Baluchistan.

Recommended (for reduction in tax)

2. At least 5 billion rupees be released to the province of Baluchistan for construction of the Check and Small Dams in the province.

Recommended (For release of Rs.5 billion before 30th June, 2019 in light of the assurance given by the Joint Chief Economist, Planning, Development and Reforms Division)

3. Rs.300 per kilo gram tax levied on the tobacco should be brought back to the previous value as the enhancement has devastated the growers and local manufactures and small enterprises related to the tobacco.

Unanimously recommended

4. Funds should be allocated for the construction of a cancer hospital at Quetta.

Withdrawn

5. Like auto sector, real estate sector be also facilitated by removing ban on the non-filers for purchasing property valuing more than 5 million rupees because this ban has devastated the real estate business.

Withdrawn

6. An overall concession in all taxes should be offered to the residents the province of Baluchistan on the analogy of the FATA keeping in view the poverty of the people.

Withdrawn (With the recommendation that it will be taken up later as an agenda item for in-depth discussion)

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(2). SENATOR TAJ MUHAMMAD AFRIDI

1. It is recommended that the government should adopt international standards for imposing taxes and levies on mobile phone devices. The current initiative that has been introduced by the government will severely impact the local business and millions of people travel abroad for tourism including religious tourism (Hajj, Umrah etc.). Such tourists will bring cheap android sets resulting in slowing down the local business.

The Policy is unjustified and will not only cause loss to the local industry but also deprive a huge population to have access to android sets as the locally available mobile phones would be more expensive.

Not Recommended

(3). SENATORS SIRAJUL HAQ AND MUSHTAQ AHMED

1. It is recommended that in order to take immediate steps for making interest free economy of the country necessary amendments may be carried out in the Finance Supplementary (Second Amendment) Bill, 2019.

Not Recommended

2. That in the Finance Supplementary (Second Amendment) Bill, 2019, in Clause 3, Sub-Clause (1) shall be omitted.

Not Recommended

3. That in the Finance Supplementary (Second Amendment) Bill, 2019, in Clause 4, in Sub-Clause (11), in Paragraph (C), in sub-paragraph (d), for proviso the following shall be substituted namely:-

"Provided that rates of tax for the function of marriage in marriage hall, marquee or a community place where the marriage function is arranged, shall be as under:-

Table I

| Sr. No. | Detail of expenses on function | Tax percentage |
|---------|---|----------------|
| 1. | If the charges of program are Rs.250000 or less | 1% |
| 2. | If the charges of program are Rs.450000 or less | 2% |
| 3. | If the charges of program are more than Rs.450000 | 5% |

Not Recommended

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(4). SENATOR AURANGZEB KHAN

1. The Senate of Pakistan recommends to the National Assembly that 3% share of NFC award should be given to FATA.

Not Recommended

2. The Senate of Pakistan recommends to the National Assembly that the quota for admissions in schools for FATA may be made doubled.

Not Recommended

3. The Senate of Pakistan recommends to the National Assembly that interest free loans may be granted to the youth of FATA for the purpose of business.

Not Recommended

4. The Senate of Pakistan recommends to the National Assembly that the constitutional quota of FATA for the provincial assembly of KPK may be enhanced up to 2 seats as the public of the Orakzai Agency were deprived during recent population census.

Not Recommended

(5). SENATORS USMAN KHAN KAKAR AND DR. JEHANZEB JAMALDINI

1. Following amendment in the Members of Parliament (Salaries and Allowances) Act, 1974 (XXVII of 1974), may be carried out in the Finance Supplementary (Second Amendment) Bill, 2019.

Amendment of the Members of Parliament (Salaries and Allowances) Act, 1974 (XXVII of 1974).— In the Members of Parliament (Salaries and Allowances) Act, 1974 (XXVII of 1974), the following amendments shall be made, namely:-

- (1) In Section 10, for existing sub-sections (2) & 2 (A), the following shall be substituted, namely:-

“(2) A member shall, in addition to the vouchers referred to in sub-section (1), be entitled to the cash value of twenty five business class open return air tickets from the airport nearest to his constituency to Islamabad, on quarterly basis.”

Recommended



2. It is recommended that three difference slabs be made for tariff on natural gas in Baluchistan for domestic consumers i.e. from 0 to 500 mcf, 501 to 1000 mcf, and 1001 mcf & above.

Recommended

3. It is recommended that agricultural loans presently outstanding against the farmers in Baluchistan be waived off in view of the deteriorating condition of agricultural sector due to law and order situation, low water level and excessive load-shedding in that province. August House has already passed a resolution in that regards in October, 2018.

Recommended

(6) SENATOR SALEEM MANDVIWALLA

1. The Senate of Pakistan recommends that the local supply of Soyabeen meal be exempted from sales tax.

Not Recommended

2. The Senate of Pakistan recommends that the custom duty on CDSO (PCT Heading 1507.1000) be increased to Rs.15000/MT to bring it in line with its replacement products and thereby support local production of those products.

Recommended

3. The Senate of Pakistan recommends that the entire edible oil sector be excluded from the provision of Sections 65(D) & 65(E) of Income Tax Ordinance, 2001.

Not Recommended

(7) SENATOR KHANZADA KHAN

1. The Senate of Pakistan recommends Section 182(A) of the Income Tax Ordinance, 2001, shall be omitted.

Not Recommended

2. The Senate of Pakistan recommends that an Interim Relief Allowance @ 10% of basic salary may be granted to all government employees keeping in view present price hike prevailing in the country, adjustable in the increase of salary and allowances, if made, in the budget 2019-20.

Recommended

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(8) **SENATOR MUHAMMAD TALHA MAHMOOD**

1. It is proposed that the government should continue to impose regulatory duty on export of recycled materials like lead under DTRE scheme/manufacturing bond, in order to consider not allowing Pakistan as dumping ground for hazardous metals from all around the world under umbrella of DTRE/manufacturing bond. As per past experience of misuse of DTRE /manufacturing bond caused huge loss to the exchequer. Recycled materials under DTRE/manufacturing bond are hazardous in nature and required strict compliance of BASEL convention.

Recommended

2. It is proposed that refund of sales tax in the shape of promissory notes on the option of taxpayers as well as for income tax refunds, should be allowed. This will solve working capital issue for zero rated export industry whereas industry which deals in local business may not get any benefit.

Withdrawn

3. It is proposed that the Government should ensure to add electric accumulators and parts falling under HS Code 85.07 in the list of export items from Pakistan to China under Pak China free trade agreement to support local Pakistani manufacturers.

Recommended

4. It is proposed that Government should make the powers of Commissioner Inland revenues non-discretionary for tax payers, empowered through section 170 of Income Tax ordinance 2001 and Section 10 of Sales Tax Act 1990 to determine and adjust income tax or sales tax refunds against each other. This power with Commissioners is discretionary. Once the refund is determined, it should be refunded/adjusted on the discretion of tax payers.

Withdrawn

5. It is proposed that the government should devise an immediate claim release mechanism to support non-textile exporters as per SRO 711 (I)/2018 dated 8 June 2018, issued by M/o Commerce, for non- textile exporters in order to facilitate export of non-textile goods. The procedure under said SRO requires submission of claims from representative bank to State Bank of Pakistan. However, to-date representative banks are not updated by State Bank of Pakistan upon procedure and processing of drawback claims.

Recommended

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6. Hattar Industrial Estate harbors more than 200 factories and contributes over PKR 70 Billion in national exchequer. To improve road links between Taxila and Haripur, it is pertinent to mention that TAXILA – HARIPUR via KHANPUR ROAD is under construction but it is without bridges and road subsurface water drainage lines. It is recommended to also construct bridges and road subsurface water drainage lines. Because without that repair of this road is useless. The road link should cater for connectivity to HATTAR. **This already been proposed in BUDGET RECOMMENDATIONS 2010-2011, 2011-12, 2012-13, 2013-14 , 2014-15, 2015-16, 2016-17 , 2017-18 & 2018-19**

Recommended (As per assurance given by Additional Secretary, M/o Communications regarding completion by May, 2019)

7. It is proposed that the work for widening the road in front of Taxila Museum should be started immediately. Since the Khan Pur road has been constructed but from the beginning of the road (from Taxila Museum) and in the end of Khan Pur road the construction work is not up to the standard. This project was promised by Chairman NHA Shahid tarar in 2017 before standing committee of senate that this will be completed but he failed to fulfill his commitment.

Recommended

8. It is proposed that all the roads of Hattar should be reconstructed as soon as possible to facilitate transportation for general public. Since all the roads in Hattar Industrial Estate are in very worst condition This industrial Estate pays a huge amount of revenues to Government.

Provincial Subject

9. It is proposed that to reduce distance and the access of remote of CLINGER, a bridge should be constructed from MOZA CHAKANI to MURRADPUR located at CHAPAR ROAD CLINGER, DISTRICT HARIPUR. This has already been proposed in BUDGET RECOMMENDATIONS 2010-2011, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18 & 2018-19

Provincial Subject

10. It is proposed that 40 agriculture tube wells established at District Haripur to cultivate this fertile land. Has an average rainfall of 1200mm per year and is considered as one of the greenery areas of Pakistan. This has already been proposed in BUDGET RECOMMENDATIONS 2010-2011, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18 & 2018-19

Provincial Subject



