

# SENATE OF PAKISTAN



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



**REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE  
REVENUE AND ECONOMIC AFFAIRS ON “THE FINANCE  
(SUPPLEMENTARY) BILL, 2021”, REFERRED BY THE HOUSE IN ITS  
SITTING HELD ON 4<sup>TH</sup> JANUARY, 2022**

**PRESENTED BY  
SENATOR MUHAMMAD TALHA MAHMOOD  
CHAIRMAN**

## SENATE SECRETARIAT

### REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE REVENUE AND ECONOMIC AFFAIRS ON "THE FINANCE (SUPPLEMENTARY) BILL, 2021", REFERRED BY THE HOUSE IN ITS SITTING HELD ON 4<sup>TH</sup> JANUARY, 2022

I, Senator Muhammad Talha Mahmood, Chairman Standing Committee on Finance, Revenue and Economic Affairs have the honour to present, on behalf of the Committee, this report on the Bill titled "the Finance (Supplementary) Bill, 2021", referred by the Senate in its sitting held on 4<sup>th</sup> January, 2022 to the Committee for consideration and report.

2. The Finance (Supplementary) Bill, 2021 was presented in the Senate on 4<sup>th</sup> January, 2022, by Senator Shaukat Fayaz Ahmed Tarin, Minister for Finance. On a motion moved by the Minister for Finance, the Senate was asked to make recommendations thereon, under Article 73 of the Constitution, to the National Assembly.

3. At the outset of the first meeting, the Chairman FBR, gave a detailed presentation to the Committee on the overall purpose and broad contours of the supplementary finance bill. He informed that in order to reform the tax system exemptions worth Rs.343 billion have been withdrawn. Moreover, for the protection of marginalized segments of the society government will provide them targeted subsidy through social security programs.

4. The Standing Committee held its meetings on 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, and 10<sup>th</sup>, January, 2022, respectively at Parliament House, Islamabad. The Committee considered the Finance Supplementary Bill, 2021, clause by clause, and proposed various amendments and recommendations. In addition, the Committee also heard representatives from private sector and considered their proposals. The Committee held six meetings for four consecutive days and formulated following recommendations (Annexure A).

5. The composition of the Committee is as under:

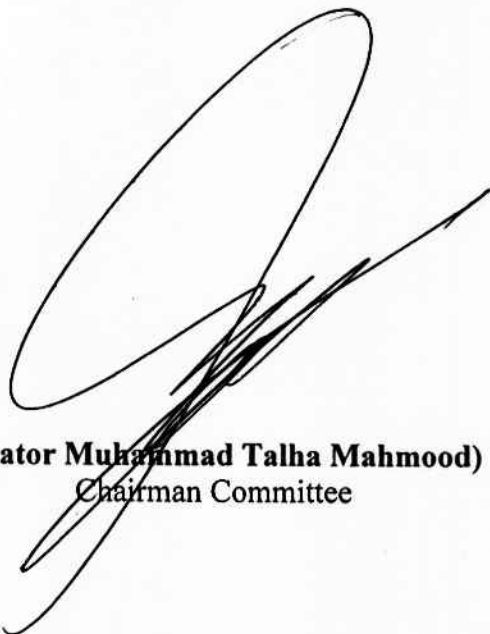
1. Senator Muhammad Talha Mahmood	Chairman
2. Senator Dr. Shahzad Waseem (Leader of the House)	Member
3. Senator Farooq Hamid Naek	Member
4. Senator Saleem Mandviwala	Member
5. Senator Sherry Rehman	Member
6. Senator Mohsin Aziz	Member
7. Senator Zeeshan Khanzada	Member
8. Senator Kamil Ali Agha	Member
9. Senator Musadik Masood Malik	Member
10. Senator Dilawar Khan	Member
11. Senator Anwaar ul Haq Kakar	Member
12. Senator Saadia Abbasi	Member

- |  |                   |
|--|-------------------|
| 13. Senator Syed Faisal Ali Subzwari                   | Member            |
| 14. Senator Faisal Saleem Rehman                       | Member            |
| 15. Minister for Finance, Revenue and Economic Affairs | Ex-Officio Member |

6. The meeting wise attendance of the Members and the list of participants from various ministries/divisions and departments is annexed.



**(Iffat Mustafa)**  
Secretary Committee



**(Senator Muhammad Talha Mahmood)**  
Chairman Committee

Islamabad, the  
11<sup>th</sup> January, 2022

RECOMMENDATIONS OF THE SENATE OF PAKISTAN ON THE FINANCE  
(SUPPLEMENTARY) BILL, 2021

PROPOSED AMENDMENTS IN THE FINANCE (SUPPLEMENTARY) BILL, 2021

THE CUSTOMS ACT, 1969 (IV OF 1969)

1. In Clause 2;
  - a) in sub-clause (4), the words “corporate guarantee” , shall be omitted and thereafter the words “ **cheque or insurance guarantee**” shall be inserted;
  - b) in sub-clauses 5, in paragraph (f), the words “in revision” shall be omitted.

THE SALES TAX ACT, 1990

2. In Clause 3;
  - a) sub-clause (1) shall be omitted;
  - b) in sub-clause (5);
    - i. in paragraph (a), in sub-para (i), after the words “specified goods”, wherever occurring in the serial No.23, the words “ **as may be prescribed by rules**”, shall be inserted;
    - ii. in paragraph (b), for the words “in the manner prescribed” the words “ **in the prescribed manner after due notice to such person with the approval of Chief Commissioner**” , shall be substituted; and
    - iii. in paragraph (c), in sub-para (i), for the words “in the manner prescribed” words “**in the prescribed manner after due notice to such person with the approval of Chief Commissioner**”, shall be substituted.
  - c) In sub-clause (7);
    - i. in paragraph (b), the words “clauses (xvii) and (xix)” shall be omitted;
    - ii. In the Act, 1990, in the fifth schedule, against serial no.12 against clause (xix), before the full stop occurring at the end, the expression “**of value not exceeding twenty five thousand rupees**” shall be inserted”; and

- iii. For paragraph (c); **(The Senate of Pakistan recommends to the National Assembly that instead of cash, other instruments like bank guarantee or insurance guarantee or cheque should be taken for the purpose of clearance of goods by pharmaceuticals industry in lieu of General Sales Tax amount.)**
- d) In sub-clause (8);
  - i. in paragraph (a);
    - a. in sub-para (i);
      - 1. entries "49, 52, 52A, 53, 54, 60, 63,84, 110(a) and 134", shall be omitted; **(the Senate of Pakistan recommends to the National Assembly that the omission of entry related to Solar panels shall be confined to panels only excluding all accessories related therewith);**
      - 2. for the entry against serial No. 92, for the words "sewing machines of the household type" the words, **"imported sewing machines of industrial use"**, shall be substituted;
      - 3. for the entry against serial No. 131, **Senator Syed Faisal Ali Subzwari recorded his dissent against the proposed amendment;** and
      - 4. for the entry against serial No. 132, **Senators Syed Faisal Ali Subzwari and Faisal Saleem Rehman recorded their dissent against the proposed amendment;**
    - b. In sub-para (ii), for the entry against serial No. 13, in Column (2), for the words "imported from Afghanistan", the words **"imported through land route"**, shall be substituted; and
    - c. In sub-para (iii), for serial number 15 and entries thereto in columns (2), for the words "imported from Afghanistan", the words **"imported through land route"**, shall be substituted.
  - ii. in paragraph (b);
    - a. in sub-para (i), the serial No. "23" shall be omitted; **(The Senate of Pakistan recommends to the National Assembly that, the additional tax collected on the input may be increased from 90 to 110 Rupees per KG);**
    - b. in sub-para (ii), for serial No. 7, the entry in column (2) shall be omitted. **(Omission by majority vote of the Members);**

- iii. paragraph (c), shall be omitted. (Omission by majority vote of the Members however, Senator Syed Faisal Ali Subzwari recorded their dissent against the proposed amendment, and recommended that the items pertaining to medical equipment etc., renewable energy and desalination plants should be kept as earlier).
- e) in sub-clause (9);
  - i. in paragraph (a);
    - a. in sub-para (i), the serial Nos. 4, 8, 10, 12, 14, 16, 26, 27, 28, 29, 30, 59, 61, 62 and 63 shall be omitted; (Senator Mohsin Aziz recorded his dissent note on entries for serial Nos. 26, 27, 28, 29, 30); and
    - b. sub-paras (iv) and (v) shall be omitted.
  - ii. for paragraph (b), following shall be substituted, namely:-
    - “a. in Table -2, in column (1),-
      - (i) serial numbers, 1, 2, 5 and 8, shall be omitted.” (Senator Mohsin Aziz recorded his dissent note on entry for serial No. 2)”.

**INCOME TAX ORDINANCE, 2001 (XLIX of 2001)**

- 3. In Clause (5);
  - a. in sub-clause (1), for clause (17B), the following new clause shall be inserted, namely:-
 

“(17B) “digital means” mean the digital payments and facilitation of financial services provided to the clients, including but not limited to:

    - a. online portals or platforms for digital payments/receipts;
    - b. online interbank fund transfer services;
    - c. online bill or invoice presentment and payments services;
    - d. Over the Counter digital payments services or facilities;
    - e. Card payments using Point of Sale terminals, QR codes, mobile devices, ATMs, Kiosk or any other digital payments enabled devices; or
    - f. Any other digital or online payment modes.”
  - b. Sub-clauses (2) and (3), shall be omitted;
  - c. Sub-clause (5), shall be omitted; and
  - d. In sub-clause (9), in paragraph (C), sub-paras (a) and (b) shall be omitted.

## **GENERAL CONSENSUS RECOMMENDATIONS**

### **4. Section 25A of Customs Act**

Whereas, this section removes the redundancy of roles and authorities between the Collector of customs and Director of customs valuation by Singularly authorizing the Director of Customs Valuation to determine the Customs value of any goods or category of goods imported into or exported out of Pakistan;

And Whereas, Member Custom FBR stated that there are other additional laws that authorizes the Collector of Customs to determine the Customs Value of certain goods or category of goods in addition to the powers appropriated to the Director of Customs Valuation, which causes duplication/redundancy of authorities;

Therefore, the Senate of Pakistan recommends to the National Assembly that;

- a) All legal or rule based inconsistencies be removed, and
  - b) A single legal regime be adopted across Pakistan, which exclusively appropriates the authority to the Director of Customs Valuation to determine the Customs value of all goods or category of goods imported into or exported out of Pakistan.
5. The Senate of Pakistan recommends to the National Assembly that, only bank guarantee shall be accepted for the industries of steel, ghee and plastic located in FATA and PATA.



**NOTE BY SAADIA ABBASI, MEMBER SENATE OF PAKISTAN, AND MEMBER  
SENATE STANDING COMMITTEE ON FINANCE, REVENUE, AND ECONOMIC  
AFFAIRS**

**RE: FINANCE (SUPPLEMENTARY) BILL, 2021**

Following points may be noted:

1. The proposed bill is premised on generation of across the board imposition of highest ever taxation regime in the country without due consideration on the consequences that will flow from such burdensome measures, and the brunt of which will be borne by the budgets of the most vulnerable sections of society, i.e., the poor and middle class Pakistanis. This Bill is predatory in nature where the government will be chasing scraps of revenue in utter disregard of consequences.
2. Under the proposed bill Pakistan's economic managers have succumbed to IMF demands, and surrendered monetary and fiscal sovereignty with far reaching implications for Pakistan's future economic decision making.
3. The proposed bill will create further inflationary pressures the cost of which will be borne by the people of Pakistan. It is an anti-growth and anti-industry Bill, and will significantly reduce the possibility of creation of new industrial/manufacturing units in the country. This will further impact jobs creation and investment as there is nothing in the proposed bill to incentivize industrial growth, or attract investors, or to accelerate agricultural growth, or generate alternative energy. Pakistan suffers from one of the highest costs of production in the developing world and there is nothing in the proposed Bill that will mitigate the high cost of doing business in Pakistan.
4. The proposed Bill will further weaken the rupee, and the depreciation of the currency will be apparent in a matter of weeks. This will create another round of spiraling inflation. The continuing depreciation of Pakistan's currency has created distortions between earnings and purchasing power, and has raised serious challenges of economic sovereignty. These changes were made at the behest of the



IMF without considering Pakistan's fiscal/economic realities and no benefit has accrued to the people of Pakistan to date.

5. There is nothing in the proposed Bill to reduce the wasteful expenditures of the government, and the disproportionate perks and privileges enjoyed by a few office-holders at the expense of the people of Pakistan. In-fact, even IMF economic managers did not see any need for focusing on these anomalies and distortions in government expenditures. However, a panacea of burdening Pakistan's poor and middle class with taxation without fiscal accountability and responsibility is the only proposal. There is not a single proposal in the proposed Bill to mitigate the hardships of the people of Pakistan, and short-sighted managerial remedies glossing over glaring shortcomings in management of economic affairs have been presented to mislead the people.
6. I would like to record my dissenting note on the acceptance by the Committee on the proposed increase in the rates of FED on motor vehicles. I am of the view that cars are already prohibitively expensive in this country, Furthermore, the increase in costs has been exacerbated due to the continued devaluation of the Pakistan Rupee against the US Dollar. The prices of vehicles in Pakistan are changing every week due to continued devaluation of the currency. In any case the standard of production of any vehicle in Pakistan is below that of international bench-marks, yet the consumer is burdened with one of the highest costs and lesser quality. Every car purchaser is paying the highest taxes in this country in any case so where is the loss to the national exchequer of revenue?

I would like my note to be recorded in the 'Report of the Committee on Finance, Revenue, and Economic Affairs' on the Supplementary Budget.

Thank you.

Sd/-   
Saadia Abbasi

January 11, 2022

## **SENATE OF PAKISTAN**

The Finance Supplementary Bill, 2021, was presented by the Government in the Parliament as part of prior actions to ensure Pakistan's sixth review of the 6 billion dollars Extended Fund Facility by International Monetary Fund (IMF).

The Government through the Bill estimates to collect around Rs. 340 billion and most of the tax exemptions are proposed to be withdrawn are intended to fix the distortion in existing laws.

The substantial part of the revenue so collected would not be passed on to the end consumers or common man especially the sales tax of around Rs. 160 billion collected from Pharmaceutical sector which will be refundable to pharma companies within 48 hours as assured by the Federal Board of Revenue time and again during the meetings of Senate Standing Committee on Finance and Revenue.

In addition, removal of distortions in the tax regime was essential to streamline the process of collection of sales tax under the VAT mode across the board, however, previous Government's over reliance of the indirect taxes, also witnessed in higher tax collections, also needs to be rationalized.

This over emphasis on indirect taxation is due to structural imbalance of taxation system of Pakistan which does not allow optimal tax collection and promotes undocumented economy. Hence, a substantial and incremental shift is required to maintain fiscal discipline, encourage growth, decrease disparity in income and reduce the burden of indirect taxes on common man. Hence, the Finance Supplementary Bill, 2021, was introduced to achieve the aforesaid objectives.



(SENATOR MOHSIN AZIZ)



(SENATOR FAISAL SALEEM REHMAN)

**MEETING WISE ATTENDANCE OF MEMBERS OF THE SENATE STANDING COMMITTEE ON FINANCE, REVENUE AND ECONOMIC AFFAIRS HELD AT PARLIAMENT HOUSE FROM 5<sup>TH</sup> TO 10<sup>TH</sup> JANUARY, 2022**

Meeting held on 5 <sup>th</sup> January, 2022		
SL.NO.	NAME OF SENATORS/MEMBERS	
1.	Senator Muhammad Talha Mahmood	Chairman
2.	Senator Farooq Hamid Naek	Member
3.	Senator Saleem Mandviwala	Member
4.	Senator Sherry Rehman	Member
5.	Senator Mohsin Aziz	Member
6.	Senator Zeeshan Khanzada	Member
7.	Senator Musadik Masood Malik	Member
8.	Senator Dilawar Khan	Member
9.	Senator Anwaar ul Haq Kakar	Member
10.	Senator Saadia Abbasi	Member
11.	Senator Faisal Saleem Rehman	Member
Meeting held on 6 <sup>th</sup> January, 2022		
1.	Senator Muhammad Talha Mahmood	Chairman
2.	Senator Dr. Shahzad Waseem (Leader of the House)	Member
3.	Senator Farooq Hamid Naek	Member
4.	Senator Saleem Mandviwala	Member
5.	Senator Sherry Rehman	Member
6.	Senator Mohsin Aziz	Member
7.	Senator Zeeshan Khanzada	Member
8.	Senator Kamil Ali Agha	Member
9.	Senator Musadik Masood Malik	Member
10.	Senator Dilawar Khan	Member
11.	Senator Anwaar ul Haq Kakar	Member
12.	Senator Syed Faisal Ali Subzwari	Member
13.	Senator Faisal Saleem Rehman	Member
Meeting held on 7 <sup>th</sup> January, 2022		
1.	Senator Muhammad Talha Mahmood	Chairman
2.	Senator Farooq Hamid Naek	Member
3.	Senator Saleem Mandviwala	Member
4.	Senator Sherry Rehman	Member

5.	Senator Mohsin Aziz	Member
6.	Senator Zeeshan Khanzada	Member
7.	Senator Musadik Masood Malik	Member
8.	Senator Dilawar Khan	Member
9.	Senator Syed Faisal Ali Subzwari	Member
10.	Senator Faisal Saleem Rehman	Member
<b>Meeting held on 10<sup>th</sup> January, 2022</b>		
1.	<b>Senator Muhammad Talha Mahmood</b>	<b>Chairman</b>
2	Senator Dr. Shahzad Waseem (Leader of the House)	Member
3	Senator Farooq Hamid Naek	Member
4	Senator Saleem Mandviwala	Member
5	Senator Sherry Rehman	Member
6	Senator Mohsin Aziz	Member
7	Senator Zeeshan Khanzada	Member
8	Senator Kamil Ali Agha	Member
9	Senator Musadik Masood Malik	Member
10	Senator Dilawar Khan	Member
11	Senator Saadia Abbasi	Member
12	Senator Syed Faisal Ali Subzwari	Member
13	Senator Faisal Saleem Rehman	Member
14	Minister for Finance, Revenue and Economic Affairs	Ex-officio Member

**LIST OF PARTICIPANTS TO THE MEETINGS OF THE SENATE STANDING COMMITTEE ON FINANCE, REVENUE AND ECONOMIC AFFAIRS HELD AT PARLIAMENT HOUSE FROM 5<sup>TH</sup> TO 10<sup>TH</sup> JANUARY, 2022**

SL.NO.	NAME/DESIGNATION	MINISTRY/DIVISION
1.	Dr. Muhammad Ashfaq Ahmed, Chairman FBR	FBR
2.	Mr.M.Saeed Khan Jadoon, Member (Custom Policy)	FBR
3.	Mr.Afaque Ahmed Qureshi (Member IR.Policy)	FBR
4.	Mr. Zafar Rafique Chief (ITP)	FBR
5.	Mr. Abdul Waheed Marwat Chief(F&C)	FBR
6.	Ms. Fakhryia Anjum Chief (ST.FE.Policy)	FBR
7.	Mr. Usman Ahmed Second Secretary	FBR
8.	Mr. Muhammad Shabbir, Second Secretary (Council)	FBR
9.	Mr. Usman Waheed PC Support	FBR
10.	Mr. Hamid Naseer PC Support	FBR
11.	Mr. Hamed Yaqoob Sheikh Secretary Finance	Ministry of Finance
12.	Mr. Tanveer Butt, Additional Secretary	Ministry of Finance
13.	Mr. Khurshid Anwar, Deputy Secretary (Council)	Ministry of Finance
14.	Mr. Muhammad Usman Qureshi Joint Secretary	Ministry of Commerce
15.	Mr. Riaz Nazarah Chunara, Executive Director	State Bank (SBP)

16.	Mr.Mubashir Tauqir Shah	Additional Secretary	M/o Information Broadcasting
17.	Dr.Omar Farooq Saqib,	Director	State Bank (SBP)
18.	Mr. Asim Ayaz ,	GM(EDB)	M/O Industries Production
19.	Mr. Suhail Ahmed ch.	Deputy Secretary	M/O Industries
20.	Mr. Abid Ali	Deputy Draftsman	Ministry of Law
21.	Mr. Jam Aslam	Deputy Draftsman	Ministry of Law
22.	Mr. Nabeel Awan	Additional Secretary	NHRC
23.	Mr. Asim Rauf	CEO, DRAP	DRAP
24.	Mr. Amanullah	Director	DRAP
25.	Mr. Kamran Anwar		Pakistan Match Association
26.	Mr. Tayyab Swati		Pakistan Match Association
27.	Mr. Abdul Rafi Swati		Pakistan Match Association
28.	Mr. Ishfaq		Pakistan Match Association
29.	Mr. Yasir Qurban	Manager	EDB
30.	Ch.Akram	S.V.P	RCCI
31.	Mr. Shahid Ghafoor Paracha	Group Leader	RCCI
32.	Mr. Shahid Sattar,	Executive Director	APTMA
33.	Mr. Raza Baqar	Secretary North Zone	APTMA
34.	Mr.Kashmala Shahid	Executive Manager Operation	APTMA
35.	Mr. Azhar Rana	Coordinator	APTMA
36.	Mr. Waseem Akhtar		WTC Textile Pvt Ltd.
37.	Mr. Muhammad Idrees Gigi		IF Zippers Pak.Pvt. Ltd
38.	Mr. Sadiq Ali Hadi		Alupak Ltd.
39.	Mr. Mansoor Shah		Cigarette Manufacturers Association
40.	Mr. Shahid Tawawana		REAP
41.	Mr. Fuad Garib		REAP