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ORDINANCE NO.XIII OF 2019

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ORDINANCE

further to amend certain tax laws

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

AND WHEREAS, the Senate and the National Assembly are not in session and the President of the Islamic Republic of Pakistan 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 of the Islamic Republic of Pakistan 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, 2019.

(2) It shall come into force at once.

2. **Amendment of the Customs Act, 1969 (Act IV of 1969).**—In the Customs Act, 1969 (IV of 1969), in the First Schedule, in Chapter 99, in sub-chapter-V, in column (1), against PCT Code 9917,—

(i) in column (2), in paragraph (3), the following amendment shall be made, namely:—

(a) in sub-paragraph (i), for the word “and”, occurring for third time, the expression “, including Gwadar International Terminals Limited and Gwadar Marine Services Limited and their” shall be substituted;

(b) in sub-paragraph (ii), for the words, “the ships used in the port and its terminals”, the words “all visiting ships including foreign and local and fishing vessels at Gwadar Port”, shall be substituted; and

(c) for sub-paragraph (iv), the following shall be substituted, namely:—

(iv) Imports by the following businesses to be established in the Gwadar Free Zone Area for a period of 23 years with effect from 1st July, 2016, packaging, distribution, stuffing and de-stuffing, CFS, container yard, warehousing including cool and cold rooms, trans-shipment, labeling, light end assembly and re-assembly, imports and exports/value added exports, value adding of imports, other similar or related businesses activities and such commercial activities as are required to support the free zone.”.

3. **Amendments of the Sales Tax Act, 1990.**—In the Sales Tax Act, 1990, the following further amendments shall be made, namely:—

- (1) In the Fifth Schedule, in the Table, in column (1) after Serial Number 12 and the entries relating thereto in column (2), the following new Serial Numbers and entries relating thereto shall be added, namely:—

"13.	Supplies of raw materials, components and goods for further manufacture of goods in the Gwadar Free Zone and export thereof, provided that in case of supply to tariff area of Pakistan, tax shall be charged on the value assessed on the Goods Declaration for import
14	<p>Supplies of locally manufactured plant and machinery of the following specifications, to manufacturers in the Gwadar Free Zone, subject to the conditions, restrictions and procedure given below, namely:—</p> <ul style="list-style-type: none">(i) Plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer;(ii) Apparatus, appliances and equipment specifically meant or adapted for use in conjunction with the machinery specified in clause (i);(iii) Mechanical and electrical control and transmission gear, meant or adapted for use in conjunction with machinery specified in clause (i); and(iv) Parts of machinery as specified in clauses (i), (ii) and (iii), identifiable for use in or with such machinery. <p><u>Conditions, restrictions and procedures:-</u></p>
	<ul style="list-style-type: none">(a) the supplier of the machinery is registered under the Act;(b) proper bill of export is filed showing registration number;(c) the purchaser of the machinery is an established manufacturer located in the Gwadar Free Zone and holds a certificate from the Gwadar Port Authority to that effect;

	<p>(d) the purchaser submits an indemnity bond in proper form to the satisfaction of the concerned Commissioner Inland Revenue that the machinery shall, without prior permission from the said Commissioner, not be sold, transferred or otherwise moved out of the Gwadar Free Zone before a period of five years from the date of entry into the Zone;</p> <p>(e) if the machinery is brought to tariff area of Pakistan outside Gwadar Free Zone, sales tax shall be charged on the value assessed on the Goods Declaration for import; and</p> <p>(f) breach of any of the conditions specified herein shall attract legal action under the relevant provisions of the Act, besides recovery of the amount of sales tax along-with default surcharge and penalties involved.”;</p>
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(2) In the Sixth Schedule.—

(a) in Table-I, in column (1),—

(i) against Serial Number 100A, in column (2),—

(A) after the words “Gwadar Port”, occurring for the third time, the expression, “by the aforesaid operating companies” shall be inserted; and

(B) under “Conditions and procedure for imports”, in condition (iii),—

(I) after the word “imported”, the expression “and also those already imported under Notification No.115(I)/2008, dated 6th February, 2008,” shall be inserted; and

(II) for the words “time of import”, the words “applicable rate on residual value” shall be substituted; and

(ii) after Serial Number 100C and entries relating thereto in columns (2) and (3), the following new Serial Number and entries relating thereto shall be added, namely:—

"100D	Machinery, equipment, materials and goods imported either for exclusive use within the limits of Gwadar Free Zone, or for making exports therefrom, subject to the conditions that such machinery, equipment, materials and goods, are imported by investors of Gwadar Free Zone, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (Act IV of 1969) and rules made thereunder shall, <i>mutatis mutandis</i> , apply. Provided also that if any of such goods is taken out of the Zone for purpose other than the export, the tax on the same shall be paid by the importer.	Respective headings."
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4. **Amendment of Income Tax Ordinance, 2001 (XLIX of 2001).**—
In the Income Tax Ordinance, 2001 (XLIX of 2001), in the Second Schedule, in Part I,—

- (a) in clause (126A), after the words "Gwadar Port", the words "and Gwadar Free Zone" shall be inserted;
- (b) in clause (126AB), in paragraph (b), after the expression "China Overseas Ports Holding Company Limited,", the expression "China Overseas Port Holding Company Pakistan (Private) Limited, Gwadar International Terminals Limited, Gwadar Marine Services

Limited and Gwadar Free Zone Company Limited” shall be inserted; and

- (c) in clause (126AC), after the words “Gwadar Port” the words “and Gwadar Free Zone” shall be inserted.

STATEMENT OF OBJECTS AND REASONS

The purpose of this bill is to lay the Tax Laws (Amendment) Ordinance, 2019 (XIII of 2019) in the national assembly under subparagraph (i) of paragraph (a) of clause (2) of Article 73 of the Constitution of the Islamic Republic of Pakistan, 1973.

2. The amendments are being introduced with immediate effect through promulgation of Ordinance which seeks amendments in certain tax laws to remove impediments in the implementation of the Concession Agreement in respect of Gwadar Port and Gwadar Free Zone.

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on Finance and Revenue