

## Incentives under Finance Bill 2020

Sr. No.	For SEZs	For Gwadar Free Zone	For Construction Sector
1.	Concession and exemptions available to the developers of SEZs may be extended to co-developers.	Inclusion of China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited in the list of the financing agreement companies. This amendment shall be deemed to have been inserted with effect from June 1, 2020.	<p><b><u>General Incentives for Construction Sector</u></b></p> <ol style="list-style-type: none"> <li>1. To incentivize and propel economic activity in the real estate sector, the bifurcation of plots and constructed property for determining holding period of capital gains is being done away with i.e. the holding period for taxation of capital gains on disposal of immovable property is being restricted to 4 years. In addition, rates are also being reduced on capital gains emanating from disposal of immovable property.</li> <li>2. Federal excise duty (FED) on cement has been reduced to Rs1.75 per kilogram from Rs2 per kilogram.</li> <li>3. The Bill proposes to withdraw the collection of advance tax from steel melters and composite steel units. This tax is non-adjustable and its withdrawal would provide relief to this sector and help achieve Government the revival of construction industry.</li> <li>4. The Bill proposes to exclude 'engineering services' from the list of specified services attracting withholding tax at the rate of 3% in the case of a resident person providing such services.</li> </ol>
2.	Expansion in scope of items exempt from customs duty, that are imported for setting up of a Special Economic Zone (SEZ) by zone developers and for installation in that zone by Zone Enterprises has been proposed. In the PCT Code 9917, Para (2), the words 'plant and machinery' are proposed to be replaced with 'capital goods'. Whereas the definition of 'capital goods' in Part-1 of the Fifth Schedule to the Customs Act, 1969, has been expanded to include IT sector, storage,	The benefit of exemption from tax in respect of profit on debt relating to foreign lender or any local bank having more than 75% of shareholding of the Government or SBP for a period of 23 years under clause 126AB has been extended to Gwadar Marine Services Limited and Gwadar Free Zone Company.	The definition of Industrial Undertaking has been amended to include Construction sector, which will enable the sector to avail tax benefits available to an industrial undertaking.

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	communication and infrastructure development of SEZs by Zone Developer.		
3.	-	The benefit of exemption to Gwadar Port is provided in clause (126A) and (126AC) for a period of 23 years commencing from February 06, 2007 and twenty years with effect from July 01, 2016 respectively. By inserting Gwadar Free Zone, the Bill proposes to extend the tax concessions and exemptions to Gwadar Free Zone as well, which shall be deemed to have been inserted with effect from June 1, 2020.	<b>Minimum turnover tax under section 113 and advance corporate tax under 113C shall not apply on the turnover, income, profits and gains of a builder or developer from a project.</b>
4.	-	Zero rating of sales tax on 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.	An optional 'Fixed tax regime' from tax year 2020 and onwards for eligible builders and developers on a project by project basis has been introduced on the income, profits and gains derived from the sale of buildings or sale of plots, from a new or an incomplete existing project to be completed by the 30th day of September, 2022.
5.	-	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, mutatis mutandis, 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.	Dividend income paid to a person by a builder or developer, being a company out of the profits and gains derived from a project, shall be <b>exempt from income tax and tax withholding obligations under section 150.</b>

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6.	-	9917 Para (3) Goods imported into and exported (except to tariff area of Pakistan) from the Export Processing Zones established under the Export Processing Zone Authority Ordinance, 1980 (IV of 1980) and any enactment relating to Gwadar Special Economic Zone, subject to such conditions, limitations and restrictions as the Federal Board of Revenue may impose from time to time.	<b>Reduced rate of advance tax of 5%</b> has been introduced for sales of immovable property through auction.
7.	-	Zero rating of sales tax on 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.	Any <b>tax payable</b> on income, profits or gains of project of low cost housing under NAYA Pakistan Housing & Development Authority or EHSAAAS programme <b>shall be reduced by 90%</b> .
8.	-	-	Capital gains derived by resident individual on residential property not exceeding 500 sq. yards in case of house or 4000 sq. feet in-case of flat shall be exempt subject to certain conditions.
9.	-	-	Eligible Developers and Builders shall be <b>exempted from withholding taxes on purchase of building materials</b> under section 153, subject to certain exclusions.
10.	-	-	No questions to be asked under section 111 of the Ordinance from the investors, regarding source of funds, making capital investment in new construction projects in the form of money or land, either as an individual, as an association of persons or a company, subject to certain conditions.
11.	-	-	First purchaser of building or unit of building shall also be immune from the provisions of section 111 where subject to fulfilment of other conditions, the payment is routed through crossed banking instrument for both new and existing incomplete projects.
12.	-	-	No questions shall be asked from the purchaser of plot for building construction where the purchase,

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13.	-	-	the payment thereof and commencement of construction has been made on or before December 31, 2020 subject to construction completion -by September 30, 2022 and subject to registration of such purchaser with FBR on IRIS portal. Extend exemption of profit and gains on sale of immovable property to a Developmental REIT scheme from June 30, 2020 to June 30, 2021.

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