



Post BUDGET FY-21

— An Illusion of Relief —



Karachi Chamber Of Commerce & Industry
Research & Development Dept.

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An Illusion of Relief

The Federal government presented its 2nd budget since coming to power on 12th June, 2020 amid nearly desperate expectations of relief by the people. This budget comes at a time as Pakistan continues its fight for economic stability alongside the rest of the world that has been severely crippled by the Coronavirus. Sadly, for numerous countries including Pakistan, this pandemic is not the only challenge that needs to be addressed. After struggling to meet its financial commitments and improve its economic indicators, Pakistan was finally showing some traces of recovery on its external front, that is until COVID-19 forced the government to impose a country-wide lockdown. Realizing that the lockdown could cause severe poverty and economic losses, the government made a widely controversial decision to allow limited business operations under strict SOPs, hoping that people would take preventive measures seriously and contain the spread of the pandemic.

Losing the Chance for Redemption

In reality, the government lost on both ends. It first caused huge economic losses by imposing a strict lockdown. Then, it made Pakistan an area severely affected the pandemic by easing the lockdown when the rate of spread was still increasing.

The Budget FY21 was a chance for the government to redeem itself in the eyes of the people by providing nationwide relief and supporting the survival of businesses. It even created a lot of hype by announcing beforehand that no new taxes will be introduced and that the budget would prioritize social and economic support to the people. However, the budget presented in the parliament showed that the government had missed another opportunity for redemption.

Limited Relief to the Ailing Economy

The FY21 Budget indeed gives some relief to the people. The government refrained from introducing any new taxes and introduced measures to aid economic activity across the economy. It even relaxed FBR's CNIC condition to a great extent that had been a constant concern for the business community throughout FY20.

However, the government has only provided relief to certain sectors instead of introducing packages that could help the entire economy. Even before COVID-19 slowed down the economy, the general business sentiment was that the economic policy environment was creating roadblocks for businesses. Now, majority of the businesses and industries including SMEs have been left to face unprecedented though economic times with barely any support from the government. The budget should have significantly reduced all applicable taxes throughout all sectors, including income and sales tax, so that businesses could remain afloat and retain employees during times of decreased or no earnings. The FY21 budget presented in the parliament was indeed a step in the right direction but its contents fall far short of what the government could have done to give a boost to the ailing economy.

Budget Features

Provincial share in federal taxes is estimated at PKR 2.874Tn

Net capital receipts for FY21 are estimated at PKR 1.463Tn against PKR 831.7Tn in budget FY20, an increase of 75.93%

External receipts in FY21 are estimated at PKR 2.223Tn, a decrease of 26.7% over FY20 budget

Development expenditure outside PSDP is estimated at PKR 70Bn

Size of PSDP for FY21 is PKR 1.324Tn including PKR 676Bn as provincial allocation. PKR 650Bn is Federal PSDP including PKR 7Bn for Corona response

Budgeted
Net Federal
Revenue

PKR
3.70 Tn

Budgeted
Expenditure

PKR
7.137 Tn

Federal Budget
Deficit

PKR
3.437 Tn

Taxation Measures in FY21 Budget

Income Tax Measures

Education

Existing	<p>Under Section 236R Income Tax Ordinance (ITO), Advance tax at the rate specified in Division XXIV of Part-IV of the First Schedule on the amount of education related expenses remitted abroad was collected.</p> <p>The rate of collection of Advance tax under section 236I was 5% of the amount of fee from Active Tax Payers</p>
Proposed	<p>Collection of advance tax on education related expenses remitted abroad to be deleted</p> <p>Collection of Advance Tax by Educational Institutions not to apply to persons on the ATL</p>
Impact	<p>Removal of collection of advance tax on education related expenses remitted abroad will lead to more money to flow out of the country by students who want to study abroad in foreign universities.</p> <p>Collection of Advance Tax by Educational Institutions not to apply to persons on the ATL is a good step to reward people for becoming active tax payers and encourage others to become active tax payers as well.</p>

Steel Industry

Existing	<p>Under Section 235B of ITO, tax on steel melters is collected at the rate of at the rate of one rupee per unit of electricity consumed for the production of steel billets, ingots and mild steel (MS products) excluding stainless steel</p>
Proposed	<p>Tax on steel melters and composite units is being deleted</p>
Impact	<p>The construction industry is one of the few winners in this budget. In addition to the construction package announced previously, this measure will also help spur economic activities in the country.</p>

Financial Sector (Pension Funds)

Financial Sector (Pension Funds)	
Existing	<p>Under Section 156B of ITO, a pension fund manager making payment from individual pension accounts, maintained under any approved Pension Fund, shall deduct tax at the rate specified in sub-section (6) of section 12 from any amount withdrawn before the retirement age, withdrawn, if in excess of [fifty per cent] of his accumulated balance at or after the retirement age</p> <p>Where the sukuk holder is a company, the rate of tax to be deducted under Section 150A on account of return on investment in Sukuk is 15%</p>
Proposed	<p>Withdrawal of balance under pension fund</p> <p>Where the sukuk holder is a company, the rate of tax to be deducted under Section 150A on account of return on investment in Sukuk is proposed to be increased from 15% to 25%</p> <p>Profit on debt derived by an individual from a debt instrument issued by the Federal Government and purchased exclusively through a bank account maintained abroad, a non-resident Rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan is proposed to be subject to withholding tax at the rate of ten percent as a final discharge. Further, such taxpayers would fall outside the purview of the Tenth Schedule even if their name does not appear on the ATL.</p>
Impact	<p>This is a good step. However now there will be tax on withdrawal in excess of 50% before the retirement age, or at the time of or after the retirement age as salary income at normal rate of tax or, at the option of the eligible person, at average rate of tax. This is negative as people who are in crises will have to pay tax.</p> <p>With the increase in tax of 10% to 25% on an Islamic banking product like sukuk will negatively impact the Islamic banking industry of Pakistan.</p> <p>The reduced rate of withholding tax on Profit on Debt on Government securities is a welcome step</p>
Cooking oil Industry	
Existing	Under Section 148A of ITO, manufacturers of cooking oil or vegetable ghee, or both were chargeable to tax at the rate of two percent on purchase of locally produced edible oil.
Proposed	Deletion of Withholding Tax on local purchase of cooking oil or vegetable ghee by certain persons

Impact	Deletion of WHT on local purchase of cooking oil by certain people will incentivize the local industry and increase revenue for the sector
Wedding and function halls	
Existing	<p>Under Section 235D, Advance tax was collected at the rate specified in Division XI of Part IV of the First Schedule on the total amount of the bill from a person arranging or holding a function in a marriage hall, marquee, hotel, restaurant, commercial Lawn, club, a community place or any other place used for such purpose.</p> <p>Where the food, service or any other facility is provided by any other person, the prescribed person was charged advance tax on the payment for such food, service or facility at the rate specified in Division XI of Part IV of the First Schedule from the person arranging or holding the function.</p>
Proposed	Advance tax on functions and gatherings is being deleted
Impact	This will make it tax procedures easier for the concerned stakeholders since they will no longer need to pay advance tax
Cable operators and other electronic media	
Existing	Under Section 235F of ITO, Pakistan Electronic Media Regulatory Authority, at the time of issuance of license for distribution services or renewal of the license to a licensee, shall collect advance tax at the rates specified in Division XIII of Part IV of the First Schedule.
Proposed	Advance tax on cable operators and other electronic media is being deleted
Impact	This will also streamline taxation in Pakistan as this sector will no longer have to pay advance taxes
Dealers, commission agents and arhatis	
Existing	Under Section 236J of ITO, every market committee shall collect advance tax from dealers, commission agents or arhatis, etc. at the rates specified in Division XVII of Part-IV of the First Schedule at the time of issuance or renewal of licences.
Proposed	Advance tax on dealers, commission agents and arhatis etc. is being deleted
Impact	This is a welcome step and will help give relief to those working as commission agents
Insurance	
Existing	Under Section 236U of ITO, every insurance company shall collect advance tax at the time of collection of insurance premium from [person whose name is not appearing in the active taxpayers' list] in respect of general insurance premium and life insurance premium, at the rates specified in Division XXV of Part IV of the First Schedule.

Proposed	Advance tax on insurance premium is being deleted
Impact	This is a welcome step to remove advance tax on insurance premium however due to the corona virus cost of insuring a person has already sky rocketed so this step will have no great impact and the cost of insurance is expected to stay high in the year to come.
Tobacco Industry	
Existing	Under Section 236X of ITO, Pakistan Tobacco Board or its contractors, at the time of collecting cess on tobacco, directly or indirectly, shall collect advance tax at the rate of five percent of the purchase value of tobacco from every person purchasing tobacco including manufacturers of cigarettes.
Proposed	Advance tax on tobacco is being deleted
Impact	This is a negative step. By providing relief to an industry that doesn't need it. Furthermore, it aides an industry that increases health risks of Pakistanis at a time when corona virus is already destroying health.
Every incorporated Company (With Holding Agents)	
Existing	Under Section 153 of ITO, threshold for Becoming Prescribed Person for Withholding of Tax on Supplies, Services and Contracts is fifty million rupees
Proposed	Enhancement of Threshold for Becoming Prescribed Person for Withholding of Tax on Supplies, Services and Contracts from fifty to hundred million rupees and a similar threshold of hundred million rupees is being prescribed for a sales tax registered person to become a withholding Agent.
Impact	This amendment is a welcome step and has been made according to the agreement signed business community and FBR. This measure will help reduce the cost with withholding tax requirements for SMEs
Real estate sector	
Existing	Tax on Capital Gains on disposal of Immovable Property under Division VIII of ITO 5% Where the gain does not exceed Rs. 5 million 10% Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million 15% Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million 20% Where the gain exceeds Rs. 15 million
Proposed	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. Taxability of capital gains arising on disposal of immovable property revamped, depending upon the holding period.

	<p>In addition, rates are also being reduced on capital gains emanating from Disposal of immovable property. Further, rate of tax on such gains also proposed to be reduced by 50%.</p> <p>Advance Tax on Auction of Immovable Property to be Collected in Installments</p> <p>The definition of the term ‘industrial undertaking’ has been proposed to be expanded to include builders and developers for the purpose of import of plant and machinery.</p>
Impact	The steps taken here are positive and will help boost the industry manifolds.
Deductions Not Admissible for All organizations	
Existing	<p>No deduction shall be allowed in computing the income of a person under the head Income from Business” for any amount carried to a reserve fund or capitalized in any way</p> <p>Current threshold of Section 21(l) per transaction delineated under Section 21(l) is Rs. 10,000/-. Similarly, the threshold of payments under a single is Rs.50,000/-</p>
Proposed	<p>Increase in Threshold of Section 21(l) per transaction delineated under section 21(l) is being increased from Rs. 10,000/- to Rs. 25,000/-. Similarly, the threshold of payments under a single from Rs.50,000/- to Rs.250,000/</p> <p>Increase in Threshold of Section 21(l) per transaction delineated under Section 21(l) is being increased from Rs. 10,000/- to Rs. 25,000/-. Similarly, the threshold of payments under a single from Rs.50,000/- to Rs.250,000/-</p>
Impact	This is a welcome amendment considering the inflationary trend in the country and will facilitate the industry to make routine nominal payments in cash.
All Individuals/AOPs	
Existing	Under Section 155 of ITO, net income taxation in respect of ‘income from property’ was only available where such income exceeded PKR 4 million.
Proposed	Enabling Adjustability of Property Expenses for All Individuals/AOPs. Individuals and AoPs can now opt for net income taxation in respect of ‘income from property’
Impact	This is an irrational measure that will discourage a taxpayer for claiming a legitimate expense and would lead to higher tax payable by the taxpayer.

All Individuals/AOPs/Remittance facilitation companies	
Existing	The rate of tax shall be 0.15% under section 231A on cash withdrawal by an exchange company, duly licensed and authorized by the State Bank of Pakistan, exclusively dedicated for its authorized business related transactions, subject to the condition that a certificate issued by the concerned Commissioner Inland Revenue for a financial year mentioning details and particulars of its Bank Account being used entirely for business transactions is provided.
Proposed	Exempting Withholding Tax on Cash Withdrawal to the extent of Foreign Remittances
Impact	This is a good step and will help promote foreign remittance through Banking channels instead of usage of illegal channels such as Hundi and Hawala.
Hajj Operators	
Proposed	Hajj Operators to be Exempted from Withholding Tax on Payments to Nonresidents
Impact	A better relief was needed instead of one that is contingent to whether the Hajj will take place or not this year.
Auto Sector	
Existing	Every motor vehicle registering authority of Excise and Taxation Department shall collect advance tax at the time of transfer of registration or ownership of a private motor vehicle, at the rates specified in Division VII of Part IV of the First Schedule.
Proposed	Excluding Vehicles Up to 200cc from the Ambit of Advance Tax
Impact	Vehicles upto 800cc should be excluded from the ambit of advance tax
Public Listed Companies	
Proposed	Prompt Issuance of Exemption Certificates to Public Listed Companies within 15 days Withholding tax rate on dividend is proposed to be synchronized with the charging rate.
Impact	This is a welcome step that increases ease of doing business. However, bigger issue at hand is the cost of doing business and the budget lacks measures in this regard.
Rationalizing Tax on Imports	
Existing	Person-specific rates for importers The rate of deduction of tax on account of supply of goods made from outside Pakistan under a cohesive business transaction is 1.4%

<p>Proposed</p>	<p>Shifting from person-specific rates to goods specific rates cascaded according to the type of goods, with tax @1% for capital goods, 2% for raw materials and 5.5% for finished goods irrespective of status of the importer. However, the prevailing concessional rates on certain items such as remeltable scrap of iron and steel, potassic and urea fertilizers, LNG, Gold, Cotton, goods that were importable by manufacturers under the rescinded SRO 1125(I)/2011 dated 31.12.2011, mobile phones etc. are being maintained.</p> <p>Rates of collection of tax at import stage from capital goods, raw material and finished goods proposed to be revamped by inserting a new Twelfth Schedule to the Ordinance.</p> <p>Rate of tax proposed to be reduced to 1% and 2% on capital goods and raw material imported by an industrial undertaking, respectively.</p> <p>It is proposed that for all categories of taxpayers, tax paid at import stage will be a minimum tax except for industrial undertaking paying tax at the rate of 1% or 2% in respect of goods for its own use.</p> <p>The rate of deduction of tax on account of supply of goods made from outside Pakistan under a cohesive business transaction is proposed to be reduced to 1.4% as against the current rate of 2.1%</p> <p>The rate of deduction of tax and the scheme of taxation under section 152 on payment to a permanent establishment of a non-resident person on account of sale of goods, rendering of services (including applicability of reduced 3% rate for specified sectors) and execution of contracts is proposed to be synchronized with that of a resident person.</p> <p>The Bill proposes to impose tax at the rate of 4% on import of finished pharmaceutical products not manufactured in Pakistan as certified by Drug Regulatory Authority of Pakistan</p>
<p>Impact</p>	<p>KCCI welcomes this step that will provide equal playing field to commercial importers and the manufacturers. A new schedule is now awaited that is also proposed to be introduced to categorize the imports into raw material, capital goods and finished goods.</p> <p>Due to the coronavirus the advance tax on import of finished essential pharmaceutical products not manufactured in Pakistan should be reduced to provide relief to patients in Pakistan.</p>
<p>Shipping Companies</p>	
<p>Proposed</p>	<p>Taxation of Resident Shipping Companies as per latest marine policy</p>

	A Pakistani company registered with the SECP after 15 November 2019 and having its own Pakistan Flag sea worthy vessel will be subject to fixed tax based on Tonnage
Impact	This is a very negative step as it hurts a business already suffering due to reduced global trade due to covid-19
Accounting Changes for Businesses	
Existing	Full year depreciation is Allowable in the year of acquisition and no depreciation is available in the year of disposal.
Proposed	<p>Electricity Expense to be Treated as an Inadmissible Business deduction subject to non-disclosure of name of actual user from 01.01.2021</p> <p>Disallowance of Business Expenditure Proportionate to Sales Made to Sales Tax Unregistered Persons</p> <p>Rationalizing Depreciation Deduction based on the Half Year Rule limiting Interest Deductibility to Foreign Affiliates. Normal depreciation in the first year of use is proposed to be allowed to the extent of 50%. Similarly, in the year of disposal, normal depreciation is proposed to be allowed to the extent of 50%.</p> <p>Rationalization of Cost of Transport Vehicle for Claiming Deduction on Account of Lease Rentals</p>
Impact	<p>The change in depreciation would affect the cash flows of the investors in the first year due to increase in tax liability attributed to restricted tax depreciation.</p> <p>The huge change in disallowance would negatively hurt the business in especially in a country like Pakistan where large economic activity is carried on by informal sector. The government needs to revert this action especially at a time when economy is compromised and paralyzed due to corona virus.</p>
Construction Industry	
Proposed	Incentivizing and Promoting the Construction Industry by a number of different measures including allocation of PKR 1.5Bn to Akhuwat Foundation for interest-free loans for construction of houses by the low-income people. The government will also not inquire about source of income spent on construction by builders and developers
Impact	This is good that the government is taking steps to boost construction in the country

Gwadar Port and the Gwadar Free Zone	
Proposed Measure	Tax Exemptions and Concessions for the Gwadar Port and the Gwadar Free Zone
Impact	This is a welcome step however the need of the hour is to help already existing zones instead of future zones. Similar concessions need to be given to businesses in Karachi
COVID Pandemic Relief	
Proposed Measure	Incorporation of Relief measures provided through SROs during the COVID pandemic
Impact	KCCI welcomes the government relief measures however a lot more needs to be done and that will only happen when government listens to key stakeholders affected by the virus.
FBR Affairs	
Existing	The withholding tax statements undergo bi-annual filing
Proposed	<ul style="list-style-type: none"> • Agreed Assessment through arbitration by Assessment Oversight Committee • Strengthening Alternate Dispute Resolution Mechanism • Automated Adjusted Assessment to rectify computational errors and wrongly claimed credits in Tax Payers profile • Real-Time Access to Databases of Certain Organizations • Audit on the Basis of Benchmark Ratios • Enabling E-Audit • Filing of Withholding Statements under section 165 on Quarterly Basis • Deductibility of interest / profit on debt paid to foreign affiliates is proposed to be restricted to 15% of taxable income before depreciation, amortization and foreign profit on debt. • Tax credit on enlistment is proposed to be restricted for companies opting for enlistment on or before 30 June 2022. • Certain specified persons are required to prepare and furnish a Tax Profile to the FBR within the prescribed time. • Non-furnishing of the Tax Profile may lead to non-inclusion of the name of the taxpayer in the ATL. • Wealth statement can now only be revised after seeking prior approval from the CIR. • For the purpose of filing an appeal before the ATIR, the condition of payment of 10% of the amount of tax upheld by the CIR(Appeals) is proposed to be inserted.

Impact	<ul style="list-style-type: none"> The Bill now proposes to introduce disallowance of profit on debt payable to foreign affiliates which exceeds 15% of the taxable income before interest, depreciation and amortization. There is vague and needs to be clarified. Given the extraordinary situation at hand it is suggested to the government to restore or increase the time limit for tax credits for enlistment beyond June 30, 2022
Non-Profit / Welfare Organizations	
Proposed	Tax credit on donation given to an associate is proposed to be reduced
Impact	This is a negative step and might hamper philanthropic efforts of people to help the marginalized communities of society
Passenger transport vehicle	
Proposed	Lease payment deductions in respect of passenger transport vehicle not plying for hire is proposed to be restricted to the extent of principal cost of PKR 2.5 million.
Impact	This is a negative step and will hamper the auto and associated sectors and also auto financing section of banks
Engineering services	
Existing	Receipts on account of engineering services are proposed to be subject to withholding tax At current rate of 3%.
Proposed	Receipts on account of engineering services are proposed to be subject to withholding tax at 8%
Impact	This again is a negative step and will have negative effect on engineering and architectural firms of the country

Sales Tax

Unregistered Persons

Proposed Measure	Minimum threshold of supplies by retailers for obtaining CNIC of the buyers is proposed to be increased
Existing	PKR 50,000
Proposed	PKR 100,000 (Impact: Positive)

Extension of SRO 237(I)/2020

Proposed Measure	The Federal Government granted exemption to health-related items and equipment through SRO 237(I)/2020. The said SRO is going to expire on 19 th June, 2020, which is now extended for another three months
Existing	Expires on 19 th June, 2020
Proposed	Extension granted for 3 months, starting from 20 th June, 2020 (Impact: Positive)

Exemption on Import of Dietary Supplements

Proposed Measure	Exemption of sales tax allowed on import of dietetic foods intended for special medical purposes for the children suffering from Inherited Metabolic Syndrome
Proposed	Exempted (Impact: Positive)

Retail Sector Integrated with FBR's Point of Sale System

Proposed Measure	It has been proposed to reduce sales tax of retail sector which is integrated online with FBR through Point of Sale system
Existing	14%
Proposed	12% (Impact: Positive)

Rate of Potassium Chlorate

Proposed Measure	Under Eighth Schedule, Sales tax is charged on standard rate of 17% on import and local supply of Potassium Chlorate and in addition to that PKR 70/kg is also collected. It has been proposed to increase the rate per kg, except for supplies made to organizations under the control of Ministry of Defense Production
Existing	PKR 70/Kg
Proposed	PKR 80/Kg (Impact: Negative)

Streamlining Measures

- Concept of conducting audit proceedings through electronic means introduced. **(Impact: Positive)**

➤ Ninth Schedule is proposed to be amended in line with Mobile Manufacturing Policy approved by the ECC of the Cabinet. (Impact: Varies)
➤ Insertion of the Tax Laws Amendment Ordinance 2019, relating to tax concessions and exemptions to Gawadar Port and Gawadar Free Zone, in the Finance Bill 2020. (Impact: Positive)
➤ It is proposed that the taxpayer is allowed to withdraw his case from any court of law or any appellate authority after decision of Alternate Dispute Resolution Court (ADRC). Furthermore, the decision of ADRC, once it is conveyed by the taxpayer to the tax authorities, is binding upon the tax authorities. (Impact: Positive)
➤ The scope of section 73 is proposed to be widened to cover all registered persons supplying taxable goods. (Impact: Positive)
➤ Board is empowered to fix minimum production on the basis of single or more inputs and for fixation of wastage. (Impact: Positive)
➤ Real-time access to information and databases to the Board by various authorities such as NADRA, FIA, provincial excise & taxation departments etc. (Impact: Positive)
➤ It is proposed to extend the application of electronic communication of notices and other documents for the purpose of e-filing of Sales Tax-cum-Federal Excise returns, to all registered persons, which is currently restricted to Public and Private Limited Companies only. (Impact: Positive)
➤ Every registered person is required to submit a complete return i.e. along with all applicable Annexures in the manner prescribed by the FBR. (Impact: Positive)
➤ Even after imposition of penalty, if a person does not integrate his business with the FBR system within two months, the business premises shall be sealed until he integrates such business. (Impact: Negative)
➤ Restriction on input tax as attributable to the prescribed excess supplies to unregistered persons has now been extended to every registered person. Previously, it was applicable only on registered manufacturers. (Impact: Negative)
➤ Exemptions from sales tax on import and supply of ships and all floating crafts etc. is proposed to be extended up to the year 2023. (Impact: Positive)
➤ Rate of sales tax withholding applicable on purchases from unregistered persons has now been extended to registered persons who are not active taxpayers. (Impact: Positive)

Federal Excise Duty (FED)

Rate of FED in the Case of Energy Drinks

Proposed Measure	It has been proposed to increase the rate of FED on caffeinated energy drinks both at import and at local supply
Existing	13%
Proposed	25% (Impact: Negative)

Rate of FED in the Case of 4x4 Double Cabin Pick Up

Proposed Measure	Double cabin pick up which is currently classified as goods transport vehicle is being reclassified as passenger transport vehicle, which will bring it in the ambit of FED.
Proposed	7.5% ad valorem in case of locally manufactured vehicles and 25% in the case of imported ones. (Impact: Negative)

FED on cigars, cheroots, and cigarillos and cigarettes

Proposed Measure	Under First Schedule, it has been proposed to Increase the rate of FED on cigars, cheroots, and cigarillos and cigarettes.
Existing	65%
Proposed	100% (Impact: Negative)

FED on filter rods

Proposed Measure	Under first schedule, it has been proposed to increase the rate of FED on filter rods
Existing	PKR 0.75/filter rod
Proposed	PKR 1/filter rod (Impact: Negative)

FED on Cement

Proposed Measure	Under first schedule, it has been proposed to reduce FED on cement.
Existing	PKR 2/Kg
Proposed	PKR 1.75/Kg (Impact: Positive)

Streamlining Measures

- The scope of seizure of non-duty paid goods is extended to all products subject to FED besides cigarettes and beverages. **(Impact: Varies)**
- It is proposed that the FBR shall keep the parameters applied for selection of person or persons for an audit, confidential. **(Impact: Negative)**

Customs Duty

Section 1: Industrial Relief Measures

Reduced duty on raw materials

Proposed Measure	Reduction of custom duty on 40 raw materials of various industries
Existing	Varies
Proposed	Reduced (Impact: Positive)

Tariff rationalization on 90 tariff lines

Sector	Various
Proposed Measure	Tariff rationalization under National Tariff Policy 2019 by reducing customs duty on 90 tariff lines
Existing	11% to 3% and 0%
Proposed	Reduced (Impact: Positive)

Quran – Printing

Proposed Measure	Exemption on import of raw material to those Nashiran-e-Quran also who do not have their own in-house printing facility.
Existing	Varies
Proposed	Exempted (Impact: Positive)

Butyl Acetate

Proposed Measure	* Exemption of custom duties on import of raw materials by manufacturers of Butyl Acetate
Existing	Varies
Proposed	Exempted (Impact: Positive)

Medical, Pharmaceutical, Healthcare

Proposed Measure	*Exemption of custom duty on import of raw material by manufacturer of syringes and saline infusion sets
Existing	Varies

Proposed	Exempted (Impact: Positive)
Textile	
Proposed Measure	*Exemption of customs duties on import of raw material by manufacturers of buttons
Existing	Varies
Proposed	Exempted (Impact: Positive)
Textile	
Proposed Measure	*Reduction in custom duty on import of raw material by manufacturers of interlining/buckram
Existing	Varies
Proposed	Reduced (Impact: Positive)
Wire Rod	
Proposed Measure	*Reduction of custom duty and exemption of additional custom duty and regulatory duty on import of raw materials by manufacturers of Wire rod
Existing	Varies
Proposed	Custom duty reduced, additional custom duty exempted and regulatory duty exempted (Impact: Positive)
Internet	
Proposed Measure	*Exemption of custom duties and regulatory duty on import of machinery, equipment and other project related items for setting up of internet cable landing stations.
Existing	Varies
Proposed	Custom duties and regulatory duty exempted (Impact: Positive)
Beverages	
Proposed Measure	*Exemption of custom duties on import of raw material by beverage can manufacturers
Existing	Varies
Proposed	Exempted (Impact: Positive)

Food Packaging	
Proposed Measure	*Reduction in Custom duty and exemption from Additional custom duty on import of raw material by food packaging industry
Existing	Varies
Proposed	Custom duty reduced, additional custom duty exempted (Impact: Positive)
Section 2: Relief to the Common Man	
Medical, Pharmaceutical, Healthcare	
Proposed Measure	Exemption from customs duties on import of 61 COVID19 related items, which was due to expire on 20 th June has been extended due to the continuation of pandemic
Existing	Variable
Proposed	Custom duty exempted (Impact: Positive)
Medical, Pharmaceutical, Healthcare	
Proposed Measure	Exemption of all duties & taxes on import of Diagnostic Kits for Cancer and Corona Virus
Existing	Variable
Proposed	Exempted (Impact: Positive)
Medical, Pharmaceutical, Healthcare	
Proposed Measure	Exemption of Customs duties on import of life saving drug Meglumine Antimonite for treatment of leishmaniasis.
Existing	-
Proposed	Exempted (Impact: Positive)
Dietetic Foods	
Proposed Measure	Exemption of duties & taxes on import of Dietetic Foods for Children with inherited metabolic disorders
Existing	Variable
Proposed	Exemption (Impact: Positive)

Supplementary Foods	
Proposed Measure	Exemption of Customs duties on inputs of Ready to use Supplementary Foods (RUSF).
Existing	Variable
Proposed	Exempted (Impact: Positive)
Setting Industry in FATA	
Proposed Measure	Extension up to 2023, in exemption of customs duties on imports for setting up new industries in erstwhile FATA area.
Existing	Various
Proposed	Exempted (Impact: Positive)
Section 3: Miscellaneous	
Proposed Measure	Enhancing scope of concessions available to Special Economic Zones (Impact: Positive)
Additional Customs Duty	
Relief to various sectors	
Proposed Measure	Additional custom duties exempted on tariff lines on which customs duty is 0%
Existing	Custom Duty 0%, Additional Custom Duty Varies
Proposed	Custom Duty 0%, Additional Custom Duty exempted (Impact: Positive)
Edible Oil	
Proposed Measure	Exemption from 2% ACD on import of edible oils and oil seeds under PM's COVID19 Relief Package has been extended
Existing	2%
Proposed	Exempted (Impact: Positive)
Soap Manufacturing	
Proposed Measure	Incentivizing soap manufacturing industry by reducing rate of Additional customs duty on Palm Stearin

Existing	PKR 9,050/ MT
Proposed	N/A (Impact: Positive)
Regulatory Duty	
Iron and Steel	
Proposed Measure	Reduction in RD from 12.5% and 17.5% to 6% and 11%, respectively on Hot Rolled Coils (HRC) of Iron and steel falling under PCT codes 7208 and 7225& 7226, respectively.
Existing	12.5% and 17.5%
Proposed	6% and 11%, respectively (Impact: Positive)
Industrial inputs	
Proposed Measure	Regulatory duty on several industrial inputs is also being reduced to decrease their cost of doing business (Impact: Positive)
Smuggling prone items	
Proposed Measure	Reduction in regulatory duty on smuggling prone items to bring these items under legal imports (Impact: Positive)
Smuggling prone items	
Proposed Measure	Tariff protection for domestic industry by increasing/levy of regulatory duty on import of those items which are also locally manufactured (Impact: Negative)

*** Items market with ‘*’ are provided concessional import under under new serial number of the fifth schedule**

Tariff Changes in Budget FY21

The government, through the FY21 budget, has changed Custom Duties for numerous categories. It has mainly provided relief to the manufacturing sector by reducing applicable Custom Duties on a wide range of industrial raw materials pertaining to various industries. This could have been an initiative to possibly aid in reducing cost of doing business in Pakistan. Furthermore, under some headings, new classifications have been introduced in order to better define the tariff structure in Pakistan.

PCT Code	Description	New Duty (Proposed in budget)	Current Duty
"2529.1000	- Feldspar	0	3
2530.9030	- - - Earth colours	3	11
2707.5000	- - Other aromatic hydrocarbon mixtures of which 65 % or more by volume (including losses) distills at 250oC by the ISO 3405 method (equivalent to the ASTM D 86 method)	16	20
2710.1990	- - - -Mineral oil which has flash point at or above 200°F	3	3
2710.2000	- - - -Transformer oil	11	16
2801.2000	- Iodine	3	11
2801.3000	- Fluorine; bromine	3	11
2803.0020	- - - Carbon black (other than rubber grade)	16	20
2803.0030	- - - Acetylene black	0	3
2811.1100	- - Hydrogen fluoride (hydrofluoride acid)	3	11
2811.1200	- - Hydrogen cyanide (hydrocyanic acid)	3	11
2811.1920	- - - Phosphorous acid hypo phosphoric acid	3	11
2811.1990	- - - Other	3	11
2812.1100	- - Carbonyl dichloride (phosgene)	3	11
2812.1200	- - Phosphorus oxychloride	3	11
2812.1300	- - Phosphorus trichloride;	3	11
2812.1400	- - Phosphorus pentachloride	3	11
2812.1500	- - Sulphur monochloride	3	11
2812.1600	- - Sulphur dichloride	3	11

2812.1700	- - Thionyl chloride	3	11
2812.1910	--- Arsenic trichloride	3	11
2812.1990	--- Other	3	11
2812.9000	- Other	3	11
2813.1000	- Carbon disulphide	3	11
2813.9000	- Other	3	11
2816.1010	--- Magnesium hydroxide	3	11
2816.1090	--- Other	3	11
2821.1020	--- Iron hydroxides	3	11
2821.2000	- Earth colours	3	11
2827.1000	- Ammonium chloride	0	3
2835.3900	- - Other	3	11
2836.9930	--- Bicarbonate of ammonium	3	11
2837.1100	- - Of sodium	3	11
2902.1920	--- Limonene(Dipentene)	3	11
2902.9010	--- Naphthalene	3	11
2903.9200	- - Hexachlorobenzene (ISO) and DDT (ISO) (clofenotane (INN), 1,1,1-trichloro-2,2-bis(p-chlorophenyl)ethane)	3	11
2904.1010	--- Benzene sulphonic acid	3	11
2915.1100	- - Formic acid	16	20
2915.2100	- - Acetic acid	3	11
2915.3200	- - Vinyl acetate	0	3
2915.7090	--- Other	3	11
2917.1200	- - Adipic acid, its salts and esters	0	3
2929.9020	--- N,N-Dialkyl(methyl, ethyl, n-propyl, or isopropyl) phosphoramidic dihalides	3	11
2929.9030	--- Dialkyl(methyl, ethyl, n-propyl or isopropyl)N,N-dialkyl (methyl, ethyl, n-propyl or isopropyl)phosphoramidates	3	11
2929.9090	--- Other	3	11
2933.7990	--- Other	3	11

2933.9100	-- Alprazolam (INN), camazepam (INN), chlordiazepoxide (INN), clonazepam (INN), clorazepate, delorazepam (INN), diazepam (INN), estazolam (INN), ethyl loflazepate (INN), fludiazepam (INN), flunitrazepam (INN), flurazepam (INN), halazepam (INN), lorazepam (INN), lormetazepam (INN), mazindol (INN), medazepam (INN), midazolam (INN), nimetazepam (INN), nitrazepam (INN), nordazepam (INN), oxazepam (INN), pinazepam (INN), prazepam (INN), pyrovalerone (INN), temazepam (INN), tetrazepam (INN) and triazolam (INN);salts thereof	3	11
2933.9200	-- Azinphos-methyl (ISO)	3	11
2934.109	- - - Other	3	11
2935.1000	- N-Methylperfluorooctane sulphonamide	3	11
2935.2000	- N-Ethylperfluorooctane sulphonamide	3	11
2935.3000	- N-Ethyl-N-(2-hydroxyethyl) perfluorooctane sulphonamide	3	11
2935.4000	- N-(2-Hydroxyethyl)-N-methylperfluorooctane sulphonamide	3	11
2935.5000	- Other perfluorooctane sulphonamides	3	11
2939.6900	-- Other	3	11
2939.7900	-- Other	3	11
2939.8090	- - - Other	3	11
3002.3000	- Vaccines for veterinary medicine	3	11
3202.9010	- - - Tanning substances, tanning preparations based on chromium sulphate	16	20
	- - Disperse dyes and preparations based thereon:		
3204.1110	- - - Powdered	3	16
3204.1120	- - - Liquid	11	16
3204.1190	- - - Other	16	16
3204.1710	- - - Powdered	3	16
3204.1720	- - - Liquid	11	16
3204.1790	- - - Other	16	16
3204.1990	- - - Dyes, synthetic	11	16
3205.0000	Colour lakes; preparations as specified in Note 3 to this Chapter based on colour lakes.	3	11
3207.2000	- Vitriifiable enamels and glazes, engobes (slips) and similar preparations	3	11

3207.3000	- Liquid lusters and similar preparations	3	11
3212.9010	--- Aluminium paste and powder	11	16
3403.1910	--- Greases	16	20
3506.9110	--- Shoe adhesives	11	16
3802.1000	- Activated carbon	3	11
3802.9000	- Other	3	11
3806.1010	--- Gum Rosin	0	3
3807.0000	Wood tar; wood tar oils; wood creosote; wood naphtha; vegetable pitch; brewers' pitch and similar preparations based on rosin, resin acids or on vegetable pitch.	3	11
3810.1000	- Pickling preparations for metal surfaces; soldering brazing or welding powders and pastes consisting of metal and other materials	0	3
3810.9010	--- Preparations of a kind used as cores or coatings for welding electrodes or rods	0	3
3824.8500	-- Containing 1,2,3,4,5,6-hexachlorocyclohexane (HCH (ISO)), including lindane (ISO, INN)	3	11
3824.8600	-- Containing pentachlorobenzene (ISO) or hexachlorobenzene (ISO)	3	11
3824.8700	-- Containing perfluorooctane sulphonic acid, its salts, perfluorooctane sulphonamides, or perfluorooctane sulphonyl fluoride	3	11
3824.8800	-- Containing tetra-, penta-, hexa-, hepta- or octabromodiphenyl ethers	3	11
3824.9100	-- Mixtures and preparations consisting mainly of (5-ethyl-2- methyl-2-oxido-1,3,2-dioxaphosphan-5-yl)methyl methyl methylphosphonate and bis[(5-ethyl-2-methyl-2-oxido-1,3,2- dioxaphosphan-5-yl)methyl] methylphosphonate	3	11
3824.9920	--- Ion exchangers	3	11
3824.9930	--- Prepared binders	3	11
3824.9980	--- Chloroparaffins liquid	3	11
3903.2000	- Styrene- acrylonitrile (SAN) copolymers	0	3
	- Other:		
3903.9010	--- Styrene acrylic emulsion	11	(New)
3903.9090	--- Other	11	(New)
3909.3100	-- Poly(methylene phenyl isocyanate) (crude MDI, polymeric MDI)	3	20
3910.0000	Silicones in primary forms.	0	3
3911.1010	--- Petroleum resins	16	20

3921.1300	- - Of polyurethanes	16	20
4005.1020	- - - Sheets	3	11
4005.9100	- - Plates, sheets and strip	3	11
4007.0010	- - - Single cord	16	20
4007.0090	- - - Other	16	20
4804.2100	- - Unbleached	3	16
4804.2900	- - Other	3	16
4805.3000	- Sulphite wrapping paper	3	11
4805.4000	- Filter paper and paperboard	3	11
4809.2000	- Self- copy paper	3	11
6903.1000	carbon or of a mixture of these products	3	11
6903.2090	- - - Other	3	11
6903.9010	- - - Refractory products of a kind used in industrial ovens, kilns and furnaces	11	16
	- - - Forgings of crank shaft:		
7326.1911	- - - - Upto 10 Kg	11	(New)
7326.1920	- - - - Other	11	20
7604.1010	- - - Bars and rods	3	11
7613.0010	- - - Aerosol cans without valves and covers	11	(New)
7616.9920	- - - Aluminium slugs	16	20
8007.0010	- - - Tin plates, sheets and strip, of a thickness exceeding 0.2 mm.	3	11
8007.0020	- - - Tin foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials), of a thickness (excluding any backing) not exceeding 0.2 mm; tin powders and flakes.	3	11
8308.9020	- - - Buckle	16	20
8410.1100	- - Of a power not exceeding 1,000 kW	3	11
8410.9010	- - - For machines of heading 8410.1100	3	11
8412.8090	- - - Other	3	11
8412.9090	- - - Other	3	11
8413.82	- - Liquid elevators	3	11

8413.914	- - - Other parts for machines of heading 8413.1100	3	11
8414.2000	- Hand- or foot- operated air pumps	3	11
8419.9020	- - - Of machine of heading 8419.4000 and 8419.5000	16	16
8424.2020	- - - For industry	3	11
8425.4200	- - Other jacks and hoists, hydraulic	3	11
8481.1000	- Pressure- reducing valves	11	16
8501.5210	- - - Submersible motors of stainless steel	11	3
8504.3100	- - Having a power handling capacity not exceeding 1 kVA	16	20
8504.9040	- - - Toroidal cores and strips	3	11
8506.5000	- Lithium	3	11
8535.2110	- - - Up to 17.5 kV	3	20
8536.5010	- - - Pressure switches	3	11
8539.9030	- - - Base cap for tube light	3	11
8539.9090	- - - Other	3	11
8543.1000	- Particle accelerators	3	11
8543.2000	- Signal generators	3	11
8901.2000	- Tankers	3	11
8901.3000	- Refrigerated vessels, other than those of subheading 8901.20	0	11
8902.0000	Fishing vessels; factory ships and other vessels for processing or preserving fishery products.	0	11
9013.8000	- Other devices, appliances and instruments	0	3
9028.2000	- Liquid meters	0	20
9402.1010	- - - Dentists' chairs	3	11
9406.9050	- - - Modular clean room panels	20	3
9903.0000	<u>Imports by Privileged personnel/ organization:</u> (i) Goods imported by privileged personnel or by organizations or by any person authorized by the contracting parties, under grant-in- aid agreements (including those agreements which cover off budget foreign contributions or funds brought by registered INGO's without any financial liabilities to the Government of Pakistan) signed by the Economic Affairs Division (EAD) and or by any Ministry authorized by	0	(New)

	<p>the Government of Pakistan and duly concurred by the Federal Board of Revenue (FBR)</p> <p>(ii) Goods imported by the foreign airlines under Air Services Agreements signed by the Aviation Division, Cabinet Secretariat, Government of Pakistan with other countries on the basis of reciprocity and duly concurred by the Federal Board of Revenue.</p>		
9917.0000	<p>(1) 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.</p> <p>(2) Capital goods, as defined in the preamble of Part-I of the Fifth Schedule to the Customs Act, and firefighting equipment, except the items listed under Chapter 87 of the Pakistan Customs Tariff, imported for setting up of a Special Economic Zone (SEZ) by zone developers and for installation in that zone 6 by Zone Enterprises, on one-time basis as prescribed in the SEZ Act, 2012 and rules thereunder subject to such conditions, limitations and restrictions as the Federal Board of Revenue may impose from time to time. Co-developer as defined in Special Economic Zone Rules, 2013, shall also be entitled to avail the same incentives and exemptions for the same period as available to the Developer under the SEZ Act 2020, subject to condition that the Developer of the SEZ relinquishes its rights to the incentives and exemptions in favour of the Co-developer; provided further that the respective Special Economic Zone Authority duly endorses such reassignment, and ensures that such reassignment shall not be misused.</p> <p>(3) Following imports for construction, development and operations of Gwadar port and Free Zone Area subject to such conditions, limitations and restrictions as the Federal Board of Revenue may impose from time to time: -</p> <p>(i) Equipments and materials (plant, machinery, equipment, appliances and accessories), imported by the Concession holder, its operating companies including Gwadar International Terminals Limited and Gwadar Marine Services Limited, and their contractors and sub-contractors exclusively for construction and operation of the terminals and the Free Zone Area for a period of forty (40) years;</p> <p>(ii) Ship bunker oils imported by the Concession holder for the sole purposes of supplying fuels and lubricants to all visiting ships including foreign and local and fishing vessels at Gwadar Port for a period of forty (40) years;</p>	0	(New)

	<p>(iii) Vehicles imported by the concession holder and its operating companies for a period of twenty-three (23) years for construction, development and operations of Gwadar Port and Free Zone Area under the regulatory mechanism. The regulatory mechanism for such vehicles, including the number and types importable, shall be devised by the Ministry of Port & Shipping and FBR (in consultation with the Provincial Government if so required) and notified by the FBR;</p> <p>(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, transshipment, labelling, light end assembly and reassembly, 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.</p>		
9925.0000	<p>(A) Artificial kidneys, hemodialysis machines, hemodialyzers, A.V. fistula needles, hemodialysis fluids and powder, blood tubing tines for dialysis, reverse osmosis plants for dialysis, double lumen catheter for dialysis, catheters for renal failure patients, peritoneal dialysis solution and cardiac catheters.</p> <p>(B) Following items and appliances for Ostomy use: -</p> <ol style="list-style-type: none"> 1. Baseplate/Stoma Wafer/Flange. 2. Ostomy (Colostomy/Ileostomy/ Urostomy) bags (All type) 3. Ostomy (Colostomy/Ileostomy/ Urostomy) Paste 4. Ostomy (Colostomy/Ileostomy/ Urostomy) Belt 5. Ostomy (Colostomy/Ileostomy/ Urostomy) Deodorizers 6. Ostomy (Colostomy/ Ileostomy/ Urostomy) Strip Paste 7. Stoma Powder/Ostomy Powder (Colostomy/Ileostomy/Urostomy Powder/ Ileostomy/Urostomy Powder) 8. Ostomy (Colostomy/Ileostomy/ Urostomy) Skin Barrier Spray and Wipe 9. Ostomy (Colostomy/Ileostomy/ Urostomy) Adhesive Remover Spray and Wipe. 10. Ostomy (Colostomy/Ileostomy/Urostomy) Adhesive Spray & Wipe. 11. Ostomy (Colostomy/Ileostomy/ Urostomy) Mouldable Ring 12. Ostomy (Colostomy/Ileostomy/ Urostomy) Elastic Tape 13. Ostomy (Colostomy/Ileostomy/ Urostomy) Barrier Cream 14. Ostomy (Colostomy/Ileostomy/ Urostomy) Protective Sheets 15. Ostomy (Colostomy/Ileostomy/ Urostomy) Cap 16. Ostomy (Colostomy/Ileostomy/ Urostomy) Protective Seal 17. Plastic Clips for closing the Ostomy bags. 18. Liquid washers and wipes for cleaning and washing peristomal skin 19. Night Drainage Bag 20. Cystoscope 	0	(New)

	<p>21. Lithotripter 22. Colonoscope 23. Sigmoidoscope 24. Laparoscope 25. Suprapubic Cystostomy Set 26. Ryles Tube (Nasogastric Tube) 27. Foley's Catheter 28. Endoscope (Video Endoscopes) 29. Linear Cutter/Stapler 30. Circular Stapler 31. Right Angle Cutter/Stapler 32. Laparoscopic Hand Instruments: a) Dissector b) Grasper c) Scissors d) Clipper e) Hook f) Retractors g) Needles Holders h) Knot Pusher i) Telescope (0o, 30o)</p> <p>33. Urological Endoscopic Instruments: (a) Resectoscope (Rotating and Fix) (b) Optical Urethrotome (c) Telescope (0o, 30o, 75o) (d) Turp Resecting Loops (e) Diathermy Cord</p> <p>(C) Dietetic foods for medicinal purposes, subject to submission of provisional enlistment certificate duly issued under the Drug Regulatory Authority Act, 2012 (XXI of 2012), and the rules made thereunder, by the Drug Regulatory Authority of Pakistan.</p>		
9939.0000	Diagnostic kits for HIV, Hepatitis. Cancer and Corona Virus	0	(New)

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*** Analysts:** Uzma Taslim - Director, Asad Bilal Sheikh – Research Analyst, Kamran Khan – Research Analyst, Yasir Farooqui– Research Analyst, and Sunny Kumar– Research Database Officer.