

## **Concept of "online marketplace" added to IT Ordinance**

The amended Finance Bill 2017 has introduced the concept of "online marketplace" in the Income Tax Ordinance 2001 to promote e-commerce or electronic trading in Pakistan. Through amendment in Finance Bill 2017 here Tuesday, the definition of "online marketplace" has been given in the Income Tax Ordinance 2001. "Online marketplace means an information technology platform run by ecommerce entity over an electronic network that acts as a facilitator in transactions that occur between a buyer and a seller."

According to the amended bill, the entities would be given concession on turnover tax and tax on commission under the concept of "Online Marketplace." The turnover tax will be reduced from 1.25 per cent to 0.5 per cent and tax on the commission will be reduced from 12 to 5 per cent under "online marketplace".

This would facilitate companies engaged in selling goods through internet based on commission. Under the amended Finance Bill 2017, "startup" means a business of a resident individual, AOP or a company that commenced on or after first day of July, 2012 and the person is engaged in or intends to offer technology-driven products or services to any sector of the economy provided that the person is registered with and duly certified by the Pakistan Software Export Board (PSEB) and has turnover of less than one hundred million rupees in each of the last five tax years; or any business of a person or class of persons, subject to the conditions as the federal government may, by notification in the official gazette, specify.

The amended Finance Bill 2017 has given legal backing to the Pakistan Customs to carry out joint operations with international agencies against smugglers of narcotics and suspected consignments of prohibited and restricted goods coming into Pakistan. Sources said that the amended Finance Bill 2017 issued on Tuesday proposed a new amendment to the Customs Act to include definition of "controlled delivery" into the Customs Act 1969.

According to the amended Finance Bill 2017, "controlled delivery" means supervised and co-ordinated operational activities that allow suspected consignments of prohibited and restricted goods, including items mentioned in section 2(s), to pass out of, through or into the territory of Pakistan, with a view to identifying persons involved in the commission of an offence cognizable under the Customs Act.

According to sources, under global bilateral and multilateral agreements, Pakistan Customs is bound to conduct supervised joint operations with the international agencies against smuggling of narcotics and prohibited goods. Such activities are known as the "controlled delivery" to trace and arrest persons involved in such international crimes.

The Finance Bill 2017 has proposed a new amendment to the Customs Act under which co-ordinated operational activities is allowed against suspected consignments of prohibited and restricted goods, including items mentioned in clause (s).

Through another amendment in Customs Act, the amended Finance Bill has proposed a

provision relating to the "Assistance to the officers of customs". Under the amended Finance Bill, 2017, all officers of federal and provincial governments, including Inland Revenue, police, national highways and Pakistan motorway police, civil armed forces, and officers engaged in the collection of land-revenue are hereby empowered and required to assist the officers of customs in the discharge of their functions under this act.

Under another amendment, provided further that all notifications issued on or after the first day of July, 2016, and placed before the National Assembly as required under sub-section (4) shall continue to be in force till June 30, 2018, if not earlier rescinded by the federal government or the National Assembly.

Sources said that after 18th Amendment, all statutory regulatory orders (SROs), notifications and orders issued by the Federal Board of Revenue (FBR) would be validated from federal cabinet and National Assembly in the light of judgment of Supreme Court of Pakistan.

Under the amended Bill, provided that the rate of tax on cash settled derivatives traded on the stock exchange shall be 5 percent for the tax years 2018 to 2020. In the case of industrial undertaking, being a filer, importing plastic raw material falling under PCT Heading 39.01 to 39.12 for its own use shall be 1.75 percent of the import value as increased by customs duty, sales tax and federal excise duty. In the case of a commercial importer, being a filer, importing plastic raw material falling under PCT Heading 39.01 to 39.12 shall be 4.5 percent of the import value as increased by customs duty, sales tax and federal excise duty, the amended bill added.

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