



KPMG Taseer Hadi & Co.
Chartered Accountants

Amendments in federal taxation laws through Finance Act, 2021

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Preamble

The National Assembly approved the Finance Bill 2021 with certain amendments proposed therein and after the assent of the President of Pakistan, Finance Act, 2021 has been enacted on 30 June 2021.

This publication contains a review of changes made in Income Tax Ordinance, 2001, Sales Tax Act, 1990, Federal Excise Act, 2005 and The Customs Act, 1969 through the Finance Act, 2021.

This document contains the comments, which represent our interpretation of the legislation. We recommend that while considering their application to any particular case reference be made to the specific wordings of the relevant statute.

This publication is also available on our website.
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Income Tax Ordinance, 2001

'Business Bank Account' defined with penalty and prosecutions provisions for non-declaration

The Act has inserted a new definition of "business bank account" to mean a bank account utilized by the taxpayer for business transaction declared to the Commissioner through original or modified registration form prescribed under section 181.

The form under section 181 is available on IRIS wherein the taxpayer is required to declare bank account which would be treated as business bank account.

Declaring the business bank account has been mandated under section 114A. Penalty and prosecution provisions on non-declaration of bank account have been prescribed. The related changes are discussed later in comments related to penalty and prosecution.

Scope of 'Industrial Undertaking' enhanced

The Act has extended the definition of 'industrial undertaking' by including telecommunication companies operating under license of Pakistan Telecommunication Authority (PTA) in its ambit.

This has been a matter of dispute and the courts have in certain cases held that telecommunication systems used by the companies engaged in providing telecommunication services are covered under the definition of an "industrial undertaking".

This amendment shall entitle telecommunication sector for not to be treated as services and also for the following:

- Claiming tax deducted at source on sales of goods as adjustable;
- Claiming tax collected at import stage as adjustable; and
- Claiming tax credit under section 65E.

Scope of IT Services and IT enabled services - enhanced

The Act has inserted the definition of information technology [IT] Services and IT enabled services in section 2 for the purpose of the entire ordinance. The insertion is made as a result of substitution of clause (133) of Part 1 of the Second Schedule vide Tax Laws (Second Amendment) Ordinance, 2021 into section 65F for claiming tax credit instead of exemption of income.

The Act has enhanced the scope of definition of IT enabled services to include cloud computing services and data storage services as well.

Concept and taxation of small and medium enterprise introduced

The Act has introduced a new concept of small and medium enterprise separate from 'small company'. Small and medium enterprise means a person who is engaged in manufacturing as defined in clause (iv) of sub-section (7) of section 153 of the Ordinance and his business turnover in a tax year does not exceed two hundred and fifty million rupees.

Provided that if annual business turnover exceeds two hundred and fifty million rupees, it shall not qualify as small and medium enterprise in the tax year in which annual turnover exceeds that turnover or any subsequent tax year.

Accordingly, the definition of small company is also proposed to be amended to exclude the small and medium enterprise. Meaning thereby if the enterprise qualifies as small and medium enterprise, then it cannot be treated as small company.

Separate taxation regime has also been introduced for small and medium enterprise under section 100E read with Fourteenth Schedule the details of which are discussed later.

Threshold reduced and fixed tax rate introduced for “profit on debt”

The profit on debt received by a person other than a company upto Rs. 36 million is taxable under Final Tax Regime at applicable slab rates.

The Act has reduced the threshold from Rs. 36 million to Rs. 5 million and rate of tax to be fixed at 15% instead of current progressive slabs of 15%, 17.5% and 20%.

Hence the persons who are excluded from taxation under this section by virtue of the proposed amendment will be subject to tax at slab rates under Division I.

Explanation introduced under “salary”

The Act has inserted explanation for the term the “allowance solely in the performance of employee’s duty” as provided in section 12(2)(c) not to include:

- Allowance paid in monthly salary on fixed basis or percentage of salary; or
- Allowance, which is not wholly, exclusively necessarily or actually spent on behalf of the employer.

This explanation will make this amendment applicable retrospectively, however, since this is likely to increase the tax burden of the employees, hence, being substantive in nature, will give rise to disputes.

Deductions allowed from Income from property for individual and AOP

Income from property was historically taxed on net income basis for all taxpayers. The Finance Act 2016 brought amendment in this regime by taxing Individual and AOPs on gross receipts and only allowing companies to claim deduction for specified expenses.

Vide amendments in later tax year, Individual and AOP were entitled in prescribed manner to opt for taxation on net income basis.

The Act has restored the original scheme for Individuals and AOPs to be taxed on net income basis as income from property across the board thereby allowing deductions as specified in section 15A.

The net income will now be taxed at the slab rates applicable as per income of the individual and AOP under Division – I of part 1 of the First Schedule.

Explanation introduced under “income from business”

Income derived by any trade, professional or similar association from the sale of goods or provision of services to its members is classified as ‘income from business’.

The Act has inserted explanation to clarify that income derived by co-operative societies from sale of goods, immovable property or provision of services to its member is and has always been chargeable to tax under the provisions of the Ordinance.

This amendment appears to nullify the effect of ‘doctrine of mutuality’ as enunciated and upheld by the courts in various pronouncements holding that one cannot earn income from oneself.

This amendment as explanation is hence intended to give retrospective effect which may give rise to litigations.

Tax depreciation

Currently, for the taxation of immoveable property the depreciation claimed over the life of property is recouped on its disposal hence resulting in taxation to the extent of depreciation claimed as business income.

The Bill proposed to change this taxation regime in following manner:

- Calculation of the gain on disposal as excess of consideration over the cost of asset;
- Taxation of the gain under Section 37 as capital gain. Though not mentioned, this should be

taxed under section 37(1A) in accordance with the holding period specified therein.

It was pointed out that structural improvements are covered in depreciable assets under section 22(15) and accordingly excluded from capital assets under section 37(5)(b). In absence of amendment in these fundamental provisions, the proposed amendment to tax this gain as capital gain would be anomalous and unharmonized.

Considering the above, the proposed amendment has not been enacted.

First year allowance for installing plant, machinery and equipment by specified industrial undertakings withdrawn

The Tax Laws (Second Amendment) Ordinance 2021 had omitted first year allowance (available at 90% of the cost of an asset) under section 23A of the Ordinance which allowed a deduction in lieu of first year allowance for installation of plant, machinery and equipment by industrial undertakings set up in specified rural and under developed areas or engaged in manufacturing of cellular mobile phones and qualifying for exemption under clause (126N) of Part I of the Second Schedule to the Ordinance.

Subsequent references to section 23A in section 57 and Part II of the Third Schedule had also been omitted.

The Act has ratified the aforesaid omission.

Capital gain on immovable property

Following amendments were proposed in this section

Taxation of gain on disposal

Gain on disposal of immovable property is currently taxable on separately provided slab rates by computing the such gain on the basis of holding period as envisaged under sub-sections (1A) read with (3A) of section 37.

The Bill proposed to provide for taxability of gain on disposal of immovable property where such gain exceeds Rs. 5 million as normal capital gain subject to tax under applicable tax rates provided under normal slab rates or corporate tax rates with the benefit of holding period still to be taken into account while computing the taxable capital gain.

Amendment was proposed to tax this gain at 5% instead of existing slab rates varying from 2.5% to 10%.

This proposed amendment has not been enacted.

The current progressive slab rates varying from 2.5% to 10% have been revised. The applicable rates now vary from 3.5% to 15%.

Disposal of immoveable property as business income

The Bill also proposed to insert explanation in sub-section (1A) of section 37 that where a person purchases and sells immovable property in the ordinary course of business, such gain shall be taxable as business income and not as capital gain.

This proposed amendment has not been enacted.

Disposal of capital asset in gift

Currently under section 37(4A) where a capital asset becomes the property of the person inter-alia through gift, the fair market value of the asset, on the date of its transfer or acquisition by the person shall be treated to be the cost of the asset. This historically as bestowed two-pronged benefits i.e. exempting gain on such disposal from tax in the hands of transferor and simultaneously entitling the transferee to a revalued cost to be claimed as deduction on subsequent sale.

The Act has provided that if the capital asset acquired through gift is disposed of within two years of its acquisition and the Commissioner is satisfied that this constitutes a tax avoidance scheme then the recipient of the gift shall be treated to have acquired the asset for a cost equal

to the cost for the person disposing the asset i.e. the historical cost.

Amendments related to listed securities

The related amendments are discussed below.

Exchange Traded Funds included in securities

The Act has introduced Exchange Traded Funds [ETFs] in the listed securities.

ETFs have been included in the scope of listed securities by including the same in the definition of 'Debt Securities' in Section 37A of the Ordinance.

Power to the Board to make rules

The Act has empowered the Board to specify rules for the purpose of this section. This is apparently to provide legal cover to the rules related to computation of capital gain tax and particularly the mechanism prescribed by the Board for adjustment of carried forward losses.

Tax credit for ETF

The Act has also included the investment in ETFs offered to public and traded on stock exchange in Pakistan eligible for tax credit under section 62 of the Ordinance.

Income from other sources

Currently, fair market value of any property received as gift from grandparents, parents, spouse, brother, sister, son or a daughter [considered as relatives] is not subject to tax.

This list of specified relatives is not aligned with the list of relatives provided in non-recognition rule under section 79(1)(c), hence, the anomaly.

The Act has amended the list of specified relatives to make it aligned with section 85(5) for non-recognition rule.

Board with the approval of Federal Minister in charge empowered to grant exemptions and tax concessions

The Act has empowered the Board with the approval of Federal Minister in charge to make amendments in the Second Schedule to the Ordinance from time to time pursuant to the approval of the Economic Coordination Committee of the Cabinet to exercise such powers. Currently this power was vested with the Federal Government.

Adjustment of assessed losses

Certain changes have been introduced in the mechanism for adjustment of brought forward losses.

Losses in case of income from property

Losses on income from property now adjustable against income from business.

The Act has changed the taxability of income from property for individuals & AOP to bring it at par with companies to tax such receipts on net income basis.

A further incentive is provided in section 56 enabling taxpayers to set off business losses against income from property or vice versa.

This amendment is beneficial for the taxpayers earning property income.

Surrender of losses for entities availing Group Relief

The Act has made amendment which is currently causing confusion for surrendering of losses only by the subsidiary company in favor of its holding company.

After the change, the holding and the subsidiary, both, will be able to surrender assessed losses to the other company.

Workers' Welfare Fund payment allowed as deductible expense except with one exception

After the enactment of Worker's Welfare Fund [WWF] laws by respective provinces after Eighteenth Amendment in the Constitution of Pakistan, WWF levy has become subject matter of the provinces.

Income Tax Ordinance, 2001 currently refers to deductible allowance under Workers Welfare Fund Ordinance 1971 and this has become matter of dispute with the field force of the Board that contribution to provisional WWF laws is not permissible.

The Act has removed this anomaly to allow claim of WWF paid under the Provincial laws as a deductible allowance while computing taxable income.

The Act has inserted a proviso whereby this section will not be applicable in the case where WWF is paid by a trans-provincial establishment. In such a case, the dispute may again arise but in such an eventuality we understand that the amount so paid should allowable as business expense as held in a recent judgement of the Appellate Tribunal Inland Revenue.

Workers' Participation Fund payment allowed as deductible expense except with one exception

Similarly, the Act has allowed claim of deductible allowance of Workers' Profit Participation Fund [WPPF] paid by the person under WPPF enacted by the provinces after eighteenth Constitutional amendment.

The Act has also inserted a proviso whereby WPPF paid by a trans-provincial establishment shall not be allowed as deduction. This proviso may give rise to dispute, but we understand that in such a case such an amount should allowable as business expense.

Scope of tax credit enhanced in case of Charitable donations

The Act has ratified amendment made by Income Tax (Second Amendment) Ordinance, 2021. With this amendment scope of tax credit is enhanced to include voluntary contributions and subscriptions of the persons specified therein.

Category of donors specified under sub-section (1) has also been extended to include entities entitled to tax credit under section 100C and the entities specified in the newly inserted Thirteenth Schedule (formerly the entities listed in clause 61 of Part I of the Second Schedule).

With the introduction of Thirteenth Schedule now taxpayers will not be allowed to claim straight deduction but a tax credit only as per the provisions of section 61 of the Ordinance.

"Point of sale machine" defined and tax credit proposed on integration

The Act has introduced tax credit to person who is required to integrate with Board's computerized system for real time reporting of sale or receipt in respect of the amount invested in purchase of point of sale machine.

The amount of tax credit allowed for a tax year in which point of sale machine is installed, integrated and configured with the Board's computerized system shall be lesser of:

- (a) amount invested in purchase of point of sale machine; or
- (b) rupees one hundred and fifty thousand per machine.

Further Act has inserted a definition of Point of sale machine as a machine meant for processing and recording the sale transactions for goods or services, either in cash or through credit and debit cards or online payments in an internet enabled environment.

Tax credits for newly established industrial undertakings withdrawn

The Act has withdrawn exemption available to a taxpayer being a company formed for establishing and operating a new industrial undertaking including a corporate dairy farm under section 65D. Previously tax credit was allowed to an undertaking established between 1 July 2011 to 30 June 2021 for a maximum period of 5 years as per ratio of equity raised through shares to cost of the setting up of industrial undertaking.

After withdrawal of this section, industrial undertakings established between 1 July 2011 to 30 June 2021 may not be able to claim tax credit for tax year 2022 onwards.

This amendment may lead to litigation in respect of taxpayer enjoying special tax years.

100% tax credit introduced for certain class of persons whose income was previously exempt

The Act has ratified amendment made by Tax Laws (Second Amendment) Ordinance, 2021 with certain modification. Income derived by the following were previously exempt under the respective clauses of the Second Schedule:

- Persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects (clause 132B of Part I)
- Startups defined in section 2(62A) for the tax year and subsequent two tax years in which the startup is certified by the Pakistan Software Export Board (clause 143 of Part I)
- Persons deriving income from export of computer software or IT services or IT enabled services up to the period ending 30 June 2025 provided that eighty percent of export proceeds are brought back in Pakistan through normal banking channels (clause 133 of Part I)

Now these exemptions have been omitted and tax credit to the tune of 100% has been introduced subject to the following conditions:

- Income tax return is filed;
- Withholding tax statements for the relevant tax year have been filed where the person is a withholding agent; and
- Sales tax returns for the periods corresponding to relevant tax year have been filed.

New tax credit introduced for specified industrial undertakings

The Act has ratified amendment made by Tax Laws (Second Amendment) Ordinance, 2021. Tax credit has been introduced, whereby, tax credit of 25% of investment in plant and machinery will be available to the following entities:

- A greenfield industrial undertaking (eligible taxpayer) as defined in section 2(27A) engaged in manufacture of goods or subsection of goods to a process that substantially changes their condition or shipbuilding; or
- Industrial undertaking set up till 30 June 2023 engaged in the manufacture of plant, machinery, equipment and items with dedicated use (not multiple uses) for generation of energy from sources like solar and wind for a period of five years beginning from the date such undertaking is set up.

The credit is available on investment in purchase and installation of new machinery, buildings, equipment, hardware and software (excluding self-created software and used capital goods) and covers minimum and final taxes.

- Where such tax credit is not fully adjusted, it can be carried forward to a maximum of 2 years.

Certain tax credits withdrawn

The Act has ratified amendment made by Tax Laws (Second Amendment) Ordinance, 2021 whereby following the tax credits were withdrawn:

- Tax credits for persons employing fresh graduates.
- Tax credit for a taxpayer being a company which opts for enlistment in registered stock exchange in Pakistan.

Non-recognition rules on disposal of asset by a non-resident person harmonize with resident person for certain transactions

Currently the trite law of non-recognition rule on disposal of assets under following circumstances was applicable to the extent of resident persons:

- a) between spouses under an agreement to live apart;
- b) by reason of the transmission of the asset to an executor or beneficiary on the death of a person;
- c) by reason of a gift of the asset to a relative, as defined in sub-section (5) of section 85;
- d) by reason of the compulsory acquisition of the asset under any law where the consideration received for the disposal is reinvested by the recipient in an asset of a like kind within one year of the disposal;
- e) by a company to its shareholders on liquidation of the company; or
- f) by an association of persons to its members on dissolution of the association where the assets are distributed to members in accordance with their interests in the capital of the association.

This position of law created a disparity for non-resident persons.

The Act has harmonized the position through amendment whereby this non-recognition rules shall also be applicable in case of non-resident persons for following transactions

- Transfer of asset between spouses;

- Transfer of asset in case of death of a person to a beneficiary or to an executor;
- Gift of asset to a relative.

The previous definition of resident restored

Previously an individual was treated to be resident in Pakistan if;

- 1) Present in Pakistan for a period of 183 days or more during a tax year or
- 2) Present in Pakistan for a period of 90 days during the tax year and 365 days during preceding four years.
- 3) Employee or official of Federal and Provincial Government and is posted abroad.

Finance Act 2003 omitted the second condition.

The Finance Act 2019 restored the second condition however the prescribed time limit for stay in Pakistan during the tax year was enhanced from 90 days to 120 days.

The Act has yet again omitted the second condition hence restoring the position of law existed prior to Finance Act 2019.

Simplification of tax credit for charitable organizations

The Act has ratified amendment made by Tax Laws (Second Amendment) Ordinance, 2021 with certain modification. The structure of substituted section 100C is now as follows:

Eligible person for tax credit

Following are the eligible persons for tax credit:

- Specified person in Table II, clause (66), Part I of the Second Schedule to the Ordinance.
- Trusts including trust administered under certain specified schemes by the Federal Government.

- Welfare institutions registered with Provincial or Islamabad Capital Territory (ICT) social welfare department.
- A not for profit company registered with SECP under section 42 of Companies Act, 2017.
- A welfare society registered under the Provincial or ICT laws related to registration of co-operative societies.
- A waqf registered under the Muslim waqf Validation Act, 1913 or any other law for the time being in force or in the instrument relating to the trust or the institution.
- A university or educational institutions being run by non-profit organization existing solely for educational purpose and not for profit.
- A religious or charitable institution for the benefit of public registered under any law for the time being in force; and
- International non-governmental organizations (NGOs) approved by the Federal Government.

Eligible income for tax credit

Following are eligible incomes for tax credit:

- Income from donations, voluntary contributions, subscriptions;
- Income from house property;
- Income from investments in the securities of the Federal Government;
- Profit on debt from scheduled banks and microfinance banks;
- Grants received from Federal, provincial, local or foreign Government;
- Income from business to the extent that the same is expended in Pakistan for welfare purposes provided that only such extent of income shall be eligible for tax credit that bears

the same proportion to income from all sources;

- Any income of persons specified in Table II of clause (66) of Part I of the Second Schedule to the Ordinance;
- Any income of a trust administered under a scheme approved by the Federal Government;
- Any income of a university or educational institute being run by non-profit organization existing solely for educational purposes and not for the purpose of profit.

Conditions for eligibility

Following are eligibility conditions for claiming tax credit:

- Annual Tax Return has been filed;
- Tax required to be deducted or collected has been paid;
- Withholding tax statements for the relevant tax year have been filed;
- Administrative and management expenditure does not exceed 15% of the total receipt except in case such non-profit organization has started operation for first within last three years or total receipts during the tax year are less than one hundred million rupees;
- Approval from Commissioner has been obtained under section 2(36) provided that
 - this condition shall apply for entities specified in Table II of clause (66) from 01 July 2022 and not for the earlier years;
 - None of the assets of the trust or welfare institutions confer private benefits to donors or their families or any other person related the author of the trust or his descendants or the maker of the institute or any other person and where such private benefit is conferred, the amount of such

benefit shall be added to the income of the donor' and

- A statement of voluntary contributions and donations received in the immediately preceding tax year has been filed in the prescribed form and manner.

Surplus funds as defined in sub section (6) of the organizations to which this section applies shall be taxed at 10%.

Surplus funds defined

Surplus funds mean funds or monies:

- Not spent on charitable or welfare activities during the tax year.
- Received during the year as donations, voluntary contributions, subscriptions and other incomes.
- Which are more than twenty-five percent of total receipts of non-profit organization received during the tax year; and
- Are not part of restricted funds.

Restricted funds are defined to mean any fund received by the organization but could not be spent and treated as revenue during the year due to any obligation placed by the donor or fund received in kind.

Extension of certain deadlines under special provision relating to builders and developers

The Act has extended key dates for builders and developer who opt to pay tax computed under special provision in accordance with the rules in the Eleventh Schedule on a project by project basis.

Key amendments are as under:

- A new project or an incomplete existing project that is completed by 30 September 2023.

- Any income, profits and gains of a builder or developer of an incomplete existing project earned up to tax year 2019 or tax year 2020 as the case may be.
- Provisions of section 111 shall not apply to capital investment made in a new project in form of money or land subject to following conditions:
 - If the investment is made by a builder and developer being an individual, such person shall open a new bank account and deposit such amount on or before 30 June 2021.
 - If the investment is made by a builder and developer through a company or association of person being a single object company or association of person on or before 30 June 2021.
 - A person making investment as mentioned above shall submit a prescribed form on Iris web portal by 30 June 2021.
 - The project grey structure shall be certified in case of builder by approving authority or NESPAK on or before 30 September 2023.
 - In case of developer the approving authority or NESPAK shall certify landscaping on or before 30 September 2023 and a firm of chartered accountants shall certify that at least 50% of plots have been booked for sale and at least 40% of sale proceeds have been received by 30 September 2023 and 50% of the roads have been laid up as certified by the approving authority or NESPAK.
- Provisions of section 111 shall not apply to first purchaser of building or a unit of the building purchased from the builder from a new project or from incomplete existing project and payment is made through cross banking channel between date of registration of the project and ending on 31 March 2023.

- Provisions of section 111 shall not apply to the purchaser of plots who intends to construct building if purchase and payment is made through cross banking channel on or before 30 June 2021 and construction is started on or before 31 December 2021 and such construction is completed on or before 30 September 2022.

Small and medium enterprises defined

The Act has defined Small and Medium enterprises as:

- a person who is engaged in manufacturing as defined in clause (iv) of sub-section (7) of section 153 of the Ordinance; and
- his business turnover in a tax year does not exceed two hundred and fifty million rupees.

Subject to a condition that if annual business turnover of a small and medium enterprise exceeds two hundred and fifty million rupees, it shall not qualify as small and medium enterprise in the tax year in which annual turnover exceeds that turnover or any subsequent tax year.

Taxation of small and medium enterprises introduced

The Act has inserted a new section read with Fourteenth Schedule which shall deal with the computation and payment of tax for small and medium enterprises (SMEs) for tax year 2021 and onward as per the procedure laid down.

Rules for computation of profit and gains for small and medium enterprises

These rules shall apply to small and medium enterprises as defined in the Ordinance 2001:

- Small and medium enterprise shall be required to register with FBR on its Iris web portal or Small and Medium Enterprises Development Authority on its SME registration portal (SMERP).

- There shall be following two categories of small and medium enterprises and tax on their taxable income shall be computed at the tax rates given in the table below:

S. No.	Category	Turnover	Rates
(1)	Category-1	Where annual business turnover does not exceed Rupees 100 million	7.5% of taxable income
(2)	Category-2	Where annual turnover exceeds Rupees 100 Million but does not exceed Rupees 250 Million	15% of taxable income

Option for final tax regime

- The small and medium enterprises may opt for taxation under final tax regime at the rates given in the table below:

S. No.	Category	Turnover	Rates
(1)	Category-1	Where annual business turnover does not exceed Rupees 100 million	0.25% of gross turnover
(2)	Category-2	Where annual business turnover exceeds Rupees 100 Million but does not exceed Rupees 250 Million	0.5% of gross turnover

- Option under this rule shall be exercised at the time of filing of return of income and option once exercised shall be irrevocable for three tax years.

The provisions of section 177 and 214C shall not apply to SME who opts for taxation under Final Tax Regime.

Audit

- SMEs who opt for taxation under normal law may be selected for tax audit through risk based parametric computer ballot under section 214C of the Ordinance if its tax to turnover ratio is below tax rates specified in these rules.
- The cases selected under audit of this rule shall not exceed 5% of the total population of SMEs whose tax to turnover ratio is below tax rates given in these rules.

Application of other provisions of Ordinance

The other provisions of the Ordinance shall apply mutatis mutandis to the SMEs.

Scope of agreements for avoidance of double taxation and prevention of fiscal evasions enhanced

Currently section 107 empowers the Federal Government to enter into tax treaty, tax information exchange agreement, a multilateral convention, an inter-governmental agreement or similar agreement or mechanism for the avoidance of double taxation or for the exchange of information for the prevention of fiscal evasion or avoidance of taxes including automatic exchange of information with respect to taxes on income imposed under this Ordinance (or any other law for the time being in force and under the corresponding laws in force in that country and may, by notification in the official Gazette), make such provisions as may be necessary for implementing the said instruments.

The Act has enhanced the scope of section by inserting assistance of recovery of taxes as one of the prime purposes of entering tax treaties by the Government.

The amendment is supported by newly proposed section for assistance in the recovery and collection of taxes in pursuance of a request from a foreign jurisdiction under a tax treaty, a multilateral convention, an inter-governmental agreement or similar arrangement or mechanism.

Unexplained income or assets

Following amendments have been introduced.

Concealment of income defined

The Act has defined the term concealment of income as:

- (a) the suppression of any item of receipt liable to tax in whole or in part, or failure to disclose income chargeable to tax;
- (b) claiming any deduction or any expenditure not actually incurred; and
- (c) any act referred to in sub-section (1) of section 111.
- (d) Claiming of any income or receipt as exempt which is otherwise taxable [not proposed in the Bill but included in the Act]

Explanation - For the removal of doubt, it is clarified that where any item of receipt declared by the taxpayer is claimed as exempt from tax, or where any deduction in respect of any expenditure is claimed, mere disallowance of such claim shall not constitute concealment of income or the furnishing of inaccurate particulars of income, unless it is proved that the taxpayer deliberately claimed exemption from tax in respect of the aforesaid item of receipt or claimed deduction in respect of such expenditure not actually incurred by him.

Scope of unexplained income or assets incurred or situated outside Pakistan

Currently, unexplained income or assets incurred or situated outside Pakistan resulted from a Pakistan Source income is not covered for the purpose of offering such concealed income or assets to tax.

The Act has brought such Pakistan source concealed income, investment, money, valuable article or expenditure situated or incurred outside

Pakistan into the ambit of income chargeable to tax in the tax year immediately preceding the tax year to which it relates.

Requirement to issue separate notice under section 111 dispensed with

Currently, by virtue of the nature of section 111 and considering various Courts judgements, it is an established law that non-issuance of separate notice under section 111 renders the proceedings initiated on account of addition under section 111 invalid.

The Act has inserted explanation in this regard to counter the effect of superior court judgments that the explanation regarding income, expenditure or assets as has been confronted under section 122(9) of the Ordinance, it shall be treated as notice being properly served upon the taxpayer.

Changes proposed under minimum tax under section 113

Currently the minimum tax is applicable on individuals and AOP having turnover of Rs. 10 million or above in the tax year.

The Act has enhanced the threshold of turnover from Rs. 10 million to Rs. 100 million.

Further, Act has clarified that definition of turnover shall cover receipts from all business activities in line with expression turnover from all sources including but not limited to receipts from sale of immovable property where such receipt is taxable under the head Income from Business.

This amendment is brought in line with the proviso inserted dealing the taxation of immovable property under section 37 (1A) of the Ordinance.

The Act has inserted a proviso whereby the turnover tax is paid since no tax is payable or paid for the year, the entire amount of turnover tax paid shall be carried forward for adjustment against the tax liability of the subsequent tax year.

It is further provided that that the excess amount of tax shall be carried forward and adjusted against tax liability for five tax years immediately succeeding the tax year for which the amount was paid.

This is a positive amendment brought in law to counter the judgment of Sindh High Court whereby the court held that in order to avail the carried forward of minimum tax on turnover, there should be normal tax liability.

Requirement of income tax return filing

Section 114 define the list of persons who are required to furnish a return of income. One such class of person was welfare institutions approved under clause 58 of Part I of the Second Schedule. Such institutions are now released from the requirement of income tax return filing.

However, the aforementioned clause 58 was omitted through finance Act, 2014 leaving such welfare institution dysfunctional without any governing clause. Accordingly, this proposed amendment has brought no impact.

The Act has also empowered the Board with the approval of the Minister in-charge to notify person of class of person who shall be required to file the return of income.

Deemed assessment - The concept of automatic adjustments deferred

The Finance Act 2020 has introduced a new concept of deemed assessment whereby the assessment will be deemed to be made by the commissioner and the return to be taken as completed if the return filed by the taxpayer is processed through automated system to arrive at the correct amounts of total income, taxable income and tax payable by making specified adjustments as per sub-section (2A) for:

- a) Any arithmetical error in the return;
- b) Any incorrect claim apparent from any information in the return;

- c) Disallowance of any loss, deductible allowance or tax credit claimed under Parts VIII, IX and X respectively of Chapter III;
- d) and disallowance of any carry forward loss under section 182A(1)(b) [erroneously reference to Chapter IV has been made instead of Chapter III vide Finance Act 2018).

The Income Tax Amendment (Ordinance) 2021 dated 21 January 2021 deferred the application of this subsection till the date notified by the Board and till such time it shall be taken as not in operation. Hence the pre-amendment innate concept of deemed assessment whereby the return filed was to be taken as assessment of taxable income and the tax due thereon for that tax year, and the tax due there equal to respective amounts specified in the return and on the date the return is furnished shall continue to apply.

The said mechanism for this automated adjustment only to apply [in the prescribed manner] once the date of application is notified by the Board.

The Act has ratified this amendment.

Requirement to file Taxpayers Profile abolished

The Finance Act 2020 introduced the requirement to file prescribed Taxpayer Profile.

The Act has omitted this requirement. Now the taxpayer is only mandated to declare business bank account in the form of registration available as per section 181.

Bar from time limitation for issuance of notice by the Commissioner to furnish a return of income.

Currently, the law has restricted the Commissioner to require filing of income tax return for last five tax years only where the Commissioner has a reason to believe that such person was already required to file a return of income. Further, such notice could be issued for one or more of the last ten tax years where taxpayer has failed to furnish any return in last five years.

The Act has provided that the time-limitation provided under this sub-section shall not apply if the Commissioner is satisfied on the basis of reasons to be recorded in writing that a person who failed to furnish his return has foreign income or owns foreign assets.

Relaxation in requirement for revision of return

Sub-section 6 of section 114 deals with the list of conditions to be satisfied in order to file revision of income tax return. One such requirement was to provide revised accounts based on which revision in return was requested.

The Act has provided that such condition of providing revised accounts, may be waived by the Commissioner, subject to satisfaction that filing of revised accounts or audited accounts is not necessary.

Restriction on right to make enquiries at before amendment or further amendment of assessment order

Section 122(5A) allows Commissioner Inland Revenue to conduct an inquiry and accordingly amend the assessment of a taxpayer if he considers that assessment is erroneous in so as it is prejudicial to the interest of revenue.

The Act has withdrawn the power of tax authorities to conduct inquiries.

Time limit to pass an order after issuance of show cause notice prescribed

Currently there is no time limit prescribed to pass an order after the issuance of show-cause notice.

The Act has inserted a proviso whereby the assessing officer has to pass an order within one hundred and twenty days of issuance of show cause notice or within such extended period as the Commissioner may, for reasons to be recorded in writing, so however, such extended period shall in no case exceed ninety days. This proviso shall be applicable to a show-cause notice issued on or after the first day of July 2021.

The Act has further provided that any period during which the proceedings are adjourned on account of a stay order or Alternative Dispute Resolution proceedings or agreed assessment proceedings under section 122D or the time taken through adjournment by the taxpayer not exceeding sixty days shall be excluded from the computation of the period specified therein.

Time limit prescribed to proceed on the revision by the commissioner

Currently there is no time limit prescribed to pass an order after the order is remanded back by Commissioner on suo moto basis.

The Act has provided a time limit of one hundred and twenty days for the order giving effect to the directions of the Commissioner in case the order is remanded back.

Provision for e-filing of appeal introduced

Considering the Boards letter dated 7 January 2021 to file all income tax appeals electronically through IRIS.

The Act has integrated such mechanism of electronic appeal filing in the Act.

Alternate dispute resolution mechanism strengthened

Currently an aggrieved person in connection with any dispute pending before a court of law or an appellate authority pertaining to

- a) the liability of tax against the aggrieved person, or admissibility of refunds, as the case may be;
- b) the extent of waiver of default surcharge and penalty; or
- c) any other specific relief required to resolve the dispute may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate Authority,

except where criminal proceedings have been initiated or where interpretation of question of law is involved having effect on other cases.

The Act has specifically excluded criminal proceedings from the negative list. Meaning thereby in case of criminal proceedings that have been initiated an application can still be made to the board for the appointment of a committee for the resolution of dispute.

Further Act has inserted proviso that if the issue involves a mixed question of fact and law, the Board, while taking into consideration all relevant facts and circumstances, shall decide whether or not ADRC may be constituted.

The Act has provided that application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute, from which proposition, the taxpayer would not be entitled to retract.

Time limit to appoint committee reduced

The Act has reduced the time limit from 60 days to 30 days for appointing a committee.

Time limit for passing an order

The Act has provided that the committee shall decide the dispute through consensus within sixty days of its appointment extendable by another thirty days for the reasons to be recorded in writing.

Stay Against the recovery of tax

Currently the committee in case of any hardship, stay the recovery of tax payable in respect of dispute pending before it for a period not exceeding 120 days in aggregate till the decision of the committee or dissolution whichever is earlier.

The Act has provided that recovery of tax shall be stayed on the constitution of committee till the final decision or dissolution of the committee, whichever is earlier.

Further Act has inserted new sub-section whereby If the committee fails to decide within the period 120 days, the Board shall dissolve the committee by an order in writing and may re-constitute another committee and all the provisions should apply to the second committee.

In addition to above Act has provided for proposes amendment incase if second committee fails to decide within the prescribed limit. the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the appellate authority where the dispute is pending.

Due date for payment of tax

Currently the period of 30 days for payment of tax demand is provided under section 137(2).

The Bill proposed that period of 30 days shall not apply in respect of the tax demand created through an appeal effect order and correspondingly the same would be immediately payable upon passing of the appeal effect order.

Ought to the concerns raised by the various taxpayer bodies, this proposed amendment has not been enacted.

Recovery and Collection of taxes under a tax treaty

The Act provides that provisions related to recovery and collection of taxes shall apply mutatis and mutandis in pursuance of a request from a foreign jurisdiction under a tax treaty, a multilateral convention, an intergovernmental agreement or similar arrangement or mechanism.

Power of the commissioner to determine estimated tax payable for the quarter advance tax

Currently, by virtue of the Act, if the taxpayer furnishes the revised estimated tax payable for the tax year which is lower than the initially estimated tax payable, the Commissioner has the power to reject the revised estimated tax payable. Such

rejection was justified through non-compliance of the conditions laid down in the section.

The Act has revoked such authority of the Commissioner to reject estimates of reduced tax payable to be furnished by the taxpayer. In other words, taxpayer will be able to discharge its advance tax liability based on the revised reduced estimated tax payable subject to the fulfillment of prescribed conditions.

Withholding tax provisions merged

Through Act certain provisions of the withholding of taxes are t merged with certain other relevant provisions as under:

Sections Omitted	Merged with
Deduction of tax on return on investment in Sukuks – Section 150A	Section 151 – for resident by insertion of sub-section (IA) Section 152 – for non-resident by insertion of sub-section (1DB)
Deduction of tax on payments for foreign produced commercials – Section 152A	Section 152 - by insertion sub-section (1BA). Though the taxation regime of such non-resident is the same as before i.e. final tax, however, the word 'deducted' as proposed has been substituted with word 'deductible in the Act
Collection of tax on dividend in specie – 236S	Section 150
Payment to non - resident persons – Sub-sections (1B), (1BB) & (1BBB)	Sub-section (1B) of section 152 – all three sub-section are to be merged with the substituted sub-section (1B) through the Act.

Incentives for non-resident individuals (NRIs) holding Pakistan Origin Card (POC), National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC)

The Tax Laws (Amendment) Ordinance, 2021 promulgated in February 2021 and Tax Laws (Second Amendment) Ordinance, 2021 promulgated in March 2021 are now being ratified through Act of Parliament. - Key such changes, for the sake of brevity, are summarized below:

Final taxation on income earned by NRIs holding POC, NICOP or CNIC maintaining account with authorized banks in Pakistan:

- a Foreign Currency Value Account (FCVA), or
- a Non-Resident Pakistani Rupee Value Account (NRVA).

Withholding tax suffered at 10% on capital gain on disposal of debt instruments, government securities and government certificates (both conventional and shariah compliant).

- Advance tax collected at 1% of the gross amount of consideration received.
- Advance tax collected at 1% of the fair market value.

Expeditious issuance of exemption certificate in case of sale of goods by companies

The Commissioner is empowered to issue exemption certificate to companies in respect of payment without deduction of tax or at reduced rate of tax except where tax deduction is minimum tax. However, no time period was prescribed for issuance of the said certificate prior to the Finance Act, 2020.

Finance Act 2020 provided that in case sale of goods by public listed company, the Commissioner is required to issue such certificate within fifteen (15) days of filing of application where advance tax liability has been discharged and in case of non-issuance of the certificate, mechanism of automatic issuance of such certificate by IRIS was prescribed.

Fifteen (15) days' timeline for issuance of exemption certificate has been made applicable to all corporate entities through the Act.

Likewise, corresponding amendment has been made in section 159 for issuance of exemption or lower rate certificate by the Commissioner through the Act.

Trader of yarn no more subject to reduced rate of withholding tax

Reduced rate of withholding tax as provided under clause 45A of Part IV of the Second Schedule shall no more be applicable on trader of yarn. Meaning thereby the trader of yarn shall be subject to standard rate of withholding taxes as applicable on the sale of goods

Withdrawal of withholding tax on royalty to resident persons

Previously, there was no withholding tax provision in the tax law on payment of royalty to resident persons. The Finance Act, 2019 introduced withholding tax at 15% of gross amount which is adjustable.

The Act omit such withholding tax on payment of royalty to resident person.

Final tax regime for export of services introduced

Currently, foreign proceeds from export of goods are taxed at 1% which is considered as final tax. The Act introduced similar taxation regime for following specified services:

- Export of IT and IT enabled services where tax credit under section 65F is not available;
- Services or technical services rendered outside Pakistan or exported from Pakistan;
- royalty, commission or fees derived by a resident company from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise;
- construction contracts executed outside Pakistan; and

- other services rendered outside Pakistan as notified by the Board from time to time.

The tax deductible shall be final tax subject to following conditions:

- Income tax return has been filed;
- withholding tax statements for the relevant tax year have been filed;
- sales tax returns under Federal or Provincial laws have been filed, if required under the law; and
- no credit for foreign taxes paid shall be allowed.

The Act also provides an option for taxation under Normal Tax Regime which is to be exercised every year at the time of filing of income tax return.

Further The Act provides that where the taxpayer while explaining the nature and source of any amount, investment, money, valuable article, expenditure, referred to in section 111, takes into account any source of income, which is subject to final tax, the taxpayer shall not be entitled to take credit of a sum that can be reasonably attributed to the business activity under this section.

Withholding taxes on “rent of immovable property” instead of income from property

The Act provides explanation under section 155 to clarify that tax shall be withheld under the said section irrespective of head of income.

Filing of annual withholding tax statement alongwith reconciliation

Currently, quarterly withholding statements besides annual withholding tax statement in respect of salary are required to be filed electronically.

Now, the Act provides for filing of annual withholding statement in respect of all the payments (including salary) within 30 days of end of tax year in addition to filing of quarterly withholding tax statements.

A reconciliation between the amounts as per the said annual withholding tax statement and the amounts declared in the return of income, audited accounts or financial statements in the prescribed form is also required to be filed by due date of filing of return of income.

Mechanism for electronic processing and issuance of refunds introduced

The Act introduces a mechanism for electronic processing and issuance of refund to the taxpayer who has filed return of income without filing refund application to the extent of tax credit verified by the Board’s computerized system from tax year 2021. The sanctioned amount will be electronically transferred in the taxpayer’s notified bank account.

Changes to offences and penalties

The Income Tax (Second Amendment) Ordinance, 2021 promulgated in March 2021 is proposed to be made part of the Bill for approval by the Parliament as required by the Constitution.

The Act adopts the following amendments promulgated through the Income Tax (Second Amendment) Ordinance, 2021 in the Table under section 182(1):

Serial Entry	Offence	Substitution
1	Late filing of the income tax return under section 114.	<p>New provisos have been introduced through which;</p> <p>If taxable income is up to eight hundred thousand, then a minimum penalty of Rs. 5,000 shall apply.</p> <p>Penalty shall be reduced by 75%, 50% or 25% if the return is filed within one month, two months or three months respectively after the expiry of due date or such</p>

Serial Entry	Offence	Substitution
		extended date as allowed by FBR.
1A	Failure to file statements under sections 165, 165A or 165B.	New proviso has been inserted through which a minimum penalty of Rs. 10,000 has been prescribed where no tax was required to be collected or deducted.
6	Erroneous calculation of tax in the return for more than one year resulting in short payment than actual tax due.	A new exception has been introduced where the prescribed penalty shall not apply in case the taxpayer has a reasonably arguable position related to applicability of the Ordinance to its case.
10	Filing of false or misleading statement or information or omission of information thereto.	Earlier the penalty was higher of Rs. 25,000 or 100% of the amount of tax shortfall. The same has now been reduced to 50% of the tax shortfall or Rs. 25,000/- whichever is lower. The applicability of the penalty has also been restricted to sections 114A and 118 apart from sections 114, 116, 174, 176, 177 already mentioned therein.
11	Person who denies access to the Commissioner or authorized officer to premises, place, accounts, documents, stocks or computers.	The penalty has now been reduced to either Rs. 50,000 or 50% of the tax involved whichever is higher.

Serial Entry	Offence	Substitution
15	Any person who fails to collect or deduct tax as required under any provisions of this Ordinance or fails to pay the tax collected or deducted as required under section 160.	The existing sections references has been substituted with the expression "Division II or Division III of part V of Chapter X or Chapter XII"
16	Person who fails to display NTN at place of business.	The penalty of Rupees Five thousand has now been extended to failure of displaying "business license" as well.
19	Manufacturer of motor vehicles accepts or processes any application for booking or purchase of a locally manufactured vehicle in violation of section 227C.	The penalty of 5% of the value of motor vehicle has now been omitted.
20	Registering authority of Excise and Taxation or any authority responsible for accepting, registering or processing any application or transfer of immovable property violates the provisions of section 227C.	The penalty of 5% of the value of motor vehicle or immovable property has now been omitted.

Now the Act provides following amendments in table under section 182(1):

Serial Entry	Offence	Substitution
4A	Any person who is required to furnish or update a taxpayer's profile but fails to furnish or update within the due date.	A penalty of Rs. 2,500 for each day of default from the due date subject to a minimum penalty of Rs.10,000 allowed by FBR has

Serial Entry	Offence	Substitution
		now been omitted.
4B	Any person who contravenes the provisions of section 181AA.	A penalty of Rs. 10,000 for each connection provided to an unregistered person has now been enhanced to Rs.100,000.
29	Where any person fails to declare business bank account(s), in his registration application or fails to amend his registration profile to declare existing business bank account(s).	Such person shall pay a penalty of Rs. 10,000 for each day of default since the date of submission of application for registration or date of opening of undeclared business bank account whichever is later subject to minimum penalty of Rs.100,000 per undeclared bank account. This provision is effective from 1st October 2021.

Levying penalty even without willful default

The appellate authorities in number of cases have held that no penalty can be imposed without establishing *mens rea* (willful default) by taxpayer.

The Act intends to dilute the effect of these appellate decisions by insertion of an explanation that penalty can be levied without establishing *mens rea*.

Consequences of non-filing the return within due date

The Finance Acts 2018 and 2019 inserted section 182A whereby it was provided that the non-filing of return of income within the due or extended date were subject to following consequences in addition to penal provisions:

- The name of the person was not to be included in the Active Taxpayers List (**ATL**) for that year; and
- Such person was not to be allowed to carry forward any loss for the tax year;
- issued refund during the period the person is not included in the active taxpayers' list; and
- entitled to additional payment for delayed refund and the period the person is not included in the ATL, shall not be counted for computation of additional payment for delayed refund.

However, it was provided that such person shall be included in the ATL upon filing of tax return beyond the due or extended date subject to payment of surcharge.

The Finance Act, 2020 inserted a proviso to exclude taxpayer from ATL who fails to furnish or updates his profile within the time prescribed in this regard.

The Finance Act, 2020 also enacted that such person shall be included in ATL upon filing the profile subject to payment of surcharge.

Now the Act omits the payment of surcharge in respect of the taxpayer who fails to furnish or updates his profile.

Offences and prosecutions for non-declaration of business bank account(s)

Any person, who fails to declare business bank account(s) in the registration form or updated registration form or return of income or wealth statement.

shall commit an offence punishable on conviction with a fine or imprisonment not exceeding one year or both.

Offences and prosecution

The Act reinstated section 202, 203 and 203A "power to compound offences", "trial by special

judge” and appeal against order of a special judge” respectively.

Power to arrest and prosecute

The Act has inserted a new section 203B which provides that where minimum default of tax of Rs. 100 million for filer and Rs. 25 million for non-filer is established as a result of proceedings under the following sections:

Section	Description
177(8)	Audit by Board/Commissioner
214C	Audit by Board through balloting
121	Best Judgement Assessment
122	Amendment of Assessment

the taxpayer may be arrested after obtaining written approval of the committee, comprising of following members:

1. Minister of Finance and Revenue;
2. Chairman of the Board; and
3. Senior most member of the Board.

An authorized officer may arrest a person as per the provisions of the Code of Criminal Procedure, 1898 (Act V of 1898).

Further, where a person commits an offence, the Chief Commissioner with the prior approval of the Board either before or after the institution of any proceedings for recovery of tax, compound the offence if such person pays the tax due along with such default surcharge and penalty.

If the person suspected of committing an offence or concealment is a company, every director or officer of that company whom the authorized officer has reason to believe that he is personally responsible for actions of the company contributing to offence or concealment of income or any offence, shall be liable to arrest.

Provided that any arrest shall not absolve the company from the liabilities of payment of tax, default surcharge and penalty.

Procedure to be followed on arrest of a person

The Act provides that an officer shall intimate the fact of the arrest to the Special Judge and produce such person for arrest before Special Judge or Magistrate. However, Magistrate may direct to produce such person before Special Judge. The officer shall maintain the Register of arrest and detention in the format as prescribed and Special Judge shall direct the manner of arrest.

The special judge after perusing the record and providing opportunity of being heard may grant or refuse the bail. Where bail is granted, the special Judge may cancel such bail before providing opportunity of being heard unless he considers that the affording of such opportunity shall defeat the purposes.

The Special Judge and Magistrate on request of the Officer issue remand order not exceeding 14 days against such person to hold inquiry. While carrying inquiry such officer has same powers as of an officer in charge of a police station under the Act V of 1898. After inquiry if there is no sufficient evidence then officer may release the person and make a report to the Special Judge for the discharge of such person. However, Special Judge may again initiate proceedings if there are enough reasons to do so

Federal government empower to appoint special judges

The Act empowered Federal Government to appoint as many Special Judges as it considers necessary. Where, more than one Special Judge is appointed, it shall also specify the headquarter of each Special Judge and the territorial limits within which he shall exercise jurisdiction under this Ordinance.

No person shall be appointed as a Special Judge unless he is or has been a Sessions Judge.

Cognizance of offences by special judges

The Act provides that special Judge may, within the limits of his jurisdiction, take cognizance of any offence punishable under this Ordinance upon-

- a report in writing made by an authorized officer; or
- receiving a complaint or information of facts constituting such offence made or communicated by any person; or
- his own knowledge acquired during any proceeding before him under this Ordinance or under any other law for the time being in force;
- upon the receipt of report above;
- upon the receipt of a complaint or information, the Special Judge may, before issuing a summon or warrant for appearance of the person complained against, hold a preliminary inquiry for the purpose of ascertaining the truth or falsehood of the complaint, or direct any magistrate or any officer of Inland Revenue or any police officer to hold such inquiry and submit a report, and such Magistrate or officer shall conduct such inquiry and make report accordingly.

After conducting such inquiry or after considering the report of such Magistrate or officer, the Special Judge is of the opinion that there is –

- no sufficient ground for proceeding, he may dismiss the complaint, or
- sufficient ground for proceeding, he may proceed against the person complained against in accordance with law.

A special Judge or a Magistrate or an officer may hold such inquiry, as early as possible, in accordance with the provision of section 202 of the Act V of 1898.

Special judge, etc. to have exclusive jurisdiction

The Act provides an exclusive jurisdiction to a special judge over a person committed offence of concealment of income or offence warranting prosecution under this Ordinance.

The Act provides that no:

- court other than the Special Judge having jurisdiction, shall try an offence punishable under this Ordinance;
- other court or officer, except in the manner and to the extent specifically provided for in this Ordinance, shall exercise any power, or perform any function under this Ordinance;
- court, other than the High Court, shall entertain, hear or decide any application, petition or appeal under chapters XXXI and XXXII of the Act V of 1898, against or in respect of any order or direction made under this Ordinance; and
- no court, other than the Special Judge or the High Court, shall entertain any application or petition or pass any order or give any direction under chapters XXXVII, XXXIX, XLIV or XLV of the aforesaid Code.

Provisions of code of criminal procedure, 1898, to apply

The Act provides that the provisions of the Act V of 1898 shall apply to the proceeding of the court of a Special Judge if they are consistent with the provisions of this Ordinance and such court shall be deemed to be a court of sessions for the purpose the said code and the provisions of Chapter XXIIA of the foresaid Code so far as applicable and with the necessary modifications, shall apply to the trial of cases by the Special Judge under this Ordinance. The code shall have effect if an offence punishable under this Ordinance were one of the offences as adduced to in sub-section (1) of section 337 of the said code.

Transfer of cases

The Act empowered Federal Government as may by order in writing direct the transfer, at any stage of the trial, of any case from the court of one Special Judge to the Court of another Special Judge for disposal.

The Special Judge shall not by reason of the said transfer, be bound to recall and rehear any witness whose evidence has been recorded and may act upon the evidence already recorded or produced before the court which tried the case before the transfer.

Place of sittings

The Act provides that Special Judge shall hold sittings at his headquarters however, he may hold sittings at any other place keeping in convenience of public.

Rewards and benefits for certain persons

The Act has introduced section 227BA to provide rewards and benefits by the Board to e-intermediaries for filing of returns of new taxpayers, for which the Board will prescribe procedure in this behalf with the approval of the Federal Minister in Charge.

The Board also with the approval of Federal Minister in charge may announce benefits, rebates, tax credits, allowances and any other incentive in cash or otherwise for class of persons

Introduction of electronic hearing mechanism

The Act ratified as proposed through Bill mechanism of electronic hearing whereby the Board is empowered to design and prescribe e-hearing module for conducting hearings, granting opportunity of being heard and electronically receiving information.

These e-hearing proceedings shall be considered as admissible evidence before any forum or court of law.

The board empowered to appoint directorate general of compliance risk management

The Act empowered the Board to appoint the Director General of Compliance Risk Management through notification in the official gazette.

The Board may also specify the functions, jurisdiction and powers of the Directorate and its officers.

Omission of withholding / collection of advance tax

Currently, there are number of withholding / collections of advance tax provisions which created hardship to the taxpayers.

In order simplify the withholding / collection of advance tax provisions, the Act withdraw the following withholding / advance tax provisions:

Section	Description
231A	Cash withdrawal from a bank
231AA	Advance tax on transactions in bank
233A	Collection of tax by a stock exchange registered in Pakistan
233AA	Collection of tax by NCCPL
234A	CNG Stations
235A	Domestic electricity consumption
236B	Advance tax on purchase of air ticket
236HA	Tax on sale of certain petroleum products
236L	Advance tax on purchase of international air ticket
236P	Advance tax on banking transactions otherwise than through cash
236S	Dividend in specie
236V	Advance tax on extraction of minerals

Section	Description
236Y	Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards

Tax collection in respect of 'on' money on motor vehicle

The Act provides to collect tax through the motor vehicle registration authority of Excise and Taxation Department if manufactured motor vehicle sold prior to registration by the person who originally purchased it from the local manufacturer.

The Tax Laws (Amendment) Ordinance, 2021 inserted sub-section (2A) in section 231B, whereby, every motor vehicle registration authority of Excise and Taxation Department shall collect advance tax at the time of sale of such vehicles from buyers of locally manufactured vehicles who sell the vehicles within ninety days of taking delivery from the local manufactures/ assemblers, whether or not registered by the respective authorities.

Collection rates are as follows:

S. No.	Engine capacity	Tax (Rs.)
1	Up to 1000 cc	50,000
2	1000 cc to 2000 cc	100,000
3	2000 cc and above	200,000

The above tax shall only be collected upto 30 June 2021.

Now the Act continue the said provisions however, the restriction of ninety days has been done away with.

Individuals are proposed to be made 'prescribed person' / 'withholding agent' for collection of tax on commission and brokerage

The Act to include individuals having turnover of Rs.100 million or more to become 'prescribed person' to collect tax under section 233 from payment of commission and brokerage.

Abolishment of advance tax on stock exchange transactions

The Stock Exchanges registered in Pakistan were required to collect advance tax from their members on purchases and sales of shares in lieu of tax on commission earned by them.

The Finance Supplementary (Second Amendment) Act, 2019 abolished the collection of this advance tax effective 01 March 2019. Resultantly, applicability of section 233 i.e. withholding of tax on commission income was triggered.

However, there is a point of view that taxation of income earned by members of stock exchange registered in Pakistan still covered under this section.

In view of above, the Act withdraw section 233A, hence, after such amendment, the taxability of income earned by members of stock exchanges now compulsorily fall under section 233.

Abolishment of collection of tax by NCCPL

NCCPL collects advance tax from the members of Stock Exchanges registered in Pakistan on margin financiers, trading financiers and lenders in respect of margin financing in share business.

The Act withdraw such collection of tax.

Revamping of tax collection on domestic consumer to electricity

Currently, tax collection on domestic consumers of electricity is prescribed under section 235A whereby 7.5% advance tax is required to be collected if the monthly electricity bill is of

Rs. 75,000 or more. Such advance tax is adjustable against tax liability of such person. Whereas, tax collection on commercial and industrial consumer of electricity is prescribed under section 235.

The Act withdraw section 235A and insert requirement of tax collection on domestic consumers of electricity in section 235 based on following criteria:

- if the consumer's name is not appearing in ATL;
- monthly bill is Rs. 25,000 or more;
- tax rate will be 7.5%;
- tax collection on annual bill amount upto Rs. 360,000 will be minimum tax;
- tax collection on monthly bill over and above Rs. 30,000 will be adjustable against tax liability of a person.

The Act exclude those persons whose entire income is subject to final tax or minimum tax regime under any provisions of the Ordinance from the application of the above section.

Advance tax on sale / purchase or transfer of immovable property

Sections 236C and 236K require collection of advance tax at the time of registering, recording or attesting the transfer of any immovable property at specified rates by person including local authority, housing authority, housing society, co-operative society and registrar of properties.

The Act inserts 'explanation' whereby public and private real estate projects registered / governed under any law, joint ventures, and private commercial concerns are to be included in the list of the persons who are responsible for registering, recording or attesting transfer of property.

The Act to include a proviso in sub-section (3) of section 236K to provide that where tax has been collected alongwith installments, no further tax under this section shall be collected at the time of

transfer of property in the name of buyer from whom tax has been collected in installments which is equal to the amount payable in this section.

The Act provides that where the buyer or seller is non-resident individual holding a Pakistan Origin card (POC) or National Identity Card for Overseas Pakistan (NICOP) or Computerized National Identity Card (CNIC) who has acquired immovable property through a Foreign Currency value account (FCVA) or NRP rupee value account (NRVA) maintained with authorized banks in Pakistan under foreign exchange regulations issued by State Bank of Pakistan the tax collected from such person shall be final tax.

Insertion of certain sectors in purview of collection of advance tax on sale to distributors, dealers or wholesalers

Section 236G provides for advance tax collection by every manufacturer or commercial importer of specified sectors at the time of sales to distributors, dealers and wholesalers at specified rates.

The Act extend the scope of above section by inserting additional sectors which include Pharmaceutical, Poultry and animal feed, Edible oil and ghee, Auto parts, Tyres, Varnishes, Chemicals, Cosmetics and IT equipment.

Insertion of certain sectors in purview of collection of advance tax on sale to retailer

Section 236H applicable on the participants of the supply chain of specified sectors i.e. manufacturer, distributor, dealer, wholesaler or commercial importer at the time of sale to retailer.

The Act extend the scope of above section by inserting additional sectors which include Pharmaceutical, Poultry and animal feed, Edible oil and ghee, Auto parts, Tyres, Varnishes, Chemicals, Cosmetics and IT equipment.

Advance tax on sale of petroleum products

Section 236HA provides for advance tax collection on sale of petroleum products to the petrol pump operators which is currently treated as final tax on income arising thereof from further sale of such products.

The Act withdraw the above section. The withdrawal, if effected, would change the taxation regime of such persons from final tax to normal tax.

Extension of super tax in case of banking companies beyond tax year 2021

(Division IIA, Part 1, First Schedule)

Super tax on banking companies is 4% for the tax year 2021. The Act extends such levy beyond tax year 2021.

Rate of tax on Dividend paid by REIT

(Division III, Part 1, First Schedule)

The Act provides 15% rate of tax on dividend paid by REIT under section 5 of the Ordinance.

Tax rate on profit on debt imposed under section 7B

(Division IIIA, Part 1, First Schedule)

Currently the persons, other than companies, are liable to tax on profit on debt as per slab rates ranging from 15% to 20% under final tax regime.

The Act has now prescribed a uniform rate of 15% on income from profit on debt, irrespective of the amount of income derived from profit on debt.

The table below represents the comparison of existing and revised rates:

S. No.	Description	Previous rate	New rate
1	Where profit on debt does not exceed Rs.5,000,000	15%	15%
2	Where profit on debt exceeds Rs.5,000,000 but does not exceed Rs.25,000,000	17.5%	
3	Where profit on debt exceeds Rs.25,000,000 but does not exceed Rs. 36,000,000	20%	

Income from property

(Division VIA, Part 1, First Schedule)

Currently income from property derived by an individual or AOP is chargeable as per slab rates specified in Division VIA, Part 1, First Schedule.

The Act delete the aforesaid table in line with the omission of subsection (6) and (7) of section 15 of the Ordinance 2001.

Capital gain on disposal of securities

(Division VII, Part 1, First Schedule)

The Act has restricted the tax rate on capital gains in case of securities acquired before 1 July 2016 and those acquired after 1 July 2016 at 15% to tax year 2021 only, as was applicable in tax years 2018 to 2020, on disposal of securities taxable under section 37A of the Ordinance.

The Act has reduced the tax rate of capital gain on disposal of securities acquired after 1 July 2016 from 15% to 12.5% for tax year 2022 and onwards where holding period of the security is less than twelve months.

The Table below represents the comparison of existing and revised rates:

S. No.	Description	Existing rate	Existing rate	New rate
		Securities acquired before 01.07.2016	Securities acquired after 01.07.2016	Securities acquired after 01.07.2016
1	(i) Where holding period of a security is less than twelve months	15%	15%	12.5%
	(ii) Where holding period of a security is twelve months or more but less than twenty-four months	12.5%		
	(iii) Where holding period of a security is twenty - four months or more but the security was acquired on or after 1st July 2013.	7.5%		
2	Where the security was acquired before 1st July, 2013	0%	0%	0%
3	Future commodity contracts entered by members of Pakistan Mercantile Exchange	5%	5%	5%

Capital gain on sale of immovable property

(Division VIII, Part 1, First Schedule)

Capital gain tax on disposal of immovable property ranged from 2.5% to 10% as per slab rates under section 37 of the Ordinance upto 30 June 2021.

The Act has introduced a uniform rate of 5% on such capital gains.

The Table below represents the comparison of existing and revised rates:

S. No.	Description	Previous rate	Proposed by Bill rate
1	Where amount of gain up to Rs. 5 million	2.5%	5%
2	Where amount of gain exceeds Rs.5 million but does not exceeds Rs. 10 million	5%	Not to be taxed u/s 37(1A) instead u/s 37(1) at applicable slab rate(s)
3	Where the gain exceeds Rs. 10 million but doesn't exceed 15 million	7.5%	
4	Where the gain exceeds Rs 15 million	10%	Not to be taxed u/s 37(1A) instead u/s 37(1) at applicable slab rate(s)

However, the Act has introduced the slab rates considering the amount of capital gain derived by the taxpayer:

S. No	Amount of Gain	Rate of Tax
1.	Where the gain does not exceed Rs. 5 million	3.5%
2.	Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	7.5%
3.	Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	10%
4.	Where the gain exceeds Rs. 15 million	15%

Minimum tax under section 113

(Division IX, Part 1, First Schedule)

The Act has reduced the general rate of minimum tax from 1.5% to 1.25%.

Whereas the rates for specified sectors has been revised as follows:

S. No.	Person(s)	Previous rate	New rate
1	Oil marketing companies, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.)	0.75%	0.75%
2	Oil refineries	0.75%	0.5%
3	Pakistan International Airlines;	0.75%	0.75%
4	Poultry industry including poultry breeding, broiler production, egg production and poultry feed production.	0.75%	0.75%
5	Dealers or distributors of fertilizer	0.75%	1.25%
6	Person's turnover from supplies through e-commerce including from running an online marketplace as defined in clause (38B) of section 2	0.75%	0.25%
7	Distributors of pharmaceutical products, fast moving consumer goods and cigarettes;	0.25%	0.25%
8	Petroleum agents and distributors who are registered under the Sales Tax Act, 1990;	0.25%	0.25%
9	Rice mills and dealers;	0.25%	0.25%
10	Flour mills	0.25%	0.25%
11	Motorcycle dealers registered under Sales Tax Act, 1990	0.3%	0.5%
12	Tier-1 retailers of FMCG integrated with Board	1.5%	0.25%

S. No.	Person(s)	Previous rate	New rate
	computerized system.		
13	Persons engaged in sale and purchase of used vehicles	1.5%	0.25%
14	In all other cases	1.5%	1.25%

Rate of advance tax on imports of CKD kits of Electric Vehicles (EVs)

(Section 148, Part II, First Schedule)

The Act has introduced to collection of advance tax at reduced rate of 1% on import of CKD kits of EVs (small cars or SUVs with 50 kwh battery or below) and (LCVs with 150 kwh battery or below).

Dividend on Real Estate Investment

(Division I, Part III, First Schedule)

The Act has specified tax rate of 15% on dividend paid by "Real Estate Investment Trust". This amendment was not proposed in Bill.

Profit on debt – omission of reduced rate of 10%

(Division IA, Part III, First Schedule)

The proviso related to applicability of reduced rate of 10% on profit on debt of Rs. 500,000 or less in a year was inserted in Division IA though Finance Act, 2019.

The Act has now omitted the above proviso. Subsequently, tax withholding is applicable at 15% without any distinction of amount of profit paid by banks. Return on investments in Sukuks

(Division IB, Part III, First Schedule)

The Act has replaced the reference of Section 150A in Division IB with the subject of this clause i.e. return on investment in sukuks as a result of merger of section 150A with sections 151 and 152.

Payment to non-resident

(Division II, Part III, First Schedule)

The Act has included the Oil field services for applicability of reduced rate of withholding of 3% under section 152(2A) of the Ordinance read with Division II of Part III of the First Schedule

Supplies made by distributor on FMCGs

(Division III, Part III, First Schedule)

The Act has omitted the provision relating to withholding tax rate of 2% / 2.5% on supplies made by distributor of fast-moving consumer goods [FMCGs], hence, general rate of sale of goods of 4% / 4.5% will be applicable.

Enhancement of specified service sectors for reduced rate of withholding tax

(Division III, Part III, First Schedule)

The Act has included the certain additional services sectors for applicability of reduced rate of withholding of 3% under section 153(1)(b) of the Ordinance read with Division III of Part III of the First Schedule namely oil field services, telecommunication services, collateral management services and travel and tour services.

The Bill proposed to include warehousing services in the above list, however the Finance Act has not carried the same.

There are certain service providers who under litigation on issue of taxation on gross receipt basis.

In order to avoid any further controversy, the Act has added an explanation that the reduced rate shall be applicable only to a service provider whose services are subjected to withholding tax on gross receipts and the service provider has not agitated taxation of gross receipts before any court of law.

Withholding tax on execution of contract

The Act has reduced the rate of withholding tax on payment made under section 153(1)(c) execution of contract from 7% to 6.5% for company and from 7.5% to 7% in any other case.

The above amendment was not proposed by in Bill.

Income from property – revised slab rates

(Division V, Part III, First Schedule)

The Act has revised the withholding tax slab rates applicable in case of prescribed persons other than company on account of payment of rent of immovable property under section 155 of the Ordinance. The current and proposed rates are as follows:

Previous slab rates:

S. No.	Gross amount of rent	Rate of tax
1.	Where the gross amount of rent does not exceed Rs.200,000.	Nil
2.	Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000.	5 per cent of the gross amount exceeding Rs.200,000.
3.	Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000.	Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000.
4.	Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000.	Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000.
5.	Where the gross amount of rent exceeds Rs.2,000,000 but not exceed Rs. 4,000,000.	Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000
6.	Where the gross amount of rent exceeds Rs.4,000,000 but does not exceed	Rs.610,000 plus 25 per cent of the gross amount exceeding

S. No.	Gross amount of rent	Rate of tax
	Rs.6,000,000.	Rs.4,000,000.
7.	Where the gross amount of rent exceeds Rs.6,000,000 but does not exceed Rs.8,000,000.	Rs.1,110,000 plus 30 per cent of the gross amount exceeding Rs.6,000,000.
8.	Where the gross amount of rent exceeds Rs. 8,000,000.	Rs.1,710,000 plus 35% of the gross amount exceeding Rs. 8,000,000.

Newly prescribed slab rates:

S. No.	Gross amount of Rent	Tax rate
1	Where the gross amount of rent not exceeding Rs. 300,000	Nil
2	Where the gross amount of rent not exceeding Rs. 300,000 but does not exceed Rs. 600,000	5% of the gross amount exceeding Rs. 300,000
3	Where the gross amount of rent not exceeding Rs. 600,000 but does not exceed Rs. 2,000,000	Rs. 15,000 + 10% of the gross amount exceeding Rs. 600,000
4	Where the gross amount of rent exceeds Rs. 2,000,000	Rs. 155,000 + 25% of the gross amount exceeding Rs. 2,000,000

Electricity consumption

(Division IV, Part IV, First Schedule)

The Act has revised the existing withholding tax rates on electricity consumption by commercial, industrial and domestic consumer under section 235 of the Ordinance as follows:

S. No.	Gross amount of Bill	Tax rate
1	Upto Rs. 500	Rs. 0
2	Exceeds Rs. 500 but does not exceed Rs. 20,000	10% of the amount
3	Exceeds Rs. 20,000	Rs. 1,950 + 12% of the amount exceeding Rs. 20,000 for commercial consumers; Rs. 1,950 + 5% of the amount exceeding Rs. 20,000 for industrial consumers.

The Act also revised the existing rates of tax on collection of domestic electricity consumption as follows:

S. No.	Gross amount of Bill	Tax rate
1	Less than Rs. 25,000	Rs. 0
2	Rs. 25,000 or more	7.5%

* However, no tax shall be collected if the domestic consumer is on Active Taxpayer List

Telephone users

(Division V, Part IV, First Schedule)

Upto tax year 202, the applicable withholding tax rate was 12.5% of bill amount or sales price in case of subscriber of internet, mobile telephone and prepaid internet / telephone cards.

The Act has reduced the above rate to 10% for tax year 2022 and 8% for subsequent tax years.

Locally manufactured vehicle sold prior to registration

Sr. No.	Engine capacity	Tax
(1)	(2)	(3)
1	Upto 1000CC	Rs. 50,000
2	1001CC TO 2000CC	Rs. 100,000
3	2001CC and above	Rs. 200,000

Reduction in advance tax rate for distributors, dealers or wholesalers of fertilizers

(Division XIV, Part IV, First Schedule)

Every manufacturer or commercial importer of fertilizer from distributors, dealers and wholesalers at the rate of 0.7%; and for other than fertilizer at the rate of 0.1% under section 236G.

The Act has reduced the rate of advance tax to 0.25% only in case of distributor, dealer and wholesaler of fertilizers if they are appearing on both the ATLS issued under the provision of Sales Tax Act, 1990 and the Income Tax Ordinance, 2001.

Advance tax on sales to retailers

(Division XV, Part IV, First Schedule)

Currently applicable rates on sales to retailers were 1% in case of electronics products and 0.5% for others.

The Act has replaced the above rates with a uniform rate of 0.5% in case of sales to retailers.

Second schedule

Exemptions from total income

(Part I)

Exemptions withdrawn

The Act withdraw the exemption in respect of the following which includes ratification of some of the exemptions already withdrawn through Tax Laws (Second Amendment) Ordinance 2021 as an Act of Parliament:

New withdrawals

- Salary income of Pakistani seafarers working on Pakistan flag vessels or foreign vessels subject to respective conditions;

- Special allowance or benefit (not being entertainment or conveyance allowance) or other perquisite within the meaning of section 12 specially granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit;
- Profit on debt payable to a non-resident person:
 - In respect of such private loan to be utilized on such project in Pakistan as may be approved by the Federal Government;
 - on a loan in foreign exchange against export letter of credit which is used exclusively for export of goods manufactured or processed for exports in Pakistan;
 - being a foreign individual, company, firm or association of persons in respect of a foreign loan as is utilized for industrial investment in Pakistan
- Any distribution received by a taxpayer from a collective investment scheme registered by the Securities and Exchange Commission of Pakistan under the Non-Banking Finance Companies and Notified Entities Regulations, 2007, including National Investment (Unit) Trust or REIT Scheme or a Private Equity and Venture Capital Fund out of the capital gains of the said Schemes or Trust or Fund, subject to prescribed conditions.
- Income chargeable under the head “capital gains” derived by a resident individual from the sale of constructed residential property subject to prescribed conditions.
- Income derived by a person from plying of any vehicle registered in the territories of Azad Jammu and Kashmir, excluding income arising from the operation of such vehicle in Pakistan to a person who is resident in Pakistan and non-resident in those territories
- Following exemptions are though omitted but have been included in proposed new section 154A for taxation at reduced rate of 1%:

- Any income having its registered office in Pakistan, as is derived by it by way of royalty, commission or fees from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise by the company or in the consideration of technical services rendered outside Pakistan to such enterprise.
- fees for technical services rendered outside Pakistan

Ratifications

- Any income from voluntary contributions, house property and investments in securities of the Federal Government derived by Shaikh Sultan Trust, Karachi.
- Income derived by Sukuk holder in relation to Sukuk issued by The Second Pakistan International Sukuk Company Limited and the Third Pakistan International Sukuk Company Limited including any gain on disposal of such Sukuk.
- Profit on debt derived by Hub Power Company Limited on or after the first day of July 1991 on its bank deposits or accounts with financial institutions relating to the project operations.
- Profit on debt payable by an industrial undertaking in Pakistan in specified cases.
- Profit on debt derived by any person on bonds issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market for a period of five years with effect from the 1st day of July 2018.
- Income of a textbook board of a Province established under any law for the time being in force, accruing or arising from the date of its establishment.
- Income derived by any Board or other organization established by Government in Pakistan for the purposes of controlling, regulating, or encouraging major games and sports recognized by Government.
- Income not being income from a manufacturing or trading activity of a modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 for an assessment year commencing on or after the first day of July 1999.
- Profit and gains derived between first day of July 2000 and the thirtieth day of June 2024 both days inclusive, by a venture capital company and venture capital fund registered under Venture Capital Companies and Funds Management Rules, 2000 and a Private Equity and Venture Capital Fund.
- Income from inter corporate dividend for persons eligible for group relief under section 59B.
- Income derived by the Libyan Arab Foreign Investment Company being dividend of the Pak-Libya Holding Company.
- Dividend Income derived by the Government of Kingdom of Saudi Arabia from Saudi-Pak Industrial and Agricultural Investment Company Limited.
- Dividend Income derived by Kuwait Foreign Trading Contracting and Investment Company or Kuwait Investment Authority from Pak-Kuwait Investment Company in Pakistan.
- Gain on transfer of a capital asset, being a membership right held by a member of an existing stock exchange, for acquisition of shares and trading or clearing rights acquired by such member in new corporatized stock exchange in the course of corporatization of an existing stock exchange.
- Gain by a person on transfer of a capital asset, being a bond issued by Pakistan Mortgage

Refinance Company to refinance the residential housing mortgage market, during the period from the 1st day of July 2018 till the 30th day of June 2023.

- Capital gains derived by a person from an industrial undertaking set up in an area declared by the Federal Government to be a “Zone” within the meaning of the Export Processing Zones Authority Ordinance, 1980.
- Profits and gains derived by a refinery set up between the 1st day of July 2018 and the 30th day of June 2023 with minimum 100,000 barrels per day production capacity for a period of twenty years under specified conditions.
- Profits and gains derived by a taxpayer from an industrial undertaking set up in Larkano Industrial Estate between the 1st day of July, 2008 and the thirtieth day of June, 2013, both days inclusive, for a period of ten years beginning with the month in which the industrial undertaking is set up or commercial production commenced, whichever is the later subject to prescribed conditions.
- Profits and gains derived for a period of five years from the date of start of commercial production by the companies (i.e. Astro Plastic (Pvt) Ltd. And Novatex Limited) from their BOPET projects that have been declared ‘Pioneer Industry’ by Economic Coordination Committee of the Cabinet.
- Profits and gains derived from a fruit processing or preservation unit set up in Balochistan province, Malakand Division, Gilgit-Baltistan and FATA between the first day of July, 2014 to the thirtieth day of June, 2017, both days inclusive, engaged in processing of locally grown fruits, for a period of five year beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later.
- Profits and gains derived by a taxpayer, from an industrial undertaking set up by 31st day of December, 2016 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind, for a period of five years beginning from first day of July, 2015 subject to prescribed conditions
- Profits and gains derived by a taxpayer, from an industrial undertaking set up between 1st day of July, 2015 and 30th day of June, 2016 engaged in operating warehousing or cold chain facilities for storage of agriculture produce for a period of three years beginning with the month in which the industrial undertaking is set up or commercial operations are commenced, whichever is later.
- Profits and gains derived by a taxpayer, from an industrial undertaking set up between the first day of July, 2015 and the 30th day of June, 2017 for establishing and operating a halal meat production unit, for a period of four years beginning with the month in which the industrial undertaking commences commercial production subject to prescribed conditions.
- Profits and gains derived by a taxpayer, from an industrial undertaking set up in the Provinces of Khyber Pakhtunkhwa and Baluchistan between 1st day of July, 2015 and 30th day of June, 2018 for a period of five years beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later, subject to prescribed conditions.
- Profits and gains derived by a taxpayer from an industrial undertaking, duly certified by the Pakistan Telecommunication Authority, engaged in the manufacturing of cellular mobile phones, for a period of five years, from the month of commencement of commercial production subject to prescribed conditions
- Profits and gains of a company from a green field industrial undertaking for a period of five years incorporated on or after the first day of July, 2019 provided that the green field industrial undertaking is not formed by the

splitting up or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan before the commencement of the new business.

- Profit and gains derived by Bosicor Oil Pakistan Limited for a period of seven and half years beginning from the day on which the refinery is set up or commercial production is commenced whichever is later.
- Any income derived by a non-resident from investment in OGDCL exchangeable bonds issued by the Federal Government.
- Any income of a special purpose vehicle as defined in the Asset Backed Securitization Rules, 1999 made under the Companies Ordinance, 1984 subject to prescribed conditions.
- Profit and gains derived by LNG Terminal Operators and Terminal Owners for a period of five years beginning from the date when commercial operations are commenced.

Certain exemptions introduced

The Act introduce following exemptions which includes ratification of exemptions already provided through Second Amendment Ordinance 2001 as an Act of Parliament:

New exemptions

- Dividend income and long-term capital gains of any venture capital fund from investments in zone enterprises as defined in clause (p) of section 2 of the Special Technology Zones Authority Ordinance, 2020 for a period of ten years commencing from issuance of license by the Authority to the zone enterprise.
- Profits and gains derived by:
 - (a) zone developer as defined in the Special Technology Zones Authority Ordinance, 2020 from development and operations of

the zones for a period of ten years starting from the date of signing of the development agreement;

- (b) profits and gains of Zone Enterprises as defined in the Special Technology Zones Authority Ordinance, 2020 for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and
 - (c) Special Technology Zones Authority established under the Special Technology Zones Ordinance 2020.
- Profits and gains derived from sale of electricity by National Power Parks Management Company Private Limited or demerged entities of National Power Parks Management Company Private Limited commencing from the commercial operation dates and continuing after the date of change of ownership as a result of privatization by the Privatization Commission of Pakistan.
 - Any sum:
 - remitted to Pakistan through banking channels in foreign currency received by an international buying house from its non-resident principal to meet its expenses in Pakistan; and
 - chargeable under the head "Salary" received by a person who, not being a citizen or resident of Pakistan, is engaged as an expert by an international buying house.

Explanation.—For the purpose of this clause international buying house means persons acting as buying offices, buyers' agents, or representatives of international buyers for facilitating exports from Pakistan and are registered as liaison offices with Board of Investment or companies registered with SECP. Provided that such buying houses act as cost centers with the sole purpose to bring export orders to Pakistan on behalf of

their principals and do not enter into any local business transactions in Pakistan and their expenses are remitted to Pakistan.

- Profits and gains derived by a taxpayer from a bagasse/biomass-based cogeneration power project having one or more boilers of not less than 60 bar (kg/CM³) pressure each, commissioned after the first day of January 2013.
- The Act inserted following new exemptions in clause 66 - Table 1.

Any income of institutions, foundations, societies, boards, trusts and funds, whose name appear in this table is entitled to exemption without any condition.

- Islamic Naya Pakistan Certificates Company Limited [Ratification].
- Securities and Exchange Commission of Pakistan.
- Privatization Commission of Pakistan.
- Sundus Foundation.
- Ali Zaib Foundation
- Fauji Foundation.
- Make a Wish Foundation
- Supreme Court Water Conservation Account.
- Political Parties registered with Election Commission of Pakistan.

Ratification

- Profits and gains derived by a refinery:
 - (a) from new deep conversion refinery of at least 100,000 barrels per day for which approval is given by the Federal

Government before the 31st day of December 2021; or

- (b) for the purpose of upgradation, modernization or expansion project of deep conversion refinery of at least 100,000 barrels per day of any existing refinery which makes undertaking to the Federal Government in writing before the 31st day of December 2021 in this regard.

Provided that this exemption shall be available for a period of twenty years beginning from the date of commencement of commercial production in the case of new refinery and ten years from the date of completion of up gradation, modernization or expansion project of existing refinery.

The condition shall be only available for those refineries who fulfills Euro 5 standards.

Amendment in certain exemptions

The Act modify following exemptions which includes ratification of exemptions already modified through Tax Laws (Second Amendment) Ordinance 2001 as an Act of Parliament:

New amendments

- Profits and gains accruing to a person on sale of immovable property to a REIT Scheme upto 30 June 2015.

Profits and gains accruing to development REIT and rental REIT were exempt upto 30 June 2023.

The Act extend this exemption to any type of REIT up to tax year 2023.

- The Act move following entities currently in clause 66- Table 2 to Table 1 with a inclusion of new entities.

Any income of following institutions, foundations, societies, boards, trusts and funds, whose names were previously appeared in the

table for entitlement of claim of hundred percent tax credit as per the requirement of section 100C of the Ordinance, have now been inserted for entitlement to exemption under table 1 of clause 66:

- Abdul Sattar Edhi Foundation
- Patient's Aid Foundation
- Indus Hospital and Health Network
- Dawat-e-Hadiya, Karachi
- The Citizens Foundation
- Audit Oversight Board
- Army Welfare Trust
- LRBT
- Baluchistan Endowment Fund
- Saylani Welfare International Trust
- Chiniot Anjuman e Islamia
- Islamic Naya Pakistan Certificates Company Limited
- Securities and Exchange Commission of Pakistan
- Privatization Commission of Pakistan
- Sundus Foundation
- Ali Zaib Foundation
- Fauji Foundation
- Make a Wish Foundation
- Supreme Court Water Conservation Account

Ratifications

- The exemption under clause (75) has been substituted and made available to any profit on debt and capital gains derived by any agency of foreign Government or any non-resident person approved by the Federal Government for the purpose of this clause from debt and debt instruments approved by the Federal Government.
- Profit on debt on foreign currency account held with authorized banks in Pakistan or certificate of investments issued by investment banks held with authorized banks in Pakistan to non-resident individuals, Non-resident Association of person and Non-resident companies.
- Any profit on debt derived from a rupee account held with a scheduled bank in Pakistan by a citizen of Pakistan residing abroad, where the deposits in the said account are made exclusively from foreign exchange remitted into the said account.
- A new proviso to clause (132) has been inserted whereby, the exemption available to existing power projects shall not be available to those projects who enter into an agreement or to whom letter of intent is issued by Federal or Provincial Government for setting up an electric power generation project in Pakistan after 30 June 2021.
- Profit and gains derived from transmission line setup in Pakistan exempt with certain conditions.

The Act extend the period of exemption to 2022.

Exemptions placed in Thirteenth schedule

The Act ratify the placement of following exemptions to Thirteenth Schedule to the Ordinance as promulgated by Tax Laws (Second Amendment) Ordinance 2001. This will allow taxpayers to claim tax credit under section 61 of the Ordinance.

- Exemptions on amount paid as donation to certain institution, foundations, societies, boards, trusts and funds as were previously provided in clause 61 of Part I of Second Schedule.
- Amount donated to Prime Minister’s Special Fund for victims of terrorism.
- Amount donated to Chief Minister’s (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP.
- Amount donated to Prime Minister’s Flood Relief Fund 2010 and Provincial Chief Minister’s Relief Fund of flood 2010.
- Any income derived from donations made by non-official or private sector sources in Pakistan to the waqf for Research on Islamic History, Art and Culture, Istanbul set by the Research Centre for the Islamic History, Art and Culture.

100% tax credit introduced for certain persons whose income was previously exempt under the Second schedule

Income derived in following cases was previously exempt under the respective clauses of the Second Schedule but now included for allowability of 100% tax credit under section 65F subject to fulfilment of prescribed conditions:

- Persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects.
- Startups defined in section 2(62A) for the tax year and subsequent two tax years in which the startup is certified by the Pakistan Software Export Board.
- Persons deriving income from export of computer software or IT services or IT enabled services upto the period ending 30 June 2025 if 80% of the export proceeds are brought back in Pakistan through normal banking channels.

Reduction in tax rates

(Part II)

Reduction in tax rates withdrawn

The Act withdraw the reduction in tax rates on following which include ratification of already withdrawn clauses through Tax Laws (Second Amendment) Ordinance 2001 as an Act of Parliament.

New withdrawals

- a company setting up an industrial undertaking between the first day of July, 2014 to the thirtieth day of June 2017, for a period of five years beginning from the month in which the industrial undertaking is set up or commercial production is commenced whichever is later: Provided that fifty percent of the cost of the project including working capital is through owner equity foreign direct investment.
- Import of hybrid cars for varying engine capacity.
- 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.
- Sales of goods by large distribution houses who fulfill all the conditions for a large import house.
- The Act insert the exclusion from reduced rate of tax to following profit on debt as already been exempt from tax:
 - profit on debt derived from foreign currency accounts held with authorized banks in Pakistan, or certificate of investment issued by investment banks in accordance with Foreign Currency Accounts Scheme

introduced by the State Bank of Pakistan, by citizens of Pakistan and foreign nationals residing abroad, foreign association of persons, companies registered and operating abroad and foreign nationals residing in Pakistan.

- profit on debt derived from a rupee account held with a scheduled bank in Pakistan by a citizen of Pakistan residing abroad, where the deposits in the said account are made exclusively from foreign exchange remitted into the said account.

Ratifications

- Income of person whose profits or gains from business computed under Fifth schedule to the Ordinance 2001 as is derived from letting out to other similar persons any pipeline for the purpose of carriage of petroleum.
- Income of Pakistan Cricket Board derived from sources outside Pakistan including media rights, gate money, sponsorship fee, in-stadium rights, out-stadium rights, payments made by International Cricket Council, Asian Cricket Council or any other Cricket Board.
- capital gains derived by a person from the sale of shares or assets by a private limited company to Private Equity and Venture Capital Fund.
- income of modaraba.
- a company whose shares are traded on stock exchange if:
 - a) it fulfils prescribed sharia compliant criteria approved by State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the Board;
 - b) derives income from manufacturing activities only;
 - c) has declared taxable income for the last three consecutive tax years; and
- d) has issued dividend for the last five consecutive tax years.
- Payment to non-resident in the case of M/S CR-NORINCO JV (Chinese Contractor) as recipient, on payments arising out of commercial contract agreement signed with the Government of Punjab for installation of electrical and mechanical (E&M) equipment for construction of the Lahore Orange Line Metro Train Project.

Reduction in tax rates introduced

The Act insert reduction in tax rates on the following:

- profit on debt from a debt instrument, whether conventional or Shariah compliant, issued by the Federal Government under the Public Debt Act, or its wholly owned special purpose company, purchased by a resident citizen of Pakistan who has already declared foreign assets to the Board through a Foreign Currency Value Account (FCVA) maintained with authorized banks in Pakistan under the foreign exchange regulation issued by the State Bank of Pakistan:

Provided that the tax so deducted at the rate of 10% shall be the final tax.

- Profit on debt derived from foreign currency accounts held with authorized banks in Pakistan, or certificate of investment issued by investment banks in accordance with Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by citizens of Pakistan and foreign nationals residing abroad, foreign association of persons, companies registered and operating abroad and foreign nationals residing in Pakistan; and

Profit on debt derived from a rupee account held with a scheduled bank in Pakistan by a citizen of Pakistan residing abroad, where the deposits in the said account are made exclusively from foreign exchange remitted into the said account.

Shall be subject to tax at the rate of 0% on account of payment to non-resident and as payment of profit on debt.

- Import of white sugar from the 25 August 2020 to the 15 November 2020 both days inclusive, shall be subject to 0.25% rate of tax collected as per quantity, quality, mode and manner prescribed by Ministry of Commerce during the said period.
- Commercial import of the white sugar shall be subject to 0.25% rate of tax collected from the 26 January 2021 till the 30 June 2021.
- Quota allotment by Commerce Division, shall be subject to 0.25% rate of tax on import of raw sugar imported by sugar mills from the 26 January 2021 to the 30 June 2021 both days inclusive provided that such imports shall not exceed fifty thousand metric tons per sugar mill and three hundred thousand metric tons in aggregate by the sugar industry.
- The rate of tax under section 153(1)(b) in case of oil tanker contractor services shall be 2%.
- Dividends declared by a company as are “attributable” to profits and gains derived from a bagasse and biomass-based co-generation power project qualifying for exemption under Part I of Second Schedule to the Ordinance 2001 shall be subject to tax at the rate of 7.5%.

Provided that the number of “attributable” dividends shall be computed in accordance with the following formula;

AXB/C

- A- is the total amount of dividend for the year;
- B- is the accounting profit for the year attributable to the bagasse and biomass-based cogeneration power project qualifying for exemption under clause (132C) of Part-I of this Schedule; and

C- is the total accounting profit before tax for the year.

It is clarified that accounting profit attributable to the bagasse/biomass-based cogeneration power project would be determined by the external auditor of the company and the external auditor shall issue a certificate to this effect.

- Distributors, dealers, sub-dealers, wholesalers and retailers of fast moving consumer goods, fertilizer, electronics excluding mobile phones, sugar, cement, and edible oil as recipient of payment shall be subject to tax at 0.25% on gross amount of payment for sales of goods subject to the condition that beneficiaries of reduced rate are appearing on the Active Taxpayers’ Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001.

Provided that the benefit under this clause shall only be available to those Tier-1 retailers as defined under Sales Tax Act, 1990 who are integrated and configured with Board or its computerized system for real time reporting of sales or receipts.

- Distributors, dealers, sub-dealers, wholesalers and retailers of fast moving consumer goods, fertilizer, locally manufactured mobile phones, sugar, electronics excluding imported mobile phones, cement and edible oil shall be liable to turnover tax at 0.25% subject to the condition that beneficiaries of reduced rate are appearing on the Active Taxpayers’ Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001.

Provided that the benefit under this clause shall be available to only those Tier-1 retailers as defined under Sales Tax Act, 1990 who are integrated and configured with Board or its computerized system for real time reporting of sales or receipts.

Turnover tax at 0.5% in case of trader of yarn being an individual shall be applicable.

Reduction in tax liability

(Part III, Second Schedule)

Proposed withdrawal of certain clauses governing reduction in tax liability

The Act withdraw the following reduction in tax liability that are allowed under Part III of the Second Schedule to the Ordinance:

Reference	Description
Clause (2) (Part III)	<p>The amount of tax payable in a year in which the rupee is revalued or devalued, by a taxpayer whose profits or gains are computed in accordance with the rules contained in the Fifth Schedule and who had entered with the Government into an agreement which provides for such reduction, shall be reduced to the amount that would be payable in absence of the revaluation or devaluation of the rupee.</p> <p>FBR vide letter dated 21 April 2021 clarified that clause (2) Part III relating to tax rebate to teachers and researchers has not been withdrawn.</p>
Clause (7) (Part III)	<p>The amount of tax payable by foreign filmmakers from film making in Pakistan shall be reduced by 50% on the income from filmmaking in Pakistan.</p>
Clause (8) (Part III)	<p>The amount of tax payable by resident companies deriving income from filmmaking shall be reduced by 70% on income from filmmaking.</p>

Reduction in tax liability restricted for specified housing projects

The Act restrict reduction in tax liability allowed under clause (9) [for low cost housing projects] and clause (9B) [low cost housing projects developed or approved by Naya Pakistan Housing and Development Authority or under the Ehsaas Programme] of Part III of the Second Schedule to the Ordinance to only such projects that are set up by 30 June 2024.

Concessionary regime of income tax for cotton ginners

The Act insert a new clause (17) in Part III to the Second Schedule, whereby, tax liability of cotton ginners on their income shall not be more than sum of 1% of their turnover from cotton lint, cotton seed, cotton seed oil and cotton seed cakes.

As per proviso to this clause shall be final tax for cotton ginning and oil milling activities only.

Further, these concessions are available retrospectively from 01 July 2019.

Reduced rate for offshore supply contracts of an IPP in AJ&K

The Act insert a new clause (18) which provides that the rate of withholding tax on value of offshore supply contract of an Independent Power Producer located wholly or partly in territories AJ&K shall be 1% which is to be considered as final tax subject to fulfillment of following conditions:

- PPIB has issued letter of support for the project;
- Its EPC contract has been executed and submitted to NEPRA for EPC stage tariff determination prior to the enactment of Finance Act, 2018; and
- offshore supply contract arrangement falls under the purview of cohesive business operation as contemplated under Income Tax Ordinance, 2001.

Tax reduction for woman entrepreneur

The Act insert a new clause (19) whereby reduction by 25% in tax payable is proposed for woman enterprises on profit and gains derived from business chargeable to tax under the head "Income from Business".

"Woman enterprise" here means a startup established on or after first day of July 2021 as sole proprietorship concern owned by a woman or an

AOP all of whose members are women or a company whose 100% shareholding is held or owned by women.

The benefit envisaged above shall not be available to business that is formed by the transfer or reconstitution or reconstruction or splitting up of an existing business.

Profit on debt in government securities

The Act inserts reduction in tax rates on tax payable by a person other than a banking or insurance company in respect of profit on debt from investment in Federal Government securities shall be 15%. The tax so payable shall be final tax.

Exemption from specific provisions

(Part IV, Second Schedule)

Adjustment of business losses beyond six years

The Act withdraw clause (2) allowing adjustment of business losses beyond six year in case of an industrial undertaking set up in EPZ.

Immunity to NPPMCL from recouping of tax credit

The Act introduce a clause whereby no provision of this Ordinance shall apply for recoup of tax credit already allowed to National Power Parks Management Company (Private) Limited for investment in plant and machinery notwithstanding non issuance of share certificates or any restructuring of its ownership pattern or debt to equity ratio prior to privatization as part of the privatization process.

Minimum tax

The Act exempt / withdraw exemption available to certain taxpayer from minimum tax:

New Exemptions

- Islamic Naya Pakistan Certificates Company Limited (INPCCL);

- receipts from sale of electricity produced from a bagasse and biomass-based co-generation power project qualifying for exemption under clause (132C) of Part-I of this Schedule;
- National Power Parks Management Company (Private) Limited or demerged entities of National Power Parks Management Company (Private) Limited commencing from the commercial operation dates and continuing after the date of change of ownership as a result of privatization by the Privatization Commission of Pakistan;
- zone enterprises qualifying for exemption under clause (126E) of Part I of this Schedule for tax year 2021 and onwards;
- technology zone enterprises, developer and authority qualifying for exemption under clause (126EA) of Part I of this Schedule;
- institutions, foundations, societies, boards, trust and funds mentioned in Table I of clause (66) of Part I of Second Schedule.

Exemptions withdrawn

- non-profit organizations approved under clause (36) of section 2 or clause (58) or included in clause (61) of Part I of Second Schedule;
- a taxpayer who qualifies for exemption under Clause (133) of Part I of Second Schedule, in respect of income from export of computer software or IT services or IT enabled services;
- a modaraba qualifying for exemption under clause (100) of Part-I of this Schedule;
- the corporatized entities of Pakistan Water and Power Development Authority, so far as they relate to their receipts on account of sales of electricity, from the date of their creation upto the date of completion of the process of corporatization i.e. till the tariff is notified;
- Pakistan International Sukuk Company Limited.
- Start-up as defined in clause (62A) of section 2.

Import of goods

The Act provide / withdraw exemption from section 148 on the import of goods to the following:

New exemptions

- extend the benefit under clause 12B for non-application till 30 June 2021;
- import of 1.5 million tons of wheat having PCT Heading 1001.1900 and 1001.9900 in pursuance of Cabinet Decision in case No.399/23/2020 dated 16 June 2020;
- import by the Trading Corporation of Pakistan of 300,000 metric tons of white sugar having PCT heading 1701.9910, 1701.9920, specification B;
- import of following goods for a period of three months starting from the 23 June 2020; namely:

S. No.	Description	PCT Code
1	Oxygen gas	2804.4000
2	Cylinders (for oxygen gas)	7311.0090
3	Cryogenic tanks (for oxygen gas)	7311.0030

- import of 83 X Micron sprayers for Anti-Locust Operation (Respective heading) by National Disaster Management Authority (NDMA);
- import of three hundred thousand metric tons of wheat through tendering process by the Trading Corporation of Pakistan;
- import of following goods by the manufacturers of oxygen for a period of three months starting from the 25th day of December 2020; namely:

S. No	Description	PCT Code
1	Cryogenic Tanks (for oxygen Gas)	7311.0030

- import and subsequent supply of five hundred thousand metric tons of white sugar imported

by the Trading Corporation of Pakistan, the same shall also be exempt from section 153;

- import of following goods for a period of one hundred and eighty days starting from the 14 May 2021; namely:

S. No.	Description	PCT Code
1	Oxygen	2804.4000
2	Other (Oxygen Cylinders)	7311.0090
3	For Cryogenic (Tanks/Vessels)	7311.0030
4	Oxygen Concentrators / Generators / Manufacturing Plants of all specifications and capacities	Respective headings

- import of goods to the which take place within the jurisdiction of Border sustenance markets specified;
- such goods shall be supplied only within the limits of Border Sustenance Markets established in cooperation with Iran and Afghanistan;
- if the goods, on which exemption under this table has been availed, are brought outside the limits of such markets, income tax shall be charged on the import value as per provisions of section 148 of this Ordinance;
- such items in case of import, shall be allowed clearance by the Customs Authorities subject to furnishing of bank guarantee equal to the amount of income tax involved and the same shall be released after presentation of consumption certificate issued by the Commissioner Inland Revenue having jurisdiction;
- the said exemption shall only be available to a person upon furnishing proof of having a functional business premises located within limits of the Border Sustenance Markets; and
- breach of any of the conditions specified herein shall attract relevant legal provisions of the

Ordinance, besides recovery of the amount of income tax along with default surcharge and penalties involved;

- goods temporarily imported into Pakistan by international athletes which would be subsequently taken back by them within 120 days of temporary import.
- Import of the capital equipment as defined in section 2 of the Special Technology Zones Ordinance 2020 (XIII of 2020) by:
 - zone developers as defined in section 2 of the Special Technology Zones Ordinance 2020 for consumption in the special technology zones for the period of 10 years commencing from the date of signing the development agreement;
 - zone enterprises as defined in section 2 of the Special Technology Zones Authority Ordinance, 2020 for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and
 - special Technology Zones Authority established under the Special Technology Zones Ordinance 2020.
- import of Corn harvester / corn picker and silage maker.
- import of motor vehicles upto 1000cc in CBU condition.
- Blind talking mobile phones imported by blind persons as per rules issued by the Board.

Exemptions withdrawn

- goods produced or manufactured and exported from Pakistan which are subsequently imported in Pakistan within one year of their exportation, provided conditions of section 22 of the Customs Act, 1969 (IV of 1969) are complied with;

- plant and machinery imported for setting up of a bagasse / biomass-based cogeneration power project qualifying for exemption under clause (132C) of Part-I of this Schedule;
- persons authorized under Export Facilitation Scheme 2021 notified by the Board with such scope, conditions, limitation, restrictions and specification of goods;
- motor vehicles up to 850cc in CBU condition;
- printed books excluding brochures, leaflets and similar printed matter, whether or not in single sheets (PCT code 49.01); and
- newspapers, journals and periodicals, whether or not illustrated or containing advertising material (PCT code 49.02).

Supply of goods, services and execution of contracts

The Act exempt oil tanker contractor / goods transport contractor from withholding under section 153(1)(b) of the Ordinance. Further, Act restricts the rate to 2.5% on payments for carriage services.

The Act provide exemption from section 153 to commodity futures contracts listed on a Futures Exchange licensed under the Futures Market Act, 2016 (XIV of 2016) and for purchase of used motor vehicles from general public.

The Act provide exemption from provisions of section 153(1)(a) with effect from the 1 July 2020 to distributors, dealers, wholesalers and retailers of locally manufactured mobile phone devices as withholding agent.

The Act provide exemption from clause (b) of sub-section (1) of section 153 on payments received by National Telecommunication Corporation against telecommunication services including ancillary services specified in sub-section (3) of section 41 of the Pakistan Telecommunication (Re-organization) Act, 1996 (XVII of 1996).

New exemptions others

The Act limit the benefit of exemption from section 151 and 131 to Supreme Court of Pakistan – Diamer Bhasha and Mohmand Dams -Fund.

However, we are of the view that there is a typo error in the Act and section 131 shall be read as 113.

The Act provide exemption from section 154 on the export of goods which take place within the jurisdiction of specified Border Sustenance Markets.

The Act exclude Islamic Naya Pakistan Certificates Company Limited (INPCCL) from withholding taxes contained in the Income Tax Ordinance, 2001 (XLIX of 2001).

Benefits to non-resident individual

The Act provide the tax benefit to non-resident individual from the provisions of section 100BA and rule 1 of the Tenth Schedule holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) maintaining a Foreign Currency Value Account (FCVA) or Non-resident Pakistani Rupee Value Account (NRVA) with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan.

The Act provide the benefit from applicability of clause (ae) of sub-section (1) of section 114 and section 181 to a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) maintaining a Foreign Currency Value Account (FCVA) or a Non-resident Pakistani Rupee Value Account (NRVA) with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan:

Provided that this clause shall not apply if the person referred in this clause has Pakistan-source taxable income other than the following:

- profit on debt on FCVA or Non-resident Pakistani Rupee Value Account (NRVA);
- profit on debt earned on Government of Pakistan (GOP) securities either conventional or Shariah Compliant where investment has been made from proceeds of FCVA or NRVA;
- capital gain on disposal of immovable property acquired from proceeds of FCVA or NRVA;
- capital gain on disposal of securities traded on Pakistan Stock Exchange and units of mutual funds that are acquired from proceeds of FCVA or NRVA; or
- dividend income from securities traded on Pakistan Stock Exchange and mutual funds that are acquired from proceeds of FCVA or NRVA.

The Act withdraw the benefit provided to a non-resident rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan of a non-resident individual investing in a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 section 236P.

Other exemptions withdrawn

The Act withdraw the following exemptions:

- from withholding tax on cash withdrawals on compensation received from Government of Pakistan including payment through Earthquake reconstruction and rehabilitation authority account;
- provided to Hajj Group Operator in respect of Hajj operations from sections 21(l), 113 and 152 provided that tax at certain rate will be paid by such Hajj operators;
- provided to Branch Less Banking and Pak Rupee Account if deposit from foreign remittances from section 231A;

- from sections 231A and 231AA on payments made by the second Pakistan International Sukuk Company and the Third Pakistan International Sukuk Company Limited;
- from sections 150, 151, 233 and Division VII of Part I of the First Schedule provided to Modaraba and Private Equity and Venture Capital Fund;
- provided from section 231A, 231AA and 236P to Pak Rupee Account in a tax year to the extent from foreign remittances;
- from sections 231A, 231AA and 236P provided to The Prime Minister’s COVID-19 Pandemic Relief Fund-2020;
- the special rate of tax deduction as specified under repealed Ordinance for *manufacture-cum-exporter*;
- provided to Large Import House from sections 153 and 169;
- provided from section 236P to special convertible rupee account of non-resident company having no PE in Pakistan;
- from section 236P provided to Supreme Court of Pakistan – Diamer Bhasha and Mohmand Dams - Fund.

Modification in clauses

The Act impose condition for exemption under section 153 for agriculture produce that should be purchase directly from the grower of the such produce and subject to provision of a certificate and shall not be subject to any other process, such produce includes following:

- fresh milk;
- fish by any person engaged in fish farming;
- live chicken, birds and eggs by any person engaged in poultry farming;

- live animals by any person engaged in cattle farming;
- unpackaged meat; and
- raw hides.

The Act provides that provision of section 153 shall not apply to companies receiving payments for the supply of electricity and gas including companies receiving payments for the transmission of electricity and gas

The Act clarified that the relief of reduced rate for withholding tax under clause (a) and (b) of sub-section (1) of section 153 is available only to the local sales, supplies and services made by the taxpayers of categories namely:

- textile and articles thereof;
- carpets;
- leather and articles thereof including artificial leather footwear;
- surgical goods; and
- sports goods.

Further, the Act exclude the above categories being exempted from purview of section 111(1) of the Ordinance.

Third schedule

(Part I, Third Schedule)

Depreciation allowance at the rate of 100% on “below ground installations” for mineral oil concerns is to be withdrawn.

(Part II, Third Schedule)

First Year Allowance at the rate of 90% on installation of plant, machinery and equipment by certain industrial undertakings is to be withdrawn.

Fifth schedule

(Part II, Fifth Schedule)

Act withdraw tax exemption of profits from refining or concentrating mineral deposits

Tax exemption of profits from refining or concentrating mineral deposits is allowed under Rule 4 of Part II of the Fifth Schedule to the Ordinance.

The Act withdraw such exemption.

Seventh schedule

The Act provides for tax year 2022 onwards,

the taxable income attributable to investment in the Federal Government securities shall be taxed at the rate of:

- 40% instead of rate provided in Division II of Part I of the First schedule if the assets to deposit ratio as on last day of the tax year is up to 40%;
- 37.5% instead of rate provided in Division II of Part I of the First schedule if the assets to deposit ratio as on last day of the tax year exceeds 40% but does not exceed 50%; and
- at the rates provided in Division II of Part I of the First schedule if assets to deposit ratio as on last day of the tax year exceeds 50%

The Act extend the time period for levy of super tax under section 4B beyond tax year 2021.

Tenth schedule

Since certain withholding provisions have been proposed to be withdrawn, consequently, the Act strike out the references of the following advance withholding tax provisions from ambit of Tenth Schedule to the Ordinance which requires to withhold tax at double the applicable rates in case of payments to persons who are not borne on ATL:

- tax deducted under section 155
- tax deducted under section 231A
- tax deducted under section 231AA
- tax deducted under section 233AA
- tax deducted under section 235A
- tax collected under section 236B
- tax collected under section 236L
- tax collected under section 236P

Eleventh schedule

The Act make the following amendments in Rules for computation of profits and gains of projects undertaking by builders and developers under section 100D.

- extend the project life for tax purposes from two and half years to three and half years.
- In case of existing incomplete projects, estimated project life shall be treated as four years maximum from tax year 2020 through tax year 2023, which was previously three years from tax year 2020 through tax year 2022.
- the tax payable shall be reduced by the percentage of completion up to the last day of accounting period pertaining to tax year 2019 or tax year 2020, which was previously pertained to tax year 2019 only.
- to omit the proviso which provided that tax liability of tax year 2020 shall be paid along with return.
- to extend the date for builder and developer to electronically register a project on iris through FBR website upto 31 December 2021, which was previously 31 December 2020.
- To claim benefit of sub-section (3) of section 100D (non-application of section 111), the

project shall be registered latest by 30th day of June 2021.

- additional partners or shareholders may join a builder or developer upto 30 June 2021 instead of upto 31 December 2020.
- cutoff date for commencement of project extended upto 31 December 2021 instead of 31 December 2020.
- Provided that profits and gains accruing from such projects in excess of ten times of tax paid shall be incorporated by paying tax at the rate of 20% on profits and gains which are in excess of said limit.

Introduction of Thirteenth schedule

The Tax Laws (Second Amendment) Ordinance, 2001 omitted clause (61) of Part I of the Second Schedule to the Ordinance containing a list of entities, organizations and funds eligible for straight deduction of donation, and added such list under Thirteenth Schedule to the Ordinance.

The Act adopt the Thirteenth Schedule in the Ordinance. Now the taxpayers will not be allowed to claim straight deduction but a tax credit only as per the provisions of section 61 of the Ordinance.

List of organizations and entities included in the Schedule are listed below:

S. No.	Name
1.	Any sports board or institution recognized by the Federal Government for the purposes of promoting, controlling or regulating any sport or game
2.	The Citizens Foundation
3.	Fund for Promotion of Science and Technology in Pakistan
4.	Fund for Retarded and Handicapped Children
5.	National Trust Fund for the Disabled
6.	Fund for Development of Mazaar of Hazarat Burri Imam
7.	Rabita-e-Islami's Project for printing copies of the Holy

S. No.	Name
	Quran
8.	Fatimid Foundation, Karachi
9.	Al-Shifa Trust
10.	Society for the Promotion of Engineering Sciences and Technology in Pakistan
11.	Citizens-Police Liaison Committee, Central Reporting Cell, Sindh Governor House, Karachi
12.	ICIC Foundation
13.	National Management Foundation
14.	Endowment Fund of the institutions of the Agha Khan Development Network (Pakistan listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network
15.	Shaheed Zulfiqar Ali Bhutto Memorial Awards Society
16.	Iqbal Memorial Fund
17.	Cancer Research Foundation of Pakistan, Lahore
18.	Shaukat Khanum Memorial Trust, Lahore
19.	Christian Memorial Hospital, Sialkot
20.	National Museums, National Libraries and Monuments or institutions declared to be National Heritage by the Federal Government
21.	Mumtaz Bakhtawar Memorial Trust Hospital, Lahore
22.	Kashmir Fund for Rehabilitation of Kashmir Refugees and Freedom Fighters
23.	Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network
24.	Azad Kashmir President's Mujahid Fund, 1972
25.	National Institute of Cardiovascular Diseases, (Pakistan) Karachi
26.	Businessmen Hospital Trust, Lahore
27.	Premier Trust Hospital, Mardan
28.	Faisal Shaheed Memorial Hospital Trust, Gujranwala

S. No.	Name
29.	Khair-un-Nisa Hospital Foundation, Lahore
30.	Sind and Balochistan Advocates' Benevolent Fund
31.	Rashid Minhas Memorial Hospital Fund
32.	Any relief or welfare fund established by the Federal Government
33.	Mohatta Palace Gallery Trust
34.	Bagh-e-Quaid-e-Azam project, Karachi
35.	Any amount donated for Tameer-e-Karachi Fund
36.	Pakistan Red Crescent Society
37.	Bank of Commerce and Credit International Foundation for Advancement of Science and Technology
38.	Federal Board of Revenue Foundation
39.	The Indus Hospital, Karachi.
40.	Pakistan Sweet Homes Angels and Fairies Place
41.	Al-Shifa Trust Eye Hospital
42.	Aziz Tabba Foundation.
43.	Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT
44.	Sharif Trust.
45.	The Kidney Centre Post Graduate Institute
46.	Pakistan Disabled Foundation.
47.	Sardar Trust Eye Hospital, Lahore
48.	Supreme Court of Pakistan – Diامر Bhasha & Mohmand Dams – Fund.
49.	Layton Rahmatullah Benevolent Trust (LRBT)
50.	Akhuwat
51.	The Prime Minister's COVID-19 Pandemic Relief Fund-2020
52.	Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI)
53.	Lahore University of Management Sciences
54.	Dawat-e-Hadiya, Karachi
55.	Baitussalam Welfare Trust

S. No.	Name
56.	Patients' Aid Foundation
57.	Alkhidmat Foundation
58.	Alamgir Welfare Trust International
59.	The Prime Minister's Special Fund for victims of terrorism
60.	Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP
61.	Prime Ministers Flood Relief Fund 2010 and Provincial Chief Ministers Relief Funds for victims of flood 2010
62.	Waqf for Research on Islamic History, Art and Culture, Istanbul

The Federal Government is made empowered to add, amend or omit any entry in this Schedule.

Fourteenth Schedule – small and medium enterprises

Please refer the page 10 of the comments for salient features of fourteenth schedule.

Tax rates card

Tax rates for salaried individuals

[Division I, Part I]

Where the income of an individual chargeable under the head "salary" exceeds seventy-five per cent of his taxable income, the following rates of tax will apply, which are unchanged from the previous tax year:

S. No.	Taxable income	Rate of tax
1.	Where the taxable income does not exceed Rs. 600,000	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000	Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000
5.	Where taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000	Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000
6.	Where taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 5,000,000	Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000
7.	Where taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000
8.	Where taxable income exceeds Rs. 8,000,000 but does not exceed Rs. 12,000,000	Rs. 1,345,000 plus 25% of the amount exceeding Rs. 8,000,000

S. No.	Taxable income	Rate of tax
9.	Where taxable income exceeds Rs. 12,000,000 but does not exceed Rs. 30,000,000	Rs. 2,345,000 plus 27.5% of the amount exceeding Rs. 12,000,000
10.	Where taxable income exceeds Rs. 30,000,000 but does not exceed Rs. 50,000,000	Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30,000,000
11.	Where taxable income exceeds Rs. 50,000,000 but does not exceed Rs. 75,000,000	Rs. 13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000
12.	Where taxable income exceeds Rs. 75,000,000	Rs. 21,420,000 plus 35% of the amount exceeding Rs. 75,000,000

Tax rates for individuals (other than salaried individuals) and Association of Persons

[Division I, Part I]

No change in the tax rates for individuals and association of persons has been made. The tax rates applicable for the Tax Year 2022 are set out in the following Table:

S.No	Taxable income	Rate of tax
1.	Where the taxable income does not exceed Rs. 400,000	0%
2.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 600,000	5% of the amount exceeding Rs. 400,000
3.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 10,000 plus 10% of the amount exceeding Rs. 600,000

S.No	Taxable income	Rate of tax
4.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	Rs. 70,000 plus 15% of the amount exceeding Rs.1,200,000
5.	Where the taxable income exceeds Rs.2,400,000 but does not exceed Rs.3,000,000	Rs. 250,000 + 20% of the amount exceeding Rs.2,400,000
6.	Where the taxable income exceeds Rs.3,000,000 but does not exceed Rs.4,000,000	Rs.370,000 + 25% of the amount exceeding Rs.3,000,000
7.	Where taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 620,000 plus 30% of the amount exceeding Rs. 4,000,000
8.	Where taxable income exceeds Rs. 6,000,000	Rs. 1,220,000 plus 35% of the amount exceeding Rs. 6,000,000

Rate of tax for companies

[Division II, Part I]

A company other than a banking company shall continue to be taxed at the rate of 29% for the Tax Year 2022 and onwards.

A banking company shall continue to be taxed at the rate of 35% for the Tax Year 2022 and onwards.

Tax rate for small company

[Division II, Part I]

Tax rate for small company for the Tax Year 2022 and onwards is tabulated as under:

Tax Year	Rate
2022	21%
2023 and onward	20%

Super Tax

[Division IIA, Part I]

Tax Year	Banking company	Person, other than a Banking company, having income equal to or exceeding Rs. 500 million
2021 and onward	4%	0%

Rate of Dividend Tax

[Division III, Part I]

S No.	Category	Rate
1.	Dividend distributed by independent Power Producers where such dividend is a pass-through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be reimbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity.	7.5%
2.	Dividend received from a mutual fund, real estate investment trust and cases other than those mentioned in S. No. 1 & 3.	15%
3.	Dividend received from a company where no tax is payable by such company due to exemption of income or carry forward business losses or claim of tax credits.	25%

Rate for Profit on Debt (other than a company)

[Division IIIA, Part I]

Tax rate applicable on profit on debt not exceeding Rs. 5,000,000 derived by an individual or association of persons is 15%.

Tax rates on return on investment in *sukuks* received from special purpose vehicle

[Division IIIB, Part I]

Tax rates on return on investment in *sukuks* received by a person from a special purpose vehicle are as follows:

S. No	Category	Rate
a)	Company	25%
b)	Individual & AOP if the return on investment is more than Rs. 1 million.	12.5%
c)	Individual & AOP if the return on investment is less than Rs. 1 million.	10%

Tax rates on certain payments / income to non-residents.

[Division IV & V, Part I]

S. No	Category	Rate
a)	Royalty	15%
b)	Fee for technical services	15%
c)	Offshore digital services	5%
d)	Shipping Income	8%
e)	Air transport Income	3%

Capital gains on disposal of securities

[Division VII, Part I]

The tax rates on capital gain on disposal of listed securities are as under:

S. No.	Period	Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Years 2018, 2019, 2020 and 2021		Tax Year 2022 and onwards
					Securities acquired before 01.07.2016	Securities acquired after 01.07.2016	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Where holding period of a security is less than twelve months	12.5%	15%	15%	15%	15%	12.5%
2	Where holding period of a security is twelve months or more but less than twenty-four months	10%	12.5%	12.5%	12.5%	15%	12.5%
3	Where holding period of a security is twenty-four months or more but the security was acquired on or after 1st July 2013.	0%	7.5%	7.5%	7.5%	15%	12.5%
4	Where the security was acquired before 1st July 2013	0%	0%	0%	0%	0%	0%
5	Future commodity contracts entered by the members of Pakistan Mercantile Exchange	0%	0%	5%	5%	5%	5%

Capital gains on disposal of Immovable Property

[Division VIII, Part I]

The new tax rates on capital gain on disposal of Immovable properties are as under:

S.No.	Amount of gain	Rate
1.	Where the gain does not exceed Rs. 5 million	3.5%
2.	Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	7.5%
3.	Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	10%
4.	Where the gain exceeds Rs. 15 million	15%

Minimum tax u/s 113

[Division IX, Part I]

The minimum tax rates on turnover for the specified sectors are as under:

S.No.	Person(s)	Rate
1.	<ul style="list-style-type: none"> - Oil marketing companies, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.) - Pakistan International Airlines Corporation. - Poultry industry including poultry breeding, broiler production, egg production and poultry feed production. 	0.75%
	<ul style="list-style-type: none"> - Oil refineries. - Motorcycle dealers registered under the Act, 1990 	0.5%
3.	<ul style="list-style-type: none"> - Distributors of pharmaceutical products, fast moving consumer 	0.25%

S.No.	Person(s)	Rate
	<ul style="list-style-type: none"> goods and cigarettes; - Petroleum agents and distributors who are registered under the Act, 1990. - Rice mills and dealers - Tier-1 retailers of fast-moving consumer goods who are integrated with Board or its computerized system for real time reporting of sales and receipts; - Person's turnover from supplies through e-commerce including from running an online marketplace. - Persons engaged in the sale and purchase of used vehicles; and - Flour mills - Distributors, dealers, sub-dealers, wholesalers and retailers of fast-moving consumer goods, fertilizer, locally manufactured mobile phones, sugar, electronics excluding imported mobile phones, cement and edible oil subject to inclusion in ATL of sales tax and income tax.: 	
4.	In all other cases	1.25%

Withholding tax rates table

Withholding tax rates table – previous and new

Note: 1: * Person whose name do not appear in the Active Taxpayers List are subject to hundred percent increased withholding tax rates as prescribed in the First Schedule except for specified exclusions given in the Tenth Schedule.

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
148	Collection of tax at Imports						
(a)	Persons importing goods classified in Part I of the Twelfth Schedule	1 / *2	1 / *2	Minimum / not minimum in the hands of industrial undertaking	Minimum / not minimum in the hands of industrial undertaking	Minimum / not minimum in the hands of industrial undertaking	Minimum / not minimum in the hands of industrial undertaking
(b)	Persons importing goods classified in Part II of the Twelfth Schedule	2 / *4	2 / *4	Minimum / not minimum in the hands of industrial undertaking	Minimum / not minimum in the hands of industrial undertaking	Minimum / not minimum in the hands of industrial undertaking	Minimum / not minimum in the hands of industrial undertaking
(c)	Persons importing goods classified in Part III of the Twelfth Schedule	5.5 / *11	5.5 / *11	Minimum	Minimum	Minimum	Minimum
(d)	Import by manufacturers covered under rescinded SRO. 1125(I)2011 dated 31 December 2011	1 / *2	1 / *2	Adjustable	Adjustable	Adjustable	Adjustable
(e)	Persons importing finished pharmaceutical products that are not manufactured in Pakistan as certified by DRAP.	4 / *8	4 / *8	Minimum	Minimum	Minimum	Minimum
(f)	Import of Mobile phones	Varying rates	Varying rates	Minimum	Minimum	Minimum	Minimum
(g)	Import of CKD kits of electric vehicles for small cars or SUVs with battery upto 50 kwh and LCVs with battery upto 150kwh	-	1 / *2	-	-	Minimum	Minimum

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Previous		New	
		Previous	New	Ind. & AOP	Company	Ind. & AOP	Company
149	Salary						
	Where the taxable income does not exceed Rs. 600,000	0%	0%	Adjustable	N/A	Adjustable	N/A
	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of amount exceeding Rs. 600,000	5% of amount exceeding Rs. 600,000				
	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000				
	Where taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000	Rs. 90,000 plus 15% of amount exceeding Rs. 1,800,000	Rs. 90,000 plus 15% of amount exceeding Rs. 1,800,000				
	Where taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000	Rs. 195,000 plus 17.5% of amount exceeding Rs. 2,500,000	Rs. 195,000 plus 17.5% of amount exceeding Rs. 2,500,000				
	Where taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 5,000,000	Rs. 370,000 plus 20% of amount exceeding Rs. 3,500,000	Rs. 370,000 plus 20% of amount exceeding Rs. 3,500,000				
Where taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000					

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	Where taxable income exceeds Rs. 8,000,000 but does not exceed Rs. 12,000,000	Rs. 1,345,000 plus 25% of the amount exceeding Rs.8,000,000	Rs. 1,345,000 plus 25% of the amount exceeding Rs.8,000,000				
	Where taxable income exceeds Rs. 12,000,000 but does not exceed Rs.30,000,000	Rs. 2,345,000 plus 27.5% of the amount exceeding Rs.12,000,000	Rs. 2,345,000 plus 27.5% of the amount exceeding Rs.12,000,000				
	Where taxable income exceeds Rs. 30,000,000 but does not exceed Rs.50,000,000	Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30,000,000	Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30,000,000				
	Where taxable income exceeds Rs. 50,000,000 but does not exceed Rs.75,000,000	Rs. 13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000	Rs. 13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000				
	Where taxable income exceeds Rs.75,000,000	Rs.21,420,000 plus 35% of the amount exceeding Rs.75,000,000	Rs.21,420,000 plus 35% of the amount exceeding Rs.75,000,000				
	Director fee	20	20	Adjustable	N/A	Adjustable	N/A
150	Dividend payment or dividend in specie						
(a)	Independent Power Producers where such dividend is a pass-through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase	7.5 / *15	7.5 / *15	Final	Final	Final	Final

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	Agreement and is required to be reimbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity.						
(b)	Company where no tax is payable due to exemption of income or carry forward business losses or claim of tax credit	25 / *50	25 / *50	Final	Final	Final	Final
(d)	Mutual fund or real estate investment trust	15 / *30	15 / *30	Final	Final	Final	Final
(e)	Any other case	15 / *30	15 / *30	Final	Final	Final	Final
151	Profit on debt						
(a)	Yield on an account, deposit or a certificate under the National Savings Scheme or Post office saving account	15 / *30	15 / *30	Minimum / Adjustable	Adjustable	Minimum	Minimum / Adjustable
(b)	Profit on a debt, being an account or deposit maintained with a banking company or a financial institution	15 / *30	15 / *30	Minimum / Adjustable	Adjustable	Minimum / Adjustable	Adjustable
(c)	Profit on any security issued by Federal Government, a Provincial Government or a local Government other than profit on National Saving Scheme or Post Office Saving account to any person	15 / *30	15 / *30	Minimum / Adjustable	Adjustable	Minimum / Adjustable	Adjustable

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
(d)	Profit on any bond, certificate, debenture, security or instrument of any kind (excluding loan agreement between a borrower and a banking company or a development finance institution) issued by a banking company, a financial institution, company or a finance society, to any person other than a financial institution	15 / *30	15 / *30	Minimum / Adjustable	Adjustable	Minimum / Adjustable	Adjustable
151 (1A)	Return on investment in sukuk , (excluding "The Second Pakistan Sukuk Company" and "The Third Pakistan Sukuk Company"). In case, sukuk holder is:						
	- Company	25 / *50	25 / *50	N/A	Final / Adjustable	N/A	Final / Adjustable
	- Ind & AOP (where the return is more than one million)	12.5 / *25	12.5 / *25	Final / Adjustable	N/A	Final / Adjustable	N/A
	- Ind & AOP (where the return is less than one million)	10 / *20	10 / *20	Final / Adjustable	N/A	Final / Adjustable	N/A
152	Payments to non-residents						
(a)	Royalty and technical fee	15	15	Final	Final	Final	Final
(b)	Execution of a contract or sub-contract under a construction, assembly or installation project in Pakistan including a contract for the supply of supervisory activities in relation to such	7	7	Minimum	Minimum	Minimum	Minimum

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	projects or any other contract for construction or services rendered relating thereto						
(c)	Contract for advertisement services rendered by TV Satellite channel	7	7	Minimum	Minimum	Minimum	Minimum
(d)	Insurance premium or re-insurance premium	5	5	Minimum	Minimum	Minimum	Minimum
(e)	Advertisement services relaying from outside Pakistan	10	10	Minimum	Minimum	Minimum	Minimum
(f)	Foreign produced commercial for advertisement on any television channel or any other media	20	20	Final	Final	Final	Final
(g)	Capital gain arising to a PE of non-resident company on the disposal of debt instrument and government securities including T-Bills and PIBs invested through special convertible rupee account	10	10	N/A	Final	N/A	Final
(h)	Capital gain arising on the disposal of debt instruments and government securities and certificates invested through Foreign Currency Value Account or non-resident Pakistani Rupee Value Account by a non-resident individual holding CNIC, NICOP or POC.	-	10	-	-	Final	N/A
(i)	Return on investment						

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	in sukuk (excluding "The Second Pakistan Sukuk Company" and "The Third Pakistan Sukuk Company"). In case, sukuk holder is:						
	- Company	-	25	-	-	N/A	Final
	- Ind & AOP (where the return is more than one million)	-	12.5	-	-	Final	N/A
	- Ind & AOP (where the return is less than one million)	-	10	-	-	Final	N/A
(j)	Profit on debt to non-resident person not having a PE in Pakistan	10	10	N/A	Adjustable/ Final in specified situations	N/A	Adjustable/ Final in specified situations
(k)	Payments to an individual, on account of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident Rupee account repatriable or a foreign currency account maintained with a banking company in Pakistan	10	10	Final	N/A	Final	N/A
(l)	Fee for offshore digital services	5	5	Final	Final	Final	Final
(m)	Other payments	20 / *40	20 / *40	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
				Previous		New	
		Previous	New	Ind. & AOP	Company	Ind. & AOP	Company
152 (2A)	Payments to PE of a non-resident						
(a)	Sale of goods						
	- Company	4 / *8	4 / *8	-	Minimum / not minimum subject to conditions	-	Minimum / not minimum subject to conditions
	- Other than company	4.5/ *9	4.5/ *9	Minimum	-	Minimum	-
(b)	Transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in section 2, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services, oil field services	3 / *6	3 / *6	Minimum	Minimum	Minimum	Minimum

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
(c)	Services not covered above						
	- Company	8 / *16	8 / *16	N/A	Minimum	N/A	Minimum
	- Other than company	10 / *20	10 / *20	Minimum	N/A	Minimum	N/A
(d)	Execution of a contract	7 / *14	7 / *14	Minimum	Minimum	Minimum	Minimum
(e)	Sports Person	10 / * 20	10 / * 20	Minimum	N/A	Minimum	N/A
153	Goods, services and execution of a contract						
(a)	Sales of rice, cotton seed oil or edible oil	1.5 / *3	1.5 / *3	Minimum	Minimum / adjustable for manufacturer / listed company	Minimum	Minimum / adjustable for manufacturer / listed company
(b)	Distributors of cigerrates and pharmaceutical products and for large distribution houses qualifying to be large import house	1 / *2	1 / *2	Minimum	Minimum	Minimum	Minimum
(c)	Dealers, sub-dealers, wholesalers and retailers of fast-moving consumer goods, fertilizers, electronics excluding mobile phones, sugar, cement and edible oil, if they are appearing in ATL of income tax and sales tax.	0.25	0.25	Minimum	Minimum	Minimum	Minimum
(d)	Sale of any other goods (including toll manufacturing) in the case of:						
	- Company	4 / *8	4 / *8	N/A	Minimum / adjustable for manufacturer / listed company	N/A	Minimum / adjustable for manufacturer / listed company
	- Other taxpayers	4.5 / *9	4.5 / *9	Minimum	N/A	Minimum	N/A

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
(e)	Transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in section 2, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services including architectural services, warehousing services, services rendered by asset management companies, data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited, inspection, certification, testing and training services, oilfield services, telecommunication services, collateral management services, travel and tour services.	3 / *6	3 / *6	Minimum	Minimum	Minimum	Minimum
(f)	Oil tanker contractor	-	2 / *4	-	-	Minimum	Minimum

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	services						
(g)	Other services in the case of:						
	- Company	8 / *16	8 / *16	N/A	Minimum	N/A	Minimum
	- Other taxpayers	10 / *20	10 / *20	Minimum	N/A	Minimum	N/A
(h)	Electronic and print media for advertisement services	1.5 / *3	1.5 / *3	Minimum	Minimum	Minimum	Minimum
(i)	Execution of a contract in the case of:						
	- Company	7 / *14	6.5 / *13		Minimum/ adjustable for listed company / subject to conditions	-	Minimum/ adjustable for listed company / subject to conditions
	- Other taxpayers	7.5 / *15	7 / *14	Minimum	N/A	Minimum	N/A
	- Sports person	10 / *20	10 / *20	Minimum	N/A	Minimum	N/A
(j)	Deduction by exporter or an export house on payment for rendering of certain services	1 / *2	1 / *2	Minimum / not minimum subject to conditions	Minimum / not minimum subject to conditions	Minimum	Minimum
154	Export						
(a)	Export proceeds, proceeds from sales of goods to an exporter under an inland back-to-back letter of credit or any other arrangement, export of goods by an industrial undertaking located in an Export Processing Zone, Collection by a collector of customs at the time of clearing of goods exported	1	1	Final	Final	Final	Final
(b)	Indenting commission	5	5	Final	Final	Final	Final

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
154A	Export of computer software or IT services, services or technical services rendered outside Pakistan, royalty, commission or fees derived by a resident company from a foreign enterprise, construction contracts executed outside Pakistan, any other services rendered outside Pakistan as may be notified by FBR	-	1	-	-	Final subject to conditions	Final subject to conditions
155	Income from Property						
	Annual rent of immovable property including rent of furniture and fixtures and amount of service relating to such property						
	- In case of company	15	15	N/A	Adjustable	N/A	Adjustable
	- In case of other taxpayers	Progressive rates	Progressive rates	Final / Adjustable subject to conditions	N/A	Adjustable	N/A
156	Prizes and winnings						
(a)	Amount of prize bond winning.	15 / *30	15 / *30	Final	Final	Final	Final
(b)	Prize on crossword puzzle.	15 / *30	15 / *30	Final	Final	Final	Final

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
(c)	Amount of raffle/lottery winning, prize on winning a quiz, prize offered by a company for promotion of sales	20 / *40	20 / *40	Final	Final	Final	Final
156A	Petroleum products						
	Commission and discount to petrol pump operators	12 / *24	12 / *24	Final	Final	Final	Final
231B	Advance tax on private motor vehicle						
	- On registration of motor vehicle/ sale of motor vehicle by the manufacturer	Varying slabs	Varying slabs	Adjustable	Adjustable	Adjustable	Adjustable
	- On transfer of registration or ownership of a private motor vehicle.	Varying slabs	Varying slabs	Adjustable	Adjustable	Adjustable	Adjustable
	Advance tax from a person not appearing in ATL at the time of leasing of a motor vehicle by a leasing company or a scheduled bank or an investment bank or a DFI or a Modaraba.	4	4	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
231(2A)	Advance tax at the time of registration if the locally manufactured motor vehicle is sold prior to registration by the original purchaser						
	- Upto 1000cc	-	50,000	-	-	Adjustable	Adjustable
	- 1001cc to 2000cc	-	100,000	-	-	Adjustable	Adjustable
	- 2001cc and above	-	200,000	-	-	Adjustable	Adjustable
233	Brokerage & Commission						
(a)	Advertisement agent	10 / *20	10 / *20	Minimum	Minimum	Minimum	Minimum
(b)	Life Insurance Agent where commission is less than Rs. 0.5 million per annum	8 / *16	8 / *16	Minimum	Minimum	Minimum	Minimum
(c)	Others	12 / *24	12 / *24	Minimum	Minimum	Minimum	Minimum
234	Tax on motor vehicle						
	Registered laden weight/ Seating capacity/ Engine capacity and life of vehicle used	Varying rates	Varying rates	Adjustable	Adjustable	Adjustable	Adjustable
235	Electricity consumption						
	Industrial or Commercial consumers with monthly electricity bill						

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	- Upto Rs 500	Slab rates	Nil	Minimum	Adjustable	-	-
(b)	- Exceeds Rs 500 but does not exceed Rs 20,000	Slab rates	10	Minimum	Adjustable	Minimum	Adjustable
(c)	- Exceeds Rs. 20,000	12 for commercial consumers	Rs 1,950 plus 12% of the amount exceeding 20,000 for commercial consumers	Minimum/ Adjustable subject to conditions	Adjustable	Minimum/ Adjustable subject to conditions	Adjustable
		5 for industrial consumers	Rs 1,950 plus 5% of the amount exceeding 20,000 for industrial consumers				
(d)	Domestic consumers, if not included in ATL	7.5% if the monthly bill exceeds Rs. 75,000	7.5% if the monthly bill exceeds Rs. 25,000	Minimum/ Adjustable subject to conditions	N/A	Minimum/ Adjustable subject to conditions	N/A
236	Telephone & internet bill						
(a)	Telephone bill exceeding Rs 1,000	10	10	Adjustable	Adjustable	Adjustable	Adjustable
(b)	Subscriber of internet and prepaid internet card or sale of units through any electronic medium or whatever form	12.5	10 for tax year 2022 and 8 for succeeding tax years	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
(c)	Mobile telephone and prepaid card for telephones or sale of units through any electronic medium or whatever form	12.5	10 for tax year 2022 and 8 for succeeding tax years	Adjustable	Adjustable	Adjustable	Adjustable
236A	Sale by auction / tender						
	Sale of goods or property (excluding immovable property)	10 / *20	10 / *20	Adjustable	Adjustable	Adjustable	Adjustable
	Sale of immovable property	5 / *10	5 / *10	Adjustable	Adjustable	Adjustable	Adjustable
	Lease of right to collect toll	10 / *20	10 / *20	Final	Final	Final	Final
236C	Sale or transfer of immovable property						
	On gross amount of consideration, where the holding period is less than four years.	1 / *2	1 / *2	Adjustable/ minimum subject to conditions	Adjustable/ minimum subject to conditions	Adjustable/ minimum/ final subject to conditions	Adjustable/ minimum subject to conditions
236G	Advance tax on sales of specified goods to distributors, dealers and wholesalers						
	- Fertilizer	0.7 / *1.4	0.25 / *.5/ 0.2, if appearing in the ATL of income and sales tax	Adjustable	Adjustable	Adjustable	Adjustable
	- Other than fertilizer	0.1 / *0.2	0.1 / *0.2	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		STATUS OF TAX COLLECTED / DEDUCTED			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
236H	Advance tax on sales of specified goods to retailers or wholesaler	1 / *2 for electronic 0.5 / *1 others	0.5 / *1	Adjustable	Adjustable	Adjustable	Adjustable
236I	Collection of advance tax by educational institutions if monthly fee exceeds Rs. 200,000	0 / *5	0 / *5	Adjustable	Adjustable	Adjustable	Adjustable
236K	Advance tax on purchase of immovable property	1 / *2 (of the FMV)	1 / *2 (of the FMV)	Adjustable	Adjustable	Adjustable/ Final subject to conditions	Adjustable
236Q	Payment to residents for use of machinery and equipment						
	- Payment to resident person for use or right to use industrial, commercial and scientific equipment	10	10	Minimum	Minimum	Minimum	Minimum
	- Payment to resident person on account of rent of machinery	10	10	Minimum	Minimum	Minimum	Minimum

Sales Tax Act, 1990

Significant Amendments

Threshold for annual turnover of cottage industry enhanced.

Clause (5AB) of section 2 of the Act, 1990 defines the term "cottage industry" to mean a manufacturing concern which fulfills the following conditions:

- (a) does not have an industrial gas or electricity connection;
- (b) is located in a residential area;
- (c) does not have a total labour force of more than ten workers; and
- (d) annual turnover from all supplies does not exceed three million rupees

The Act has enhanced the limit of annual turnover from all supplies, from three (3) million Rupees to ten (10) million Rupees.

Online marketplace

Covid-19 has catapulted the universe into adopting truly digital lifestyle and Pakistan has also seen drastic growth in e-Commerce. As a way forward to clearer taxation policy in this sector, there have been many changes in Pakistani Taxation laws.

The Act has inserted a new clause 18A, defining the term "Online market place" to include an electronic interface such as a market place, e-commerce platform, portal or similar means which facilitate sale of goods, including third party sale, in any of the following manner, namely:–

- (a) by controlling the terms and conditions of the sale;
- (b) authorizing the charge to the customers in respect of the payment for the supply; or
- (c) ordering or delivering the goods.

Tier-1 Retailer

Section 2(43A) provides threshold limit and qualification criteria for Tier-1 retailers. The Act has enhanced the qualification criteria of Tier-1 retailers by following additions:

- Retailers of furniture whose shop measures two (2) thousand square feet or more.
- A retailer who has acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan.

The Act has also taken back the incentive of cash back, up to five percent of the tax involved, to customers of Tier-1 retailer who have integrated their retail outlets with the Board's computerized system for real-time reporting of sales.

Time of supply

The question of levy of sales tax on advance receipt had been under litigation before various appellate forums and now it is settled whereby, sales tax is payable on advance receipt.

The Act has amended the definition of time of supply, whereby, the levy of sales tax on advance payment is done away with (earlier it was inserted through the Finance Act, 2013) and now the time of supply for the levy of sales tax is delivery of goods or when the goods are made available to the recipient of supply.

Adjustable input tax – relief allowed to listed companies

Section 8B deals with input tax adjustment and inter-alia provides that registered person shall not be allowed to adjust the input tax in excess of the ninety percent of the output on supply of goods for a tax period subject to certain exceptions.

The Act has provided that aforementioned restriction of adjustment of input tax to the extent

of ninety (90) percent will not apply to public limited companies listed on Pakistan Stock Exchange.

The Act has also provided that in case a Tier-1 retailer which does not integrate his retail outlet as prescribed in sub-section (9A) of section 3, during a tax period or part thereof, the adjustable input tax for whole of that tax period shall be reduced by 60%. Earlier, the rate of reduction of adjustable input tax for not getting integrated was 15%.

Time limitation for issuance of show-cause notice

Earlier, the notice to show cause was required to be issued within five years, of the relevant date, to the person in default with reference to order under section 11.

The relevant date means:

- the time of payment of tax or charge as provided under section 6; and
- in a case where tax or charge has been erroneously refunded, the date of its refund.

The Act has now provided that notice to show cause must be given within five years from end of the financial year, in which the relevant date falls.

Consequent to above amendment, the time limitation for issuance of show-cause notice has increased.

Extension of time for furnishing of returns.

Hitherto, the registered person is getting the extension of time for filing of return under the shelter of SRO No. 394(I)/2009 dated 21 May 2009

The Act has introduced a new section i.e. section 26AB that deals with the provisions of extension of time for furnishing of return, the salient features of said section are as follows:

- An application is required to be filed by the due date of furnishing of tax return.

- The Commissioner shall grant extension of time not exceeding 15 days from the due date where the Commissioner is satisfied that applicant is unable to file return due to absence from Pakistan, sickness or other misadventure; or any other reasonable cause.
- The Commissioner or Chief Commissioner (where the Commissioner refused to further grant the extension) further allow extension of time not exceeding 15 days in exceptional circumstances.
- The extension of time for furnishing of return will not change the due date of payment of tax for the purpose of charging default surcharge.

Licensing of brand name.

The Act has introduced section 40E relating to brand licensing which provides that manufacturers of the specified goods shall be required to obtain brand licence for each brand or stock keeping unit (SKU) in such manner as may be prescribed by the Board.

It is further provided that any specified brand and SKU found to be sold without obtaining a licence from the Board shall be deemed counterfeit goods and liable to outright confiscation and destruction in the prescribed manner and such destruction and confiscation shall be without prejudice to any other penal action which may be taken under the Act, 1990.

The above amendment is against the principle of Government slogan of ease of doing business. We understand that the above amendment is introduced as revenue measure, however, we see it as only a hassle to the taxpayers.

Recovery of arrear of tax and exchange of information

The officer of Inland Revenue of Sales Tax can recover the arrear of sales tax in the manner as specified in section 48.

The Act has inserted sub section (3) in section 48 empowering the tax officials to recover the arrears of sales tax under section 48, where the request for recovery is made from any foreign jurisdiction under a tax treaty, bilateral or multilateral convention and inter-governmental agreement or similar agreement or mechanism.

Agreement for exchange of information

Through insertion of section 56A(1A), the Act has empowered the Board to share data or information with any Ministry or Division of the Federal Government or Provincial Government, subject to such limitations and conditions as may be specified by the Board.

The above amendment was also introduced through Tax Laws (Amendment) Ordinance, 2021.

The Act has also empowered Federal Government to enter into any bilateral or multilateral convention and inter-governmental agreement or similar agreement or mechanism for assistance in the recovery of taxes.

Delayed refund

Earlier, a registered person was entitled to compensation at KIBOR per annum on tax refund due under section 10 and not paid within the time limit of 45 days from the date of filing of refund claim.

The Act has authorized the registered person to claim compensation at KIBOR per annum on refund due under section 66, which is not paid within 45 days of the date of order.

Certain transactions not admissible

According to section 73 payment for supply of goods exceeding value Rs. 50,000 shall be made through banking channels subject to the condition that such transaction is verifiable from the bank statement of buyer and seller.

The Act has provided that the adjustment of amount payable / receivable to and from the same

party shall constitute payment for the purpose of section 73 subject to fulfillment of following conditions:

- Sales tax has been charged and paid by both parties under the Act.
- Prior approval of the Commissioner has been obtained before making such adjustments.

New Products inserted in Third Schedule

The Act has included Sugar in Third Schedule with the exception of sugar supplied as an industrial raw material to pharmaceutical, beverage and confectionary industries.

Zero Rating withdrawn

The Act has withdrawn Zero Rating earlier available on following items under Fifth Schedule.

Entry No.	Description of goods
1	<ul style="list-style-type: none"> (i) Supply, repair or maintenance of any ship which is neither: <ul style="list-style-type: none"> (a) a ship of gross tonnage of less than 15 LDT; nor (b) a ship designed or adapted for use for recreation or pleasure; (ii) supply, repair or maintenance of any aircraft which is neither; <ul style="list-style-type: none"> (a) an aircraft of weight-less than 8000 kilograms; nor; (b) an aircraft designed or adapted for use for recreation or pleasure; (iii) supply of spare parts and equipment for ships and aircraft falling under (i) and (ii) above; (iv) supply of equipment and machinery for pilot age, salvage or towage services; (v) supply of equipment and machinery for air navigation services; (vi) supply of equipment and machinery for other services provided for the handling of ships or aircraft in a port or Customs Airport.

Entry No.	Description of goods
6	Supplies of such locally manufactured plant and machinery to petroleum and gas sector Exploration and Production companies, their contractors and sub-contractors as may be specified by the Federal Government, by notification in the official Gazette, subject to such conditions and restrictions as may be specified in such notification.
10	Petroleum Crude Oil
11	Raw materials, components, sub-components and parts, if imported or purchased locally for use in the manufacturing of such plants and machinery as is chargeable to sales tax at the rate of zero percent, subject to the condition that the importer or purchaser of such goods holds a valid sales tax registration showing his registration category as "manufacturer"; and in case of import, all the conditions, restrictions, limitations and procedures as are imposed by notification under section 19 of the Customs Act, 1969 (IV of 1969), shall apply.

Zero Rating introduced for certain supplies

The Act has introduced Zero Rating on following items under Fifth Schedule.

Entry No.	Description of goods
15	Local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions.
16	Milk
17	Fat filled milk excluding that sold in retail packing under a brand name or a trademark
18	(i) Supply, repair or maintenance of any ship which is neither; (a) a ship of gross tonnage of less than 15 LDT; nor (b) a ship designed or adapted for use for recreation or pleasure; (ii) supply of spare parts and equipment for ships falling under (i) above; (iii) Supply of equipment and machinery for salvage or towage services; (iv) supply of equipment and machinery for other

Entry No.	Description of goods
	services provided for the handling of ships in a port.

Exemption restricted to Local Supplies Only

The Act has withdrawn exemption (local as well as import) available on following items from Table-I of Sixth Schedule and has inserted the same in Table-II of Sixth Schedule resulting in restriction of exemption to the extent of Local Supplies Only.

Old Table-I Entry No.	New Table-II Entry No.	Description of goods
22	28	Sugar beet
26	29	Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged.
73A	30	Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name
74	31	Flavored milk, excluding that sold in retail packing under a brand name
75	32	Yogurt, excluding that sold in retail packing under a brand name
76	33	Whey, excluding that sold in retail packing under a brand name
77	34	Butter, excluding that sold in retail packing under a brand name
78	35	Desi ghee, excluding that sold in retail packing under a brand name
79	36	Cheese, excluding that sold in retail packing under a brand name
80	37	Processed cheese not grated or powdered, excluding that sold in retail packing under a brand name
82	38	Sausages and similar products of poultry meat or meat offal excluding sold in retail packing under a brand name or a trademark

Old Table-I Entry No.	New Table-II Entry No.	Description of goods
83	39	Products of meat or meat offal excluding sold in retail packing under a brand name or a trademark

Exemption withdrawn

The Act has withdrawn exemptions earlier available on following items through Table-I of Sixth Schedule.

Entry No.	Description of goods
24	Edible oils and vegetable ghee, including cooking oil, on which Federal Excise Duty is charged, levied and collected by a registered manufacturer or importer as if it were a tax payable under section 3 of the Act. Explanation.— Exemption of this entry shall not be available on local supplies made by importers, distributors, wholesalers or retailers.
27	Ice and waters excluding those for sale under brand names or trademarks
29	Table salt including iodized salt excluding salt sold in retail packing bearing brand names and trademarks.
29C	Glass bangles
73	Milk
85	Fat filled milk excluding that sold in retail packing under a brand name or a trademark
91	Energy saver lamps
93	Bicycles
101	Raw and pickled hides and skins, wet blue hides and skins, finished leather, and accessories, components and trimmings, if imported by a registered leather goods manufacturer, for the manufacture of goods wholly for export, provided that conditions, procedures and restrictions laid down in rules 264 to 278 of the Customs Rules, 2001 are duly fulfilled and complied with.
103	Import and supply thereof, up to the year 2030, of ships and all floating crafts including tugs, dredgers, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity and flying the Pakistan flag, except ships or crafts acquired for

Entry No.	Description of goods
	demolition purposes or are designed or adapted for use for recreation or pleasure purposes, subject to the condition that such ships or crafts are used only for the purpose for which they were procured and in case such ships or crafts are used only for the purpose for which they were procured, and in case such ships or crafts are used for demolition purposes within a period of five years of their acquisition, sales tax applicable to such ships purchased for demolition purposes shall be chargeable.
106	Import of Halal edible offal of bovine animals
108	Components or sub-components of energy saver lamps, namely:- (a) Electronic Circuit (b) Plastic Caps (upper and lower) (c) Base Caps B22 and E27 (d) Tungsten Filaments (e) Lead-in-wire (f) Fluorescent powder (Tri Band Phosphor) (g) Adhesive Additive (h) Al-oxide Suspension (i) Capping Cement (j) Stamp Pad Ink (k) Gutter for Suspension
115	Plant, machinery and equipment imported for setting up fruit processing and preservation units in Gilgit-Baltistan, Baluchistan Province and Malakand Division up to the 30th June 2019 subject to the same conditions and procedure as are applicable for import of such plant, machinery and equipment under the Customs Act, 1969 (IV of 1969).
123	Aircraft, whether imported or acquired on wet or dry lease Provided that in case of import or acquisition on wet or dry lease by Pakistan International Airlines Corporation, this exemption shall be available with effect from 19th March 2015.
124	Maintenance kits for use in trainer aircrafts of PCT headings 8802.2000 and 8802.3000

Entry No.	Description of goods
125	Spare parts for use in aircrafts, trainer aircrafts or simulators
128	Aviation simulators imported by airline company recognized by Aviation Division.
153	Steel billets, ingots, ship plates, bars and other long re-rolled profiles, on such imports and supplies by the manufacturer on which federal excise duty is payable in sales tax mode

The Act has withdrawn exemptions earlier available on local supplies of following items under Table-II of Sixth Schedule of Act.

Entry No.	Description of goods
17	Raw and pickled hides and skins, wet blue hides and skins
18	Supplies made by manufacturers of marble and granite having annual turnover less than five million rupees even if their annual utility bill is more than eight hundred thousand rupees
19	Bricks (up to 30th June 2018)
20	Crushed stone (up to 30th June 2018)
24	LED or SMD lights and bulbs meant for conservation of energy
25	Cottonseed oil

Exemption on bricks and crushed stones has already been expired on 30 June 2018. The change only omits a redundant clause.

New Exemptions introduced in Sixth Schedule

- The Act has introduced Exemption on following items in Table-I of Sixth Schedule of Act, 1990:

Entry No.	Description of goods
157	Import of CKD (in kit form) of following electric vehicles (4 wheelers) by local manufacturers till 30th June 2026: (i) Small cars/SUVs with 50 Kwh battery or below; and (ii) Light commercial vehicles (LCVs) with 150 kwh

Entry No.	Description of goods
	battery or below
158	Goods temporarily imported into Pakistan by International Athletes which shall be subsequently taken by them within 120 days of temporary import
159	Import of auto disable Syringes till 30th June 2021 (i) with needles (ii) without needles
160	Import of following raw materials for the manufacturers of auto disable syringes till 30th June 2021 (i) Tubular metal needles (ii) Rubber Gaskets
161	Import of plant, machinery, equipment and raw materials for consumption of these items within Special Technology Zone by the Special Technology Zone Authority, zone developers and zone enterprises
162	Import of raw materials, components, parts and plant and machinery by registered persons authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions.

The exemption related to serial nos. 157 & 158 were earlier introduced through Tax Laws (Amendment) Ordinance, 2021 and serial nos. 159 & 160 were introduced through Tax Laws (Second Amendment) Ordinance, 2021

- Previously, cereals and products of milling industry, excluding the products of milling industry, other than wheat and meslin flour, as sold in retail packing bearing brand name or a trademark were exempted under the Sixth Schedule

The Act has not omitted the aforesaid exclusion meaning thereby that the aforesaid exemption is now available to products of milling industry as sold in retail packing bearing brand name or a trademark

- The Act has enhanced the scope of entry 133 of Table I of Sixth Schedule to include exemption on White spirit Solvent oil
- The Act has introduced Exemption in Table-II of Sixth Schedule for local supply of locally produced silos till 30 June 2026 and Wheat Bran.
- The Act has also introduced Exemption in Table-III of Sixth Schedule for such Import of POS machines which are imported for installation on retail outlets as are integrated with FBR's computerized system for real-time reporting of sales.

Exemption introduced for Border Sustenance Markets

The Act has included "Border Sustenance Markets, established in cooperation with Iran and Afghanistan" in the definition of "tax-exempt areas" as provided in section 40D(5). The Act has further introduced a new Table-4 in Sixth Schedule for exemption on specified goods supplied within the limits of Border Sustenance Markets, established in cooperation with Iran and Afghanistan subject to following conditions:

- (i) goods shall be supplied only within the limits of Border Sustenance Markets established in cooperation with Iran and Afghanistan;
- (ii) if the goods, on which exemption under this Table has been availed, are brought outside the limits of such markets, sales tax shall be charged on the value assessed on the goods declaration import or the fair market value, whichever is higher;
- (iii) such items in case of import, shall be allowed clearance by the Customs Authorities subject to furnishing of bank guarantee equal to the amount of sales tax involved and the same shall be released after presentation of consumption certificate issued by the Commissioner Inland Revenue having jurisdiction;

- (iv) the said exemption shall only be available to a person upon furnishing proof of having a functional business premises located within limits of the Border Sustenance Markets; and
- (v) breach of any of the conditions specified herein shall attract relevant legal provisions of Act besides recovery of the amount of sales tax along with default surcharge and penalties involved.

The following goods shall be exempt under Table-4 of Sixth Schedule supplied within the limits of Border Sustenance Markets

Entry No.	Description of goods
1	Seed (Potatoes)
2	Tomatoes, fresh or chilled
3	Onions and shallots
4	Garlic
5	Cauliflowers cabbage
6	Carrots and turnips
7	Cucumbers and gherkins fresh or chilled
8	Peas (pisum sativum)
9	Beans (vigna spp., phaseolus spp.)
10	Other leguminous vegetables
11	Peas (Pisum sativum)
12	Grams (Dry/Whole)
13	Dried leguminous vegetables
14	Beans of the species Vigna mungo (L.) Hepper or Vigna radiata (L.) Wilczek
15	Small red (Adzuki) beans (Phaseolus or Vigna angularis)
16	Kidney beans including white beans
17	Bambara – vigna subteranea or vaahdzeia subterrea
18	Beans vigna unguiculata

Entry No.	Description of goods
19	Other (Green Beans)
20	Lentils (Dry/Whole)
21	Broad beans (<i>Vicia faba</i> var. major) and horse beans (<i>Vicia faba</i> var. equina, <i>Vicia faba</i> var. minor)
22	Pigeon peas (<i>cajanus cajan</i>)
23	Vanilla (Neither crushed nor ground)
24	Cinnamon
25	Other (Cinnamon and Cinnamon Tree Flowers)
26	Cloves (Neither crushed nor ground)
27	Crushed or ground (Cloves)
28	Nutmeg (Neither Crushed nor ground)
29	Nutmeg (Crushed or ground)
30	Neither crushed nor ground (Maze)
31	Crushed or ground (Maze)
32	Large (Cardammoms)
33	Small (Cardammoms)
34	Crushed or ground (Cardammoms)
35	Neither crushed nor ground (Coriander)
36	Crushed or ground (Coriander)
37	Neither crushed nor ground (Seeds of Cumins)
38	Crushed or ground (Seeds of Cumins)
39	Neither crushed nor ground (Seeds of Anise, Badian, Caraway, Fennel etc)
40	Crushed or ground (Seeds of Anise, Badian, Caraway, Fennel etc)
41	Thyme; bay leaves
42	Barley (Seeds)
43	Sunflower seeds ,whether or not broken
44	Locust beans
45	Cereal straws and husks

Entry No.	Description of goods
46	Knives and cutting blades for paper and paper board
47	Of a fat content, by weight, not exceeding 1 % (milk and cream)
48	Of a fat content, by weight, exceeding 1 % but not exceeding 6 % (milk and cream)
49	Of a fat content, by weight, exceeding 6 % but not exceeding 10% (Milk and Cream)
50	Of a fat content, by weight, exceeding 10 % (Milk and Cream)
51	Leeks and other alliaceous vegetables
52	Cauliflowers and headed broccoli
53	Brussels sprouts
54	Cabbage lettuce (head lettuce)
55	Lettuce
56	Chicory
57	Fruits of the genus <i>Capsicum</i> or of the genus <i>Pimenta</i>
58	Figs
59	Fresh (grapes)
60	Dried (Grapes)
61	Melons
62	Apples
63	Green Tea
64	Other Green Tea
65	Crushed or ground (Ginger)
66	Turmeric (curcuma)
67	Other (spice)
68	Lactose (Sugar)
69	Sugar Syrup
70	Sugar Other
71	Caramel

Entry No.	Description of goods
72	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya bean oil.
73	Other (animal feed)
74	For Sewing (Thread)
75	For embroidery (Thread)
76	Spades and shovels
77	Tools for masons, watchmakers, miners and hand tools nes
78	For kitchen appliances or for machines used by the food industry
79	Other kitchen appliances
80	Yogurt
81	Other (Potatoes)
82	Sweet corn
83	Mixtures of vegetables
84	Fresh (Dates)
85	Dried (Dates)
86	Apricots
87	Sour cherries (Prunus cerasus)
88	Other (Apricots)
89	Peaches, including nectarines
90	Plums and sloes
91	Strawberries
92	Kiwi Fruit
93	Neither crushed nor ground (Ginger)
94	Wheat and Meslin(Other)
95	Wheat and Meslin (Other)
96	Of Wheat (Flour)
97	Of Meslin

Entry No.	Description of goods
98	Vermacelli
99	Other (Packed Cake)
100	Homogenised preparations
101	Citrus Fruit
102	Other (jams)
103	Organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for retail sale, whether or not containing soap
104	Preparations put up for retail sale
105	Other (washing preparations)
106	Tableware and kitchenware of porcelain or china
107	Household articles nes & toilet articles of porcelain or china
108	Glassware for table or kitchen purposes (excl. glass having a linear c
109	Glassware nes (other than that of 70.10 or 70.18)
110	Spoons
111	Tableware articles not in sets and not plated with precious metal
112	Bicycles and other cycles (including delivery tricycles), not motorised
113	Vacuum flasks
114	Vacuum flasks/vacuum vessels complete w/cases; parts o/t glass inneres (others)

Reduced Rates withdrawn

- The Act has withdrawn reduced rate of sales tax earlier available on following items under Table-I of Eighth Schedule.

Entry No.	Description of goods	Reduced Rate of Sales Tax	Condition
1	Soyabean meal	10%	-
5	Raw cotton and ginned cotton	10%	On import

Entry No.	Description of goods	Reduced Rate of Sales Tax	Condition
19	Waste paper	5%	-
22	Soya bean seed	10%	On import by solvent extraction industries, subject to the condition that no refund of input tax shall be admissible
50	LNG/RLNG	12%	Import thereof
51	LNG/RLNG	12%	If supplied to gas transmission and distribution companies
65	Ginned cotton	10%	-
67	LNG imported for servicing CNG sector and local supplies thereof	5%	-

— The Act has also excluded Wheat Bran as an Ingredient of poultry feed, cattle feed from the ambit of Eight Schedule.

Amendments in Reduced Rates

The Act has amended reduced rates of sales tax earlier available on following items in Table-I of Eighth Schedule of Act

Entry No.	Description of goods	Previous Rate	Revised Rate
56	Potassium Chlorate (KClO ₃)	17% along with Rs. 80 per KG	17% along with Rs. 90 per KG
63	Articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal.	1.5% of value of gold, plus 0.5% of value of diamond, used therein, plus 3% of making charges	1.5% of value of gold, plus 2% of value of diamond, used therein, plus 3% of making charges

Entry No.	Description of goods	Previous Rate	Revised Rate
66	Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales (if supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months)	12%	10%

It is further provided that rate of rupees 90 per kilogram shall not apply on imports made by and supplies made to organizations under the control of Ministry of Defence Production.

Reduced Rate of Sales Tax introduced

The Act has inserted following items in Table-I of Eighth Schedule of Act for application of reduced rate of sales tax

Entry No.	Description of goods	Reduced Rate of Sales Tax	Condition
71	Following locally manufactured or assembled electric vehicles (4 wheelers) till 30th June 2026: (i) Small cars/ SUVs with 50 Kwh battery or below; and (ii) Light commercial vehicles (LCVs) with 150 kwh battery or below	1%	If supplied locally
72	Motorcars	12.5%	Locally manufactured or assembled motorcars of cylinder capacity up to 1000cc

Entry No.	Description of goods	Reduced Rate of Sales Tax	Condition
73	Import and local supply of Hybrid Electric Vehicles: (a) Up to 1800 cc (b) From 1801 cc to 2500 cc	8.5% 12.75%	-
74	Goods supplied from tax-exempt areas of erstwhile FATA/PATA to the taxable areas	Respective headings	16%

Please note that clause 71 was earlier introduced through Tax Laws (Amendment) Ordinance, 2021.

Withdrawal of Fixed Tax on SIM Cards

The Act has abolished application of Fixed Sales Tax on SIM cards through insertion of a proviso in Table-I of Ninth Schedule stating that the provisions of Table-I shall not be applicable from 1st July 2020 onwards. Previously, fixed sales tax of Rs. 250 was applicable on SIM card payable at the time of supply by CMO's. An explanation is also introduced to clarify that the afore said amendment shall not prejudicially affect the Board's stance or position in pending cases on the issue of chargeability of sales tax on SIM cards before any court of law.

Amendments in sales tax withholding provisions

The Act has introduced an amendment in Eleventh Schedule whereby:

- withholding of 75% of sales tax applicable on supply of any kind of lead under chapter 78 or scrap batteries under chapter 85 shall be done by registered persons manufacturing lead batteries; and
- withholding of 2% of gross value of supplies made by person other than active taxpayer shall be done by online marketplace (effective from the date as shall be notified by the Board)

We understand that the above withholding requirements are subject to exclusions specified in

clause (i) to (viii) of the Table in Eleventh Schedule of Act.

Exclusion from Value Addition Tax

Value Addition Tax at the rate of 3% Ad Valorem is applicable on all imported goods except those mentioned in Twelfth Schedule. The Act has introduced exclusion from application of Value Addition Tax on following items:

Clause under Procedure 2	Description of goods
(xi)	Electric vehicles (4 wheelers) CKD kits for small cars/SUVs, with 50 kwh battery or below and LCVs with 150 kwh battery of below till 30th June, 2026
(xii)	Electric vehicles (4 wheelers) small cars/SUVs, with 50 kwh battery or below and LCVs with 150 kwh battery of below in CBU condition till 30th June, 2026
(xiii)	Electric vehicles (2-3 wheelers and heavy commercial vehicles) in CBU condition till 30th June, 2025
(xiv)	motor cars of cylinder capacity up to 850cc

Please note that clause (xi) to (xiii) were earlier introduced through Tax Laws (Amendment) Ordinance, 2021.

Minimum Production of Steel Products

The Act has inserted section 9AA and Thirteen Schedule in the Act, 1990 to provide scheme of chargeability of sales tax on specified steel products and other related rules & procedures. The salient feature of the scheme is as follows:

- Minimum monthly production shall be determined on the basis of a single or more inputs as consumed in the production as per criteria specified in the Thirteenth Schedule which is as follows.

Production	Production Criteria
Steel billets and ingots	One metric ton per 700 kwh of electricity consumed
Steel bars and other re-rolled long profiles of steel	One metric ton per 110 kwh of electricity consumed
Ship plates and other re-rollable scrap	85% of the weight of the vessel imported for breaking; and

- The minimum production of industrial units employing both distributed power and self-generated power shall be determined on the basis of total electricity consumption.

- Minimum production shall be treated as quantity supplied during the month in case determined minimum production exceeds the actual supplies. Accordingly, liability to pay tax shall be discharged.
- The registered person shall be entitled to get adjustment of excess tax over actual supplies if the actual supplies exceeds the minimum production in subsequent month. However, in a financial year the tax liability of the registered person shall not be less than the liability determined on the basis of minimum production and in case of excess payment no refund would be admissible.
- Actual and minimum production and the local supplies shall be declared in the sales tax return.
- The liability of registered person involves in ship breaking shall be paid monthly on proportionate basis depending upon time required to break the vessel considering the higher of liability against minimum production or actual supplies.
- The payment of tax on ship plates as in aforesaid manner does not absolve ship breakers to pay tax on other items.
- The melters and re-rollers employing self-generated power shall install a tamperproof meter for measuring their consumption. Such meter shall be duly locked in room with keys in the custody of a nominee of the Commissioner Inland Revenue having jurisdiction. The officers Inland Revenue having jurisdiction shall have full access to such meter;

Federal Excise Act, 2005

Table 1 of First Schedule

FED introduced on certain goods

The Act has introduced FED on certain goods as tabulated below:

S.No.	Description of goods	Tariff heading	FED rate
8c	Tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without combustion	2403.9990	Rs. 5,200 per kg

FED withdrawn on certain goods

The Act has withdrawn FED on certain goods as tabulated below:

S. No.	Description of goods	Tariff heading
1	Edible oils excluding epoxidized soyabean oil falling under heading 15.18	15.07 to 15.17
2	Vegetable ghee and cooking oil sold in retail packing or otherwise	Respective heading
57	Fruit Juices, syrups and squashes, waters containing added sugar or sweetening matter etc. excluding mineral and aerated waters	Respective headings
58	Steel Billets, ingots, ship plates, bars and other long rerolled products	Respective headings

Note: Afore-mentioned items excluding those mentioned in serial No. 57 have now been made taxable under Sales Tax Act, 1990.

Moreover, the Act has also withdrawn FED on electric vehicles (4 wheelers) till 30 June 2026 whether imported or locally manufactured / assembled by amending serial No. 55 and 55B of Table I to the First Schedule.

FED rate reduced

The Bill proposed to withdraw FED on locally manufactured or assembled vehicles of 850cc and below.

However, the Act has reduced existing rate of FED on locally manufactured or assembled vehicles as tabulated below:

Description of goods	Existing rate	Enacted rate
(a) of cylinder capacity up to 1000cc	2.5% <i>ad val</i>	0% <i>ad val</i>
(b) of cylinder capacity from 1001cc to 2000cc	5% <i>ad val</i>	2.5% <i>ad val</i>
(c) of cylinder capacity 2001cc and above	7.5% <i>ad val</i>	5% <i>ad val</i>

Table II of First Schedule

FED rate reduced

S.No.	Description of services	Existing rate	Enacted rate
6	Telecommunication services	17% of the charges	16% of the charges

Additional FED introduced on certain telecommunication services

The Bill proposed additional FED on mobile phone calls for call duration exceeding three minutes, internet services and SMS services but the Act has provided the same on mobile phone calls exceeding five minutes only as tabulated below:

S. No.	Description of services	Proposed FED rate	Enacted rate
6A	(a) Mobile phone call, if call duration exceeds five minutes	Re. 1 per call plus proposed 16% of the charges	Re. 0.75 per call plus 16% of the charges
	(b) Internet services	Rs. 5 per GB plus proposed 16% of the charges	Nil
	(c) SMS services	Re 0.10 per SMS plus proposed 16% of the charges	Nil

FED withdrawn on specified banking services

Presently, banking services in relation to utility collection, Umra and Hajj services, cheque book issuance, cheque return, Musharika and Modaraba financing are not subject to FED under the Rules.

The Act has also excluded Merchant Discount Rate being charges for accepting digital payment from levy of FED through exclusion from serial No. 8 of Table II to the First Schedule.

Second Schedule

Consequent to withdrawal of FED on specified goods listed in First Schedule, following corresponding entries of Second Schedule are also omitted:

S.No.	Description of goods	Tariff heading
1	Edible oils excluding epoxidized soyabean oil falling under heading 15.18	15.07 to 15.17
2	Vegetable ghee and cooking oil	Respective heading
4	Steel Billets, ingots, ship plates, bars and other long rerolled products	Respective headings

Third Schedule

The Act has introduced exemptions on specified goods subject to certain conditions:

S.No.	Description of goods	Conditions
24	(i) Animal Fats and Oil and their fractions (1516.1000)	Goods to be supplied within the limits of the Border Sustenance Markets, established in cooperation with Iran and Afghanistan: Provided that, such items in case of import, shall be allowed clearance by the Customs Authorities subject to furnishing of bank guarantee equal to the amount of duty involved and the same shall be released after presentation of consumption certificate issued by the Commissioner Inland Revenue having jurisdiction. Provided further that, the said exemption shall only be available to a person upon furnishing proof of having a functional business premises located within limits of the Border Sustenance Markets.
	(ii) Vegetable Fats and their fractions (1516.2010)	
	(iii) Vegetable Oils and their fractions (1516.2020)	
25	Import and supply of raw materials, components, parts and plant and machinery.	Imported and supplied by registered persons authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions.

Omission of Fourth Schedule

Steel products were subjected to FED based on the minimum production to be determined as per production criteria provided under Fourth Schedule of FE Act.

The Act has omitted Fourth Schedule of FE Act for steel sector which is now included in Thirteenth Schedule of ST Act.

Revision of return

Presently, the monthly return can be revised within one hundred and twenty days of the filing of return with the approval of the Commissioner having jurisdiction.

The Act has allowed a registered person to file revise return without the approval of the Commissioner subject to the condition that:

- (i) Return is revised within sixty days of filing of original return, and
- (ii) Either the duty payable as per revised return is more than the amount paid or refund claimed is less than the amount as originally claimed.

Assistance in collection and recovery of duty

Section 14 (2) of FE Act empowers the Officer of Inland Revenue to determine the duty payable by a person.

The Act has enhanced his power to also assist in collection and recovery of duties in pursuance of a request from a foreign jurisdiction under a tax treaty, a multilateral convention and inter-governmental agreement.

License of brand name

The Act has inserted a new section 45AA in FE Act requiring manufacturers of specified goods to obtain license from FBR for each brand or stock keeping unit in prescribed manner and in case of non-compliance the goods shall be deemed to be counterfeit and shall outrightly be liable for confiscation and destruction apart from other penal action.

Sharing of data and information

The Act has inserted a new sub-section (1A) to Section 47A to empower the Board to share data or

information including real time data videos and images with any other Ministry or Division of Federal Government or Provincial Government subject to conditions specified by the Board.

The Act has also inserted a new sub-section (3) to Section 47A to empower the Federal Government to enter into a bilateral or multilateral convention and intergovernmental agreement for assistance in the recovery of duties.

The Customs Act, 1969

Reductions/exemptions from Customs Duty [CD], Additional Customs Duty [ACD] and Regulatory Duty [RD]

Various reductions/exemptions have been made in CD, ACD and RD on import of following sectors/items:

- goods relating to textile industry;
- flat rolled products of HRC and stainless steel;
- raw materials and intermediary goods and point of sale machines;
- pharmaceutical sector;
 - active Pharmaceutical Ingredients;
 - plant, machinery and equipment;
 - raw material of auto-disable syringes and finished auto-disable syringes;
- inputs/raw materials of food processing industry;
- uncoated paper and paperboard for printing and graphic arts industry;
- vaccines for veterinary medicines and feed additives relating to dairy sector;
- goods relating to Tourism industry;
- raw material/inputs of footwear industry;
- inputs for poultry industry;
- raw material for manufacturer of aseptic plastic packaging;
- raw materials for cables/optical fiber manufacturers;
- raw materials for Paint Industry;
- raw materials for Chemical and Artificial Leather Industry;
- inputs for Electronics Manufacturing Industry;
- raw materials/ inputs of furniture, coating, boiler manufacturing industry, bobbins and cops manufacturing industry, etc.;
- inputs of Ready-To-Use Supplementary Foods (RUSF) and Ready-To-Use Therapeutic Food (RUTF);
- life-saving drugs;
- grain storage hermetic bags and cocoons;
- auto sector;
- cocoa paste, butter and powder being industrial input goods.

Zero rate customs duty through chapter 99

Zero rating has been introduced for following items:

Tariff heading 9908

The Act has substituted “Cabinet division” with “Federal Government” for the purpose of recommendation of goods so received as gift or donation from a foreign government or organization by the Federal or Provincial Government or any public sector organization.

Tariff heading 9909

The Act has enhanced the value of article from ‘Rs. 20,000’ to ‘Rs. 30,000’ per parcel on importation through post or courier services as unsolicited gift.

Tariff heading 9917

The Act has introduced serial No. 4(i) and 4(ii) to enlarge the scope of capital goods including but not limited to material, plant, machinery, hardware, equipment and software for a period of 10 years, if not manufactured locally, imported from the date of signing of the development agreement or the date of issuance of license by the Special Technology Zones Authority for consumption within zones

subject to the conditions as the Federal Board of Revenue may impose from time to time.

The Act has also introduced Serial No. 5 to explain the zero rating of imports by persons as authorized under Export Facilitation Scheme notified by the Federal Board of Revenue subject to the conditions and limitations.

Tariff heading 9920

The Act has included serial No. 7 for temporary importation of goods in relation to professional and technical apparatus/equipment imported by foreign nationals, experts and athlete etc. participating in an international event or under any international arrangement for use solely during such event or arrangement subject to endorsement on their passports. The goods which are proposed to be allowed temporary admission shall be identifiable at the time of import and subsequent re-export.

Definition

- “Master bill of lading” and “certificate of origin” have been inserted in the definition of “documents” under section 2 (kka) through the Act.
- Following new definitions have been inserted through the Act.
 - “Electronic assessment” to mean assessment of goods declaration in Customs Computerized System by an officer of Customs or by the computerized system according to the selectivity criteria.
 - “Vessel Intimation Report” to mean an intimation regarding impending arrival of a vessel at a customs sea port, where the customs computerized system is operational, to the customs authorities in the form and manner, by the carrier or his agent, as may be prescribed by rules.
- The Act has amended the definition of “smuggle” to include ‘retailing’.

Introduction of new directorates

The Act has inserted the following new Directorates and their officers:

- a) Directorate General of National Nuclear Detection Architecture to prevent smuggling of nuclear and radiological materials.
- b) Directorate General of Marine to prevent smuggling activities at sea.

Power to appoint or license common warehouses

The Act has introduced the concept of “common warehouses” to encourage small and medium enterprises by empowering the respective Collector of Customs in his own jurisdiction to appoint or license common warehouses. The facility is designed for those importers who are unable to import full container load.

Constitution of committee to avoid litigation

The Act has empowered the Board to constitute a committee or centre so as to settle the disputes arising due to classification of goods in order to reduce litigation and cost of doing business.

General power of Federal Government to allow exemption from customs duties

The Act has extended the general power of Federal Government to allow exemption from customs duties from 30 June 2021 to 30 June 2022.

Power to determine custom value

Under section 25A, the Director of Customs Valuation is solely empowered to determine the customs value. Now, the Act has also empowered Collector of Customs to determine the customs value.

Further, it has been provided that while determining the customs value, the Director may incorporate values from internationally acclaimed publications, periodicals, bulletins or official

websites of manufactures or indenters of such goods. However, in case of any conflict in determining the customs value, the Director General of Valuation has been empowered to ultimately determine the applicable customs value.

Power to take over imported goods

Section 25C empowers the Collector to takeover imported goods in certain situations with the approval of the Board.

The Act has provided that such power may now be exercised by the Collector with the approval of Chief Collector instead of the Board.

Review of the value determined

Currently, decision on the review petition filed before the Director General of Valuation is not time bounded. Now, the Act has introduced the time limitation of sixty days for completion of the proceedings of review petition.

Date of determination of rate of import duty

The Act has substituted the first proviso of section 30 to bring clarity for ascertaining the date of determining the rate of import duty in the case of goods declaration filed in advance and where the rate of duty change between the filing of goods declaration and berthing or cross-over event of the vessel, the date will be considered to be the date on which the vessel has berthed or vessel has crossed-over the border.

Mis-declaration of value for illegal transfer of funds into or out of Pakistan

The Act has empowered the Board to make rules for carrying out the purpose of mis-declaration of value for illegal transfer of funds.

Reducing the timeline for delivery of import manifest

Currently, the delivery of import manifest shall be made before or within twenty-four hours of the

arrival at the land customs station or customs airport by the person-in-charge of a conveyance.

Now, the timeline has been reduced to three hours of landing in the case of customs airport and at the time of entry into the country in the case of land customs-station.

Uploading of mandatory documents for assessment of goods

The Act has provided that certain documents for assessment of the goods as may be prescribed by the Board shall be mandatory to upload by the importer or his agent with the goods declaration.

Checking of goods declaration by the customs

Section 80(4) states that in the case of Customs Computerized System goods may be examined and assessed only on the basis of computerized selectivity criteria.

The Act has inserted a proviso in section 80(4) whereby now the goods may also be examined with the prior approval of the Collector of Customs in the case of clearance of goods declaration through green channel.

Procedure in case of goods unclaimed for clearance

The Act has inserted new proviso under section 82(c) whereby the collector of customs may direct the importer or the shipping line to re-export out of Pakistan any banned or restricted goods, if the same are not cleared or auctioned within sixty days of the date of their arrival.

Receipt of goods at warehouse

Under section 88(5), any inadvertent or bona fide error in the goods declaration may be rectified at any time before the completion of warehousing of the goods and not subsequently.

Now, the Act has empowered the Collector of Custom to make amendment of any inadvertent or bona fide error at any time even after the

warehousing of the goods for the reason to be recorded in writing.

Extending the warehousing period

The Act has empowered the Collector of Customs to extend the period of goods to remain in warehouse for a period of six months in addition to one month in the case of perishable goods and for a period of six months in addition to six months in case of non-perishable goods.

Opportunity of being heard

The Act has amended the first proviso of section 155F whereby the cancellation of registration of WeBOC registered person may only be made after giving notice and providing reasonable opportunity of being heard which is in accordance with the principle of natural justice.

Correction of clerical errors

Currently, only the Collector of Customs is empowered to direct the correction of any clerical errors for the reason to be recorded in writing.

Now, the Act has empowered the concerned officer not below the rank of Assistant Collector to issue correction or corrigendum certificate on the application made by the exporter or importer.

Penalties

Penalties for non-compliance of placement of invoice and packing list inside the import container or consignment has been enhanced.

Further, penalties have been introduced for failing to attach or electronically upload mandatory documents required in connection with import and export of goods.

Extent of confiscation

The Act has inserted a new proviso under section 157(2) which provides that where a conveyance found carrying smuggled goods in false cavities or being used exclusively or wholly for transportation

of smuggled goods has been seized for the third time, such vehicle will be confiscated and no option to pay fine in lieu of confiscation shall be given.

Power of adjudication

The Act has inserted a new proviso under section 179(3) wherein the time line for deciding the cases is thirty days from the date of issuance of show cause notice which can be extended by another fifteen days by Collector of Customs in case of goods lying at sea-port, airport or dry port.

Power to file reference before High Court

Currently, the customs officer not below the rank of Additional Collector or Additional Director can file reference before the High Court being aggrieved of the order of Appellate Tribunal.

The Act has empowered the customs officers not below the rank of Deputy Collector or Deputy Director to file reference before the High Court.

Reward to officials of customs and law enforcement agencies

The Act has amended section 202B so as to include the officials of other law enforcement agencies for the purpose of reward who assist Customs officers or are actually instrumental in seizure of smuggled goods and vehicles.

Validity of advance ruling

Under section 212B(5), the advance ruling issued shall be binding on the Customs authorities for a period of one year unless there is a change in law or facts or circumstances.

Now, the Act has increased the period of one year to three years in order to make it in line with the international benchmarks and facilitating the trade thereof.



Offices in Pakistan

Karachi Office

Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530
Phone +92 (21) 3568 5847
Fax +92 (21) 3568 5095
eMail karachi@kpmg.com

Lahore Office

351-Shadman-1, Main Jail Road,
Lahore Pakistan
Phone +92 (42) 111-KPMGTH (576484)
Fax +92 (42) 3742 9907
eMail lahore@kpmg.com

Islamabad Office

Sixth Floor, State Life Building
Blue Area
Islamabad
Phone +92 (51) 282 3558
Fax +92 (51) 282 2671
eMail islamabad@kpmg.com

home.kpmg/pk



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