



KPMG Taseer Hadi & Co.
Chartered Accountants

A Brief on Finance (Supplementary) Bill, 2021

January 2022

—

kpmg.com/pk

Preamble

Amid much controversy surrounding its inflationary impact, the Finance Supplementary Bill 2021, colloquially being referred to as 'Mini Budget', has landed in parliament for approval, after the cabinet eventually gave its nod. Passing of this Bill is a condition requisite for release of next tranche of USD 6 billion IMF Stand-by facility, as the lender believes that many exemptions in the tax laws have been creating 'distortions' in the economy. The focus of the Bill is therefore withdrawal of many such exemptions, mainly in sales tax regime, with FBR projecting a revenue impact of around Rs. 360 billion for the ongoing fiscal year, though the Finance Minister is on record to have projected an impact of Rs. 02 billion only for the general masses. On the other side however, the Bill provides a much needed fiscal space to the Government by making imports more expensive and reducing the pressure on foreign exchange.

Taking a bird eye view, the Bill proposes 17% sales tax on raw material for pharma industry, import of plant, machinery and equipment for power projects including that for generation of renewable energy, machinery for agriculture, and for manufacturing local mobile phones, *amongst others*. Though in case of pharma, the Bill provides for 'zero rating' of medicines which effectively means that the industry, insofar it is documented, should be able to get refund for sales tax paid on raw materials and machinery, without affecting the price of medicines. Zero rating is however proposed to be withdrawn for some other sectors, replacing it with standard 17% rate, such as in case of supplies to duty free shops, manufacturers in the export processing zone, ships including spare parts thereof, and export of goods otherwise exempt from sales tax. The sales tax and excise duty rates on locally assembled as well as imported cars including hybrid electric cars, are also proposed to be increased by 2.5% to 12%, depending upon the engine capacity.

With respect to food, the rate of sales tax on flavored milk and dairy products sold in retail packing under a brand name is proposed to be increased from 10% to 17%, with bakery items also to be taxed at 17% as against existing 7.5%.

On the income tax side, the Bill provides for increasing advance tax rate on mobile phone calls from 10% to 15% and withdraws exemption for new power projects that receive letter of support after 30 June 2021. On a positive note however, the Bill defers the mandatory requirement of payment by corporate sector through digital means to a future date to be notified later.

In principle, the Supplementary Bill will be effective after majority approval of the national assembly followed by presidential accord, in the same manner as the annual finance bill. The assembly is not in session as of the date of this publication and the next session is expected in mid-January. The changes in the laws will therefore come into force from the date the Bill becomes an Act of the parliament.

This paper contains our comments in brief on significant amendments brought through the Bill. We advise that before considering application of the proposed amendments to any specific case, the text of the Bill be considered with respect to the facts of the case.

This publication is also available on our website.
home.kpmg/pk

03 January 2022

Contents

	Page #
Income Tax Ordinance, 2001	1
Sales Tax Act, 1990	4
Federal Excise Act, 2005	26
The Customs Act, 1969	27
Tax on services (Islamabad Capital Territory)	28

Income Tax

Definition of “Digital Means” introduced with Effective date of operation of section 21(la)

The Tax Laws (Third Amendment) Ordinance, 2001 inserted section 21(la) whereby, expenses in excess of Rs. 250,000/- whether paid or payable, under a single head of account, are to be disallowed if payments are made otherwise than “digital means”.

The term “digital means” was not defined, which caused considerable confusion – in order to address this now, the Bill proposes to insert sub-section (17B) to section 2 whereby, ‘digital means’ refer to electronic or digital payments as defined by the State Bank of Pakistan (SBP).

The SBP through Circular No. 05 of 2021 dated 15 October 2021 defined digital payments to include the following:

- a) Online platforms and/or portals for digital receipts/payments
- b) Online IBFTs
- c) Online bill/invoice payment services
- d) OTC digital payment and facilities
- e) Card payments using POS, QR Codes and mobile devices etc.
- f) Any other digital/online payment modes

Furthermore, following the introduction of section 21(la) there was considerable difficulty for taxpayers to arrange for online payment facilities at a short notice due to which the effective date was extended by the Board through various circulars with the latest Circular No. 10 of 2021-22 dated 01 December 2021 extending the effective date to 31 December 2021.

Now the Bill proposes to amend section 21(la) through a proviso, whereby, the effective date will be notified by the Board. This is a welcoming amendment as it means that the Board will implement this through a phased approach after consultation with the relevant stakeholders.

Explanation to section 153, 233 and 236Q related to deemed income

Taxes deductible under section 153, 233 and 236Q are considered ‘minimum tax’ (subject to conditions stipulated therein). However, the drafting of the respective provisions allowed for interpretation as if the tax payable under any of these sections was ‘minimum’ on the income from all sources of the taxpayer. This ambiguity is now proposed to be removed through the insertion of explanations whereby, it has been clarified that the receipts on which tax is deductible to be considered deemed income for that source of income only

Additional information requirements from banks under section 165A

Sub-section (f) to section 165A has been introduced whereby, the banks are now required to prepare and provide information to the Board in the specified manner related to the opening and re-designation of bank accounts in the preceding months.

Disclosure of information of politically exposed persons

Section 216 prescribes a list of persons in relation to whom confidential information may be revealed. The Bill proposes a new clause whereby, in respect of high-level public officials and servants in BPS-17 and above, their spouses, children or benamidars, or any person in relation to whom the aforementioned persons are beneficial owner, the information can also be disclosed.

The term ‘High-level public officials’ is proposed to be defined as “politically exposed persons as defined by a rule, regulation, executive order or instrument; or under any law for the time being in force”

The only exclusion to the above are individuals who are within the scope of clause (iv) of sub-section (m) of section 5 of the National Accountability Bureau Ordinance, 1999.

Introduction of advance tax on TV plays and advertisements

The bill proposes to insert a new section 236CA whereby, any licensing authority certifying any foreign TV drama, or a play dubbed in Urdu or other language, for screening or viewing on any landing rights channel is required to collect advance tax.

Additionally, any licensing authority certifying any commercial for advertisement starring foreign actor, for screening or viewing on any landing rights channel is required to collect advance tax.

The tax so collected constitute the minimum amount of tax on the income from such drama or advertisement and will be collected at the following rates:

Serial Entry	Description	Rate of Tax
1	Foreign produced TV drama serial or play	Rs. 1,000,000 per episode
2	Foreign produced play (single episode)	Rs. 3,000,000
3	Advertisement starring foreign actor	Rs. 500,000 per second

Advance tax on purchase, registration and transfer of motor vehicles enhanced

The Bill proposes to enhance the rates of advance tax on purchase, registration and transfer of motor vehicles under section 231B in the following manner:

Serial No.	Engine Capacity	Existing tax (Rs.)	Proposed tax (Rs.)
1	Upto 1000cc	50,000	100,000

Serial No.	Engine Capacity	Existing tax (Rs.)	Proposed tax (Rs.)
2	1001 cc to 2000 cc	100,000	200,000
3	2001 cc and above	200,000	400,000

Advance tax on telephone users enhanced

The Bill proposes to enhance the rates of advance tax on subscribers of internet, mobile telephones and pre-paid internet or telephone users in the following manner:

Description	Existing tax	Proposed tax
Telephone subscriber where the bill exceeds Rs. 1000	10% of amount exceeding Rs. 1000	Unchanged
Internet, Mobile telephone, Prepaid internet or telephone card	10% of the bill amount or sale price for tax year 2022 and 8% thereafter	15% of the bill amount or sale price

Special provisions for special purpose vehicles (SPVs)

The exemption under clause (99) of Part I of the Second Schedule is proposed to be extended to SPVs who distribute at least 90% of their accounting income excluding capital gain.

Additionally, the exemption under clause (99A) of Part I of the Second Schedule is also proposed to be extended to SPVs on disposal of its shares to any Real Estate Investment Trusts Scheme (REIT) till 30 June 2023.

Exemptions from the application of section 150, 151, 233 and 37A are also proposed to be extended to SPVs as defined under Real Estate Investment Trust Regulations, 2015.

The Bill also proposes to provide a special rate of dividend tax on dividend income derived from an SPV. The rates are as follows:

Recipient of dividend	Rate of Tax
REIT	0%
Others	35%

Exemption from Profits and gains of IPPs restricted to those receiving letter of support instead of letter of intent

The Tax Laws (Second Amendment Ordinance, 2021) restricted the exemption on income derived by IPPs on electricity generation for only those projects that had entered into an agreement with the Federal and/or Provincial Government and to whom a letter of intent had been issued up to 30 June 2021.

The Bill now proposes to substitute the letter of intent with letter of support and provides for the said substitution retrospectively, that is the exemption will not be available to projects receiving letter of support after 30 June 2021.

Sales Tax

Threshold for annual turnover of cottage industry reduced

Clause (5AB) of section 2 of the Sales Tax Act, 1990 (STA) defines the term cottage industry to mean a manufacturing concern who 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 ten million rupees.

The Bill proposes to reduce the limit of annual turnover from all supplies from Rs. 10M to Rs. 8M.

Qualification criteria of Tier-1 retailer enhanced

Section 2(43A) of the STA provides threshold limit and qualification criteria for tier-1 retailers. The Bill proposes to enhance the qualification criteria of tier-1 retailers by including a retailer whose deductible withholding tax under sections 236G or 236H of the ITO, 2001, during the immediately preceding twelve consecutive months has exceeded the threshold as may be specified by the Board through notification in the official Gazette.

The Board will henceforth set the minimum threshold of deductible withholding tax under sections 236G and 236H for retailers of pharma, poultry and animal feed, edible oil and ghee, auto-parts, chemicals, IT equipment and electronics, textiles, sugar, cement, electronic goods, iron and steel products, and fertilizers, *amongst others*.

Condition for obtaining NIC or NTN withdrawn in case of digital payments

A registered person is required to issue tax invoice at the time of supply of goods. Tax invoice *inter-alia* also shows NIC or NTN of the unregistered person. However, this requirement is not applicable where

the supplies are made by the retailer to ordinary consumer and the value of supply does not exceed Rs. 100,000/-.

The Bill seeks to provide that the above requirement of mentioning NIC is not applicable in case of payments through digital modes including payment through debit or credit card.

Presently, liability of tax or penalty does not arise for the seller in case of sales made in good faith where the NIC is subsequently found incorrect. The Bill now proposes to omit the above proviso.

Introduction of Directorate General of Digital Invoice and Analysis

The Bill proposes to introduce a new section i.e. section 30C regarding Directorate General of Digital Invoice and Analysis and its composition.

Transfer of power to Board from Government for exclusion from Third Schedule

Currently, Government has the power to issue notification for exclusion of any taxable supply or import from the purview of Third Schedule. The bill proposes to transfer such power to Board in place of Government.

Sugar excluded from retail price

The Finance Act, 2021 had put sugar at serial No. 50 of the Third Schedule with the exception of sugar supplied as an industrial raw material to pharmaceutical, beverage and confectionary industries.

Now the Bill proposes to omit the above entry, effective from 01 December 2021, meaning thereby that henceforth supply of sugar will be taxable at 17% of the value thereof.

Zero rating withdrawn on certain goods

The Fifth Schedule specifies the items which are taxed on zero rating basis, that is where output tax is zero but input sales tax can be claimed as refundable.

The Bill proposes to withdraw zero rating on supply of following goods, proposing for their taxation at standard rate of 17%.

Entry No.	Description of goods
3	Supplies to duty free shops, provided that in case of clearance from duty free shops against various baggage rules issued under the Customs Act, 1969, the supplies from duty free shops shall be treated as import for the purpose of levy of sales tax.
6A	<p>Supplies of locally manufactured plant and machinery of the following specifications, to manufacturers in the Export Processing Zone, subject to the conditions, restrictions and procedure given below, namely:</p> <p>(i) Plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer.</p> <p>(ii) Apparatus, appliances and equipment specifically meant or adapted for use in conjunction with the machinery specified in clause (i);</p> <p>(iii) Mechanical and electrical control and transmission gear, meant or adapted for use in conjunction with machinery specified in clause (i); and</p> <p>(iv) Parts of machinery as specified in clauses (i), (ii) and (iii), identifiable for use in or with such machinery.</p> <p>Conditions, restrictions, and procedures:</p> <p>(a) the supplier of the machinery is registered under the Act;</p> <p>(b) proper bill of export is filed showing registration number;</p> <p>(c) the purchaser of the machinery is an established manufacturer located in the Export Processing Zone and</p>

Entry No.	Description of goods
	<p>holds a certificate from the Export Processing Zone Authority to that effect;</p> <p>(d) the purchaser submits an indemnity bond in proper form to the satisfaction of the concerned Commissioner Inland Revenue that the machinery shall, without prior permission from the said Commissioner, not be sold, transferred or otherwise moved out of the Export Processing Zone before a period of five years from the date of entry into the Zone;</p> <p>(e) if the machinery is brought to tariff area of Pakistan, sales tax shall be charged on the value assessed on the bill of entry; and</p> <p>(f) breach of any of the conditions specified herein shall attract legal action under the relevant provisions of the Act, besides recovery of the amount of sales tax along with default surcharge and penalties involved.</p>
9	Goods exempted under section 13, if exported by a manufacturer.
12	<p>The following goods and the raw materials, packing materials, sub-components, components, sub-assemblies and assemblies imported or purchased locally for the manufacture of the said goods, subject to the conditions, limitations and restrictions as prescribed by the Board.</p> <p>xvii. Preparations suitable for infants, put up for retail sale] (PCT Heading 1901.1000)</p> <p>xix. Bicycles (PCT heading 87.12).</p>
15	Local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation

Entry No.	Description of goods
	Scheme, 2021 notified by the Board with such conditions, limitations, and restrictions.
18	(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 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 services provided for the handling of ships in a port.

Zero rating introduced on certain items

The Bill proposes to introduce Zero Rating for following items:

Entry No.	Description of goods
19	Drugs registered under the Drugs Act, 1976 or medicaments as classified under chapter 30 of the First Schedule to the Customs Act, 1969 except PCT heading 3005.0000.
20	Petroleum Crude Oil (PCT heading 2709.0000)

Exemption from sales tax on import and local supply of specified goods withdrawn

Table – I of the Sixth Schedule provides exemption from sales tax on import and local supply of goods specified therein.

The Bill proposes to withdraw exemption on following items:

Entry No.	Description of goods
16	Red chilies excluding those sold in retail packing bearing brand names and trademarks.
20	Seeds, fruit and spores of a kind used for sowing.
21	Cinchona bark.
46	Goods imported by various agencies of the United Nations, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts and orders and rules and regulations made thereunder; and agreements by the Federal Government provided that such goods are charged to zero-rate of customs duty under Customs Act, 1969, and the conditions laid therein.
49	Import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments, including goods imported for the President's Fund for Afghan Refugees, relief goods donated for Afghan Refugees, gifts for President's Fund for Assistance of Palestine and gifts received by Pakistani organizations from Church World Services or the Catholic Relief Services subject to the similar conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Custom Act, 1969.
50	Articles imported through post as unsolicited gifts, subject to the same conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969.
51	Imported samples, subject to the same conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969.
52	Goods imported by or donated to hospitals run by the Federal Government

Entry No.	Description of goods
	or a Provincial Government; and non-profit making educational and research institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero rate of customs duty on such goods under the Customs Act, 1969.
52A	Goods excluding electricity and natural gas supplied to hospitals run by the Federal or Provincial Governments or charitable operating hospitals of fifty beds or more or the teaching hospitals of statutory universities of two hundred or more beds.
53	Import of all such gifts as are received, and such equipment for fighting tuberculosis, leprosy, AIDS and cancer and such equipment and apparatus for the rehabilitation of the deaf, the blind, crippled or mentally retarded as are purchased or otherwise secured by a charitable non-profit making institution solely for the purpose of advancing declared objectives of such institution, subject to the similar conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969.
54	Educational, scientific and cultural material imported from a country signatory to UNESCO Agreement or a country signatory to bilateral commodity exchange agreement with Pakistan, subject to the same conditions as are envisaged for the purposes of exemption under the Customs Act, 1969.
55	Import of replacement goods supplied free of cost in lieu of defective goods imported, subject to similar conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969.

Entry No.	Description of goods
57	Goods (including dry fruits imported from Afghanistan) temporarily imported into Pakistan, meant for subsequent exportation charged to zero rate of customs duty subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero rate of customs duty on such goods under the Customs Act, 1969.
58	Import of ship stores, subject to the procedures, conditions and restrictions as may be specified by the Collector of Customs in this behalf including those consignments of such stores that have been released without charging sales tax since the 1st July, 1998, but excluding such consignments of ship stores as have been cleared on payment of sales tax.
60	Contraceptives and accessories thereof.
61	Goods produced or manufactured in 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 are complied with.
63	Personal wearing apparel and bona fide baggage imported by overseas Pakistanis and tourists, if imported under various baggage rules and is exempt from Customs duties.
71	Goods and services purchased by non-resident entrepreneurs and in trade fairs and exhibitions subject to reciprocity and such conditions and restrictions as may be specified by the Board.
72	Uncooked poultry Meat whether or not fresh, frozen or otherwise, preserved or packed.
81	Cotton seed.
84	Preparations suitable for infants, put up

Entry No.	Description of goods
	for retail sale.
92	Sewing machines of the household type.
102	Machinery, equipment and materials imported either for exclusive use within the limits of Export Processing Zone or for making exports therefrom, and goods imported for warehousing purpose in Export Processing Zone, subject to the conditions that such machinery, equipment, materials and goods are imported by investors of Export Processing Zones, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 and rules made thereunder shall mutatis mutandis, apply.
104	Substances registered as drugs under the Drugs Act, 1976 and medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 except the following, even if medicated or medicinal in nature, namely: <ul style="list-style-type: none"> (a) filled infusion solution bags imported with or without infusion given sets; (b) scrubs, detergents and washing preparations; (c) soft soap or no soap; (d) adhesive plaster; (e) surgical tapes; (f) liquid paraffin; (g) disinfectants, and (h) cosmetics and toilet preparation
105	Raw materials for the basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products, provided that in case of import, only such raw materials shall be entitled to exemption which are liable to customs duty not exceeding eleven per cent ad valorem, either under the First Schedule or Fifth Schedule] to the Customs Act,

Entry No.	Description of goods
	1969 or under a notification issued under section 19 thereof.
107	Import and supply of iodized salt bearing brand names and trademarks whether or not sold in retail packing.
109	Goods imported temporarily with a view to subsequent, exportation as concurred by the Board, including passenger service item, provision and stores of Pakistani Airlines.
110	The following items with dedicated use of renewable source of energy like solar and wind, subject to certification by the Alternative Energy Development Board (AEDB), for the period ending on the 30th June 2023: <ul style="list-style-type: none"> (a) Solar PV panels; (b) LVD induction lamps; (c) SMD, LEDs, with or without ballast, with fittings and fixtures; (d) Wind turbines including alternators and mast; (e) Solar Torches; (f) Lanterns and related instruments; (g) PV modules along with related components, including invertors, charge controllers and batteries (h) Tubular day lighting device. (i) Energy saver lamps and tube lights of varying voltages (operating on AC or DC). (j) Invertors (off-grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking.
113	High Efficiency Irrigation Equipment (If used for agriculture sector) <ul style="list-style-type: none"> (1) Submersible pumps (up to 75 lbs and head 150 meters); (2) Sprinklers including high and low pressure (centre pivotal) system,

Entry No.	Description of goods
	conventional sprinkler equipment, water reel travelling sprinkler, drip or trickle irrigation equipment, mint irrigation sprinkler system; (3) Air release valves, pressures gauges, water meters, back flow preventers, and automatic controllers.
114	Green House Framing and Other Green House Equipment (If used for Agriculture Sector): (1) Tunnel farming equipment consisting of plastic covering and mulch film, anti-insect net and shade net: (2) Green houses (prefabricated).
116	Plant, machinery and equipment imported for setting up industries in FATA subject to the same conditions and procedure as are applicable for import of such plant, machinery and equipment under the Customs Act, 1969.
117	Appliances and items required for ostomy procedures as specified in the Chapter 99 of the First Schedule to the Customs Act, 1969, subject to same conditions as specified therein
126	Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO company recognized by Aviation Division.
127	Operational tools, machinery, equipment and furniture and fixtures on one-time basis for setting up Greenfield airports by a company authorized by Aviation Division.
129	Import of plant, machinery and production line equipment used for the manufacturing of mobile phones by the local manufacturers of mobile phones duly certified by the PTA.
130	Sodium Iron (Na Fe EDTA), and other premixes of vitamins, minerals and micronutrients (food grade) and subject to

Entry No.	Description of goods
	conditions imposed for importation under the Customs Act, 1969.
131	Laptop computers, notebooks whether or not incorporating multimedia kit.
132	Personal computers.
134	Goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization subject to recommendations of the Cabinet Division and concurrence by the Federal Board of Revenue.
135	Sunflower and canola hybrid seeds meant for Sowing.
136	Combined harvesters upto five years old.
138	Fish Feed.
139	Fans for dairy farms.
140	Bovine semen.
141	Preparations for making animal feed.
142	Promotional and advertising material including technical literature, pamphlets, brochures and other giveaways of no commercial value, distributed free of cost by the exhibitors.
146	Equipments imported by China Railway Corporation to be furnished and installed in Lahore Orange Line Metro Train Project subject to prescribed conditions.
149	Micro feeder equipment.
150	Plant and machinery excluding consumer durable goods and office equipment as imported by greenfield industries, intending to manufacture taxable goods, during their construction and installation period subject to prescribed conditions and issuance of exemption certificate by the Commissioner Inland Revenue.
155	Oil cake and other solid residues, whether

Entry No.	Description of goods
	or not ground or in the form of pellets.
158	Goods temporarily imported into Pakistan by International Athletes which shall be subsequently taken by them within 120 days of temporary import.

Certain amendments proposed

The Bill proposes following amendments under Table I of the Sixth Schedule.

- Serial No.13 exempts import or local supply of “edible vegetables including roots and tubers, except ware potato and onions, but excluding those bottled or canned”.
- The Bill seeks to restrict above exemption on import from Afghanistan only.
- Serial No.15 exempts import or local supply of “edible fruits excluding imported fruits whether fresh, frozen or otherwise preserved but excluding those bottled or canned”. Now, the Bill proposes to restrict this exemption to “Fruit imported from Afghanistan excluding apples”.
- Serial No.19 exempts import and supply of “cereals and the products of milling industry”. Now, the Bill proposes to restrict this exemption to import and local supply of rice, wheat, wheat and meslin flour only.
- Serial No.32 exempts the import and supply of “newsprint, newspapers, journals, periodicals, books excluding directories”. Now, the Bill proposes to restrict this exemption to “newsprint and educational textbooks excluding brochures, leaflets and directories” only.
- Serial No.156 exempts the sales tax on import & supply of CKD kits by local manufacturer of electric vehicles with specified tariff heading i.e. [8701.2060], [8702.4090], [8704.9030], [8704.9059] & [8711.60901] of road tractors for semi-trailers (electric prime movers), Electric

Buses, three-wheeler electric rikshaw, three-wheeler electric rikshaw, electric truck & electric motorcycle.

The Bill proposes to maintain this entry in Table I of Sixth Schedule irrespective of any specified tariff heading.

Presently, under Serial no.7 of Table II of the Sixth Schedule, local supply of breads prepared in tandoors and bakeries, vermicillies, nans, chapattis, sheer mal, bun and rusk are exempt.

The Bill proposes to exempt local supply of bread, Nan, Chapatti, sheer mal prepared in tandoors only meaning thereby that sales tax will be levied on these products if prepared in bakeries, restaurants, food chains and sweet shops.

The Bill proposes following amendments in Table-I of the Eighth Schedule.

- Presently, under Serial No. 66 supplies as made from retail outlets as are integrated with Board’s computerized system for real time reporting of sales are subject to sales tax at 10%. The Bill proposes to enhance the sales tax rate from 10% to 12%.
- Electric vehicles as specified in Serial No. 70 are charged to sales tax at 1% with specific PCT Heading. The Bill proposes to re-intact the reduced rate of sales tax irrespective of PCT Heading.
- Under Serial No. 72 locally manufactured or assembled motorcars of cylinder capacity upto 1000cc is charged to reduce rate of sales tax at 12.5%. The Bill seeks to provide application of reduce rate of sales tax of 12.5% on locally manufactured or assembled motorcars of cylinder capacity upto 850cc.
- Under Serial No. 73, import and local supply of Hybrid Electric Vehicles upto 1800 cc & From 1801 to 2500 cc are subject sales tax at 8.5% & 12.75% respectively. The Bill proposes to introduce uniform rate of 12.5% on import and

local supply of Hybrid Electric Vehicles upto 1800cc.

Certain exemptions introduced

Table – II of the Sixth Schedule provides exemption from sales tax on local supply of goods specified therein.

The Bill proposes to withdraw exemptions on certain products under Table - I and introduce them in Table II of the Sixth Schedule, thereby restricting these exemptions to the extent of local supplies in following cases:

Entry No.	Description of goods
40	Live Animals and live poultry.
41	Meat of bovine animals, sheep, goat and uncooked poultry meat excluding those sold in retail packing under a brand name.
42	Fish and crustaceans excluding those sold in retail packaging under a brand name.
43	Live plants including bulbs, roots and the like.
44	Cereals other than rice, wheat, wheat and meslin flour.
45	Edible vegetables including roots and tubers, except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned
46	Edible fruits.
47	Sugar cane.
48	Eggs including eggs for hatching.
49	Compost (non-commercial fertilizer)
50	Locally manufactured laptops, computers, notebooks whether or not incorporating multimedia kit and personal computers.
51	Newspaper.

Certain exemptions withdrawn

The Bill proposes to withdraw certain exemptions currently available on local supplies of following items under Table-II of Sixth Schedule.

Entry No.	Description of goods
1	Supply of cotton seed exclusively meant for sowing purposes, subject to such conditions as the Board may specify.
2	Supply of locally produced crude vegetable oil obtained from the locally produced seeds other than cotton seed, except cooking oil, without having undergone any process except the process of washing.
4	Raw material and intermediary goods manufactured or produced, and services provided or rendered, by a registered person, consumed in-house for the manufacture of goods subject to sales tax.
9	Food stuff and other eatables prepared in the flight kitchens and supplied for consumption on-board in local flights.
15	a. Sprinkler Equipment b. Drip Equipment c. Spray Pumps and nozzles
16	Raw cotton.
22	Single cylinder agriculture diesel engines (compression ignition internal combustion piston engines) of 3 to 36 HP.
23	Match boxes.
33	Whey, excluding that sold in retail packing under a brand name.
38	Sausages and similar products of poultry meat or meat offal excluding sold in retail packing under a brand name or trademark.

Table III of the Sixth Schedule specify sales tax exemption on imports of plant & machinery which the Bill now proposes to withdraw on following items:

Entry No.	Description of goods
1	Machinery and equipment for initial installation, balancing, modernization, replacement or expansion of desalination plants, coal firing system, gas processing plants and oil and gas field prospecting.
2	<p>Following machinery, equipment, apparatus, and medical, surgical, dental and veterinary furniture, materials, fixtures and fittings imported by hospitals and medical or diagnostic institutes:</p> <p>A. Medical Equipment</p> <ol style="list-style-type: none"> (1) Dentist chair (2) Medical Surgical Dental or Veterinary furniture (3) Operating Table (4) Emergency Operating Lights (5) Hospital Beds with Mechanical Fittings (6) Gymnasium Equipment (7) Cooling Cabinet (8) Refrigerated liquid bath (9) Contrast Media Injections (for use in Angiography & MRI) <p>B. Cardiology / Cardiac Surgery</p> <ol style="list-style-type: none"> (1) Cannulas (2) Manifolds (3) Intravenous Cannula i-v – catheter <p>C. Disposable Medical Devices</p> <ol style="list-style-type: none"> (1) Self-disabling safety sterile syringes (2) Insulin Syringes <p>D. Other Related Equipment</p> <ol style="list-style-type: none"> (1) Fire Extinguishers (2) Fixtures and Fittings for Hospitals
2A	The following raw materials imported by

Entry No.	Description of goods
	<p>registered manufacturer of auto disabled syringes:</p> <ol style="list-style-type: none"> (1) Printing paper (2) Polypropylene (3) Propylene, copolymers (4) Plasticized (5) Epoxide Resins (6) Bioaxially Oriented Polypropylene (BOPP Film Laminated)
3	<ol style="list-style-type: none"> 1. Machinery, equipment, materials, capital goods, specialized vehicles (4x4 non-luxury) i.e. single or double cabin pickups, accessories, spares, chemicals and consumables meant for mine construction phase or extraction phase. 2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for mine construction or extraction phase.
4	Coal mining machinery, equipment, spares, including vehicles for site use i.e. single or double cabin pickups and dump trucks], imported for Thar Coal Field.
5	<ol style="list-style-type: none"> 1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through oil, gas, coal, wind and wave energy including under construction projects, which entered into an implementation agreement with the Government of Pakistan. 2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.
6	<ol style="list-style-type: none"> 1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or

Entry No.	Description of goods
	<p>expansion of projects for power generation through gas, coal, hydel, and oil including under construction projects.</p> <p>2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.</p>
7	<p>1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through nuclear and renewable energy sources like solar, wind, micro-hydel bio-energy, ocean, waste-to-energy and hydrogen cell. [This exemption in relation to renewable energy shall remain in force up to the 30 June 2023.]</p> <p>2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.</p> <p>Explanation: The expression "projects for power generation" means any project for generation of electricity whether small, medium or large and whether for supply to the national grid or to any other user or for in house consumption.</p>
8	<p>1. Machinery and equipment meant for power transmission and grid stations including under construction projects.</p> <p>Explanation: - For the purpose of this serial number, "machinery and equipment" shall mean,--</p> <p>(a) machinery and equipment operated by power of any description, such as is used in the generation of power;</p> <p>(b) apparatus, appliances, metering and testing apparatus, mechanical and electrical control,</p>

Entry No.	Description of goods
	<p>transmission gear and transmission tower, power transmission and distribution cables and conductors, insulators, damper spacer and hardware and parts thereof adapted to be used in conjunction with the machinery and equipment as specified in clause (a) above; and</p> <p>(c) component parts of machinery and equipment, as specified in clause (a) and (b) above, identifiable for use in or with machinery imported for the project and equipment including spares for purposes of the project.</p> <p>2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of projects</p>
9	<p>Following machinery, equipment and other education and research related items imported by technical, training institutes, research institutes, schools, colleges and universities:</p> <p>(1) Quartz reactor tubes and holders designed for insertion into diffusion and oxidation furnaces for production of semiconductor wafers.</p> <p>(2) Other Dyers</p> <p>(3) Filtering or purifying machinery and apparatus for water</p> <p>(4) Other filtering or purifying machinery and apparatus for liquids</p> <p>(5) Personal weighing machines, including baby scales; household scales</p> <p>(6) Scales for continuous weighing of goods on conveyors.</p> <p>(7) Constant weight scales and scales for discharging a predetermined</p>

Entry No.	Description of goods
	weight of material into a bag or container, including hopper scales.
(8)	Other weighing machinery having a maximum weighing capacity not exceeding 30 kg
(9)	Other weighing machinery having a maximum weighing capacity exceeding 30 kg but not exceeding 5,000kg
(10)	Other weighing machinery
(11)	Weighing machine weights of all kinds; parts of weighing machinery of machines of heading 8423.2000 & 8423.3000
(12)	Other weighing machine weights of all kinds; parts of weighing machinery of machines of heading 8423.2000 & 8423.3000
(13)	Networking equipment like routers, LAN bridges, hubs excluding switches and repeaters.
(14)	Other furnaces and ovens
(15)	Electronic balances of a sensitivity of 5 cg or better, with or without weights.
(16)	Other balances of a sensitivity of 5 cg or better, with or without weights
(17)	Thermostats of a kind used in refrigerators and air-conditioners
(18)	Other thermostats
(19)	Manostats
(20)	Other instruments and apparatus Hydraulic or pneumatic
(21)	Other instruments and apparatus
(22)	Parts and accessories of automatic regulating or controlling instruments and apparatus.
(23)	Spares, accessories, and reagents for scientific equipment.
11	Following machinery and equipment for marble, granite and gem stone extraction

Entry No.	Description of goods
	and Processing industries:
(1)	Polishing cream or material
(2)	Fiber glass mesh.
(3)	Chain saw/diamond wire saw in all sizes and dimensions and spares thereof, diamond wire joints all types and dimensions, chain for chain saw and diamond wires for wire saw and spare widia.
(4)	Gin Saw Blades.
(5)	Gang saw blades/diamond saw blades/multiple blades of all types and dimensions
(6)	Air compressor (27 cft and above)
(7)	Machine and tool for stone work; sand blasting machines; tungsten carbide tools; diamond tools & segments (all type & dimensions), hydraulic jacking machines, hydraulic manual press machines, air/hydro pillows, compressed air rubber pipes, hydraulic drilling machines, manual and power drilling machines, steel drill rods and spring (all sizes and dimensions), whole finding system with accessories, manual portable rock drills, cross cutter and bridge cutters.
(8)	Integral drilling steel for horizontal and vertical drilling, extension thread rods for pneumatic super long drills, tools and accessories for rock drills.
13	Effluent treatment plants
14	Following items for use with solar energy: Solar Power Systems. (1) Off-grid/On-grid solar power system (with or without provision for USB/charging port) comprising of: i. PV Module. ii. Charge controller. iii. Batteries for specific utilization with the system (not exceeding

Entry No.	Description of goods
	<p>50 Ah in case of portable system).</p> <p>iv. Essential connecting wires (with or without switches).</p> <p>v. Inverters (off-grid/ on-grid/ hybrid with provision for direct connection/ input renewable energy source and with Maximum Power Point Tracking (MPPT).</p> <p>vi. Bulb holder</p> <p>(2) Water purification plants operating on solar energy.</p>
14A	<p>Following systems and items for dedicated use with renewable source of energy like solar, wind, geothermal as imported on or before the 30th June 2023.</p> <p>(1) (a) Solar Parabolic Trough Power Plants</p> <p>(b) Parts for Solar Parabolic Power Plants</p> <p>(i) Parabolic Trough collectors modules</p> <p>(ii) Absorbers/Receivers tubes</p> <p>(iii) Steam turbine of an output exceeding 40MW</p> <p>(iv) Steam turbine of an output not exceeding 40MW</p> <p>(v) Sun tracking control system</p> <p>(vi) Control panel with other accessories</p> <p>(2) (a) Solar Dish Stirling Engine</p> <p>(b) Parts for Solar Dish Stirling Engine.</p> <p>(i) Solar concentrating dish.</p> <p>(ii) Sterling engine</p> <p>(iii) Sun tracking control system</p> <p>(iv) Control panel with accessories.</p> <p>(v) Stirling Engine Generator</p>

Entry No.	Description of goods
	<p>(3) (a) Solar Air Conditioning Plant</p> <p>(b) Parts for Solar Air Conditioning Plant</p> <p>(i) Absorption chillers</p> <p>(ii) Cooling towers</p> <p>(iii) Pumps</p> <p>(iv) Air handling units</p> <p>(v) Fan coils units</p> <p>(vi) Charging & testing equipment</p> <p>(4) (a) Solar Desalination System</p> <p>(b) Parts for Solar Desalination System.</p> <p>(i) Solar photo voltaic Panels</p> <p>(ii) Solar water pumps</p> <p>(iii) Deep Cycle Solar Storage batteries</p> <p>(iv) Charge controllers</p> <p>(v) Inverters (off grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT)</p> <p>(5) Solar Thermal Power Plants with accessories</p> <p>(6) (a) Solar Water Heaters with accessories</p> <p>(b) Parts for Solar Water Heaters</p> <p>(i) Insulated tank</p> <p>(ii) Vacuum tubes (Glass)</p> <p>(iii) Mounting stand</p> <p>(iv) Copper and Aluminum tubes</p> <p>(c) Accessories</p> <p>(i) Electronic controller</p> <p>(ii) Assistant/ Feeding Tank</p> <p>(iii) Circulation Pump</p> <p>(iv) Electric Heater/ Immersion Rod (one piece with one solar water heater)</p>

Entry No.	Description of goods
	(v) Solenoid valve (one piece with one solar water heater)
	(vi) Selective coating for absorber plates
(7)	(a) PV Modules
	(b) Parts for PV Modules
	(i) Solar cells
	(ii) Tempered Glass.
	(iii) Aluminum frames
	(iv) O Ring.
	(v) Flux
	(vi) Adhesive labels
	(vii) Junction box & Cover.
	(viii) Sheet mixture of Paper and plastic
	(ix) Ribbon for PV Modules (made of silver & Lead)
	(x) Bypass diodes
	(xi) EVA (Ethyl Vinyl Acetate) Sheet (Chemical).
(8)	Solar Cell Manufacturing Equipment
	(i) Crystal (Grower) Puller (if machine)
	(ii) Diffusion furnace.
	(iii) Oven.
	(iv) Wafering machine.
	(v) Cutting and shaping machines for silicon ingot.
	(vi) Solar grade polysilicon material
	(vii) Phosphene Gas.
	(viii) Aluminum and silver paste.
(9)	Pyranometers and accessories for solar data collection.
(10)	Solar chargers for charging electronic devices.
(11)	Remote control for solar charge controller.
(12)	Wind Turbines.
	(a) Wind Turbines for grid connected solution above 200 KW

Entry No.	Description of goods
	(complete system).
	(b) Wind Turbine upto 200 KW for off grid solutions comprising of:
	I. Turbine with Generator/ Alternator.
	II. Nacelle with rotor with or without tail.
	III. Blades
	IV. Pole/ Tower.
	V. Inverter for use with Wind Turbine
	VI. Deep Cycle Cell/ Battery (for use with wind turbine)
(13)	Wind water pump
(14)	Geothermal energy equipments
	(i) Geothermal Heat Pumps
	(ii) Geothermal Reversible Chillers
	(iii) Air handlers for indoor quality control equipments.
	(iv) Hydronic heat pumps.
	(v) Slim Jim heat exchangers
	(vi) HDPE fusion tools
	(vii) Geothermal energy Installation tools and Equipment.
	(viii) Dehumidification equipment.
	(ix) Thermostats and IntelliZone
(15)	Any other item approved by the Alternative Energy Development Board (AEDB) and concurred to by the FBR
15	Following items for promotion of renewable energy technologies or for conservation of energy:
	(i) SMD/LED/LVD lights with or without ballast, fittings and fixtures.
	(ii) SMD/LED/LVD lights, with or without ballast, PV module, fitting and fixtures
	(iii) Tubular Day lighting Device
	(iv) Wind turbines including alternators and mast.

Entry No.	Description of goods
	(v) Solar torches (vi) Lanterns and related instruments. (vii) LVD induction lamps (viii) LED Bulb/Tube lights (ix) PV module, with or without, the related components including invertors (off-grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT) with charge controllers and solar batteries (x) Light emitting diodes (light emitting in different colors) (xi) Water pumps operating on solar energy along with solar pump controllers (xii) Energy saver lamps of varying voltages (xiii) Energy Saving Tube Lights (xiv) Sun Tracking Control System (xv) Invertors (off-grid/on grid/hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT). (xvi) Charge controller/ Current controller. Provided that exemption under this serial shall be available with effect from 01.07.2016.
15A	Parts and Components for manufacturing LED lights: (i) Housing /shell. Shell cover and base cap for all kinds of LED lights and bulbs (ii) Bare and stuffed Metal Clad Printed Circuit Boards (MCPCB) for LED (iii) Constant Current Power Supply for of LED Lights and Bulbs (1-300W) (iv) Lenses for LED lights and bulbs
15B	CKD kits for single cylinder agriculture

Entry No.	Description of goods
	diesel engines (compression-ignition internal combustion piston engines) of 3 to 36 HP.
17	Machinery, equipment, raw materials, components and other capital goods for use in building, fittings, repairing or refitting of ships, boats or floating structures imported by Karachi Shipyard and Engineering Works Limited.
21	Import of POS machines.

Reduced rate withdrawn on certain items

The Bill proposes to withdraw reduced rate of sales tax currently available on following items under Table-I of the Eighth Schedule and replaces it with standard rate of 17%.

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
4	Oilseeds meant for sowing.	5%	Import thereof subject to the condition that concerned department of the Division dealing with the subject matter of oil seeds certifies that the imported seeds are fungicide and insecticides treated and are meant for sowing
6	Plant and machinery not	10%	On import / supply of

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
	manufactured locally and having no compatible local substitutes		such plant and machinery by registered manufacturers / commercial importers subject to certain conditions specified therein
7	Flavored milk	10%	Sold in retail packing under a brand name
8	Yogurt	10%	Sold in retail packing under a brand name
9	Cheese	10%	Sold in retail packing under a brand name
10	Butter	10%	Sold in retail packing under a brand name
11	Cream	10%	Sold in retail packing under a brand name
12	Desi ghee	10%	Sold in retail packing under a brand name
13	Whey	10%	Sold in retail packing under a brand name
14	Milk and cream, concentrated or containing added sugar or other	10%	Sold in retail packing under a brand name

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
	sweetening matter		
15	Ingredients of poultry feed, cattle feed, except soya bean meal of PCT heading 2304.0000 and oilcake of cottonseed falling under PCT heading 2306.1000	10%	-
16	Incinerators of disposal of waste management, motorized sweepers and snow ploughs	5%	
17	Re-importation of foreign origin goods which were temporarily exported out of Pakistan	5%	Subject to similar conditions as are envisaged for the purposes of customs duty under the Customs Act, 1969, and taxable value shall be the value determined under PCT heading 99.18 of the said Act increased by customs duty payable

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition	Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
20	Plant, machinery and equipment used in production of bio diesel	5%	The Alternative Energy Development Board (AEDB), Islamabad shall certify in the prescribed manner and format as per Annex-B, as given in the Sixth Schedule, that the imported goods are bona fide project requirement. The goods shall not be sold or otherwise disposed of within a period of five years of their import except with the prior approval of the FBR and payment of customs duties and taxes leviable at the time of import		(iv) Sub soiler (v) Rotary slasher (vi) Chisel plow (vii) Ditcher (viii) Border disc (ix) Disc harrow (x) Bar harrow (xi) Mould board plow (xii) Tractor rear or front Blade (xiii) Land leveller or land planer (xiv) Rotary tiller (xv) Disc plow (xvi) Soil-scrapper (xvii) K.R. Karundi (xviii) Tractor mounted trancher (xix) Land leveler (xx) Laser Land leveler comprising of laser transmitter, laser receiver control box, rigid mask pack,		
26	Tillage and seed bed preparation equipment: (i) Rotavator (ii) Cultivator (iii) Ridger	5%					

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
	with or without scrapper		
27	Seeding or planting equipment: (i) Seed-cum-fertilizer drill (wheat, rice barley, etc.) (ii) Cotton or maize planter with fertilizer attachment (iii) Potato planter (iv) Fertilizer or manure spreader or broadcaster (v) Rice transplanter (vi) Canola or sunflower drill (vii) Sugarcane planter	5%	
28	Irrigation, drainage and agro-chemical application equipment: 1. Tubewells filters or strainers 2. Knapsack	5%	

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
	sprayers 3. Granular applicator 4. Boom or field sprayers 5. Self propelled sprayers 6. Orchard sprayer		
29	(i) Harvesting, threshing and storage equipment: (ii) Wheat thresher (iii) Maize or groundnut thresher or sheller (iv) Groundnut digger (v) Potato digger or harvester (vi) Sunflower thresher (vii) Post hole digger (viii) Straw balers (ix) Fodder rake (x) Wheat or rice reaper (xi) Chaff or	5%	-

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
	fodder cutter (xii) Cotton picker (xiii) Onion or garlic harvester (xiv) Sugar harvester (xv) Tractor trolley or forage wagon (xvi) Reaping machines (xvii) Combined harvesters (xviii) Pruner/ shears		
30	Post-harvest handling and processing & miscellaneous machinery: 1. Vegetables and fruits cleaning and sorting or grading equipment 2. Fodder and feed cube maker equipment	5%	
34	1. Set top boxes for gaining access to internet 2. TV	5%	Subject to type approval by PEMRA. This concession shall be

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
	broadcast Transmitter 3. Reception apparatus for receiving satellite signals of a kind used with TV (satellite dish receivers) 4. Other set top boxes		available upto 30th June 2018.
45	Following machinery for poultry sector: (i) Machinery for preparing feeding stuff (ii) Incubators, brooders and other poultry equipment (iii) Insulated sandwich panels (iv) Poultry sheds (v) Evaporative air-cooling system (vi) Evaporative cooling pad	7%	
46	Multimedia projectors	10%	NIL

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
54	lithium iron phosphate battery (Li-Fe PO4)	12%	NIL
55	Fish babies / seedlings	5%	NIL
59	Products of milling industry except wheat and meslin flour	10%	If sold in retail packing under a brand name or trademark
61	Silver, in unworked condition	1%	-
62	Gold, in unworked condition	1%	-
63	Articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal	1.5% of value of gold, plus 2% of value of diamond, used therein, plus 3% of making charges	No input tax adjustment to be allowed except of the tax paid on gold
64	Prepared Food, foodstuff and sweetmeats supplied by restaurants, bakeries, caterers and sweetmeat shops	7.5%	Supplies only, subject to condition that no input tax shall be adjusted

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
66A	Supplies excluding those specified in S.No 66 as made from retail outlets integrated with board computerized system for real time reporting of sale	16%	If payment is made through digital mode
66B	Import of re-meltable scrape	14%	If imported by steel melters
68	Frozen prepared or preserved sausages and similar products of poultry meat or meat offal	8%	If sold in retail packing under a brand name or trademark
69	Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish	8%	If sold in retail packing under a brand name or trademark
75	Import of electric vehicle in CBU conditions	5%	
76	Business to business	16.9%	If payment is made to

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
	transactions specified by the Board through notification in official gazette subject to such conditions as specified therein		digital mode

Reduced Rate introduced on certain items

The Bill proposes to insert following items in Table-I of the Eighth Schedule for application of reduced rate of sales tax:

Entry No.	Description of goods	Proposed Reduced Rate	Condition
71	Personal computers and Laptop computers, notebooks whether or not incorporating multimedia kit	5%	If imported in CBU condition

Presently personal computers and Laptop computers, notebooks are exempt Sixth Schedule.

Reduced Rate withdrawn on plant & machinery

The Bill proposes to withdraw reduced rate of sales tax currently available on following items under Table-II of the Eighth Schedule:

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
1	Machinery and equipment for development of grain handling and storage facilities including silos	10%	Nil
2	Cool chain machinery and equipment	5%	Nil
4	<ol style="list-style-type: none"> Machinery, equipment, materials, capital goods, specialized vehicles (4x4 non luxury) i.e. single or double cabin pickups, accessories, spares, chemicals and consumables meant for mineral exploration phase Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the exploration phase 	5%	<ol style="list-style-type: none"> This concession shall be available to those Mineral Exploration and Extraction Companies or their authorized operators or contractors who hold permits, licenses, leases and who enter into agreements with the Government of Pakistan or a Provincial Government. Temporarily imported goods shall be cleared against a security in the form of a postdated cheque for the differential amount between the statutory rate of customs duty and sales

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
			tax and the amount payable along with an undertaking to pay the customs duty and sales tax at the statutory rates in case such goods are not re-exported on conclusion of the project 3. The goods shall not be sold or otherwise disposed of without prior approval of the FBR and the payment of customs duties and taxes leviable at the time of import. These shall however be allowed to be transferred to other entitled mining companies with prior approval of the Board
5	Complete plants for relocated industries.	10%	Nil
6	Machinery, equipment and other capital goods meant for initial	10%	Nil

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
	installation, balancing, modernization, replacement or expansion of oil refining (mineral oil, hydro-cracking and other value added petroleum products), petrochemical and petrochemical downstream products including fibers and heavy chemical industry, cryogenic facility for ethylene storage and handling		
8	1. Milk chillers. 2. Tubular heat exchanger (for pasteurization). 3. Milk processing plant, milk spray drying plant, Milk UHT plant. 4. Milk filters 5. Any other machinery and equipment for manufacturing of dairy products.	5%	If imported by registered manufacturer who is member of Pakistan Dairy Association
9	Capital goods otherwise not exempted, for	5%	The concession will be available in respect of

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Condition
	Transmission Line Projects		those Transmission Line Projects which are being executed under Standard Implementation Agreement under Policy Framework for Private Sector Transmission Line Projects, 2015 and Projects Specific Transmission Services Agreement. Provided that sales tax charged under this provision shall be nonadjustable and nonrefundable.”]

Category with description of mobile phones	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs)	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs)
	(Existing)	(Proposed)
Cellular mobile phones or satellite phones Exceeding US\$ 200 but not exceeding US\$ 350	Rs. 1,740	17%
Exceeding US\$ 350 but not exceeding US\$ 500	Rs. 5,400	17%
Exceeding US\$ 500	Rs. 9,270	17%

Withdrawal of Fixed Tax on mobile phones

Table – II of the Ninth Schedule state fixed sales tax rate at the time of import or on registration of mobile phones. The Bill now proposes to charge sales tax on certain category of cellular mobile phones from fixed tax to 17% sales tax rate in the following manner:

Federal Excise Act, 2005

Table I of First Schedule

FED rate proposed to be enhanced

The bill proposes to enhance FED rates on imported vehicles as follows:

S. No.	Description of goods	Existing rate	Proposed rate
55 (b)	Cylinder capacity from 1001cc to 1799cc	5%	10%
55 (c)	Cylinder capacity 1800cc to 3000cc	25%	30%
55 (d)	Cylinder capacity exceeding 3001cc	30%	40%

The bill proposes to enhance FED rates on locally manufactured vehicles as follows:

S. No.	Description of goods	Existing rate	Proposed rate
55B (b)	Cylinder capacity from 1001cc to 2000cc	2.5%	5%
55B (c)	Cylinder capacity 2001cc and above	5%	10%

The Bill also proposes to enhance FED rates on imported and locally manufactured double cabin pick-up vehicles as follows:

S. No.	Description of goods	Existing rate	Proposed rate
55C	Imported double cabin (4x4) pick-up vehicles	25%	30%
55D	Locally manufactured double cabin (4x4) pick-up vehicles except the vehicles booked on or before 30 June 2020 subject to the restrictions or conditions specified by the Board	7.5%	10%

Customs Act, 1969

Power to determine the Customs Value centralized with Director of Valuation

Presently, under section 25A of the Customs Act, 1969 (the Customs Act), the Collector of Customs on his own motion, or the Director of Customs Valuation on his own motion or on a reference made to him by any person or an officer of Customs, may determine the customs value of any goods or category of goods imported into or exported out of Pakistan.

The Bill proposes to withdraw the powers of Collector of Customs to determine the customs value of imported or exported goods in order to centralize the aforesaid powers with the Director General of Valuation to bring uniformity in the process of fixation of values of goods.

Appeal against the decision of Director General Valuation not to lie anymore before the Member Customs (Policy)

Through Tax Laws (Third Amendment) Ordinance, 2021, second proviso was added in the section 25D allowing an aggrieved person to file an appeal before the Member Customs (Policy) against the value determined by the Director General Valuation.

The Bill seeks to omit this second proviso so that appeal against the decision of Director General Valuation should not be filed before the Member Customs (Policy) and should be taken up at an appropriate judicial forum to redress the grievances.

Editorial correction in respect of time limit for re-assessment

Through Tax Laws (Third Amendment) Ordinance, 2021, a time limit of three years was provided in section 80(3) for the purpose of re-assessment after assessment under section 83(1) of the Customs Act. The Bill proposes to withdraw the said amendment as the time limit of three years is already mentioned in section 32(3) of the Customs Act.

Option of furnishing Corporate Guarantee withdrawn

Before Tax Laws (Third Amendment) Ordinance, 2021 goods could be cleared on provisional payment of duties and taxes on furnishing Bank Guarantee or Pay Order as per section 81(1) of the Customs Act. Tax Laws (Third Amendment) Ordinance, 2021 provided an option to furnish Corporate Guarantee for this purpose.

The Bill now proposes to withdraw the option of furnishing Corporate Guarantee to avoid any complications in securing government revenue.

Re-insertion of appeal right before Appellate Tribunal against order of the Director General Customs Valuation

Any person or an officer of Customs aggrieved by an order passed in revision by the Director General Customs Valuation under section 25D, could file an appeal under clause (e) of section 194-A(1) of the Customs Act to the Appellate Tribunal. However, the said clause (e) was omitted through Tax Laws (Third Amendment) Ordinance, 2021.

The Bill now seeks to re-instate the said appeal right before Appellate Tribunal through insertion of an identical clause i.e. clause (f) in section 194-A(1).

Inadvertent omission of right of filing reference before High Court against order of Member Customs (Policy)

The Bill seeks to amend section 196 of the Customs Act regarding filing of reference to High Court as a consequential effect of the amendment proposed in section 25D whereby the powers of Member (Customs Policy) with regard to hearing of appeals against the order of Director General Valuation have been proposed to be omitted.

However, due to proposed amendment, the provision for filing of reference before High Court against an order of Member Customs (Policy) under section 212B (Advance Ruling) has also been omitted, perhaps inadvertently.

Islamabad Capital Territory Tax

Consolidation of the Islamabad Capital Territory (Tax on Services) Ordinance, 2001 for incorporation of reduced sales tax rates prescribed through the Notifications

Presently, the standard rates of sales tax chargeable under the Islamabad Capital Territory (Tax on Services) Ordinance, 2001 ["ICTO, 2001"] are provided in the Schedule to the ICTO 2001 and the reduced rates of sales tax chargeable on different services are provided in S.R.O. 495(I)/2016 dated 04 July 2016. The said SRO has been amended from time to time, and as of now, twelve services are subject to charge of sales tax at the reduced tax rates subject to fulfillment of certain conditions.

The Bill proposes to rename "the Schedule" to the ICTO, 2001 as "Table - 1" and further to insert a new "Table - 2" in the ICTO, 2001. The contents of the Table - 2 proposed to be inserted in ICTO, 2001 are the same as are of foregoing SRO. This change is perhaps proposed in wake of the critics on SRO culture and to consolidate the law for easement of its application and enforcement.

The Table - 2 proposed to be inserted in the ICTO, 2001 is as follows:

Sr. No.	Description	PCT Heading,	Rate of Tax
1.	Construction services, excluding (i) Construction projects (industrial and commercial) of the value (excluding actual and documented cost of land) not exceeding Rs.50 million per annum. (ii) The cases where sales tax is otherwise paid as property developers or promoters. (iii) Government civil works including	9814.2000 and 9824.0000	Zero per cent subject to the condition that no input tax adjustment or refund shall be admissible

Sr. No.	Description	PCT Heading,	Rate of Tax
	cantonment boards. (iv) Construction of industrial zones, consular building and other organizations exempt from income tax. (v) Residential construction projects where the covered area does not exceed 10,000 square feet for houses and 20,000 square feet for apartments.		
2	Services provided for personal care by beauty parlours, clinics and slimming clinics, body massage centres, pedicure centres, including cosmetic and plastic surgery by such parlours / clinics, but excluding cases where – (i) annual turnover does not exceed Rs.3.6 million; or (ii) the facility of air-conditioning is not installed or available in the premises.	9810.0000, 9821.4000 and 9821.5000	Five per cent subject to the condition that no input tax adjustment or refund shall be admissible.
3.	Services provided by freight forwarding agents, and packers and movers.	9805.3000 and 9819.1400	Five percent or Rs. 1000 per bill of lading, whichever is higher subject to the condition that no input tax adjustment or refund shall be admissible.
4.	Services provided by tour operators and	9803.9000, 9805.5000	Five per cent subject

Sr. No.	Description	PCT Heading,	Rate of Tax
	travel agents including all their allied services or facilities (other than Hajj and Umrah).	and 9805.5100	to the condition that no input tax adjustment or refund shall be admissible.
5.	Services provided by specialized workshops or undertakings (auto-workshops; workshops for industrial machinery, construction and earth- moving machinery or other special purpose machinery etc; workshops for electric or electronic equipment or appliances etc. Including computer hardware; car washing or similar service stations and other workshops).	98.20	Five per cent subject to the condition that no input tax adjustment or refund shall be admissible.
6.	Services provided by health clubs, gyms, physical fitness centres, indoor sports and games centres and body or sauna massage centres.	9821.1000, 9821.2000 and 9821.4000	Five per cent subject to the condition that no input tax adjustment or refund shall be admissible.
7.	Services provided by laundries and dry cleaners.	9811.0000	Five per cent subject to the condition that no input tax adjustment or refund shall be admissible.
8.	Services provided by property dealers and realtors.	Respective headings	Zero per cent subject to the condition that no input tax

Sr. No.	Description	PCT Heading,	Rate of Tax
			adjustment or refund shall be admissible.
9.	Services provided by car / automobile dealers.	Respective headings	Five per cent subject to the condition that no input tax adjustment or refund shall be admissible.
10.	Services provided or rendered by marriage halls and lawns, by whatever name called, including "pandal" and "shamiana" services and caterers.	Respective headings	Five per cent subject to the condition that no input tax adjustment or refund shall be admissible.
11.	IT services and IT-enabled services. Explanation: For the purpose of this entry – (a) "IT services" include software development, software maintenance, system integration, web design, web development, web hosting and network design; and (b) "IT enabled services" include inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, HR services, telemedicine centers, data	Respective headings	Five Percent

Sr. No.	Description	PCT Heading,	Rate of Tax
	entry operations, locally produced television programs and insurance claims processing.		
12.	Services provided by property developers and promoters (including allied services) relating to low cost housing schemes sponsored or approved by Naya Pakistan Housing and Development Authority or under Government's Ehsaas programme.	9807.0000 and respective sub-headings of heading 98.14	Zero per cent subject to the condition that no input tax adjustment or refund shall be admissible.



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



© 2022 KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.