



KPMG Taseer Hadi & Co.
Chartered Accountants

A Brief on Finance Act, 2023



June 2023

home.kpmg/pk

Preamble

The National Assembly approved the Finance Bill 2023 on 25 June 2023 with certain changes to the original finance bill that had been tabled on 09 June 2023. These changes mainly relate to enhancement of tax rates for individuals and partnerships earning more than PKR 2.4 million in a year, increase in advance tax on purchase/.sale of property, imposition of 5% FED on fertilizer, and withdrawal of many concessions proposed earlier including reduction in rate of minimum tax for listed companies, exemptions for agro-based SMEs and tax credit for newly constructed house.

After the assent of the President of Pakistan on 26 June 2023, Finance Act 2023 has been enacted. The amendments made would be effective from 01 July 2023 unless otherwise provided.

This publication contains a review of changes made in the Income Tax Ordinance, 2001, Sales Tax Act, 1990, Federal Excise Act, 2005 and The Customs Act, 1969 through the Finance Act, 2023.

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.

27 June 2023

Contents

	Page
Income Tax Ordinance, 2001	1
Withholding Tax Collection / Deduction Rate Card	19
Sales Tax Act, 1990	33
Federal Excise Act, 2005	39
The Customs Act, 1969	41
Islamabad Capital Territory (Tax on Services) Ordinance, 2001	49
Petroleum Products (Petroleum Levy) Ordinance, 1961	50

Income Tax Ordinance, 2001

Progressive rates of Super Tax with enhanced threshold introduced

Without changing the super tax rates previously enacted for tax year 2022, the Act has enhanced rates of Super tax for tax year 2023 and onwards. A comparison is given in the table below:

S. No.	Income under section 4C	Rate of tax	
		For tax year 2022	For tax year 2023 and onwards
(1)	(2)	(3)	(4)
1	Where income does not exceed Rs. 150 million	0% of the income	0% of the income
2	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1% of the income	1% of the income
3	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2% of the income	2% of the income
4	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3% of the income	3% of the income
5	Where income exceeds Rs. 300 million but does not exceed 350 million	4% of the income	4% of the income
6	Where income exceeds Rs. 350 million but does not exceed 400 million		6% of the income
7	Where income exceeds Rs. 400 million but does not exceed 500		8% of the income

S. No.	Income under section 4C	Rate of tax	
		For tax year 2022	For tax year 2023 and onwards
	million		
8	Where income exceeds Rs. 500 million		10% of the income";

It appears that both the provisos that provided 10% rate for specified sectors for tax year 2022 and for banking sector for tax year 2023 are not removed by the Act, since matter is sub judice before Supreme Court of Pakistan.

Further the Act enacted amendment with a retrospective implication under section 147 to consider super tax as part of tax payable while discharging advance tax liability.

Moreover, amendment in Eighth Schedule relating to "rules for computation of capital gains on listed securities" has been made to empower NCCPL to compute and collect super tax with consequent amendments made in section 4C and 100B respectively.

Certain categories of inactive taxpayers denied exclusion from the chargeability of tax on deemed income

The Act 2022 levied tax at the rate of 20% on deemed rental income of a resident person for tax year 2022 and onwards. Such deemed rental income is taken at 5% of fair market value (FMV) of the capital asset situated in Pakistan held on the last day of the tax year. This section however is not applicable on the following:

- One capital asset owned by the resident person;
- Self-owned business premises from where the business is carried out by the persons appearing on ATL at any time during the year;
- Self-owned agriculture land where agriculture activity is carried out by person

excluding farmhouse and land annexed thereto;

- Capital asset allotted to:
 - Shaheed or dependents of a shaheed belonging to Pakistan Armed Forces;
 - a person or dependents of the person who dies while in the service of Pakistan armed forces or Federal or provincial government;
 - a war wounded person while in service of Pakistan armed forces or Federal or provincial government; and
 - an ex-serviceman and serving personal of armed forces or ex-employees or serving personnel of Federal and provincial governments, being original allottees of the capital asset duly certified by the allotment authority;
- Any property from which income is chargeable to tax under the Ordinance and tax leviable is paid thereon;
- Capital asset in the first tax year of acquisition where tax under section 236K has been paid;
- Where the fair market value of the capital assets, in aggregate, excluding capital assets mentioned above does not exceed twenty-five million Rupees;
- Capital assets owned by a provincial Government or a Local Government; or
- Capital assets owned by a local authority, a development authority, builders and developers for land development and construction, subject to the condition that such persons are registered with Directorate General of Designated Non-Financial Businesses and Professions.

Now the Act inserted a proviso in section 7E by virtue of which inactive taxpayers under following category shall not be entitled for exclusion from the chargeability of tax.

- One capital asset owned by resident person.
- Any property from which income is chargeable to tax under the Ordinance and tax leviable is paid thereon.

- Capital asset in first tax year of acquisition where tax under section 236K has been paid.
- Where the fair market value of the capital assets in aggregate excluding capital assets mentioned therein doesn't exceed Rs 25 Million.

The above proviso shall not be applicable for those persons who are not required to file the return of total income as per tenth schedule to the Ordinance 2001.

Taxation of Bonus Shares reintroduced

The Finance Act 2014 introduced tax on bonus shares issued by listed and non-listed companies as "income from other sources" with effect from tax year 2015 at the rate of 5% of the value of bonus shares.

Representations made by the Pakistan Stock Exchange resulted in abolishment of said taxation vide Finance Act 2018 .

The Act now adopted a similar kind of amendment by introducing a new section 236Z to treat it as deemed income subject to collection of tax in prescribed manner. The amount subjected to collection of this tax is also specifically included in the definition of 'income' in section 2(29).

The Act provides that the bonus shares declared by a company will be treated as 'income from other sources' of the shareholders and chargeable to tax.

Further, the Act provides withholding tax on bonus shares at the rate of 10 percent of the value of bonus shares determined based on day-end price of the first day of the closure of books in the case of listed company and the value as prescribed in the case of other companies.

The salient features of the aforesaid new withholding tax provisions are as follows:

- Every company, issuing bonus shares to the shareholders, shall withhold 10 percent of the bonus shares to be issued.
- Bonus shares withheld shall only be issued to a shareholder, if the company collects from the shareholder, tax equal to ten percent of the value of bonus shares issued

to the shareholder including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of in the case of listed company and the prescribed value in the case of other companies.

- Tax shall be deposited by the company within 15 days of the first day of closure of books, whether or not tax is collected by the company.
- If the shareholder fails to make payment of tax within fifteen days of the issuance of bonus share, the company may proceed to dispose of its bonus shares to the extent if it has paid tax on its behalf.
- Bonus shares shall be deemed to be the income of the shareholder.
- Tax paid under this section shall be final tax on the income of the shareholder of the company arising from issuance of bonus shares. Therefore, relevant changes have been proposed to be made in section 168 for not allowing tax credit and in section 169 to mark it as final tax.

In essence, issuance of bonus shares does not increase the resources of its recipient against any payment of consideration, therefore, should not be treated as recipient's income on issuance by the issuer resultantly applying a tax on such issue of shares should not fall under the ambit of the Income Tax Ordinance. As it is merely an accounting treatment of reclassification of reserves of the issuing company, resulting in diluted earnings per share amounts for profit or loss to such ordinary equity holders.

Based on above in past said amendment was disputed at superior courts. However, Sindh High Court in Suit 1764 / 2014 held the amendment made through Finance Act 2014 as legally valid.

It is also imperative that mechanism proposed to be prescribed by introduction of this new section in the Income Tax Ordinance without making relevant changes in the parent law i.e. the Companies Act 2017 may give rise to dispute under that Act as well.

Scope of Permanent Establishment Enhanced

The Act adopted the omission of the word "fixed" from the definition of permanent establishment through which the business of the person is wholly or partly carried on.

Consequently, Act introduced a new clause (bb) whereby virtual business presence in Pakistan including any business where transactions are conducted through internet or any other electronic medium, with or without you having any physical presence.

Primarily this proposed omission is to enhance the scope of permanent establishment by an oblique shift from physical fixed place presence to economic presence.

Further, Act inserted the word "entity" in addition to other personnel and employees in the context of furnishing of services including consultancy services.

In our view the amendment made in the definition of permanent establishment may not be effective due to overriding effect of treaty on local provisions of Ordinance 2001. However, may be having an impact in case of jurisdictions where there is no treaty protection.

Limit of disallowance of salary expense paid in cash enhanced

The Act enhanced limit from Rs. 25,000 per month to Rs. 32,000 per month to an individual on account of any salary paid or payable other than by a crossed cheque or direct transfer of funds to the employee's bank account or through digital means.

This amendment has been made in line with rise in minimum wages enacted through the act of parliament.

Capital gain on disposal of securities

Capital gain on disposal of securities is chargeable to tax at the rates specified under first schedule to the Ordinance.

The Act provides that this section shall not apply to the following:

- Disposal of shares of listed companies made otherwise than through registered stock

exchange and which are not settled through NCCPL.

- Disposal of shares through initial public offering during listing process except where the detail of such disposal is furnished to NCCPL for computation of capital gains and tax thereon under this section.

Consequently, the provision of section 37 “capital gain” shall apply on such disposal of shares of listed company or disposal of shares through initial public offer accordingly.

Legal coverage provided for exemption under Foreign Investment (Promotion and Protection) Act 2022

Income Tax Ordinance 2001 specifically provides restriction on exemption provided under other laws, unless also provided for in this Ordinance.

The Foreign Investment (Promotion and Protection) Act, 2022 has provided certain income tax exemptions to the following projects affiliated with Reko Diq in the province of Baluchistan.

The relevant provisions of the Foreign Investment (Promotion and Protection) Act, 2022 are reproduced below in brief for ready reference:

Covered projects

Reko Diq Mining Company (Private) Limited and its associated companies since their date of incorporation,

Reko Diq Phase 1, Reko Diq Phase 2 and all subsequent phases including its prescribed infrastructure.

Exemptions prescribed

1. Final tax regime on exports [Section 154(3A)] for Reko Diq Mining Company (Private) Limited]

Description	Rate
From commercial production till 15 th Anniversary	Zero percent
Prior to commercial production and after	One percent of net smelter return [as

Description	Rate
15 th Anniversary	defined]

2. Exemption of Dividend Income and withholding tax thereon for shareholders

- a) Exemption from income [Clause 145B- Part I of Second Schedule]

Any income of Reko Diq Mining Company (Private) Limited during the period starting on the commercial production date till 15th Anniversary of such date

- b) Exemption for Dividend [Clause 145C- Part I of Second Schedule]

Dividend distributed by Reko Diq Mining Company (Private) Limited to a non-resident shareholder during the period starting on the commercial production date till 15th Anniversary of such date

Prior to the commercial production date and after 15th Anniversary the taxation and withholding taxes to apply as per applicable rates given in the Ordinance subject to condition that:

- Such rate would not exceed twenty percent – unless later amended
- The relief under agreement for avoidance of double taxation as would apply to the recipient of dividend would be applicable

- c) Exemption for withholding tax on Dividend [Clause 47N- Part IV Second Schedule]

Withholding tax provision under section 150 of any other provision shall not apply on dividend distributed by Reko Diq Mining Company (Private) Limited to a non-resident shareholder during the period starting on the commercial production date till 15th Anniversary of such date

- d) Income [including dividend] tax exemption of affiliates [Clause 150- Part I Second Schedule]

- Income (including dividend and income under section 109A) derived by Pakistan Petroleum Limited, Oil and Gas Development Company Limited and Government Holdings (Private) Limited from Pakistan Mineral (Private) Limited during the period starting on mineral agreement effective date [as defined] and expiring on 30th anniversary of such date.
- e) Income [including dividend] tax exemption of affiliates [Clause 151- Part I Second Schedule]
- Income (including dividend and income under section 109A) derived by companies mentioned in above clause 150 from associated companies established for the Reko Dik project during the period starting on mineral agreement effective date [as defined] and expiring on 30th anniversary of such date.
- f) Income [including dividend] tax exemption of affiliates [Clause 152- Part I Second Schedule]
- Income (including dividend and income under section 109A) derived by a company established by or on behalf of the Government of Baluchistan for the purpose of investment in Reko Diq Project and their shareholders during the period starting on mineral agreement effective date [as defined] and expiring on 30th anniversary of such date.
- g) Exemption for withholding tax on Dividend [Clause 38E- Part IV of Second Schedule]
- Withholding tax provision under section 150 or any other similar provision shall not apply on income exempt under clauses [150-152] during the period starting on the commercial production date till 15th Anniversary of such date.
3. Minimum tax exemption under section 113 [Clause 11A, Part IV of Second Schedule]
- For Reko Diq Mining Company (Private) Limited for thirty years following mineral agreement.
4. Capital gains tax exemption/ Taxation
- Exemption- [Clause 47E- Part I Second Schedule]
- For a period of 30 years from mineral agreement effective date, any income (including capital gains) on disposal of shares or interest, whether directly or indirectly in Reko Diq Mining Company (Private) Limited through share transfer, reconstruction, reorganization or amalgamation under prescribed conditions.
5. Taxation- [Clause 21- Part III, Second Schedule]
- If the conditions above are not met, the taxation to apply as per applicable rates given in the Ordinance subject to condition that the relief under agreement for avoidance of double taxation as apply to the recipient of dividend would be applicable.
6. Income tax on shareholder loan interest and shareholder income [Clause 47F, Part I, Second Schedule]
- Profit on debt derived by direct or indirect shareholders on shareholder loans provided to Reko Diq Mining Company (Private) Limited shall not be taxed under section 39 or section 152(2A) or similar tax during the period starting from commercial production date and ending on the 15th anniversary of such date.
- Prior to and after such dates taxation under section 39 and 152(2A) as at 20th March 2022 will apply after taking account of double taxation treaty reliefs.
7. Withholding tax on shareholder loan interest and shareholder income [Clause 47G, Part IV, Second Schedule]
- For a period of 30 years form mineral agreement effective date withholding tax provisions under section 151 and 152 and any other withholding tax on profit on debt shall not apply to income exempt under clause 47F of Part I as above.
8. Income tax and withholding tax on third party interest and income [Clause 47H Part I, First Schedule] / [Clause 47I, Part IV of Second Schedule]
- Profit on debt derived by third party on loans provided to Reko Diq Mining Company

(Private) Limited shall not be taxed for a period of 30 years from mineral agreement effective date.

Withholding tax would also be exempt on such income

Under this proposed section, taxes on income (including capital gains), withholding taxes, minimum and final taxes under the Ordinance shall be exempt to the extent provided in Second and Third Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 in respect of qualified investment as specified at Sr. No.1 of the First Schedule to the said Act.

9. Thin capitalization

For a period of 30 years from the mineral agreement effective date, section 106 and 106A shall not apply.

10. Withholding tax on goods and services

The provisions of sections 152, 153, 155 and 233 of the Ordinance shall not be applicable during the period starting on the mineral agreement effective date and ending on the 15th anniversary of such date.

After the 15th anniversary, reduced rate as specified in the First Schedule to Ordinance, 2001 shall apply.

11. Certain transaction taxes are exempted

For a period of 30 years, the provisions of sections 18, 37, 37A, 39, 101, 101A, 108, 109, 114, 151 and 152 and the provisions of clauses 47E, 47F and 145C of Part I of the Second Schedule to the Ordinance and sub-clause 21 of Part III of the Second Schedule to the Ordinance shall not apply with respect to the prescribed transactions:

- issuance or transfer etc. of shares or interest or other interest in the project in the prescribed manner.
- waiver of debt by Tethyan Copper Company Pty Limited to Reko Dig Mining Company.
- Any action taken to resolve disputed related to the Reko projects.

12. Rates of depreciation, initial allowance and pre-commencement expenditure under sections 22, 23 and 25 as on March 20th 2022 shall continue to be applicable for 30 years as provided in Third Schedule to the said Act in respect of persons mentioned in sub-sections (1) and (2).

In terms of section 54 of the Ordinance, the Act now provide legal coverage to such exemptions provided in Second and Third Schedule to the Foreign Investment (Promotion and Protection) Act 2022 in respect of qualified investment as specified in the First Schedule to the said Act, by inserting this proposed section 44A to the Ordinance.

Further Act provides that terms defined under the Second and Third Schedule to the Foreign Investment (Promotion and Protection) Act 2022 shall apply mutatis and mutandis to Ordinance 2001.

Definition of Associates revamped

The Act revamped the definition of associates with broader scope as under:

Two persons shall be associates

where –

- (i) the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person.
- (ii) one person sufficiently influences, either alone or together with an associate or associates, the other person.

Explanation - For the purpose of this section, two persons shall be treated as sufficiently influencing each other, where one or both persons, directly or indirectly, are economically and financially dependent on each other and, decisions are made in accordance with the directions, instructions or wishes of each other for common economic goal; or

- (iii) one person enters into a transaction, directly or indirectly, with the other who is a resident of jurisdiction with zero taxation regime.”

The Act provides to prescribe the jurisdiction with zero taxation regime.

Additional tax on certain income, profits and gains introduced

The Bill proposed to levy tax in addition to any tax charged, paid or payable under any of the provisions of the Income Tax Ordinance 2001 for any tax year preceding five tax years from tax year 2023, on every person who has any income, profit or gains that have arisen due to economic factor or factors that resulted in unexpected income, profit or gains whether or not disclosed in the financial statements.

For this purpose, the Federal Government may through notification in the official Gazette:

- determine the economic factor(s) that influence commodity prices in Pakistan or any sector of the economy, which may include, but are not limited to, fluctuations in international prices and variations in income, profits or gains due to changes in foreign currency exchange rates.
- provide a rate not exceeding fifty percent of the aforementioned income, profits, or gains.
- specify the manner, conditions, scope, time, and payment details, concerning the tax payable under this section as required.
- exempt any person or classes of persons, as well as specific types or categories of income from the application of this section, subject to any condition as may be specified.

However, the Act restricts the application of this section to companies in respect of preceding three tax years to the extent of windfall income, profit or gains.

Further the Act empowers the Federal Government to specify sector or sectors for application of this section.

In addition to above, the Act bounds the Federal Government to place the notification before the National Assembly within earlier of.

- ninety days of issuance of notification: or
- by the 30th day of June of the financial year

Minimum tax on the income clarified

In specified circumstances, section 113 imposes a minimum tax on turnover at prescribed rates.

As per sub-section 2(c) any amount paid in excess of the tax liability payable at corporate rate of tax can be carried forward for adjustment against the tax liability for the succeeding three tax years.

From section 113(2)(c) the carried forward adjustment is also available against the taxes covered in Part I of the First Schedule to the Ordinance 2001 in addition to the tax liability worked out under Division I and Division II.

Through the Act, an explanation is inserted to clarify the tax liability against which the carried forward of minimum tax is available for adjustment and for this purpose, it is being clarified that the above adjustment is available against the normal tax liability worked out only at applicable progressive slab rates under clause (1) of Division I or corporate tax rate under Division II of Part I of First Schedule.

The explanation intends to clarify the position and remove chances of different interpretations.

Alternate Dispute Resolution Revamped

The Act has revamped the concept of Alternate Dispute Resolution [ADR] whereby, an aggrieved person in connection with any dispute pertaining to -

- (a) the liability of tax of Rs. 100 million or above against the aggrieved person or admissibility of refund, 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.

Such application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute, including an offer of tax payment.

The Board may, after examination of the application of an aggrieved person, appoint a committee, within fifteen days of receipt of such application in the Board, comprising, –

- (i) a retired judge not below the rank of a judge of a High Court, who shall also be the Chairperson of the Committee, to be nominated by the Board from a panel notified by the Law and Justice Division for such purpose;
- (ii) the Chief Commissioner Inland Revenue having jurisdiction over the case; and
- (iii) a person to be nominated by the taxpayer from a panel notified by the Board comprising –
 - chartered accountants, cost and management accountants and advocates having a minimum of ten years' experience in the field of taxation;
 - officers of the Inland Revenue Service who stood retired in BS 21 or above; or
 - reputable businessmen as nominated by the Chambers of Commerce and Industry: Provided that the taxpayer shall not nominate a chartered accountant or an advocate if the said chartered accountant or the advocate is or has been an auditor or an authorized representative of the taxpayer.

The Board shall communicate the order of appointment of Committee to the aggrieved person, court of law or the appellate authority where the dispute is pending and to the concerned Commissioner.

The Committee appointed shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within forty-five days of its appointment extendable by another fifteen days for the reasons to be recorded in writing. Such decision by the Committee shall not be cited or taken as a precedent in any other case or in the same case for a different tax year.

The aforesaid decision of the Committee shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending

before the court of law or any appellate authority in respect of dispute and has communicated the order of withdrawal to the Commissioner provided that if the order of withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the Committee upon the aggrieved person, the decision of the Committee shall not be binding on the Commissioner.

The recovery of tax payable by a taxpayer in connection with any dispute for which a Committee has been appointed shall be deemed to have been stayed on the constitution of Committee till the final decision or dissolution of the Committee, whichever is earlier.

The Commissioner shall also withdraw the appeal, if any, pending before any court of law or an appellate authority in respect of dispute within thirty days of the communication of the order of withdrawal by the aggrieved person to the Commissioner subject to the condition that the aggrieved person shall make the payment of income tax and other taxes and within such time as decided by the Committee and all decisions and orders made or passed shall stand modified to that extent.

If the Committee fails to decide within the period of sixty days, 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 under litigation. The Board shall also communicate the order of dissolution to the aggrieved person, court of law or the appellate authority and to the Commissioner.

On receipt of the order of dissolution, the court of law or the appellate authority shall decide the appeal within six months of the communication of the said order.

The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the Chief Commissioner Inland Revenue having jurisdiction over the case.

The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section. Such concept of ADR was not proposed in the Finance Bill however, it has now been enacted through Finance Act, 2023.

Commissioner empowered to recover any outstanding liability

The Act inserted new section 146D to empower the Commissioner to recover any outstanding liability under other statute/ law that is:

- income tax arrears in that law;
- required to be recovered or collected by Commissioner (Inland Revenue); or
- referred to the Commissioner (Inland Revenue) for recovery.

The Commissioner shall recover the said liability and deposit the receipts in the designated account as specified in that law.

Advance tax liability to include super tax

The Act inserted super tax in the provisions relevant to the calculation and payment of advance tax liability.

Income from construction of residential, commercial, or other building subject to advance tax

Persons deriving income from the business of;

- construction and disposal of residential, commercial or
- other buildings; or development and sale of residential, commercial, or other plots for itself or otherwise,

have been made liable to pay adjustable advance tax on Project-by-Project basis as per the rates specified in the newly enacted Part IIB of the First Schedule in four equal installments.

Automatic issuance of exemption certificate in case of payments to non-residents proposed

The Act has amended sub-section (5A) of section 152 to provide automatic issuance of exemption certificate upon expiry prescribed period of thirty days of receipt of application/ notice by the Commissioner with respect to the payments to non-residents.

The Commissioner, however, will have the power to modify or cancel the certificate issued automatically on providing reasons and after providing opportunity of hearing.

The period of thirty days shall however exclude the days taken for adjournment by the applicant.

Direct exporter and export house

Currently, direct exporter and export house as registered under the Duty and Tax Remission for Exports Rules, 2001 is empowered to deduct 1% tax from the payment made to an indirect exporter for a firm contract.

The Act has extended the scope to the above referred direct exporter and export house if it is also registered under Export Facilitation Scheme 2021.

Removal of certain conditions in case of export of service

Through Finance Act 2021, final tax regime was introduced vide section 154A in the following cases:

- export of computer software or IT or IT enabled services where the exporter is registered with Pakistan Software Export Board;
- 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;
- foreign commission due to an indenting commission agent;
- other services rendered outside Pakistan as notified by the Board from time to time.

This benefit is available subject to prescribed conditions that inter alia include the filing of sales tax returns under Federal or Provincial laws, if so required.

The Act has removed the above condition of filing of sales tax return in cases of exporter, of

computer software or IT or IT enabled services, registered with Pakistan Software Export Board.

Payment of tax collected or deducted by SWAPS

The Act has amended the marginal note of section 164A currently referred as '*Payment of tax collected or deducted by SWAPS agents*' to '*Settlement of transactions liable to withholding tax by SWAPS agents*'.

Service of notices and other documents

Section 218(2) provides three different mechanisms to mark service of notice valid. Use of the word "or" after clause (b) gave rise to the understanding that either of the three methods can be construed as valid way of service of notice. Now, the word "or" is removed to make each mechanism mutually independent from each other.

The amendment may be described as a corrective measure.

Establishment of International Centre of Tax Excellence

Chapter XI provides legal provisions with respect to various authorities for administration of the Ordinance. The Act has inserted section 230J for establishment of an Institute of International Centre of Tax Excellence.

It has been enacted that functions of this institute would be to help contribute to the development of tax policy, prepare model national tax policy, deliver interdisciplinary research in tax administration and policy, international tax cooperation, revenue forecasting, conduct international seminars, workshops and conferences on the current issues faced by tax authorities in the field of international taxation, capacity building of Inland Revenue Officers, tax analysis, improve the design and delivery of tax administration for maximizing revenue within existing provisions to close the tax gap or any other function as directed by the Board or the Federal Government.

For this Institute, there shall be a Nominating Committee comprising the Minister-in-Charge, Secretary Revenue Division and Secretary Finance, and an Executive Committee comprising Chairman Federal Board of Revenue, Member (IR-Policy), Member (IR-

Operations) and two independent members to be appointed by the Federal Government.

The appointment of an Executive Director and independent members of the Executive Committee shall be appointed through the panel recommended to the Federal Government by the Nominating Committee. The Nominating Committee shall apply the prescribed criteria for making aforesaid recommendations of the panel. The Executive Director appointed by the Federal Government shall act as Secretary of the Executive Committee.

Executive Director shall also be the Chief Executive of the Institute and shall work to ensure efficient functioning and day to day administrative functions of the Institute and shall be independent in the discharge of its functions.

The Executive Committee shall:

- (a) for every fiscal year, assign the requirements of the Board to be undertaken by the Institute, during the year.
- (b) prescribe rules for recruitment of the employees of the Institute and Executive Director shall act in accordance with the rules. At least fifty per cent of the employees shall be serving Inland Revenue officers having at least 5 years of experience of tax policy or tax administration.

The remuneration and term of employment of the employees of the Institute shall be as prescribed by the Federal Government.

The Board may:

- (a) establish a committee to monitor the establishment of the Institute including appointment of the Project Director for the purpose.
- (b) provide such data to the Institute as is necessary for processing and analysis and for discharging its obligations. Provided that such data shall be anonymized before transmission to the Institute and identifying particulars of the taxpayers shall be kept confidential and provisions of sub-section (7) of section 216 shall apply accordingly.

The Executive Committee has been empowered to make rules for carrying out the purposes of this section by notification in the official gazette.

Reimposition of tax collection on cash withdrawal from bank account

Collection of tax from persons withdrawing cash from a bank account was first introduced through Finance Act, 2005. Later this was restricted to the persons whose name were not appearing on FBR's Active Taxpayers' List (ATL) before being abolished through Finance Act, 2021.

The Act has inserted section 231AB, to re-introduce tax collection at 0.6% on cash withdrawal from bank account exceeding Rs. 50,000 in aggregate in a single day from a person whose name is not appearing on ATL. Tax so collected shall be adjustable.

Advance tax on foreign domestic workers

The Act has inserted section 231C to introduce adjustable advance tax of Rs. 200,000 to be collected from the agency, sponsor or the person employing the services of a foreign national as a domestic worker.

This tax is required to be collected by the relevant authority at the time of issuance or renewal of domestic aide visa.

The tax collected or collectible shall be adjustable against the income of such agency, sponsor or a person, as the case may be, employing the services of such foreign national

FIRST SCHEDULE

Changes in rates of tax on business income derived by individuals and association of persons

(Clause I, Division I, Part I, First Schedule)

For tax year 2024 and onwards, the Act has substituted the rates of tax on business income derived by individuals and association of persons.

After the changes, the table of the progressive rates now appears as below:

Sr. No.	Taxable Income	Rate of Tax
1	Where the taxable income does not exceed Rs. 600,000	0%

Sr. No.	Taxable Income	Rate of Tax
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	7.5% of the amount exceeding Rs. 600,000
3	Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 15,000 + 15% of the amount exceeding Rs. 800,000
4	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 75,000 + 20% of the amount exceeding Rs. 1,200,000
5	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 315,000 + 25% of the amount exceeding Rs. 2,400,000
6	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 465,000 + 30% of the amount exceeding Rs. 3,000,000
7	Where taxable income exceeds Rs. 4,000,000	Rs. 765,000 + 35% of the amount exceeding Rs. 4,000,000

Changes in rates of tax on salary income of individuals

(Clause II, Division I, Part I, First Schedule)

For tax year 2024 and onwards, the Act has substituted the rates of tax on salary income.

After the changes, the table of the progressive rates now appears as below:

Sr. 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.	2.5% of the amount exceeding Rs.

Sr. No.	Taxable Income	Rate of Tax
	1,200,000	600,000
3	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 15,000 + 12.5% of the amount exceeding Rs. 1,200,000
4	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 165,000 + 22.5% of the amount exceeding Rs. 2,400,000
5	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 435,000 + 27.5% of the amount exceeding Rs. 3,600,000
6	Where taxable income exceeds Rs. 6,000,000	Rs. 1,095,000 + 35% of the amount exceeding Rs. 6,000,000

Progressive rates of super tax will be applicable for tax year 2023 and onwards

(Division IIB, Part I, First Schedule)

Please see our comments and table for tax rate at page 1 above.

Changes in the rates of capital gains on disposal of securities

(Division VII, Part I, First Schedule)

The Act has substituted paragraph (ii) of the first proviso to Division VII, whereby, the tax rate of 12.5% shall be charged on capital gain arising on disposal where the securities are acquired on or after the first day of July 2013 but on or before the thirtieth day of June 2022.

Previously, tax at the rate of 12.5% was chargeable on capital gain arising on disposal of securities acquired on or prior to the thirtieth day of June 2022 irrespective of holding period of such securities.

The Act has also added a new paragraph (iii) to Division VII whereby, the rate of tax on capital gain shall be charged to 0% arising on disposal where the securities are acquired before the first day of July 2013.

Tax on commercially imported goods specified in Part III of the Twelfth Schedule

(Part II, First Schedule)

The Act has increased rate of collection of tax at import stage from 5.5% to 6% in the case of commercial importer of goods classified in Part III of Twelfth Schedule.

Tax on construction and development of residential, commercial or other buildings/plots

(Part IIB, First Schedule)

The associated rates of tax with the newly inserted section 147(5C) are as follows:

		Rate in respect of			
1	2	3	4		
Area in	Karachi, Lahore & Islamabad	Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Sialkot, Bahawalpur, Peshawar, Mardan, Abbottabad, Quetta	Urban Areas not specified in columns 2 and 3		
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(i) FOR COMMERCIAL BUILDINGS					
Sq. Ft.	-	-	-		
Any Size	Rs. 250 per Sq. ft.	Rs. 230 per Sq. ft.	Rs. 210 per Sq. ft.		
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(i) FOR RESIDENTIAL BUILDINGS					
Sq. Ft.	-	-	-		
upto 3000	Rs. 80 per Sq. ft.	Rs. 65 per Sq. ft.	Rs. 50 per Sq. ft.		
3000 and above	Rs. 125 per Sq. ft.	Rs. 110 per Sq. ft.	Rs. 100 per Sq. ft.		
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(ii)					
Sq. Yds.	-	-	-		
Any Size	Rs. 150 per Sq. Yd.	Rs. 130 per Sq. Yd.	Rs. 110 per Sq. Yd.		
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(ii) FOR DEVELOPMENT OF INDUSTRIAL AREA					
Sq. Yds.	-	-	-		
Any Size	Rs. 20 per Sq. Yd.	Rs. 20 per Sq. Yd.	Rs. 10 per Sq. Yd.		

Provided that in case of mixed used buildings having both commercial and residential areas, respective rates mentioned above shall apply;

Provided further that in case of development of plots and constructing buildings on the same plots as one project, both rates shall apply.

Increase in tax rate on payments to non-residents having Permanent Establishment

(Division II, Part III, First Schedule)

The Act has increased rate of withholding tax applicable on payment on account of supply of goods, services including specified services and execution of contract by non-resident persons having Permanent Establishment.

The changes in tax rates are summarized in table below:

Nature	Person	Previous Tax Rate	New Tax Rate
Supply of goods	Company	4%	5%
	Other than company	4.5%	5.5%
Specified services	Company / Other than company	3%	4%
Other than specified services	Company	8%	9%
Other than specified services	Other than company	10%	11%
Execution of contract	Company / Other than company	7%	8%

All these tax rates are subject to hundred percent increase as per Tenth Schedule in case of persons not appearing in the active taxpayers' list.

Increase in tax rate on payments to resident persons

(Division III, Part III, First Schedule)

The Act has increased rate of withholding tax applicable on payment on account of supply of goods, services (including specified services)

and execution of contract. The changes in withholding tax rates are summarized in the table below:

Nature	Person	Previous Tax Rate	New Tax Rate
Supply of goods	Company	4%	5%
	Other than company	4.5%	5.5%
Specified services	Company / Other than company	3%	4%
Other than specified services	Company	8%	9%
Other than specified services	Other than company	10%	11%
Execution of contract	Company	6.5%	7.5%
	Other than company	7%	8%

All these tax rates are subject to hundred percent increase as per Tenth Schedule in case of persons not appearing in the active taxpayers' list.

Clarity regarding period of reduced rate of withholding tax on export of IT and IT enabled services

(Division IVA, Part III, First Schedule)

Through Finance Act, 2022, reduced rate of tax at 0.25% was introduced on all proceeds of export of IT and IT enabled services which is treated as final tax.

Now the Act has mentioned applicability of this reduced rate for tax year 2024 to tax year 2026.

Advance tax on purchase, registration and transfer of motor vehicles

(Clause 1, Division VII, Part IV, First Schedule)

The rate of tax under sub-section (1) and (3) of section 231B are substituted as follows:

S. No.	Engine Capacity	Tax
(1)	(2)	(3)

S. No.	Engine Capacity	Tax
1	upto 850 cc	Rs. 10,000
2	851cc to 1000cc	Rs. 20,000
3	1001cc to 1300cc	Rs. 25,000
4	1301cc to 1600cc	Rs. 50,000
5	1601cc to 1800cc	Rs. 150,000
6	1801cc to 2000cc	Rs. 200,000
7	2001cc to 2500cc	6% of the value
8	2501cc to 3000cc	8% of the value
9	Above 3000cc	10% of the value

Provided that the value for the purposes of serial nos. 7 to 9 of the above table shall be in case of motor vehicle -

- (i) Imported in Pakistan, the import value assessed by the Customs authorities as increased by custom duty, federal excise duty and sales tax payable at import stage;
- (ii) Manufactured or assembled locally in Pakistan, the invoice value inclusive of all duties and taxes; or
- (iii) Auction, the auction value inclusive of all duties and taxes.

Provided further that in cases where the engine capacity is not applicable and the value of the vehicle is Rs. 5,000,000/- or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles.

Advance tax at the time of sale by auction

(Division VIII, Part IV, First Schedule)

The Act has enhanced the scope of the proviso to now include "sale by auction of train management services by Pakistan railways".

Advance tax rates on sale and purchase of immoveable property

(Division X and XVIII, Part IV, First Schedule)

The Act has increased the rates of advance tax under sections 236C and section 236K to 3% from the current rate of 2%.

Advance tax on payment to non-resident through debit / credit or prepaid cards

(Division XXVII, Part IV, First Schedule)

The Act has increased rate of tax collection from 1% to 5% on payment to non-resident through debit / credit or prepaid cards.

Consequently, rate of tax collection from persons not appearing on Active Taxpayer List, would be increased from current 2% to 10%.

SECOND SCHEDULE

Part I - Exemptions from total income

New exemptions proposed in Second Schedule

Following new exemptions have been introduced by the Act:

- Clause (66) clause (1) provides exemption of any income derived by the institutions mentioned there-in.

Following entries in Table 1 of Clause (66) have been inserted:

S. No.	Entities Name
1	The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect from 5 th August, 2022.
2	Film and Drama Finance Fund
3	Export-Import Bank of Pakistan
4	Shaheed Mohtarma Benazir Bhutto Institute of Trauma, Karachi
5	Shaheed Zulfikar Ali Bhutto Institute of Science and Technology

- Clause (66) clause (2) provides exemption of any income derived by the institutions mentioned there-in. Such exemption are subject to provisions of section 100C of the Ordinance relating to hundred percent tax credit.

Following entries in Table 2 of Clause (66)(2) have been inserted:

S. No.	Entities Name
1	Baluchistan Bar Council
2	Islamabad Bar Council
3	Khyber Pakhtunkhwa Bar Council
4	Punjab Bar Council
5	Sindh Bar Council
6	Shaheed Zulfikar Ali Bhutto Foundation (SZABF)

- Clause 150 of Part I of Second Schedule provides exemption of income derived by Siyahkalem Engineering Construction Industry and Trade Company Limited from contract dated 23rd May 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by the Saudi Fund for Development with effect from tax year 2017.

Now this clause is amended to extend its exemption to the income derived by Alteraz Engineering Consultant as well.

- The bill proposed tax holiday for small and medium enterprise setup exclusively as agro based industry in a rural area duly notified for five tax years commencing from tax year 2024 till tax year 2028 subject to the conditions that the enterprise is set-up on after 1 July 2023 and is not formed by transfer or reconstitution or reconstruction or splitting-up of an existing business.

However, this proposed amendment has not been adopted in the Act.

Amendment in certain exemptions

- Clause (99A) provides exemption to profits and gains accruing to a person on sale of

immovable property or shares of special purpose vehicle to any REIT scheme upto 30th June 2023.

The Bill proposed to extend the limitation of exemption for one more year till 30 June 2024 however this proposed amendment has not been adopted in the Act.

- Clause (145A) provides exemption to such income as was exempt under the Constitution prior to the Twenty-fifth Amendment) Act, 2018 of individuals who are domiciled or company and association of persons resident in Tribal Areas forming part of Provinces of Khyber Pakhtunkhwa and Balochistan till 30 June 2023.

The Act has extended the limitation of exemption for one more year till 30th June 2024.

Part IV - Exemptions from specific provisions new exemptions

Exemptions in respect of the Prime Minister's Relief Fund

(Insertion of Clauses 11A(Xlvi), 121, 122)

The Act has exempted 'The prime Minister's Relief Fund' from applicability of minimum tax, withholding taxes on profit on debt and telephone / internet bills under sections 113, 151 and 236 respectively.

Exemptions in respect of imports

(Insertion of Clauses (123) and (124))

- The Act has provided exemption from collection of advance tax under section 148 on goods required and imported for relief operation for flood affectees, duly certified by the National Disaster Management Authority or the Provincial Disaster Management Authority for the period of 03 months starting from 1 December 2022 and ending on 28 February 2023.
- The Act has provided exemption from advance tax under section 148 on imports of tomato and onion till 31st December 2022.

(Clauses 109A and 110- Time line extended)

Consequent to amendment in clause (145A) Part I to extend exemption to income bestowed

under the Constitution prior to the Twenty-fifth Amendment) Act, 2018 of individuals who are domiciled or company and association of persons resident in Tribal Areas forming part of Provinces of Khyber Pakhtunkhwa and Balochistan till 30 June 2024, the clauses 109A and 110 have also been amended to extend the related withholding tax provisions till 30 June 2024.

Exemptions clause omitted

Exemptions in respect of advance tax on insurance premium

The Act has omitted Clause (100) of Part IV of Second Schedule since it became redundant after the omission of section 236U of the Ordinance vide Finance Act, 2020.

Fourth Schedule [Insurance business] & Fifth Schedule – Part I [Petroleum exploration and production business]

The Act has inserted new rule 6DB in the Fourth Schedule and 4AC in the Fifth Schedule to extend the application of provisions delineated in Section 99D shall be applicable to the taxpayers falling within the purview of the Fourth and Fifth Schedule, respectively.

Please see page 7 above for our comments on section 99D.

Seventh Schedule [Banking companies]

The Act has rectified the existing anomaly in rule 7CA by substituting the tax year 2022 with the tax year 2023.

In view of super tax under section 4B for tax year 2022, super tax under section 4C of the Ordinance was not applicable to banking companies for tax year 2022 but this was wrongly mentioned in aforesaid rule 7CA which has been corrected now for applicability for tax year 2023.

Insertion of Rule 7CB

The Act has inserted new rule 7CB in the Seventh Schedule to extend the application of the provisions delineated in section 99D to the taxpayers falling within the purview of Seventh Schedule.

Extending the time period in rules 7D, 7E and 7F

These schedules stipulate benefit of a reduced rate of tax on additional advances granted to micro, small and medium enterprises under rule 7D, additional advances provided for low-cost housing under rule 7E and additional advances designated as farm credit under rule 7F.

This benefit is currently available till tax year 2023. The bill proposed it to be extended till tax year 2025, however the Act has not adopted this proposed amendment and consequently these rules would not be applicable beyond tax year 2023.

Further exemptions proposed in Rule 8

The Act has inserted sub-rules (4) and (5) in Rule 8 whereby profit on debt and capital gains arising from Federal Government's sovereign debt or a sovereign debt instrument shall be exempt from tax chargeable under the Ordinance. This exemption applies to any non-resident banking company that has been approved by the Federal Government under a sovereign agreement for this purpose.

The Finance Act, 2022 enhanced the rate of tax for taxable income attributable to investment in the Federal Government securities earned by banking companies under sub-rule (6A) under Rule 6.

Sub-rule (5) has been inserted whereby the provisions of sub-rule (6A) of rule 6C shall not be applicable to a banking company for tax year 2024.

EIGHTH SCHEDULE

Collection and payment of super tax by NCCPL on capital gains

The Act has inserted Rule 4C whereby in addition to capital gain tax, NCCPL shall also compute and collect super tax under section 4C of the Ordinance on the capital gains computed under Eighth Schedule and the rules prescribed thereunder.

TENTH SCHEDULE

Section 231AB relating to advance tax on cash withdrawal has been exempted from application of the tenth schedule to the Ordinance.

THIRTEENTH SCHEDULE

The Act has inserted following new entries in the Table for the purpose of tax credit under section 61 of the Ordinance:

- The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5 August 2022; and
- Film and Drama Finance Fund.

Amendments proposed through the Finance Bill 2023 but not adopted in the Finance Act 2023.

- Enhancement of Scope of “Small and Medium Enterprises [SME]” to include persons providing or rendering IT services or IT enabled services. Threshold of turnover to qualify as SME for concessionary tax regime would be Rs. 800 million from Rs. 250 million. Conditional tax holiday for SMEs setup exclusively as Agro based industry in a rural area.
- 50% reduction in tax payable proposed from tax year 2024 and 2026 for youth enterprise up to two million rupees in case of an individual / AOP and up to five million rupees in case of a company.
- Exemption from profits and gains accruing to a person on the sale of immovable property or shares or Special Purpose Vehicle to any type of REIT scheme extended up to 30 June 2024.
- Non-application of section 111 provided on amount of USD 100,000 per annum remitted from outside Pakistan through normal banking channel.
- Reduction of minimum turnover tax from 1.25% to 1% in case of listed companies.
- Tax credit for tax years 2024 to 2026 for an individual on construction of a new residential house.
- Reduction in tax liability of a banking company on income arising from additional advances to certain specified sectors.
- Reduction in tax liability on income from new construction projects to a ‘builder’.
- Non-applicability of advance tax on purchase of immovable property by overseas Pakistanis through Roshan Digital Account.

Withholding Tax Collection / Deduction Rate Card

FIRST SCHEDULE

Note: * Persons 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.

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
148	Collection of tax at Imports					
I.	Persons importing goods classified in Part I of the Twelfth Schedule	1	*2	Minimum / not minimum in the hands of industrial undertaking	Minimum / not minimum in the hands of industrial undertaking	Advance Tax Collection by Collector of Customs
II.	Persons importing goods classified in Part II of the Twelfth Schedule	2	*4 other than commercial importer	Minimum / not minimum in the hands of industrial undertaking for its own use	Minimum / not minimum in the hands of industrial undertaking for its own use	Advance Tax Collection by Collector of Customs
III.	Persons importing goods classified in Part III of the Twelfth Schedule	5.5	*11 other than commercial importer	Minimum / not minimum in the hands of industrial undertaking for its own use	Minimum/ not minimum in the hands of industrial undertaking for its own use	Advance Tax Collection by Collector of Customs
IV.	Import by manufacturers covered under rescinded SRO. 1125(I)2011 dated 31 December 2011	1	*2	Adjustable	Adjustable	Advance Tax Collection by Collector of Customs
V.	Persons importing finished pharmaceutical products that are not manufactured in Pakistan as certified by DRAP.	4	*8	Minimum	Minimum	Advance Tax Collection by Collector of Customs
VI.	Import of Mobile phones	Varying rates		Minimum	Minimum	Advance Tax Collection by Collector of Customs
VII.	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	Advance Tax Collection by Collector of Customs
VIII	- Import by commercial importer of goods classified in Part II of Twelfth schedule - Import by commercial importer of goods classified in Part III of Twelfth Schedule	3.5	*7	Minimum	Minimum	Advance Tax Collection by Collector of Customs
		6%	*12%	Minimum	Minimum	-do-
IX	Import by every person of edible oil, packaging material, paper and paper	2,3,5,5.5	*4,7,11	Minimum	Minimum	Advance Tax Collection by Collector of

Section	Type of Payment	Rate %	Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active /In-Active			
	board; or plastics				Customs
149	Salary				
I.	Where the taxable income does not exceed Rs. 600,000	0%	Adjustable	N/A	
II.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	2.5% of amount exceeding Rs. 600,000	Adjustable	N/A	
III.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 15,000 plus 12.5% of the amount exceeding Rs. 1,200,000	Adjustable	N/A	
IV.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 165,000 plus 22.5% of the amount exceeding Rs. 2,400,000	Adjustable	N/A	
V.	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 435,000 plus 27.5% of the amount exceeding Rs. 3,600,000	Adjustable	N/A	
VI.	Where taxable income exceeds Rs. 6,000,000	Rs. 1,095,000+35% of the amount exceeding Rs. 6,000,000	Adjustable	N/A	
VII.	Director fee	20	Adjustable	N/A	
150	Dividend payment or dividend in specie				
I.	Independent Power Producers where such dividend tax 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 / *15	Final	Final	Tax Deduction by the payer of dividend
II.	Company where no tax is payable due to exemption of income or carry forward business losses or claim of tax credit	25 / *50	Final	Final	Tax Deduction by the payer of dividend
III.	Mutual fund or real estate investment trust	15 / *30	Final	Final	Tax Deduction by the payer of dividend
IV.	Any other case	15 / *30	Final	Final	Tax Deduction by the payer of dividend
151	Profit on debt				
I.	Yield on an account, deposit or a certificate under the National Savings Scheme or Post office saving account	15 / *30	Minimum / Adjustable	Adjustable	Tax Deduction by the payer of the profit
II.	Profit on a debt, being on an account or deposit	15 / *30	Final	Final	Tax Deduction by the payer of

Section	Type of Payment	Rate %	Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active /In-Active			
	maintained with a banking company or a financial institution				the profit
III.	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	Final	Final	Tax Deduction by the payer of the profit
IV.	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	Final	Final	Tax Deduction by the payer of the profit
151 (1A)	Return on investment in sukuk , (excluding "The Second Pakistan Sukuk Company" and "The Third Pakistan Sukuk Company"). In case, sukuk holder is:				
I.	Company	25 / *50	N/A	Adjustable	Tax Deduction by every SPV or Company at the time of making payment
II.	Ind & AOP (where the return is more than one million)	12.5 / *25	Minimum / Final	N/A	Tax Deduction by every SPV or Company at the time of making payment
III.	Ind & AOP (where the return is less than one million).	10 / *20	Minimum	N/A	Tax Deduction by every SPV or Company at the time of making payment
152	Payments to non-residents				
I.	Royalty and technical fee	15	Final	Final	Tax Deduction by every person paying an amount
II.	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 projects or any other contract for construction or services rendered relating thereto	7	Minimum	Minimum	Tax Deduction by every person paying an amount
III.	Contract for advertisement services rendered by TV	7	Minimum	Minimum	Tax Deduction by every person

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
	Satellite channel					paying an amount
IV.	Insurance premium or re-insurance premium	5		Minimum	Minimum	Tax Deduction by every person paying an amount
V.	Advertisement services relaying from outside Pakistan	10		Minimum	Minimum	Tax Deduction by every person paying an amount
VI.	Foreign produced commercial for advertisement on any television channel or any other media	20		Final	Final	Tax Deduction by every person responsible for making payment
VII.	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		N/A	Final	Tax deduction by every banking company or a financial institution maintaining special convertible rupee account
VIII.	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	Tax deduction by every banking company or financial institution maintaining Foreign Currency Value Account or non-resident Pakistan Rupee Value Account
IX.	Return on investment in sukuk (excluding "The Second Pakistan Sukuk Company" and "The Third Pakistan Sukuk Company"). In case, sukuk holder is:					Tax deduction by every special purpose vehicle or a company
X.	- 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	
XI.	Profit on debt to non-resident person not having a PE in Pakistan	10		N/A	Adjustable/ Final in specified situations	Tax deduction by the person responsible for making of payment
XII.	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	10		Final	N/A	Tax deduction by the person responsible for making of payment

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	/In-Active			
	maintained abroad, a non-resident repatriable rupee account or a foreign currency account maintained with a banking company in Pakistan					
XIII.	Fee for offshore digital services	10		Final	Final	
XIV.	Payment of service charges or commission or fee to the global money transfer operators, international money transfer operators or such other persons engaged in international money transfer operations or such other persons engaged in international money transfer or cross-border remittance for facilitating outward remittances by exchange companies licensed by State Bank of Pakistan	10		Final	Final	Every exchange company licensed by State Bank of Pakistan making payment
XV.	Payment by banking company to card network company or payment gateway or any other person, of any transaction fee or licensing fee or service charges or commission or fee by whatever name called or inter-bank financial telecommunication services	10		Final	Final	Every banking company making payment
XVI.	Other payments	20		Adjustable	Adjustable	Every person payment an amount
XVII.	In case of cohesive business operations as per section 2(41)(g) if allowed by Commissioner on an application by the person making the payment	1.4 (20% of 7)		Ind(N/A)/Adjustable in the hands of PE of AOP for profits arising from Cohesive Business operations	Adjustable in the hands of PE for profits arising from Cohesive Business operations	Deduction of tax by every person paying the amount
152 (2A)	Payments to PE of a non-resident					
I.	Sale of goods					Tax Deduction by every prescribed person making a payment
	Company	5 / *10		-	Minimum / not minimum subject to conditions	Tax Deduction by every prescribed person making a payment
	Other than company	5.5/ *11		Minimum	-	Tax Deduction by every prescribed person making a payment
II.	- Transport services - Freight forwarding services	4 / *8		Minimum	Minimum	Tax Deduction by every prescribed person making a

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	/In-Active			
	<ul style="list-style-type: none"> - 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 Ltd and Pakistan Mercantile Exchange Ltd inspection and certification - Testing and training services - Oil field services 					payment
III.	Services not covered above					
	- Company	9 / *18		N/A	Minimum	Tax Deduction by every prescribed person making a payment
	- Other than company	11 / *22		Minimum	N/A	Tax Deduction by every prescribed person making a payment
IV.	Execution of a contract	8 / *16		Minimum	Minimum	Tax Deduction by every prescribed person making a payment
V.	Sports Person	10 / * 20		Minimum	N/A	Tax Deduction by every prescribed person making a payment
153	Goods, services and execution of a contract					
I.	Sales of rice, cotton seed oil or edible oil	1.5 / *3		Minimum	Minimum / adjustable for manufacturer / listed company	Tax Deduction by every prescribed person making a payment
II.	Distributors of cigerrates and pharmaceutical products (and for large distribution	1 / *2		Minimum	Minimum	Tax Deduction by every prescribed

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
	houses qualifying to be large import house)					person making a payment
III.	Distributors, dealers, sub-dealers, wholesalers and retailers of fast-moving consumer goods, fertilizers, electronics excluding mobile phones, sugar, cement, steel and edible oil, if they are appearing in ATL of income tax and sales tax.	0.25		Minimum	Minimum	Tax Deduction by every prescribed person making a payment
IV.	On supplies of gold, silver and articles thereof	1/*2		Adjustable	Adjustable	Tax Deduction by every prescribed person making a payment
V.	Sale of any other goods (including toll manufacturing) in the case of:					Tax Deduction by the prescribed person making payment
	Company	5 / *10		N/A	Minimum / adjustable for manufacturer / listed company	Tax Deduction by the prescribed person making payment
	Other taxpayers	5.5 / *11		Minimum	N/A	Tax Deduction by the prescribed person making payment
VI.	<ul style="list-style-type: none"> - 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 	4 / *8		Minimum	Minimum	Tax Deduction by the prescribed person making payment

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	/In-Active			
	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.					
VII.	Oil tanker contractor services	2	*4	Minimum	Minimum	Tax Deduction by the prescribed person making payment
VIII.	Other services in the case of:					
	- Company	9	*18	N/A	Minimum	Tax Deduction by the prescribed person making payment
	- Other taxpayers	11	*22	Minimum	N/A	Tax Deduction by the prescribed person making payment
IX.	Electronic and print media for advertisement services	1.5	*3	Minimum	Minimum	Tax Deduction by the prescribed person making payment
X.	Execution of a contract in the case of:					
	- Company	7.5	*15	-	Minimum/ adjustable for listed company / subject to conditions	Tax Deduction by the prescribed person making payment
	- Other taxpayers	8	*16	Minimum	N/A	Tax Deduction by the prescribed person making payment
	Sports person	10	*20	Minimum	N/A	Tax Deduction by the prescribed person making payment
XI.	Deduction by exporter or an export house on payment for rendering of certain services	1	*2	Minimum	Minimum	Tax Deduction by the prescribed person making payment
154	Exports					
I.	At the time of realization of foreign exchange proceeds on account of the export of goods by an exporter	1		Final	Final	Tax Deduction by every authorized dealer in foreign exchange

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	/In-Active			
II.	At the time of realization of the proceeds on account of a sale of goods to an exporter under an inland back -to-back letter of credit or any other arrangement	1		Final	Final	Tax Deduction by every banking company
III.	At the time of export of goods by an industrial undertaking located in the areas declared by the Federal Government to be a Zone	1		Final	Final	Tax Collection by EPZA (the Export Processing Zone Authority)
IV.	At the time of making payment for a firm contract to an indirect exporter	1		Final	Final	Tax Deduction by every direct exporter and an export house
V.	At the time of clearing of goods exported	1		Final	Final	Tax Collection by the Collector of Customs
154A	Export of Services					
I.	Exports of computer software or IT services or IT enabled services persons registered with Pakistan Software Export Board	0.25		Final subject to conditions	Final subject to conditions	Tax Deduction by every authorized dealer in foreign exchange.
II.	<p>a) services or technical services rendered outside Pakistan or exported from Pakistan;</p> <p>(b) 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;</p> <p>(c) construction contracts executed outside Pakistan;</p> <p>(d) foreign commission due to an indenting commission agent; and</p> <p>(e) other services rendered outside Pakistan as notified by the Board from time to time;</p>	1		Final subject to conditions	Final subject to conditions	Tax Deduction by every authorized dealer in foreign exchange.
155	Income from Property					
	Annual rent of immovable property including rent of furniture and fixtures and amount of service relating to such property					Tax Deduction by every prescribed person making a payment in full/part
	- In case of company	15 / *30		N/A	Adjustable	Tax Deduction by every

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
						prescribed person making a payment in full/part
	- In case of other taxpayers		Progressive rates	Adjustable	N/A	Tax Deduction by every prescribed person making a payment in full/part
156	Prizes and winnings					
I.	Gross amount of prize bond winning.		15 / *30	Final	Final	Tax Deduction by every person paying prize on prize bond, winnings from raffle/lottery.
II.	Gross amount of Prize on crossword puzzle.		15 / *30	Final	Final	Tax Deduction by every person paying prize on prize bond, winnings from raffle/lottery.
III.	Gross amount of raffle/lottery winning, prize on winning a quiz, prize offered by a company for promotion of sales.		20 / *40	Final	Final	Tax Deduction by every person paying prize on prize bond, winnings from raffle/lottery.
156A	Petroleum products					
	Commission or discount allowed to petrol pump operators		12 / *24	Final	Final	Tax Deduction by every person selling petroleum product to petrol pump operator
231AB	Advance Tax on Cash Withdrawal					
	Cash withdrawal exceeding Rs 50,000/- per day from all accounts		0/0.6			Adjustable
231C	Advance tax from agency, sponsor on Foreign Domestic Workers					
	On issuance or renewal of visa to foreign national as domestic worker		Rs 200,000/400,000			Adjustable
231B	Advance tax on motor vehicles					
	At the time of registration of a motor vehicle		Varying slabs on the basis of engine capacity Provided that in cases where the engine capacity is not applicable and the value of vehicle is Rs. 5.00 million or more, the rate of tax collectible shall be 3% of the import	Adjustable	Adjustable	Advance Tax Collection subject to conditions, by every motor vehicle registration authority of excise and taxation department

Section	Type of Payment	Rate %	Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active /In-Active			
		<p>value as increased by custom duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles</p> <p>Provided that tax required to be collected shall be increased by 200% for persons not appearing in active taxpayers list</p>			
	At the time of leasing of a motor vehicle to a person not appearing in ATL	4	Adjustable	Adjustable	Advance Tax Collection by every leasing company or a scheduled bank or a NBFC Or an investment bank or a modaraba or a DFI
	At the time of transfer of registration or ownership of a motor vehicle	<p>Varying slabs on the basis of engine capacity</p> <p>Provided that in cases where the engine capacity is not applicable and the value of vehicle is Rs. 5.00 million or more, the rate of tax shall be Rs 20,000</p> <p>Provided further that the rate of tax to be collected under this clause shall be reduced by ten percent each year from the date of first registration in Pakistan.</p> <p>Provided that tax required to be collected shall be increased by 200% for persons not appearing in active taxpayers list</p>	Adjustable	Adjustable	Advance Tax Collection by every motor vehicle registration authority of excise and taxation department
	At the time of sale of a motor vehicle by the manufacturer	<p>Varying slabs</p> <p>Provided that in cases where the engine capacity is not applicable and the value of vehicle is Rs. 5.00</p>	Adjustable	Adjustable	Advance Tax Collection by every manufacturer of a motor car or jeep

Section	Type of Payment	Rate %	Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active /In-Active			
		million or more, the rate of tax collectible shall be 3% of the import value as increased by custom duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles Provided that tax required to be collected shall be increased by 200% for persons not appearing in active taxpayers list			
	Collection of Advance tax at the time of registration if the locally manufactured motor vehicle is sold prior to registration by the original purchaser				Advance Tax Collection every motor vehicle registration authority of excise and taxation department
	- Upto 1000cc	100,000/300,000	Adjustable	Adjustable	
	- 1001cc to 2000cc	200,000/600,000	Adjustable	Adjustable	
	- 2001cc and above	400,000/1,200,000	Adjustable	Adjustable	
233	Brokerage & Commission				
I.	Advertisement agent	10 / *20	Minimum	Minimum	Tax Deduction by the principle
II.	Life Insurance Agent where commission is less than Rs. 0.5 million per annum	8 / *16	Minimum	Minimum	Tax Deduction by the principle
III.	Others	12 / *24	Minimum	Minimum	Tax Deduction by the principle
234	Tax on "motor vehicle tax"				
	Registered laden weight/Seating capacity/Engine capacity and life of vehicle used	Varying rates	Adjustable	Adjustable	Advance Tax Collection by any person collecting motor vehicle tax
235	Electricity consumption				
I.	Industrial or Commercial consumers with monthly electricity bill				Advance Tax Collection by a person preparing electricity consumption bill
	- Upto Rs 500	Nil	-	-	
	- Exceeds Rs 500 but does not exceed Rs 20,000	10	Minimum	Adjustable	
	- Exceeds Rs. 20,000	Rs 1,950 plus 12% of the amount exceeding 20,000	Minimum/ Adjustable subject to conditions	Adjustable	

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
			for commercial consumers			
			Rs 1,950 plus 5% of the amount exceeding 20,000 for industrial consumers	Minimum/ Adjustable subject to conditions	Adjustable	
II.	Domestic consumers, if not included in ATL		7.5% if the monthly bill exceeds Rs. 25,000	Minimum/ Adjustable subject to conditions	N/A	Advance Tax Collection by a person preparing electricity consumption bill
236	Telephone & internet bill					
I.	Telephone monthly bill exceeding Rs 1,000		10	Adjustable	Adjustable	Tax Deduction by the person preparing telephone or internet bill
II.	Subscriber of internet and prepaid internet card or sale of units through any electronic medium or whatever form		15	Adjustable	Adjustable	Tax Deduction by the person issuing or selling prepaid card for telephones
III.	Mobile telephone and prepaid card for telephones or sale of units through any electronic medium or whatever form.		15	Adjustable	Adjustable	Advance Tax Collection by the person issuing or selling units
236A	Sale by auction / tender					
I.	Sale of goods or property (excluding immovable property)		10 / *20	Adjustable	Adjustable	Tax Deduction by any person making sale by public auction
II.	Sale of immovable property		5 / *10	Adjustable	Adjustable	Tax Deduction by any person making sale by public auction
III.	Lease of right to collect toll		10 / *20	Final	Final	Tax Deduction by any person making sale by public auction
236C	Sale or transfer of immovable property					
	On gross amount of consideration received		3 / *6	Adjustable/ minimum/ final subject to conditions	Adjustable/ minimum subject to conditions	Tax Deduction by every person responsible for registering or attesting transfer
236CA	Advance tax on tv plays and advertisements					
	Foreign-produced TV drama serial or play		Rs. 1,000,000 per episode/*Rs. 2,000,000 per episode	N/A	Minimum	Any licensing authority certifying any foreign TV drama serial or play
	Foreign-produced TV play (single episode)		Rs.3,000,000/*Rs. 6,000,000	N/A	Minimum	Any licensing authority certifying any foreign TV drama serial or

Section	Type of Payment	Rate %	Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active /In-Active			
					play
	Advertisement starring foreign actor	Rs. 100,000 per second/Rs. 200,000 per second	N/A	Minimum	Any licensing authority certifying any commercial for advertisement starring foreign actor
236CB	Advance tax on functions and gatherings	10/20	Adjustable	Adjustable	Owner/ operator of facility
236G	Advance tax on sales of specified goods to distributors, dealers, and wholesalers				
	- Fertilizer	0.7 / *1.4 / 0.25, if appearing in the ATL of income and sales tax	Adjustable	Adjustable	Tax Deduction by every manufacturer or commercial importer
	Other than fertilizer	0.1 / *0.2	Adjustable	Adjustable	Tax Deduction by every manufacturer or commercial importer
236H	Advance tax on sales of specified goods to retailers or wholesaler	0.5 / *1	Adjustable	Adjustable	Tax Collection by every manufacturer, wholesaler, distributor, dealer or commercial importer
236K	Advance tax on purchase of immovable property	3 /10.5 (of the FMV) In case of persons not appearing in active taxpayers list, the tax shall be increased by two hundred and fifty percent	Adjustable/ Final subject to conditions	Adjustable	Tax Deduction by every person responsible for registering or attesting transfer
236Y	Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards	5/*10	Adjustable		Tax deduction by every banking company
236Z	Value of Bonus shares issued	10/20	Final Tax		Tax deduction by every company issuing Bonus shares

Sales Tax Act, 1990

Deletion of production, transmission, and distribution from “goods” and “supply”

The Act has deleted “production, transmission, and distribution of electricity” from the definition of “goods” as per Section 2(12) and definition of “supply” as per section 2(33)(e) of the Act 1990.

It is pertinent to mention that electricity is considered as goods as per definition of “goods” under section 2(7) of the Sales of Goods Act 1930. The Federal Government has the constitutional right to tax goods under Federal Legislative list entry no. 49 of the Constitution of Islamic Republic of Pakistan 1973. The Production and Distribution of electricity was subjected to Federal Sales Tax under Act 1990, however, the same was specifically included in the definition of “goods” and “supply” along with Transmission through Finance Act, 2022. On the other hand, Provinces of Baluchistan and KPK included both the “transmission” and “distribution” portion of the supply chain to their relevant statutes, whereas Punjab and Sindh only included “Transmission” in their relevant statutes for charging of Provincial sales tax considering the same as a “service”. The above situation had created a lacuna as to who has the right to tax which element of supply chain of electricity. A prima facie perusal of the amendment reveals that apparently the federal legislature has forgone its right to tax on transmission and distribution. However, even before the inclusion of all three aspects under the definition of supply before Finance Act, 2022, the Federal Government was collecting sales tax on production and distribution.

On the other hand, new serial No.60 is proposed in Islamabad Capital Territory (Tax on Services) Ordinance, 2001 through which Electric Power Transmission Services have been made taxable at the rate of 15 %.

In view of the forgoing, apparently production of electricity will remain under the ambit of Sales Tax Act, 1990.

Scope of Tier–1 retailer reduced

Section 2(43A) of the Act 1990 provides threshold limit and qualification criteria for tier-1

retailers. The Act has reduced the scope of definition through omission of clauses (e) and (ga) which relate to following:

- a retailer, whose shop measures one thousand square feet in area or more or two thousand square feet in area or more in the case of retailer of furniture.
- Person engaged in supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.

Consequent to above amendments above retailer would not be considered as tier -1 retailer, and accordingly would be liable to pay sales tax through their electricity bills as per section 3(9) of the Act 1990, provided it does not fall under any other criteria provided under section 2(43A) of the Act 1990.

Rate of ‘Further Tax’ increased

Levy of ‘further tax’ chargeable on taxable supplies made to the non-registered persons or inactive taxpayer has increased from 3% to 4%. Thus, the supplies made to persons who have not obtained sales tax registration or supplies made to inactive taxpayer will be subject to sales tax at 18% plus 4%. This change will enhance cost of doing business in the informal sector, to nudge businesses towards sales tax registration and compliance towards active taxpayer.

The above amendment was not proposed through Finance Bill.

Enhancement in Scope of Penalties

Previously through Finance Act, 2017 penalties were imposed through serial No. 23 on any person who manufactures, possesses, transports, distributes, stores or sells cigarette packs with or without counterfeit, tax stamps banderoles stickers, labels or barcodes.

Now through the Act the scope of the above has been enhanced by imposing the penalty on any goods or any class of goods as may be specified by the Board.

Mechanism of Alternative Dispute Resolution Revamped

The concept of alternative dispute resolution was first introduced by the Finance Ordinance, 2002 to provide an avenue for the expeditious settlement of disputes between the Board and taxpayers and to reduce the high pendency of cases at various appellate forums.

These provisions were revised from time to time in order to make the mechanism more effective. The Act has again substituted the provisions relating to alternative dispute resolution under section 47A of the Act, 1990. Following are the salient features of the new scheme:

- The aggrieved person 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.
- The dispute should be in relation to:
 - the liability of tax of one hundred million rupees or above against the aggrieved person or admissibility of refund, as the case may be;
 - the extent of waiver of default surcharge and penalty; or
 - any other specific relief required to resolve the dispute
- The application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute, including an offer of tax payment.
- The Board after examining the application shall appoint a Committee within 15 days of receipt of application consisting of :
 - retired judge not below the rank of a judge of High Court, who shall also be the Chairperson of the Committee, to be nominated by the Board from a panel notified by the Law and Justice Division for such purpose.
 - Chief Commissioner Inland Revenue having jurisdiction over the case, and
 - person to be nominated by the registered person from a panel comprising of Chartered Accountants, Cost and Management Accountants, Advocates, having minimum of ten years' experience in the field of taxation, officer of Inland Revenue who have retired in BS 21 or above and reputable businessmen as nominated by Chambers of Commerce and Industry.
- The aggrieved person shall not nominate a Chartered Accountant or an advocate if the said Chartered Accountant or the advocate is or has been an auditor or an authorized representative of the registered person.
- The Board shall communicate the order of appointment of Committee to the aggrieved person, court of law or the appellate authority where the dispute is pending and the concerned Commissioner.
- The Committee shall examine the issue and may, if it deem necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within 45 days of its appointment extendable by another 15 days for the reasons to be recorded in writing.
- The decision of the Committee shall not be cited or taken as precedent in any other case or in the same case for different tax year.
- The recovery of tax payable shall be deemed to have been stayed on the constitution of Committee till the final decision or the dissolution of the Committee whichever is earlier.
- The decision of the Committee shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before any appellate authority and has communicate the order of withdrawal to Commissioner.
- The decision of the Committee shall not be binding on the Commissioner if the order of withdrawal is not communicated to the Commissioner within 60 days of the service of decision of the Committee.
- The Commissioner shall also withdraw the appeal pending before any appellate

authority within 30 days of the communication of order of withdrawal by the aggrieved person to the Commissioner.

- If the Committee fails to decide the dispute within the period of 60 days, the Board shall dissolve the Committee and the matter shall be decided by the appellate authority.
- The Board shall communicate the order of dissolution to appellate authority which shall decide the appeal within six months of the communication of the order.

FIFTH SCHEDULE

Zero rating introduced

The Act has introduced zero rating on imports or supplies made by, for or to a qualified investment as specified at Serial No.1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act.

Amendments or Substitution Made

The Act has substituted the following entries in Fifth Schedule.

Entry No.	Existing Description of Good	Revised Description of Goods
12(xvii)	Preparations suitable for infants, put up for retail sale not exceeding rupees five hundred per two hundred grams (PCT Heading 1901.1000)	Preparations suitable for infants, put up for retail sale not exceeding rupees six hundred per two hundred grams] (PCT Heading 1901.1000. This change has not been proposed by the Finance Bill.
12 (xxv)	Geometry boxes (PCT heading 9017.2000)	Other drawing, marking out or mathematical calculating instruments (geometry box) (PCT heading 9017.2000)
21	Local supplies of raw materials,	Local supplies of commodities , raw

Entry No.	Existing Description of Good	Revised Description of Goods
	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 as specified therein.	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 as specified therein.

SIXTH SCHEDULE

Exemption withdrawn

Table I

The Act has withdrawn certain exemption through omission in Table-I of Sixth Schedule.

Entry No.	Description of Goods
159.	Import of auto disable Syringes till 30 th June 2021.
160.	Import of following raw materials for the manufacturers of auto disable syringes till 30 th June 2021 <ul style="list-style-type: none"> (i) Tubular metal needles (ii) Rubber Gaskets

Exemption Substituted and Rationalized

Table I – Imports or supplies

- Under Serial no. 16, 17 and 18 there was no exemption to import and supply of Red chillies, Ginger and Turmeric sold in retail packing bearing brand names and trademark, now the Act has withdrawn the exemption on import and supply of Red chillies, Ginger and Turmeric sold under brand names and trademark irrespective of the fact that they are sold in retail packing or not. For the sake of clarity, comparison of

existing and proposed clauses are given below.

Entry No.	Existing Description of Good	Revised Description of Goods
16.	Red chillies excluding those sold in retail packing bearing brand names and trademarks.	Red chillies excluding those sold under brand names and trademarks.
17.	Ginger excluding those sold in retail packing bearing brand names and trademarks.	Ginger excluding those sold under brand names and trademarks.
18.	Turmeric excluding those sold in retail packing bearing brand names and trademarks.	Turmeric excluding those sold under brand names and trademarks.

- The Act has added explanation in serial no. 121 clarifying that blood transfusion sets not packed in aluminum foil imported with blood bags CPDA-1, in corresponding quantity in same consignment are also exempt.
- The Act has extended the exemption available to tribal areas (FATA/PATA) under serial no. 151 and 152 till 30th June 2024.
- The Act has excluded the "DAP" from the purview of exemption given in serial No. 168 and introduced rate of sales tax i.e. 5% in the Eight Schedule with the condition no refund of excessive input tax, if any shall be admissible.
- This amendment was not earlier proposed by the Finance Bill.

Table II – Local supplies only

The Act has amended the description in the following entries of Table-II of Sixth Schedule:

Entry No.	Existing Description of Good	Revised Description of Goods
-----------	------------------------------	------------------------------

Entry No.	Existing Description of Good	Revised Description of Goods
27	Wheat Bran	Wheat Bran (this exemption shall apply from 01 July 2018. Back dated exemption was not proposed by the Finance Bill)
32.	Yogurt, excluding that sold in retail packing under a brand name.	Yogurt, excluding that sold under a brand name.
34.	Butter, excluding that sold in retail packing under a brand name.	Butter, excluding that sold under a brand name.
35.	Desi ghee, excluding that sold in retail packing under a brand name.	Desi ghee, excluding that sold under a brand name.
36.	Cheese, excluding that sold in retail packing under a brand name.	Cheese, excluding that sold under a brand name.
37.	Processed cheese not grated or powdered, excluding that sold in retail packing under a brand name.	Processed cheese not grated or powdered, excluding that sold under a brand name.
39.	Products of meat or meat offal excluding sold in retail packing under a brand name or trademark.	Products of meat or meat offal excluding sold under a brand name or trademark.
41.	Meat of bovine animals, sheep, goat and uncooked poultry meat excluding those sold in retail packing under a brand name.	Meat of bovine animals, sheep, goat and uncooked poultry meat excluding those sold under a brand name.

Entry No.	Existing Description of Good	Revised Description of Goods
42.	Fish and crustaceans excluding those sold in retail packing under a brand name.	Fish and crustaceans excluding those sold under a brand name.

EIGHT SCHEDULE

Amendments

The Act made certain amendments in Table-I of Eighth Schedule as following.

Entry No.	Description of goods	Existing Rate of Sales Tax	Revised Rate of Sales Tax
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%	15%

Entry No.	Existing Description of Good	Revised Description of Goods
81.	Manufacture or import of substances	Substances registered as drugs under the Drugs Act, 1976 (XXXI of

Entry No.	Existing Description of Good	Revised Description of Goods
	registered as drugs under the Drugs Act, 1976 (XXXI of 1976)	1976) and medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except the following, even if medicated or medicinal in nature, namely:- (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 preparations. This substitution shall be deemed to have been made from the 1st day of July, 2022.
82.	Active Pharmaceutical Ingredients, excluding excipients, for manufacture of drugs registered under the Drugs Act, 1976 (XXXI of 1976) or raw materials for the basic manufacture of	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 reduce rate as specified in column (4) which are liable to customs duty not exceeding eleven per cent ad valorem, either

Entry No.	Existing Description of Good	Revised Description of Goods
	pharmaceutical active ingredients.	under the First Schedule or Fifth Schedule to the Customs Act, 1969 (IV of 1969) or under a notification issued under section 19 thereof.

It is ought to be noted that under serial No. 81 & 82 sales tax remain 1% with a condition that no input tax shall be adjusted in the supply chain.

Federal Excise Act, 2005

FIRST SCHEDULE

Table I of First Schedule

The Act has introduced levy of FED on following goods:

S. No.	Description of goods	Tariff heading	Enacted FED rate
60	Energy inefficient fans both locally manufactured and imported which do not comply with MEPS, notified by PSQCA	Respective heading	Rs. 2,000 per fan with effect from 01 January 2024
61	Incandescent bulbs both locally and manufactured and imported	8539.2200 and 8539.2990	20% ad valorem with effect from 01 January 2024
62	Fertilizers	Respective heading	5% ad valorem

The Act has enhanced rate of FED on following goods:

S. No.	Description of goods	Existing rate	Enacted 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	Rs. 5,200 per Kg	Rs. 16,500 per Kg
59	Sugary Fruit juices, syrups and squashes, waters whether or not containing added sugar or artificial sweeteners excluding mineral and aerated waters	10% of retail price	20% of retail price

Table II of First Schedule

Under the mandate obtained through amendment in sub-section (1) of section 3, the Act has introduced levy of FED at the rate of ten per cent on royalty and fee for technical services in addition to franchise services under existing Serial No. 11.

THIRD SCHEDULE

Table I of Third Schedule

The Act has introduced conditional exemptions on following goods subject to levy of FED under Table I First Schedule

S. No.	Description of goods	Tariff heading
26	Imports or supplies made by, for or to a qualified investment as specified in Serial No.1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act.	Respective heading

The above exemption is in line with exemptions provided under income tax, customs and sales tax laws for projects affiliated with Reko Diq in the province of Balochistan as discussed in detail in this commentary under Income Tax section.

Table II of Third Schedule

The Act has introduced conditional exemptions on following services subject to levy of FED under Table II First Schedule

S. No.	Description of goods	Tariff heading
15	Services provided or rendered by, for or to a qualified investment as specified at Serial No. 1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act	Respective heading

The above exemption is in line with exemptions provided under income tax, customs and sales tax laws for projects affiliated with Reko Diq in the province of Balochistan as discussed in detail in this commentary under Income Tax section.

Scope of charging provision

Presently, only goods produced, manufactured, or imported and services which are mentioned in Chapter 1 to 98 of First Schedule to the Customs Act, 1969 may be considered as subject to levy of FED in view of “Explanation” at the end of section 3 of FE Act.

In order to clarify / enhance the scope of chargeability under FE Act, the Bill sought to include any item mentioned in First Schedule of FE Act 2005 by inserting clause (e) in sub-section (1) of Section 3.

Through the Act, clause (e) has been inserted with amended wordings so as to specify that FED shall also be levied on any item not covered in clause (a) to (d) of sub-section (1) of section 3 and specified in the First Schedule.

Directorate General of Digital Initiative

The Act has inserted clause (d) in Section 29 to include Directorate General of Digital Initiatives and the relevant positions under this Directorate as Federal Excise Officers.

Alternate Dispute Resolution [ADRC]

The Act has substituted the provisions of section 38 relating to ADRC in line with similar amendments made in provisions for ADRC in Income Tax Ordinance, 2001 and Sales Tax Act, 1990.

The Customs Act, 1969

FIFTH SCHEDULE (Reduced Rate)

Reduction in Customs Duty on following goods proposed through Finance Bill, 2023 has not been made in Finance Act, 2023

Part I

Description	H.S Code	Duty rate
21. Following systems and items for dedicated use with renewable source of energy like solar, wind, geothermal etc.		
7(aa) Raw materials for the manufacture of PV Modules		
Silicon Adhesive/ Sealant	3506.9990	0%
MC4 Connectors	8536.9090	0%
Back sheet film	3920.9900	0%
Packing boxes/ modules	4819.1000	0%
	4819.5000	
Corner block	7610.9000	0%
Polyethylene compound	3901.9000	0%
Tinned ingot	8001.0000	0%
7(c) Parts of Solar Inverters		
Control board	8504.9090	0%
Power board	8534.0000	0%
Charge controller board A/C	9032.8990	0%
Charge controller board PV	9032.8990	0%
DCDC board	8504.9090	0%

Description	H.S Code	Duty rate
LCD Display	8531.2000	0%
Display board	8504.9090	0%
AC input & output terminal	8504.9090	0%
Battery input Terminals	8504.9090	0%
PV terminals	8504.9090	0%
Casings (Plastic or Steel)	8504.9090	0%
Circuit Board (CB) for Inverters	8534.0000	0%
Stuffed PCBs for Inverters	Respective Headings	0%
7(d) Parts of Lithium Batteries		
Cells	8507.9000	0%
Copper Bar (Cell to Cell Connection)	7407.1010	0%
BMS (level 1) Electronic Card	8507.9000	0%
Casing	8507.9000	0%
Harness Set (Cells Monitoring Wires with tags)	8544.4290	0%
Output Terminal with Screws	8536.9090	0%
Power Cables (Battery Internal)	8544.4290	0%
DC Fan	8414.5990	0%
DC Breaker	8536.2010	0%
Packing Screws	7318.1590	0%
Terminal Covers	3926.9099	0%

Description	H.S Code	Duty rate
Acrelic Sheet (Short Circuit Safety Sheet)	3921.9090	0%
Other Accessories (Temp Sensors, connectors, assembly items, Handles)	8536.9090	0%
	9031.8000	
	8507.9000	
8(a) Following machinery and equipment imported by manufacturing units of Solar Panels, Solar Inverters & Solar Batteries:		
1.Solar PV Modules Panels Manufacturing machinery and equipment		
Sun Simulator	9031.8000	0%
Glass Lifter	8428.9090	0%
Tabber Stringer	8515.1900	0%
Hi-Speed Layup Station with ROBOT	8479.5000	0%
Motorized Visual Inspection	9031.8000	0%
Buffer before Bussing	8479.8990	0%
Multi-station for Bussing	8479.8990	0%
Centering Conveyor with Visual Inspection	8479.8990	0%
Fully Automatic or Semi-automatic Laminator with Centering, Loading & Unloading	8479.8990	0%
Automatic Inline Framing Machine	8479.8990	0%
Automatic Silicon Dispenser	8479.8990	0%
Direction Changer with 90 Degree Rotator	8479.8990	0%
Centering Conveyor for Sun Simulator	8479.8990	0%

Description	H.S Code	Duty rate
Hi-Pot Test Equipment	9031.8000	0%
Electroluminescence (EL) Tester	9031.8000	0%
Motorized Conveyor	8428.3990	0%
EVA/Black sheet Cutting Machine	8441.1000	0%
Ribbon Cutting & Bending Machine	8461.9000	0%
Lab Test Equipment	9031.8000	0%
Conveyer Belt	8428.3990	0%
Laser cutting machine for cell	8456.1190	0%
Cell sorting machine & testers	9031.8000	0%
2. Lithium ion batteries manufacturing machinery and equipment		
Weighting kettles	8423.9000	0%
Weighting and Conveying systems	8428.3990	0%
Storage tanks	7310.1000	0%
Glue port	8419.8990	0%
Transfer tanks	7310.1000	0%
Feeder	8479.8990	0%
High speed spiral Mixer	8479.8290	0%
Booster pumps	8413.7090	0%
Magnetic filters	8421.3990	0%
High speed Homogenizer	8479.8290	0%
Auxiliary equipment and DCS central control system components	9032.8990	0%
Pole piece cathode machine	8462.4900	0%

Description	H.S Code	Duty rate
Polo piece rolling Machine	8462.3900	0%
CNC nibbling Machine	8462.4200	0%
CNC bending Machine	8462.2600	0%
Sport welding Plant	8515.8000	0%
Auxiliary Equipment	8479.8990	0%
High temperature circulation thermal tester	9030.8900	0%
UL 2054 fire testing equipment	9031.8000	0%
Pack rotation Simulation	9031.8000	0%
Free fall tester	9031.8000	0%
Battery impact tester IEC 62133	9031.8000	0%
UL 1642 flame Tester	9031.8000	0%
Electromagnetic vibration tester UN 38.3	9031.8000	0%
Single wing electromagnetic power drop testing equipment	9031.8000	0%
Hydraulic crush testin equipment	9031.8000	0%
3.Solar Inverters manufacturing machinery and equipment		
Solder Paste Screen Machine	8515.1900	0%
SMT pick and place machine	8479.5000	0%
Wave-soldering Machine	8515.1900	0%
PCB Conveyor Belt	8428.3990	0%
SMT Workstation	8479.5000	0%
Solder Pot	8419.8990	0%
Solder Cleaning	8419.8990	0%

Description	H.S Code	Duty rate
Equipment		
Wire Cutting & Stripping Machine	8461.9000	0%
Crimping Machine	8479.8990	0%

Part II (Table A)

Description	H.S Code	Duty rate
Active Pharmaceutical Ingredients		
Dextrose Anhydrous Injectable Grade (Pyrogen Free) USP	Respective heading	0%

Part II (Table C)

Description	H.S Code	Duty rate
Drugs		
Gefitinib	3004.9099	0%
Caspian (Caspofungin 50 mg and 70 mg injection)	3004.9099	0%
Bovine Lipid Extract Surfactant	3004.3900	0%

Part II (Table D)

Description	H.S Code	Duty rate
Packing Materials/Raw Materials for Packing/Bandages		
Printed Composite Packaging of Aluminium Foil backed with Paper and Plastic	7607.1990 7606.2000	5%

Part III

Description	H.S Code	Duty rate
Raw materials/inputs for poultry and textile sector; other goods		
Other seeds for Sowing	Respective headings	0%
Others	3919.1090	0%
Roasted peanuts	3824.9999 2008.1100	0%
Raw materials / inputs	3920.2090 3920.4990 4808.9000 7607.1990	0%
Biaxially oriented polypropylene (BOPP) film, plain	3920.2010	5%
Biaxially oriented polypropylene (BOPP) film, metallized	3920.2030	5%
Of other plastics	3920.9900	16%
Rolled but not further worked	7607.1100	5%
Raw materials / inputs	7226.9900 7228.3090 7228.4000	0%
Raw Materials	Respective heading	0%
Shafting material/ Pumps	84.13	0%
Electric Motor	85.01	0%

Description	H.S Code	Duty rate
Rotor for generator	85.03	0%
Power Supply	85.04	0%
Sensor etc.	90.25	0%
Flow Meter/ Level Gauges/Pressure Gauges	90.26	0%
Pressure Controller	90.32	0%
Raw Materials	Respective heading	0%
Components/ Sub-Components	Respective heading	0%
Gear Motor	8501.5230	0%
Motors	8501.5290	0%
Belt	4010.3490	0%
Belt	4010.1100	0%
Split bearing Block-Bracket, Spherical Roller Bearings, Adapter Sleeve Bearings	8483.2000	0%
Pillow Block Brackets	8302.4900	0%
Carbon Shaft	8422.9090	0%
Mild Steel Polished Shaft	8422.9090	0%
Hex head Stainless Steel Nut & Bolt	7318.1690	0%
Sprockets	7326.1990	0%
Touch Screen	8524.1100	0%
Following IT related Equipment		
Laptop computers, notebooks whether or not incorporating multimedia kit	8471.3010	0%

Description	H.S Code	Duty rate
Personal Computers	8471.3020	0%
Other	8471.3090	0%
Micro Computer	8471.4110	0%
Keyboards	8471.6010	0%
Mouse and other pointing devices.	8471.6020	0%
Scanner	8471.6030	0%
Other	8471.6090	0%
CD ROM Drive	8471.7040	0%
Multimedia kits for PCs	8471.9020	0%
Hard disk Drives	8471.7020	0%
Servers	8471.5000	0%
Routers	8517.6270	0%

Following omissions in Customs Duty on goods proposed through Finance Bill, 2023 have not been made in Finance Act, 2023

Part-III

Description	H.S Code	Duty rate
Raw materials/inputs for poultry and textile sector; other goods		
Adhesives based on polymers or rubber hot melt adhesives	3506.9190	11%
Pre-laminated Tape	3919.1090	16%
	3920.9900	16%
Perforated Poly Film	3920.9900	16%
Non-wovens, whether or not impregnated, coated, covered or laminated for man-	5603.1100	11%
	5603.1200	

Description	H.S Code	Duty rate
made filaments		

Following changes proposed in Customs Duty on goods through Finance Bill, 2023 have not been made in Finance Act, 2023

Part-III

Description	H.S Code	Existing rate	Proposed rate
Raw materials/inputs for poultry and textile sector; other goods			
Other	3506.9190	5%	0%
	3906.9090		
Of polymers of Ethylene	3920.1000	16%	0%
Of other plastics	3921.1900	16%	0%
Of polymers of ethylene	3923.2100	5%	0%
Weighing not more than 25 g/m ²	5603.1100	11%	0%
Weighing more than 25 g/m ² but not more than 70 g/m ²	5603.1200	16%	0%
Weighing more than 25 g/m ² but not more than 70 g/m ²	5603.9200	11%	0%
Organic composite solvents and thinners, not elsewhere specified or included; prepared paint or varnish removers.	3814.0000	5%	0%

Following reductions in Customs Duty on Goods proposed through Finance Bill, 2023 have become part of Finance Act, 2023.

- The period for allowing zero-rate to Federally Administrated Tribal Areas on import of plant, machinery and equipment has been extended from 1 July 2023 to 30 June 2024 in Serial No. 26 of Part-I.

Part-V(B) (Table-I)

Description	H.S Code	Duty rate
Import of Hybrid Electric Vehicles (CBUs) Under Auto Industry Development and Export Policy (AIDEP) 2021-26		
Hybrid Electric Vehicles (HEV) (CBU)	8702.2090	1%
	8702.3090	
Hybrid Electric Vehicles (HEV) (CBU)	8704.4100	1%
	8704.4200	
	8704.5100	
	8704.5200	

Following omissions of Customs Duty on goods from Fifth Schedule proposed through Finance Bill, 2023 have been adopted in Finance Act, 2023.

Part-II (Table-A)

Description	H.S Code	Duty rate
Active Pharmaceutical Ingredients		
Moxifloxacin	2933.4990	0%

Part-V

Description	H.S Code	Duty rate
Import of Automotive Vehicles (CBUs) Under Automotive Development Policy (ADP) 2016-21		
Fully dedicated LNG buses (CBU)	8702.9030	1%

Description	H.S Code	Duty rate
Fully dedicated LPG buses (CBU)	8702.9040	1%
Fully dedicated CNG buses (CBU)	8702.9050	1%
Hybrid Electric Vehicle (HEV) (CBU)	8702.2090	1%
	8702.3090	
Hybrid Electric Vehicle (HEV) (CBU)	8704.4100,	1%
	8704.4200	
	8704.5100,	
	8704.5200	
Trailers	87.16	15%

Following new reductions in Customs Duty on goods have been introduced through Finance Act, 2023

Part I

Description	H.S Code	Duty rate
Import of Plant, Machinery, Equipment and Apparatus, including Capital Goods for various industries/sectors		
8(a) 1. Imports or exports made by or for the qualified investment in respect of the project as specified at Serial No.1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022	Respective headings	0%
8(a) 2. Household goods of employees of Reko Diq Mining Company (Private) Limited. Explanation: for the purpose of this	Respective headings	0%

Description	H.S Code	Duty rate
Serial, the concession of Customs Duty includes all duties and levies leviable under the Customs Act, 1969.		

Following amendments have been made by Finance Act, 2023 in Regulatory Duty [RD] under S.R.O. No 966(I)/2022 dated 30 June 2022

New insertion in RD

S. No.	Description	H.S code	Rate of RD
140A	Calcium (Carbides)	2849.1000	5%
168A	Chloroparaffins liquid	3824.9980	10% till 31 December 2023 & 5% from 1 January 2024 to 30 June 2024.
297A	Tubes of other glass having a linear coefficient of expansion not exceeding 5 x 10 ⁻⁶ per Kelvin within a temperature of 0°C to 300°C	7002.3200	10%

Enhancement in RD

S. No.	Description	H.S code	Existing of RD	Enhanced rate of RD
299	Float glass and surface ground or polished glass, in sheets, whether or not having an	70.05	15%	30%

S. No.	Description	H.S code	Existing of RD	Enhanced rate of RD
	absorbent, reflecting or nonreflecting layer, but not otherwise worked (except PCT code 7005.3000)			

Definitions

The Act has amended section 2(s) to enable Pakistan Customs to conduct anti-smuggling operations within the territorial limits of the country.

Assistance to the officers of customs

Under section 7, Provincial levies and Khasadar Force have been added in the list of Government agencies mandated to assist Customs whenever required.

General power of Federal Government to exempt customs duties

The Act has extended the general power of Federal Government to allow exemption from customs duties from 30 June 2023 to 30 June 2024 through amendment in the second proviso of sub-section 5 of section 19.

Power to determine the customs value

Under the proviso to section 25A while determining customs value, the Director was empowered to incorporate values from internationally acclaimed publications, periodicals, bulletins or official websites of manufacturers or indenters of such goods.

The Act has amended the above proviso so as to empower the Director to consult prices of goods available in internationally acclaimed publications, periodicals, bulletins, etc. in order to determine truth and accuracy of the declared values. With the amendment, the proviso to section 25A of the Customs Act, 1969 shall be harmonious with section 25 and the WTO Valuation Agreement.

Declaration and assessment for home consumption or warehousing

Under section 79(1), the Act has provided three days' time limit after arrival of goods to file Goods Declaration for home consumption or warehousing or transshipment or any other approved purpose in case of land customs station in order to ease out congestion at the customs land area.

Period for which goods may remain warehoused

Under section 98, the Act has enhanced the warehousing period for perishable items from one month to three months in order to facilitate the trade.

Declaration by passenger or crew of baggage

The Act has amended section 139(1) in order to facilitate the passengers travelling as a group who cannot file their own declarations, by allowing the representative to file baggage declaration on behalf of the group passengers.

Power of adjudication

The Act has added a proviso to section 179(2) to provide option to the respondent to go for adjudication through Customs Computerized System for such goods or offences as notified by the Board. The amendment would reduce the clearance time and eliminate human interaction.

Vesting of confiscated property in the Federal Government

The Act has amended section 182 to enable Pakistan Customs to utilize the confiscated conveyance and any other equipment for operational purpose with the approval and the rules to be made thereunder by the Board.

Transfer of cases

A new sub-section (3) has been introduced under section 185D whereby the Board has been empowered to transfer investigation of criminal case from one field formation to other formation at any stage of investigation.

Alternative dispute resolution

Currently, under clause (c) of section 195C(2), the Board is empowered to nominate a person

for the committee constituted under Alternative Dispute Resolution.

The Act has now substituted the clause (c) to specify the said person as a retired judge not below the rank of a judge of High Court, who shall also be the Chairperson of the Committee to be nominated by the Board from a panel notified by the Law and Justice Division for such purpose.

Person to produce authority if required

The Act has inserted a proviso in the section 208(2) empowering the Board to make rules regarding eligibility of a person for self-filing of goods declaration.

Advance Ruling

Under section 212B, the Act has restricted the domain of Advance Ruling by excluding interpretational issues in relation to applicability of any notification.

Islamabad Capital Territory (Sales Tax on Services) Ordinance, 2001

Sales tax on IT services and IT enabled services

The IT services and IT enabled services have been made chargeable to sales tax at the standard rate of 15%.

Services of software or IT-based system development consultants

Earlier, the ICT Ordinance contained two rates of sales tax for the services of software or IT-based system development consultants, one was 16% and the second was 5%.

The entry providing for rate of sales tax of 16% for the services of software or IT-based system development consultants, has been substituted and replaced with the IT services and IT enabled services. Resultantly, the services of software or IT-based system development consultants, would be chargeable to sales tax at 5% without the condition of disentitlement to claim adjustment of input tax.

Petroleum Products (Petroleum Levy) Ordinance, 1961

Through the Act the maximum petroleum levy rate as specified in the Fifth Schedule to the Petroleum Products (Petroleum Levy) Ordinance, 1961 has been increased from Rs. 50 to Rs. 60 for High Speed Diesel Oil and Motor Gasoline.

**Karachi Office**

Sheikh Sultan Trust Building No. 2
Beaumont Road, Karachi 75530
Phone +92 (21) 3713 1900
Fax+92 (21) 3568 5095
E-Mail karachi@kpmg.com

Lahore Office

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

Islamabad Office

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

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

home.kpmg/pk



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.

© 2023 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 KPMG name and logo are trademarks used under license by the Independent member firm of the KPMG global organization.