



BUDGET COMMENTARY 2022

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BUDGET COMMENTARY, 2022

This commentary has been prepared for our clients and staff for information and guidance only and is available for interested persons at our website <http://www.bdo.com.pk>. The notes contained herein are based on the Finance Bill, 2022 which upon enactment with or without modification shall be issued as Finance Act, 2022.

Clients are advised to consult the actual text of the Bill while interpreting the specific provisions and to consult our tax department for clear advice on specific issues. The budget provisions are applicable for tax year 2023 unless otherwise stated.

BDO EBRAHIM & CO.

Dated: June 10, 2022

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CONTENTS

SUBJECT	PAGES
Comparative budget at a glance	1-4
Overview	5-7
Highlights	8-11
The Income Tax Ordinance, 2001	12-36
The Sales Tax Act, 1990	37-38
Sales Tax Schedules	39-42
Islamabad Capital Territory (Tax on Services) Ordinance	43
The Federal Excise Act, 2005	44
Levy of Tax on Capital Value of Certain Assets	45-47
The Customs Act, 1969	48-52
Information about Withholding Taxes	53-62
BDO International	63

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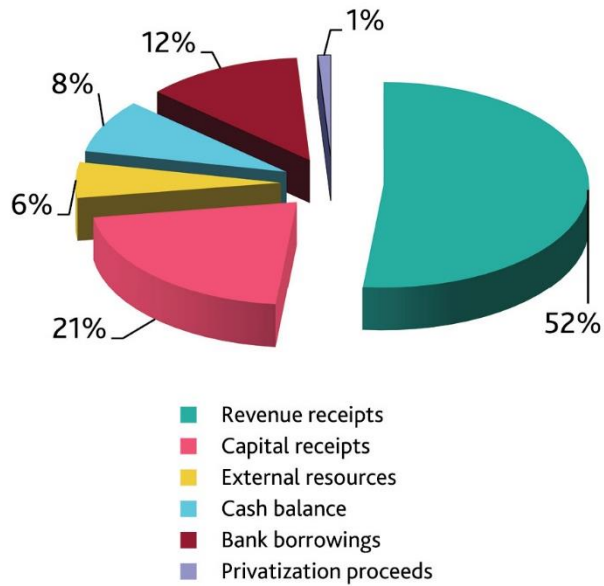
COMPARATIVE BUDGET AT A GLANCE

(AMOUNTS ROUNDED TO NEAREST BILLION)

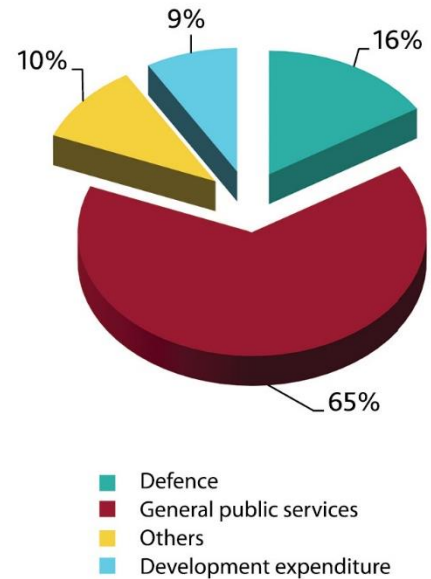
	2022-23		2021-22	
	Rs.	%	Rs.	%
Receipts				
Revenue Receipts				
Direct taxes	2,573	29	2,182	28
Indirect taxes	4,431	49	3,647	46
	<u>7,004</u>	<u>79</u>	<u>5,829</u>	<u>74</u>
Non-tax revenue	2,000	21	2,080	26
Gross revenue receipts	9,004	100	7,909	100
Less: Provincial share	(4,100)	(43)	(3,412)	(40)
Net revenue receipts	<u>4,904</u>	<u>52</u>	<u>4,497</u>	<u>53</u>
Capital receipts	1,996	21	1,241	15
External resources	533	7	1,246	15
Cash balance	800	8	570	7
Bank borrowings	1,172	12	681	8
Privatization proceeds	96	1	252	3
Total Resources	<u><u>9,502</u></u>	<u><u>100</u></u>	<u><u>8,487</u></u>	<u><u>100</u></u>
Expenditure				
Current Expenditure				
Defence	1,527	16	1,373	15
General public services	6,176	65	5,435	64
Others	991	10	715	8
	<u>8,694</u>	<u>91</u>	<u>7,523</u>	<u>89</u>
Development expenditure	808	9	964	11
Total Expenditure	<u><u>9,502</u></u>	<u><u>100</u></u>	<u><u>8,487</u></u>	<u><u>100</u></u>

COMPARATIVE BUDGET AT A GLANCE

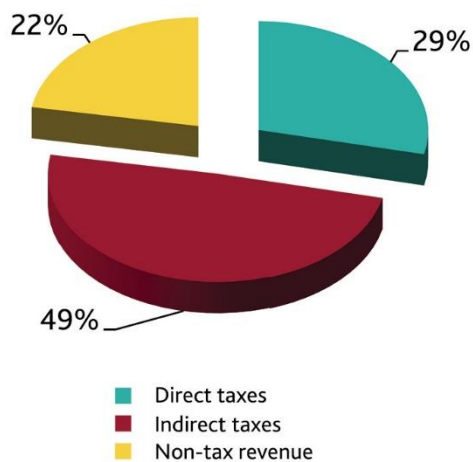
Sources of Funds



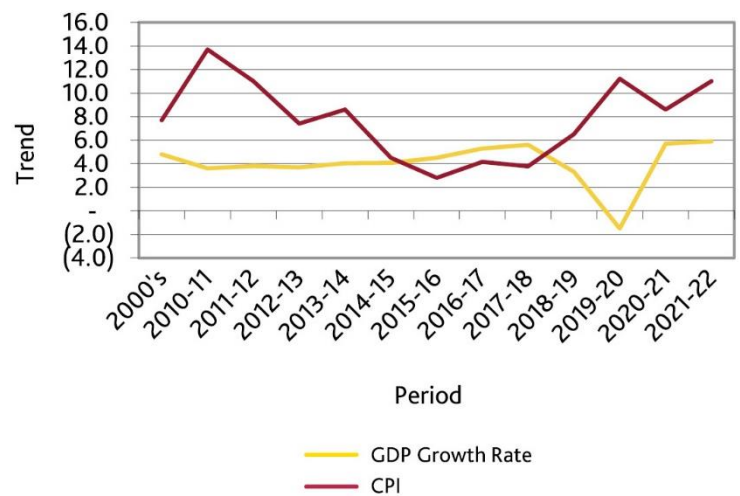
Utilisation of Funds



Breakup of Revenue Receipts

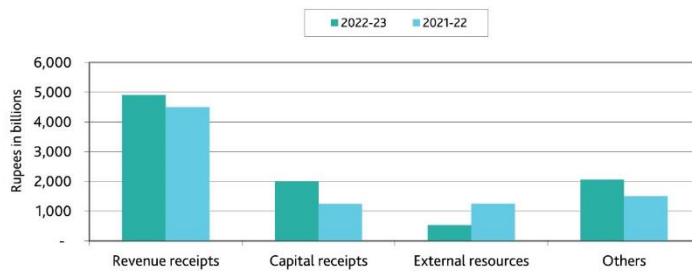


Trends in Growth and Inflation

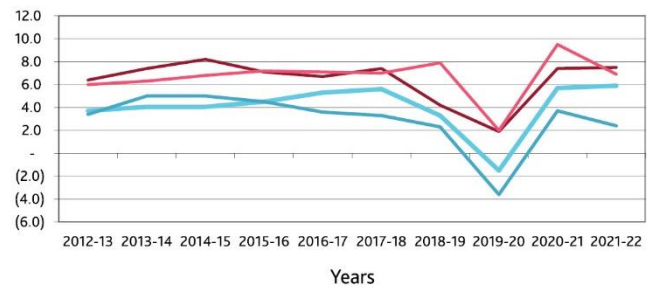


COMPARATIVE BUDGET AT A GLANCE

Comparison of Revenue



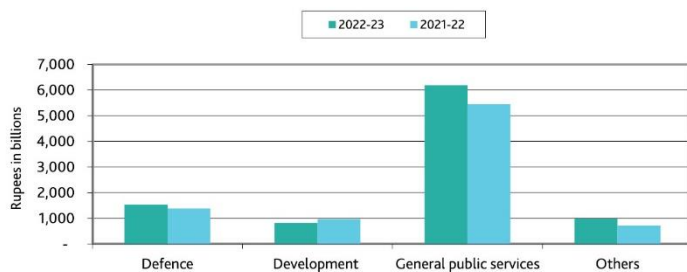
Comparative Real GDP Growth Rate



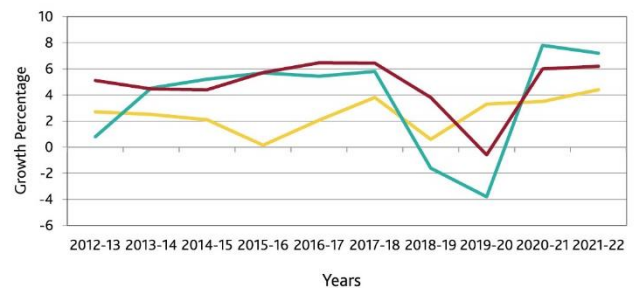
Source: World Economic Outlook (IMF)

India
Bangladesh
Pakistan
Sri Lanka

Comparison of Expenses



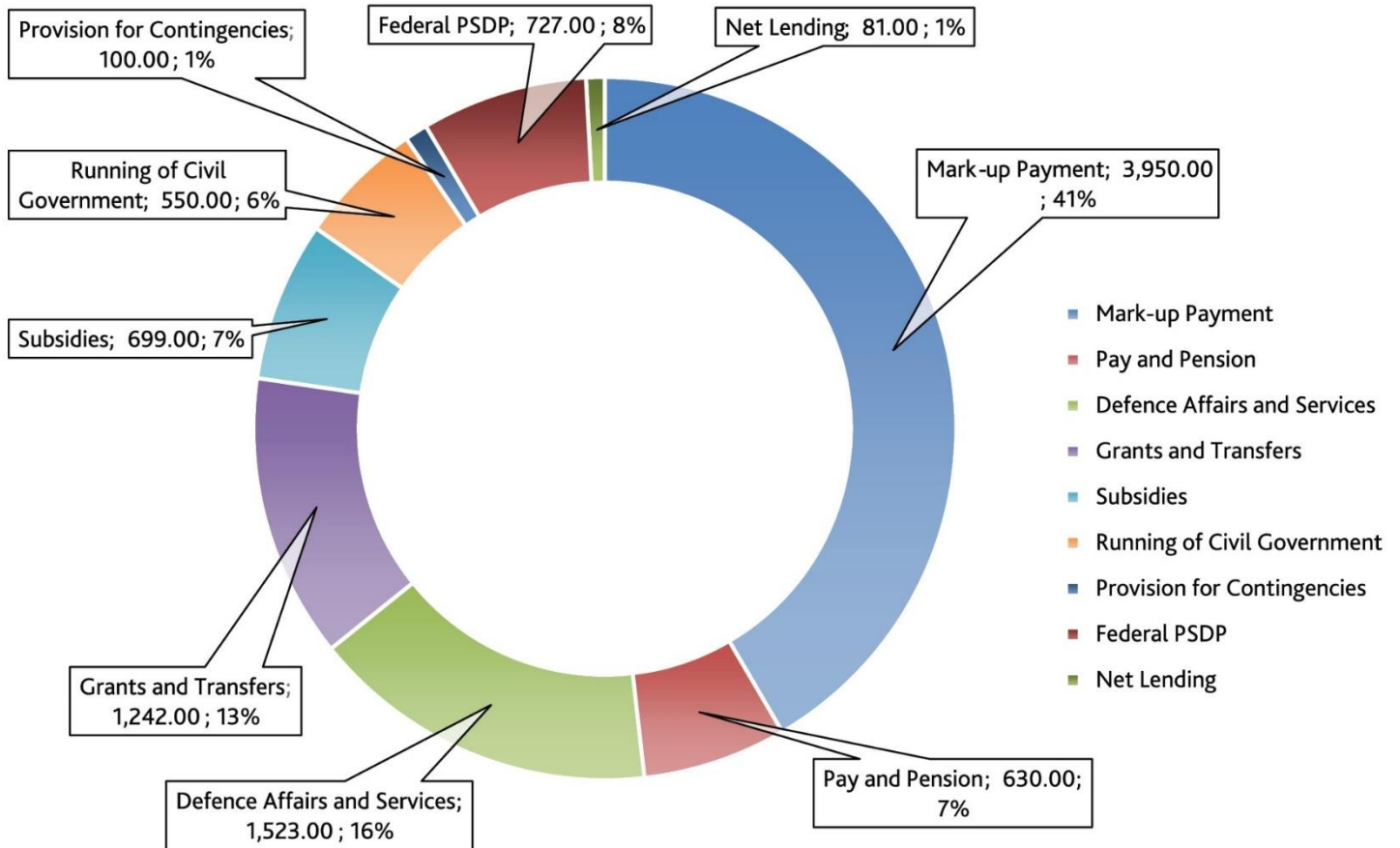
Growth Performance of Components of Gross Domestic Product



Source: Pakistan Bureau of Statistics

Agriculture
Industrial Sector
Services Sector

EXPENDITURE (Rs. In Billion)



Overview

The absence of the opposition from the Parliamentary proceedings permitted the Finance Minister to deliver an interrupted budget speech for the year 2022-23.

What appears to be an expansionary budget set with a total outlay of Rs. 9,502 billion, is set based on assumption of targeted inflation rate of 11.7 percent which is built around an expectation of stabilizing/reducing commodity prices, which appears to be an optimistic assumption. If this assumption does not hold true, the debits and credits will not add up and we will likely see further Budgets ahead to balance the books.

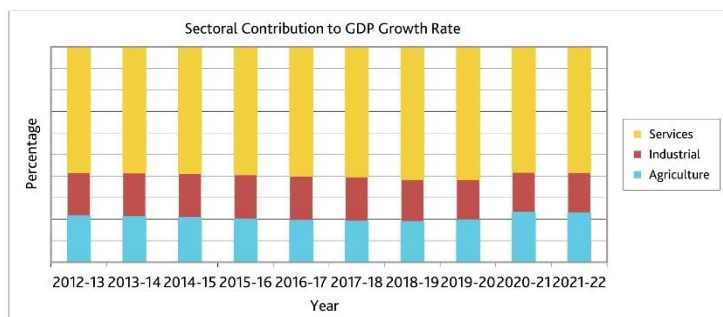
The government has set the tax collection target for the Federal Board of Revenue (FBR) at Rs7,004bn for FY23, which is 20.1pc higher than last year's Rs5,829bn.

A perusal of the various components of the Economic Survey will provide a useful insight as to the key pillars of the economy.

Growth

Pakistan's economy measured through GDP is estimated to have grown by 5.97 percent comprising of growth in agricultural sector of 4.4 percent and bolstered by growth in Large Scale Manufacturing by 10.4 percent across 17 of the 22 sectors. The higher GDP growth continued the V shaped recovery from the COVID-19 dampening period, although the higher growth was accompanied by macroeconomic imbalances which have historically plagued our country's economy.

To understand the change in growth rate from the past trend a perusal of the components would provide useful insight.



Source: Pakistan Bureau of Statistics

Agriculture

With an increasing 22.70 percent share of the GDP, the agricultural sector continues to be a cornerstone in the economy of Pakistan. During 2021-22, agriculture sector recorded growth of 4.40 percent and surpassed the target of 3.5 percent and last year's growth of 3.48 percent. The crops sector outperformed and posted a growth of 6.58 percent during 2021-22 against 5.96 percent last year. The growth in production of important crops namely cotton, rice, sugarcane and maize are estimated at 17.9 percent, 10.7 percent, 9.4 percent and 19.0 percent, respectively. Livestock having share of 61.89 percent in agriculture and 14.04 percent in GDP, recorded a growth of 3.26 percent in 2021-22 compared to 2.38 percent during same period last year. The fishing sector having share of 1.39 percent in agriculture value addition and 0.32 percent in GDP, grew at 0.35 percent compared to growth of 0.73 percent in same period last year. Forestry sector having share of 2.14 percent in agriculture value addition and 0.49 percent in GDP posted a positive growth of 6.13 percent against the negative growth of 0.45 percent last year.

Industry

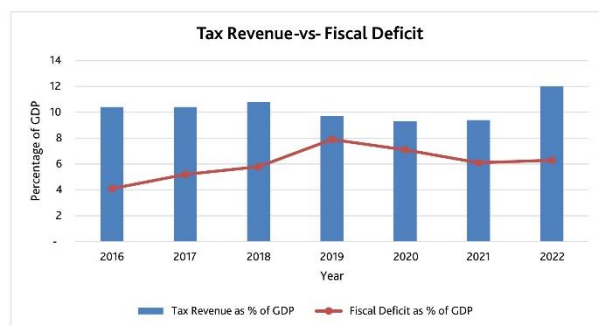
The contribution of Manufacturing in GDP is hovering around 13.5-13.8 percent for almost a decade, although for the current period it represented 12.4 percent share. The manufacturing sector is the most important sub-sector of the industrial sector. LSM has 74 percent share in Manufacturing and 9.2 percent in GDP whereas Small Scale Manufacturing accounts for 15.9 percent share in manufacturing and 2.00 percent share in GDP.

During July-March FY2022, LSM staged the growth of 10.4 percent against 4.24 percent growth in the corresponding period last year. The expansion of LSM is also appeared to be broad based, with 17 out of 22 sectors of LSM witnessing a positive growth. Furniture, Wood Products, Automobile, Footballs, Tobacco, Iron & Steel Products, Machinery and Equipment, and Chemical Products remained the top performing sectors of LSM.

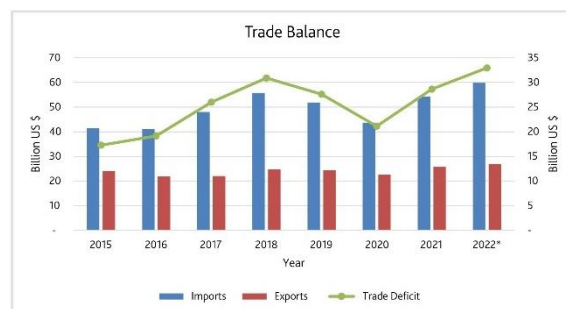
The outlook for this sector remains challenging with the current macroeconomic challenges. Internationally commodity prices are increasing significantly along with uncertainty in the market confidence. All these may result in severe challenges in LSM performance as industrial production is mainly dependent on import of capital goods. Thus, the future prospects of industrial sector are uncertain as risks still prevail owing to geopolitical environment, surge in energy prices, and new variants.

Balance of payments

During Jul-Mar FY2022, goods exports grew by 26.6 percent and amounted to US\$ 23.7 billion, whereas services exports grew by 17.1 percent and amounted to US\$ 5.1 billion. Despite the encouraging export performance, the country's imports have also risen significantly. The broad-based surge in global commodity prices, COVID-19 vaccine imports, and demand-side pressures, all contributed to the rising imports. Resultantly, trade deficit grew by 55.5 percent amounting to US\$ 30.1 billion which is historically high. Remittances which always supported in easing out pressure of trade deficit of both goods and services was recorded at US\$ 22.9 billion during Jul-Mar FY2022 and posted a growth of 7.1 percent. This ever-highest level of workers remittances was not sufficient to offset trade deficit. Thus, current account deficit was recorded at US\$ 13.2 billion during FY2022. Further, low performance of financial account during the period not only resulted in depletion of foreign reserves but also brought exchange rate under pressure.



Source: Pakistan Economic Survey



Source: State Bank of Pakistan

* Year 2022 figures are based on July 2021 to April 2022 data

Due to pro-business measures and recent rupee depreciation, exports marked an impressive growth of 25.0 percent during Jul-Mar FY2022 amounting to US\$ 23.3 billion as compared to US\$ 18.7 billion in the same period last year. Around two thirds of the increase came from the textile sector, especially from the high value-added segment. Pakistan's textile exporters capitalized on the policy support available – including the SBP's concessional refinance schemes for working capital and fixed investment, and the regionally competitive energy tariffs – and managed to ship higher volumes to key destinations (such as the US, UK and EU). Higher cotton prices also helped to increase the export unit prices both low and high value-added textile products. Apart from textiles, rice exports also rebounded during Jul-Mar FY2022, mainly due to the non-basmati variety.

The total imports during Jul-Mar FY2022 clocked at US\$ 58.9 billion as compared to US\$ 39.5 billion in the same period last year, showing a growth of 49.1 percent (Table 8.4). The increase in imports is recorded in all the major groups. Multiple factors have contributed to the steep rise in imports during Jul-Mar FY2022. Rising global commodity prices contributed significantly to the increasing import volume. Disaggregated data on imports indicates that the energy group is the largest source of the increase in imports, contributing over one-third to the year on year increase in imports during the period. Similarly, price-led pressures were also noted across non-energy commodities imported by Pakistan, such as edible oil (palm and soybean), sugar, tea, fertilizer, and steel. At the same time, the domestic demand for imported raw materials (such as cotton and steel) and capital goods was also elevated in the wake of the policy induced economic rebound.

Net Foreign Direct Investment inflows rose 6.1 percent to US\$ 1.25 billion till February 2022 as against US\$ 1.18 billion last year. In March 2022, net outflow was recorded at 30.4 million on account of political instability and ultimate change of regime. The FDI during Jul-Mar FY2022 declined by 2.0 percent to 1.28 billion as compared to US\$ 1.31 billion same period last year.

Reserves and Exchange Rate

The country's total foreign exchange reserves decreased by US\$ 7.0 billion during Jul-Mar FY2022 and reached US\$ 10.9 billion by end-March 2022. Most of the decline was noted in the SBP's reserves, which fell by US\$ 5.9 billion to US\$ 11.4 billion by end March. The pressures in the external sector reflected via the current account deficit contributed to a weakening in the exchange rate, with the PKR depreciating 14.1 percent against the US Dollar during Jul-Mar FY2022. The exchange rate has continued to deteriorate subsequent to the published results for the period July-March.

At on going inflation rate, there is still acceleration in the domestic demand. The high consumption expenditure and government spending has led to massive surge in imports. The depletion of foreign reserves is becoming vulnerable. The present government has to take difficult decisions specially to address structural issues, mobilize additional financing from friendly countries in the form of short- to medium term loans, deferred payment on imported oil, etc. Further, resuming IMF program will expect to build market confidence.

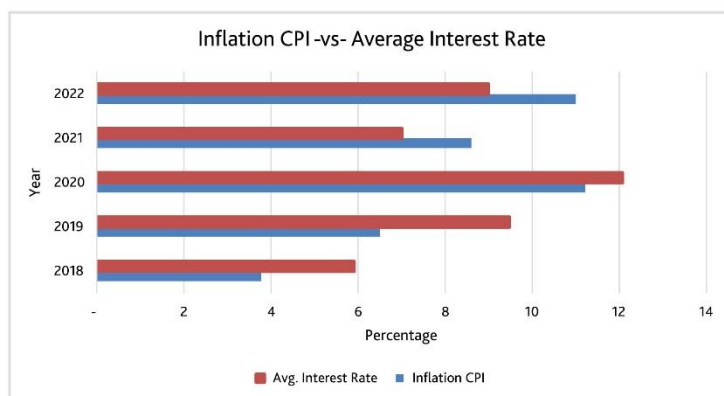
Monetary policy

Monetary policy is primarily focused on stimulating and sustaining economic growth through containment of inflationary pressures. During FY2021, State Bank of Pakistan maintained an accommodative monetary policy stance, by keeping the policy rate unchanged at 7.0 percent throughout FY2021. At the end of first quarter FY2022, policy rate has increased by 25 bps to 7.25 percent. Policy rate was increased by 250 bps to 12.25 percent from 9.75 percent in an unscheduled meeting on 07th April 2022, to address significant uncertainty amidst rising global commodity prices and domestic political situation. Externally, futures market suggests that global commodity prices, including oil, are likely to remain elevated for longer and the Federal Reserve is likely to increase interest rates more quickly than previously anticipated, likely leading to a sharper tightening of global financial conditions. Domestically, some macroeconomic indicators have deteriorated, as have SBP reserves as a result of debt repayment and political uncertainty. In monetary policy decision held on 23rd May, 2022 the MPC decided to raise the policy rate by 150 basis points to 13.75 percent. The decision was based on outcome of provisional growth estimates for FY2022 more than target, shows excess aggregate demand, elevated external sector pressure and higher inflation outlook due to domestic and international factors.

The Government sector borrowing increased to Rs 1,586.8 billion for budgetary support during the period July - April, FY2022 as compared to Rs 642.6 billion during same period last year. Domestic borrowing for budgetary support remained higher than last year due to pressure on the external front for high payments. Within budgetary support, Government has borrowed Rs 133.5 billion from SBP as compared to retirement of Rs 1,164.3 billion in the same period last year. On the other hand, Government has borrowed Rs 1,453.3 billion from scheduled banks as compared to borrowing of Rs 1,807.0 billion last year. As a result, net Government sector borrowing amounted to Rs 1,795.6 billion against the borrowing of Rs 619.7 billion during same period last year.

Inflation

For the outgoing fiscal year, the inflation target was set at 8.0 percent, but abnormal increase in global commodity prices especially crude oil and the edible oil has soared domestic prices since Pakistan is net importer of these essential items. It is the 6th consecutive month when inflation rate has remained in double digit. Consumer Price Index (CPI) in April 2022 stood at 13.4 percent on a year-on-year (YoY) basis which was up from 12.7 percent in the previous month and 11.1 percent in April 2021. The pace of food inflation surged 15.6 percent in Urban and 17.7 percent in Rural during the month of April 2022. The CPI Inflation, recorded at 11.0 percent on average during July-April FY2022 as against 8.6 percent in same period last year.



Source: Pakistan Economic Survey

Perspective on Economy

Although Pakistan was able to successfully navigate the COVID-19 uncertainty, the present macroeconomic imbalances and political uncertainties have brought us back to our boom-bust cycles which we are all too familiar with. Whilst we have been here before, the road ahead is challenging with record deficits and surging inflation. Navigating these challenging times without a clear captain and crew are a daunting task.

Pakistani citizens will have to brace challenging times ahead with austerity measures at both macro and micro levels. While this Budget seeks to achieve fiscal deficit reduction and meet the IMF program conditionalities, it is predicated upon several uncertain parameters, which are yet to be unveiled. Let us hope the targets set out are achieved and we can provide sustenance for teeming millions of this country.

BDO EBRAHIM & CO.
DATED: JUNE 10, 2022

HIGHLIGHTS

INCOME TAX

- **Tax on high earning persons for poverty alleviation under section 4C**

The insertion of this section is similar to the earlier "Super Tax" which was levied vide section 4B through Finance Act 2015. The insertion seeks to tax the high earning taxpayers. The rate of tax is as follows

Where income exceeds Rs. 300 million rate of tax is 2% of the income

- **Tax on deemed income under section 7E**

The Bill seeks to insert a new section whereby a resident person shall be treated to have received rent equal to five percent of the fair market value of an immoveable property situated in Pakistan whether such property has actually been rented out for any consideration or not. The rate of tax under section 7E shall be 20%.

- **Deductions not allowed under section 21**

The Bill seeks to make following amendments where payment made contrary to the conditions imposed would be taken as inadmissible business deduction

1. An amount in excess of fifty percent of contribution made by a person to an approved gratuity fund, an approved pension fund or an approved superannuation fund
2. Payments made by individuals and AOP for amount exceeding Rs. 250,000 otherwise through digital mode
3. Payments made by a company for amount exceeding Rs. 1,000,000 otherwise through digital mode
4. Payment of salaries exceeding Rs. 25,000 otherwise through digital mode
5. 10% of the payment made to person who are not integrated in FBR's approved fiscal electronic device and software

- **Capital gains under section 37**

The Bills seeks to make major amendments in this section as follows:

1. Changing the holding period and tax rates of immovable property from 4 years to 6 years with tax rates bifurcated for Open plots, Commercial property and flats.
2. The general exemption of capital gain tax of 25% on 1 year holding period of capital assets other than immovable property and securities has been omitted.

- **Export of IT services exclusion from section 65F and tax at reduce rate under section 154**

Export of IT services was covered for 100% tax credit under section 65F introduced through the Finance Act 2021. However, the Bill seeks to exclude the said sector from 100% tax credit relief. Further, the Bill seeks to propose a tax of 0.25% on the proceeds of IT export services under section 154A.

- **Resident individual under section 82**

The Bill seeks to make amendment in the individual residency criteria and now there would be following two criteria for determining an individual's Pakistan's tax residency status:

1. Aggregate stay of an individual in a tax year 183 days or more; or
2. The citizen of Pakistan who is not a tax resident of any other country

- **Special provisions relating to payment of tax through electricity connections under section 99A**

The Bill seeks to substitute and simplify the taxation of small retailers other than Tier-I retailers as defined in Sales Tax Act 1990 and the salient features are as follows:

1. The tax shall be collected on through the retailers through electricity bills
2. A retailer who has paid sales tax under sub-section (9) of section 3 of Sales Tax Act, 1990 (VII of 1990), shall not be required to pay tax under this section and the sales tax so paid shall constitute discharge of tax liability under this section
3. The tax collected or paid under this section shall be final tax on the income of persons covered under this section in respect of business being carried out from the premises where the electricity connection is installed
4. The board with approval of the Minister in charge may issue an income general order which would provide rules, documentation requirement, applicable persons and conditions for payment of tax under this section.

- **Place of business can be deemed to be a Permanent Establishment under section 109**

Under section 109, the Commissioner Inland Revenue has powers to recharacterise the income of a tax payer. The Bill seeks to further empower the Commissioner and proposes that from tax year 2018 and onwards, the Commissioner can treat a place of business of a person in Pakistan as a permanent establishment, if the said place fulfills the conditions as specified in sub-clause (g) of clause (41) of section 2.

- **Omission of facility for carry forward of excess minimum tax paid under section 113(2)(c)**

As per section 113(2)(c), a person who pays minimum tax during a tax year in excess of the tax payable under Division I or Division II of the First Schedule of the Ordinance, the person was able to carry forward the excess amount of minimum tax paid for subsequent five tax year. The Bill has proposed to omit this subsection.

- **Powers to enforce filing of returns under section 114B**

The Bill seeks to insert a new section which empowers the FBR to issue income tax general order in respect of persons not appearing in the Active Tax Payers List (ATL) but are liable to file the returns.

The income tax general order shall have following consequences:

1. disabling of mobile phones or mobile phone SIMS;
2. discontinuance of electricity connection; or
3. discontinuance of gas connection.

The above actions would be initiated after providing an opportunity of being heard.

- **Advance tax collected at imports under section 148**

1. The Bill seeks to restore the final tax regime for commercial importers from minimum tax which was introduced through the Finance Act 2019
2. Advance tax paid under section 148 by an industrial undertaking at any rate shall be adjustable tax

Payment of tax collected or deducted by SWAPS

- **Agents under section 164A**

The Bill seeks to introduce a new mechanism for withholding agents to integrate with Synchronized Withholding Administration and Payment System and to act as SWAPS agent within the time and in the manner as may be prescribed.

- **National Database and Registration Authority (NADRA) under section 175B**

The Bill seeks to incorporate the provisions which would enable NADRA to play its role in the broadening of the tax base. The NADRA may compute indicative income and tax liability for suspected tax payers by use of artificial intelligence, mathematical or statistical modeling or any other modern device or calculation method.

- **Record of beneficial owners under section 181E**

The Bill seeks to propose a new requirement under section 181E of the Ordinance whereby every company and AOP shall

electronically update its particulars of beneficial owners as prescribed. In case of failure of update in the electronic particulars, there is a penalty for each default amounting to Rs. 1 Million.

- **Exemption period for collection of advance tax under section 236C**

The tax under section 236C is collected at the time of transfer of immovable property from the seller. However, the said advance tax was not collectable if the holding period of the property is exceeding 4 years. The 4 year holding period has been extended to 10 year holding period. Further, the advance tax rate has been increased to 2% from the existing 1%.

- **Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards under section 236Y**

The Bill seeks to restore the earlier omitted section through Finance Act 2021. The said provision levies an advance tax at the rate of 1% of the gross amount remitted abroad.

- **Prize schemes to promote tax culture under section 237B**

The Bills seeks to empower FBR to prescribe prize schemes to encourage the general public to make purchases, or avail services only from integrated enterprises issuing tax invoices.

- **Exemption from selection from tax audit under section 214C and section 177 under Clause 105A P-IV Second Schedule**

The Bill proposes insertion of Clause (105A) which states that the provisions of section 177 and 214C shall not apply to a person whose income tax affairs have been audited in any of the preceding four tax years

Provided that the Commissioner may select a person under section 177 for audit with approval of the Board.

- **Certain payments under Tenth Schedule subject to higher rates**

As per the sections identified under the Tenth Schedule of the Ordinance, the rate of tax for withholding for non-filers is increased by 100%. However, the Bill seeks to increase the rates for non-filer beyond 100% in following cases

1. The tax required to be collected on purchase of motor vehicle under section 231B shall be increased by two hundred percent of the rate specified in First Schedule in case of persons not appearing in the active taxpayers' list
2. The tax required to be collected on purchase of property under section 236K shall be increased by two hundred and fifty percent of the rate specified in Division XVIII of Part IV of the First Schedule in case of persons not appearing in the active taxpayers

- **Heavy penalties provision introduced for non-compliance of section 181E and 237A**

The Bill has introduced penalty provision under section 182 of the Ordinance which ranges from Rs. 1 Million to Rs. 3 Million along with the seal of business premises for non-compliances of update of particulars regarding beneficial owners of the business and non-integration with the FBR's system for SWAPS Agent.

- **Reduction in profit on Bahbood investment under Clause (6) Part-III of the Second Schedule**

The Bill has proposed a reduction in rate of tax on profit from Bahbood investment from 10% to 5%.

SALES TAX

The Bill has proposed to make the following amendments in Section 2 "Definition" of the Sales Tax Act 1990. These are as follows:

- **Definitions:**

Through this proposed amendment, now the production, transmission and distribution of electricity will be classified as goods.

By amending Section 2(29A)(b) the "Fee and services charges imposed and collected under Section 76" is now excluded from the definition of "Sales Tax".

By this amendment, now the production, transmission and distribution of electricity will now be considered a supply of goods.

By insertion of this new clause (ga) now Tier-I retailers also includes a person engaged in the supply of; (i) articles of jewelry, or parts thereof; (ii) of precious metal; or of (iii) metal clad with precious metal will now be considered a

- **Scope Of Tax:**

The Bill has proposed to make the following amendments in Section 3 "Scope of tax" of the Sales Tax Act 1990. These are as follows:

Further tax of 3% is now proposed to be levied on supplies made to a person who is also not an active taxpayer. Before this, the further tax only applied on supplies made to a person who has not so obtained registration number

The proposed amendment, earlier added vide circular letter, provides that where an online market place is facilitating the sale of third party goods, the liability to withhold tax at 2% of gross value of supplies as per Serial No.8 of the Eleventh Schedule of the Act, will be on the online market place.

The Bill propose to levy a fixed tax of; (i) PKR 3,000/month where their monthly electricity bill does not exceed PKR 30,000/-; (ii) PKR 5,000/month where the monthly electricity

bill exceeds PKR 30,000/- but doesn't exceed PKR 50,000/-; and (iii) PKR 10,000/month where the monthly bill exceeds PKR 50,000.

The proposed proviso empowers the Board to prescribe any person or class of persons who shall pay PKR 50,000/- per month through their electricity bill.

The Board now has been empowered to require any person or class of persons to integrate their invoice issuing machines with the Board's Computerized System or real time reporting of sales in such mode and manner and from such date as may be prescribed.

- **Time & Manner of Payment:**

The Federal Government is empowered to allow payment of sales tax on instalment basis by the Federal or Provincial Governments or any public sector organization on import or supply of any goods or class of goods, subject to conditions, limitations and restrictions.

- **Allowance of Input on Unregistered Person:**

Now a registered person shall be able to reclaim or deduct input tax paid on the aforementioned supplies to unregistered persons without mentioning CNIC number.

- **Restriction of Input Adjustment for Public Limited Companies:**

Now Public limited companies listed on the PSE will also be subject to the restriction of not being able to adjust input tax in excess of 90% of the output tax for the said tax period.

- **Discontinuance of gas and electricity connections**

Now Board has been empowered to direct gas and electricity distribution companies to discontinue the gas and electricity connections of those persons who fail to register for sales tax purpose or those notified Tier-1 retailers who are registered but not integrated with the Board's computerized system.

- **Tax Invoices- Withdrawal of the CNIC Condition**

The condition of a registered person requiring a CNIC or NTN of an unregistered person to whom the goods were supplied, except for retailers supplying goods where the transaction value (including sales tax) doesn't increase PKR 100,000/-, has been withdrawn.

- **Offences and Penalties**

Now issuing an invoice that does not carry a QR Code or bears a counterfeit QR Code or if the person issuing the invoice defaces the prescribed number of the barcode or the QR Code, will be treated as offence.

- **Omission from 6th Schedule making them Taxable**

Supply of ware potato and onions

- **Amendment In 8th Schedule**

Following items have been omitted

- Agricultural tractors
- Locally produced coal
- Import of electric vehicle in CBU conditions

Rates of following items have been amended

- Natural gas supplied to fertilizer plants for use as feed stock in manufacturing of fertilizer – from 5% to 10%
- Phosphoric acid imported by fertilizer company for manufacturing of DAP – from 5% to 10%
- Fertilizers (all types) – from 2% to 10%
- Potassium Chlorate (KClO₃) – from 17% plus Rs. 90 per KG to Rs. 60 per KG

Following items have been added to the Eighth Schedule at mentioned reduced rates with certain conditions.

- Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal – 3%
- Import articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal – 4%
- Local supply of reclaimed lead – 1%

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Section 2 (7A)

Beneficial Owner

The Finance Bill 2022 (**the Bill**) has proposed to insert a new clause defining the beneficial owner which means a natural person who:-

(a) ultimately owns or controls a Company or association of persons, whether directly or indirectly, through at least ten percent shares or voting rights; or

(b) exercise ultimate effective control, through direct or indirect means, over the company or association of persons including control over the finances or decisions or other affairs of the company or association of persons;

The insertion of this definition is in connection with the new requirement introduced under section 181 E of the Income Tax Ordinance 2001 (**the Ordinance**) whereby every company and AOP shall electronically update its particulars of beneficial owners as prescribed. The insertion is a documentation measure and seeks to increase the existing tax net.

(18A)

Distributor

The Bill has proposed to insert a new clause defining the "distributor" which means a person appointed by a manufacturer, importer or any other person for a specified area to purchase goods from him for further supply

(22AA)

Fair Market Value

The Bill has proposed to insert a new clause defining the fair market value which means value as provided in section 68

(62B)

Synchronized Withholding Administration and Payment System agent" or "SWAPS agent"

The Bill has proposed to insert a new clause defining "SWAPS agent" which means any person or class of persons notified by Board to collect or deduct withholding taxes through Synchronized Withholding Administration and Payment System.

The above insertion is a consequential insertion pursuant to amendment in section 164A of the Ordinance whereby the current system of Computerized Payment Receipt (CPR) is being replaced through SWAPS Payment Receipt (SPR). This measure seeks to eliminate the trouble faced by the taxpayers in claiming their due tax credits which currently at times are not recognized by the FBR's ITMS system resulting adverse measure taken by the tax department and increasing the cost of litigation. This measure would help in creating ease of doing business.

(66A)

Tax invoice

The Bill has proposed to insert a new clause defining tax invoice which an invoice as prescribed under the Income Tax Rules, 2002

Section 4 Sub-section(4)

The Bill seeks to substitute in clause (a) for the expression "in sections 5, 6 and 7", the expression "under this chapter", shall be substituted;

Sub-section(5)

The Bill seeks to substitute in sub-section (5) for the expression "in section 5, 6 and 7", the expression under this chapter shall be substituted

The above substitution seeks to make technical corrections

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Section 4C

Tax on high earning persons for poverty alleviation.

The insertion of this section is similar to the earlier "Super Tax" which was levied vide section 4B through Finance Act 2015. The insertion seeks to tax the high earning taxpayers. The rate of tax is as follows

Income under section 4C	Rate of tax
Where income does not exceed Rs. 300 million	0% of the income
Where income exceeds Rs. 300 million	2% of the income

Section 6

Sub-section(1)

The retrospective application of this tax may get challenged at higher appellate forums.

The Bill seeks to insert in sub-section (1), after the word "services" occurring for the first time, the words ",fee for money transfer operations, card network services, payment gateway services, interbank financial telecommunication services"

Sub-section(2)

The Bill seeks to substitute in sub-section (2), for the words "amount of the royalty fee for offshore digital services or fee for technical services", the expression "amounts of receipts mentioned in sub-section (1)",

Sub-section(3)

The Bill seeks to omit in sub-section (3), in clause (b), the words " for technical services or fee for offshore digital services"

Sub-section(4)

The Bill seeks to substitute in sub-section (4), for the expression ", fee for offshore digital services or fee for technical services" the words "or fee"

The above amendments seeks to add additional services for the purpose of imposing tax on non-resident persons under section 6(1) of the Ordinance. Consequential amendments has also been made in section 152 which is the withholding provision for payment made to non-resident persons.

Section 7E

Tax on deemed income

The Bill seeks to insert a new section whereby a resident person shall be treated to have received rent equal to five percent of the fair market value of an immoveable property situated in Pakistan whether such property has actually been rented out for any consideration or not. The rate of tax under section 7E shall be 20%.

Section 8

General provisions relating to taxes imposed under section

The Bill seeks to insert section 7E in section 8 which outlines the separate tax regime under the Ordinance.

Section 21

Deductions not allowed

Clause (ea)

The Bill seeks to insert new clause as follows

(ea) an amount in excess of fifty percent of contribution made by a person to an approved gratuity fund, an approved pension fund or an approved superannuation fund

Clause (l)

The Bill seeks to insert in clause (l), after the word "any expenditure", occurring in the beginning, and the expression "by a taxpayer not being a company". This insertion seeks to restrict digital payments in the non-corporate sector.

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Clause (la)

The Bill seeks to insert the following new clause:-

any expenditure by a taxpayer being a company for a transaction, paid or payable under a single account head which, in aggregate, exceeds rupees one million, made other than by digital means from business bank account of the taxpayer notified to the Commissioner under section 114A:

Provided that this clause shall not apply in the case of expenditures on account of —

- (A) utility bills;
- (B) freight charges;
- (C) travel fare;
- (D) postage; and
- (E) payment of taxes, duties, fee, fines or any other statutory obligation:

Provided further that this clause shall be effective from such date as the Board may notify."

This insertion seeks to restrict digital payments in the corporate sector.

Clause (m)

The Bill seeks to insert after the word "account" the expression "or through digital means"

This insertion seeks to restrict the payment of salary through digital payment only.

Clause (r)

The Bill seeks to insert new clause as follows:-

any expenditure attributable to sales claimed by any person who is required to integrate but fails to integrate his business with the Board through approved fiscal electronic device and software:

Provided that disallowance of expenditure under this clause shall not exceed ten percent of the allowable deduction.

This insertion is a documentary measure and seeks to insert new clause (q) in section 21 disallowing expenditure upto 10% to any person who is required to integrate but fails to integrate his business with the Board through approved fiscal electronic device and software

Section 22

Depreciation

Sub-section(2)

The Bill seeks to omit proviso to section 22(2) restricting claim of depreciation upto 50% during year of introduction of plant and machinery

Sub-section(8)

The Bill seeks to omit proviso to section 22(2) allowing person to claim 50% depreciation allowance in the year of disposal of asset. This is a consequential omission.

Sub-section(13)

The Bill seeks to enhance allowable depreciation limit on passenger transport vehicle not plying for hire from two and half million to five million

Section 23

Initial allowance

Sub-section(5)

The Bill seeks to replace full stop with a semi colon in clause (d) of sub section (5) of section 23 of the Ordinance. Further, the Bill seeks to insert new clause (e) to section 23(5) excluding immovable property or structural improvement to the immovable property from purview of eligible depreciable assets for claiming initial allowance

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Section 37

Capital gains

Sub-section 37(1A)

The Bill seeks to propose substitution of the existing holding period and tax rate on capital gain on immovable property as follows:

S. No.	Holding Period	Rates of Tax		
		Open Plots	Constructed Property	Flats
(1)	(2)	(3)	(4)	(5)
1.	Where the holding period does not exceed one year	15%	15%	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-
5.	Where the holding period exceeds four years but does not exceed five years	5%	0	-
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-
7.	Where the holding period exceeds six years	0%	-	-

Section 44

Exemption under International agreements

Sub-section(3)

The Bill seeks to broaden the scope of agreement under sub section (3) of section 44 of the Ordinance

Sub-section(4)

The Bill seeks to add new sub (4) to section 44 allowing Federal Government to exempt income of any person in respect of an official development assistance financed loans and grants-in-aid

Section 53

Exemption and tax concessions in the Second Schedule

The Bill seeks to add 'Federal Government' in sub section (2) of section 53 of the Ordinance for adding exemption and tax concession in the Second Schedule. Earlier this could be only made through approval of Federal Minister in charge.

Section 59C

Carry forward of business losses of sick industrial units:-

The Bill seeks to omit section 59C with effect from 02nd March, 2022. The said section was introduced through Income Tax (Amendment) Ordinance, 2022 dated March 03, 2022. The effect of this omission results in any company which had acquired under the repealed section shares of a sick industrial unit, the acquiring company will not be able entitled to adjust the brought forward losses of the acquired company for a period of three years as envisaged in the repealed section.

Section 60C, 62, 62A and 63

The Bill seeks to omit following sections

1. Deductible allowance for profit on debt
2. Tax credit for investment in shares and insurance
3. Tax credit for investment in health insurance
4. Tax credit on contribution to an approved Pension Fund

The omissions of above credits is a result of reduction of salary tax slab rates.

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Section 65F

Tax credit for certain persons

Sub-section (1) Clause (c)

The Bill seeks to omit clause (c) of sub section (1) of section 65F of the Ordinance. The proposed omission would result in exclusion of the export of IT services from the 100% tax credit regime. There has been consequential amendment made under section 154 as well resulting the tax on remittance of export of IT services at 0.25% of the proceeds instead of 1% for other export of services.

Section 65H

Tax credit for foreign investment for industrial promotion

The Bill seeks to omit section 65H with effect from 02nd March, 2022. The said section was introduced through Income Tax (Amendment) Ordinance, 2022 dated March 03, 2022.

Section 82

Resident individual

The Bill seeks to make amendment in the individual residency criteria and now there would be following two criteria for determining the residency criteria:

1. Aggregate stay of an individual in a tax year 183 days or more; or
2. The citizen of Pakistan who is not a tax resident of any other country

The amendment seeks to tax the global income of high net worth individual.

Section 92

Principle of taxation of association of persons

The Bill seeks to insert the following explanation

Explanation.— For removal of doubt it is clarified that if the income of association of persons is exempt and no tax is payable under the Ordinance due to this exemption, the share received in the capacity as member out of the income of the association shall remain exempt.

Section 99A

Special provisions relating to payment of tax through electricity connections

The Bill seeks to substitute and simplify the taxation of small retailers other than Tier-I retailers as defined in Sales Tax Act 1990 and the salient features are as follows:

1. The tax shall be collected on through the retailers through electricity bills as follows

Gross amount of monthly bill	Tax
Where the amount does not exceed Rs. 30,000	Rs. 3000
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 5000
Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	Rs. 10,000
Specified retailers and service providers through Income Tax General Order	Rs.50,000

2. A retailer who has paid sales tax under sub-section (9) of section 3 of Sales Tax Act, 1990 (VII of 1990), shall not be required to pay tax under this section and the sales tax so paid shall constitute discharge of tax liability under this section
3. The tax collected or paid under this section shall be final tax on the income of persons covered under this section in respect of business being carried out from the premises where the electricity connection is installed

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

4. The board with approval of the Minister in charge may issue an income general order which would provide rules, documentation requirement, applicable persons and conditions for payment of tax under this section

Section 100C

Tax credit for charitable organizations

Sub-section (4) Clause (e)

The Bill seeks to extend the requirement for persons mentioned in Table-II of clause (66) of Part I of the Second Schedule of the Ordinance for obtaining Commissioner approval under section 2(36) of the Ordinance by July 2022 to July 2024

Section 100F

Special provisions relating to investment for industrial promotion

The Bill seeks to omit section 100F with effect from 02nd March, 2022. The said section was introduced through Income Tax (Amendment) Ordinance, 2022 dated March 03, 2022.

Section 109

Re-characterization of income and deductions

There are various situations in which the Commissioner is empowered to re-characterize the transaction which does not have any substance or any structure which was formed for tax avoidance scheme. The Bill has proposed to further strengthen the power of Commissioner by inserting that from tax year 2018 and onwards, the Commissioner can treat a place of business in Pakistan as a permanent establishment, if the said place fulfills the conditions as specified in sub-clause (g) of clause (41) of section 2.

Section 111

Unexplained income or assets

As per subsection 4 of section 111 of the Ordinance, the said section provides immunity for upto Rs. 5 million from explanation of source for the foreign exchange remitted from outside Pakistan through normal banking channel, now the bill has proposed to provide further clarification that remittance through money service bureaus, exchange companies or money transfer operators shall be deemed to constitute foreign exchange remitted from outside Pakistan through normal banking channels as provided under this sub-section.

Further, sub-section (5) of section 111 have been substituted as follows	
Existing	Proposed
Explanation.—For the removal of doubt, a separate notice under this section is not required to be issued if the explanation regarding nature and sources of amount credited or the investment of money, valuable article, or the funds from which expenditure was made has been confronted to the taxpayer through a notice under sub-section (9) of section 122 of this Ordinance.]	Explanation— For the removal of doubt, it is clarified that a separate notice under this section is not required to be issued if the explanation regarding nature and sources of; (i) any amount credited in a person's books of account; or (ii) any investment made or ownership of money or valuable article; or (iii) funds from which expenditure was made; or (iv) suppression of any production, sales, or any amount chargeable to tax; or (v) suppression of any item of receipt liable to tax in whole or in part has been confronted to the taxpayer through a notice under sub-section (9) of section 122 of the Ordinance.”;

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Section 113

Minimum Tax on the income of certain persons

The Bill proposes to omit the sub-section 2(c) which discussed the method and procedure for the carryforward of the excess minimum tax paid under this section.

Section 114 B

Powers to enforce filing of returns

The Bill has proposed to insert this section which will empower the board of Revenue to issue the general order which may entail any or all of the following consequences for the persons who are not appearing on active taxpayers' list but are liable to file return under the provisions of the Ordinance, namely:-

- (a) disabling of mobile phones or mobile phone SIMS;
- (b) discontinuance of electricity connection; or
- (c) discontinuance of gas connection.

The Board or the Commissioner having jurisdiction over the person mentioned in the income tax general order may order restoration of mobile phones, mobile phone SIMS and connections of electricity and gas, in cases where he is satisfied that —

- (a) the return has been filed; or
- (b) Person was not liable to file return under the provisions of the Ordinance.

No person shall be included in the general order under sub-section (1) unless following conditions have been met with, namely:-

- (a) notice under sub-section (4) of section 114 has been issued;
- (b) date of compliance of the notice under sub-section(4) of section 114 has elapsed; and
- (c) the person has not filed the return.

The action under this section shall not preclude (affect) any other action provided under the provisions of the Ordinance.

Section 121

Best Judgement assessment

This section entails the Commissioner to make an assessment of a person based on any available information if the person fails to file his assessment under the specified circumstances as mentioned in this section. Earlier the Commissioner was empowered to do the best assessment within five years after the end of the tax year or the income year to which it relates. The Bill has proposed to increase this best judgment period from five year to six year.

Section 122

Amendment of Assessment

Currently the Commissioner was restricted to finalize the proceeding of amendment within 120 days of issuance of show cause notice.

The Bill has proposed to increase this time period from 120 days to 180 days.

Section 134 A

Alternative Dispute Resolution

The bill has proposed to amend this provision of alternate dispute resolution and has inserted further clarification, modification and increased the deadlines.

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Section 148

Tax on imports

Currently the tax deducted under this section for commercial importers is minimum tax. The Bill has proposed to amend this provision and revert it to the previous position of final tax. Further, the section has also restored the adjustable tax status for an industrial undertaking making payment of advance tax at the time of imports.

Further the Bill has proposed to insert that the tax required to be collected under this section shall be minimum tax on the income of every person arising from imports of following goods –

- (i) edible oil;
- (ii) packaging material;
- (iii) paper and paper board; or
- (iv) plastics:

Provided that the Board with the approval of Minister in-charge may, by a notification in the official Gazette, add any entry thereto or omit any entry therefrom or amend any entry therein this sub-section.

Section 149

Tax Deduction on Salary

Earlier the employees were allowed to claim tax credit under section 62 [Tax credit for investment in shares and insurance], 63 [Tax credit on contribution to an approved pension Fund] and 64 [Tax credit on profit on debt] and the employer was allowed to provide the credit on these sections while making withholding on the monthly income tax deduction from salary.

The Bill proposes to omit the tax credits adjustments from the monthly salary tax deduction.

Section 152

Payment to Non-resident

Sub-section (1DB)

The Bill has proposed to insert sub-section (1DB) for the withholding of tax by every exchange company licensed by the State Bank of Pakistan at the time of making payment of service charges or commission or fee, by whatever name called, to the global money transfer operators, international money transfer operators or such other persons engaged in international money transfers or cross-border remittances for facilitating outward remittances.

Sub-section (1DD)

The Bill has also proposed to insert sub-section (1DD) for the withholding of tax by every banking company while making payment 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 interbank financial telecommunication services.

Sub-section (1E)

Both of the above deduction of tax would be classified as final tax.

Section 154 A

Export of Services

The Bill has proposed to eliminate the tax credit of export of IT and IT enabled services under section 65F of the Ordinance. This is a consequential omission.

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Section 164

Certificate of collection or deduction of tax

The Bill has proposed to insert a proviso to section 164(1) of the Ordinance.

"Provided that in case of persons or class of persons notified as SWAPS agent, SWAPS Payment Receipt (SPR) shall be replaced with Computerized Payment Receipt (CPR)."

Section 164A

Payment of tax collected or deducted by SWAPs agents

The Bill seeks to introduce a new mechanism for withholding agents to integrate with Synchronized Withholding Administration and Payment System and to act as SWAPS agent within the time and in the manner as may be prescribed.

Section 169

Tax collected or deducted as a final tax

This is a consequential insertion pursuant to amendment in section 148 as proposed by the Bill to make the tax deducted under section 148 Final tax from minimum tax.

Section 174

Records

The Bill has inserted a proviso to section 174(3) of the Ordinance:

"Provided that limitation prescribed under this sub-section shall not apply to the records pertaining to income, assets, expenses or transactions to which clause (ii) of sub-section (2) of section 111 applies."

The purpose of this insertion is to provide exclusion for the record keeping period which is six years for discovery of undeclared foreign income or foreign assets.

As per clause (ii) of sub-section (2) of section 111, it is stated that if any amount of concealment of foreign asset or foreign income is discovered by the Commissioner which relates to the prior period it shall be charged to tax in the year prior to the year of discovery. Therefore this proposed insertion is a consequential amendment which will empower the Commissioner to go beyond the limitation of time period for record keeping requirement and ask to furnish any document prior to six year time frame relating to foreign income or foreign assets.

Section 175B

National Database and Registration Authority (NADRA)

The Bill seeks to incorporate the provisions which would enable NADRA to play its role in the broadening of the tax base. The NADRA may compute indicative income and tax liability for suspected tax payers by use of artificial intelligence, mathematical or statistical modeling or any other modern device or calculation method

Section 177(6)

Audit

The Bill has proposed to omit Section 177(6) of the Ordinance.

Currently, the section 177(6) is related to obligation of the Commissioner to issue an audit report containing audit observations and findings after obtaining taxpayer's explanation on all issues raised in the audit notice. After omission of this provision the Taxpayer would not be provided with this opportunity of getting the observation and findings.

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Section 181E

Record of beneficial owners

The Bill has proposed to insert section 181E to the Ordinance. The insertion is a documentation measure and seeks to increase the existing tax net.

The section 181E related to Record of beneficial owners is as follows:

- (1) Every company and association of persons shall electronically furnish particulars of its beneficial owners in such form and manner as may be prescribed.
- (2) Every company and association of persons shall update the particulars of its beneficial owners as and when there is a change in the particulars of the beneficial owners."

Section 182

Offences and penalties

The Bill has proposed to change penalty provision for the persons who fails to furnish a return of income as required under section 114 within the due date. The existing versus the proposed version of the said penalty is presented below:

Existing	Proposed
Such person shall pay a penalty equal to 0.1% of the tax payable in respect of that tax year for each day of default subject to a maximum penalty of 50% of the tax payable provided that if the penalty worked out as aforesaid is less than forty thousand rupees or no tax is payable for that tax year such person shall pay a penalty of forty thousand rupees:	Such person shall pay a penalty equal to higher of – (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) rupees one thousand for each day of default:
Provided that If seventy-five percent of the income is from salary and the amount of income under salary is less than five million Rupees, the minimum amount of penalty shall be five thousand Rupees:	Provided that minimum penalty shall be — (i) rupees ten thousand in case of individual having seventy-five percent or more income from salary; or (ii) rupees fifty thousand in all other cases:
Provided further that if taxable income is up-to eight hundred thousand Rupees, the minimum amount of penalty shall be five thousand Rupees:	Provided further that maximum penalty shall not exceed two hundred percent of tax payable by the person in a tax year:
Provided also that the amount of penalty shall be reduced by 75%, 50% and 25% if the return is filed within one, two and three months respectively after the due date or extended due date of filing of return as prescribed under the law.	Provided also that the amount of penalty shall be reduced by 75%, 50% and 25% if the return is filed within one, two and three months respectively after the due date or extended due date of filing of return as prescribed under the law;
Explanation — For the purposes of this entry, it is declared that the expression "tax payable" means tax chargeable on the taxable income on the basis of assessment made or treated to have been made under section 120, 121, 122 or 122C.	Explanation— For the purposes of this entry, it is declared that the expression "tax payable" means tax chargeable on the taxable income on the basis of assessment made or treated to have been made under section 120, 121, 122 or 122D.

**SECTION
(CLAUSE)**
THE INCOME TAX ORDINANCE, 2001
Section 182
Offences and penalties

The Bill has proposed to insert following new penalties to the Ordinance:

S No.	Offences	Penalties	Section of the Ordinance to which offence has reference
30	Any company or Association of Persons who contravenes the provisions of Section 181E.	Such company or Association of Persons shall pay a penalty of Rs. 1,000,000/- for each default.	181E
31	Any person who fails to integrate or perform roles and functions as specified, after being duly notified by the Board as SWAPS Agent.	Such person shall pay a penalty of: (i) Rs. 50,000 for first default of 07 days (ii) Rs. 100,000 for second default of next 07 days (iii) Rs. 50,000 for each week after the second consecutive week of default: Provided that no penalty shall be imposed for the period for which extension from integration is granted by the Commissioner subject to the condition that, if the SWAPS Agent fails to integrate within such extended time, penalties shall be imposed as if no extension was granted."	164A
32	Any person, who is integrated for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or QR code or bears duplicate invoice number or counterfeit QR code, or defaces the prescribed invoice number or QR code, or any person who abets commissioning of such offence.	Such person shall pay a penalty of five hundred thousand rupees or two hundred per cent of the amount of tax involved, whichever is higher.	237A

**SECTION
(CLAUSE)**
THE INCOME TAX ORDINANCE, 2001

S No.	Offences	Penalties	Section of the Ordinance to which offence has reference
33	Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under law.	Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub- section (3) of section 237A, as the case may be.	237A
34	A person required to integrate his business as stipulated under sub-section (3) of section 237A, who fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under the law and rules made thereunder.	Such person shall be liable to pay- (i) penalty of five hundred thousand rupees for first default; (ii) penalty of one million rupees for second default after fifteen days of order for first default; (iii) penalty of two million rupees for third default after fifteen days of order for second default; (iv) penalty of three million rupees for fourth default after fifteen days of order for third default: Provided that if such person fails to integrate his business within fifteen days of imposition of penalty for fourth default, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub- section (3) of section 237A: Provided further that if the person integrates his business with the Board's computerized system before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner."	237A

Section 191
Prosecution for non-compliance with certain statutory obligations

The Bill has proposed to include following two new categories of persons who shall be considered as committed a punishable offence in terms of section 191 of the Ordinance:

- (i) A person who fails to integrate his business with Board's computerized system.
- (ii) A person who fails to generate tax invoice verifiable by the Board's system.

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Section 216

Disclosure of information by a public servant

The Bill has proposed to substitute section 216(2) of the Ordinance. The existing and proposed versions are as follows:

Existing	Proposed
Notwithstanding anything contained in the Qanun-e-Shahadat, 1984 (P.O. Order No. 10 of 1984), or any other law for the time being in force, no court or other authority shall be, save as provided in this Ordinance, entitled to require any public servant to produce before it any return, accounts, or documents contained in, or forming a part of the records relating to any proceedings under this Ordinance, or any records of the Income Tax Department generally, or any part thereof, or to give evidence before it in respect thereof.	Notwithstanding anything contained in the Qanun-e-Shahadat, 1984 (P.O. No. 10 of 1984), the National Accountability Ordinance, 1999 (XVIII of 1999), the Federal Investigation Agency Act, 1974 (VIII of 1975) and the Right of Access to Information Act, 2017 (XXXIV of 2017), or any other law for the time being in force, <u>no court or other authority shall</u> , save as provided in the Ordinance, require any public servant to produce before it any return, accounts, or documents contained in, or forming a part of the records relating to any proceedings under the Ordinance, or declarations made under the Voluntary Declaration of Domestic Assets Act, 2018, the Foreign Assets (Declaration and Repatriation) Act, 2018 or the Assets Declaration Act, 2019 or any records of the Income Tax Department generally, or any part thereof, or to give evidence before it in respect thereof.

Section 216A

Proceedings against authority and persons

The Bill has proposed to omit Section 216A of the Ordinance.

Currently, as per 216A, the Board may prescribe rules for initiating criminal proceedings against certain authorities and persons who willfully and deliberately commits or omits an act which results in undue benefit or advantage to them.

Section 235

Electricity consumption

The Bill has proposed to insert section 235(1A) to the Ordinance:

“(1A) In addition to tax collectible under sub-section (1), there shall be collected tax at the rates given in the Division IV of Part IV of First Schedule from retailers and service providers as provided under section 99A of the Ordinance.”

The rates of advance tax are incorporated in the withholding chart in the end of this commentary.

Section 236C

Advance Tax on sale or transfer of immovable Property

As per section 236C(3) of the Ordinance, advance tax on sale or transfer of immovable property shall not be collected if the immovable property is held for a period exceeding 4 years. The Bill has proposed to increase the said period from 4 years to 10 years.

**SECTION
(CLAUSE)****THE INCOME TAX ORDINANCE, 2001****Section 236I****Collection of advance tax by educational institutions**

The Bill has proposed to omit Section 236I – Collection of advance tax by educational institutions.

Section 236Q**Payments to residents for use of machinery and equipment**

The Bill has proposed to omit Section 236Q – Payment to residents for use of machinery and equipment

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

The Bill has proposed to insert section 236Y of the Ordinance again which was omitted earlier.

This section is introduced to implement the advance tax deduction on persons remitting amounts abroad through credit or debit or prepaid cards.

The advance tax collected under this section shall be adjustable.

Section 237A(3)**Electronic Record**

The Bill has proposed to insert a provision that in case of an integrated enterprise, no sale shall be made or service shall be rendered, as the case may be, without generating fiscal invoices as prescribed.";

Section 237B**Prize schemes to promote tax culture**

The Bill has proposed to insert this section as Prize schemes to promote tax culture- The Board may prescribe prize schemes to encourage the general public to make purchases, or avail services only from integrated enterprises issuing tax invoices.

The Board is empowered to prescribe procedure for mystery shopping in respect of invoices issued by integrated enterprises randomly and in case of any discrepancy, all the relevant provisions of the Ordinance shall apply accordingly.

SECTION (CLAUSE) THE INCOME TAX ORDINANCE, 2001

FIRST SCHEDULE RATES OF TAX

Part I Rates of tax

Division I Rates of Tax for Individuals and Association of Persons

The bill proposes to substitute the existing Division I which prescribed rates of tax for non-salaried individual and associations of persons with new division I as follows:

Clause 1 Rates of tax for Association of Persons

The rates of tax imposed on the taxable income of every Association of Persons shall be as follows:

Taxable Income	Rate of tax
Where the taxable income does not exceed Rs. 400,000	0%
Where the taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	5% of the amount exceeding Rs. 600,000
Where the taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 10,000 + 12.5% of the amount exceeding Rs. 800,000
Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 60,000 + 17.5% of the amount exceeding Rs. 1,200,000
Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 270,000 + 22.5% of the amount exceeding Rs. 2,400,000
Where the taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 405,000 + 27.5% of the amount exceeding Rs. 3,000,000
Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 680,000 + 32.5% of the amount exceeding Rs. 4,000,000
Where the taxable income exceeds Rs. 6,000,000	Rs. 1,330,000 + 35% of the amount exceeding Rs. 6,000,000

Clause 2 Rates of tax for Salaried Individual

The rates of tax imposed on the taxable income of every salaried individual Persons shall be as follows:

Taxable Income	Rate of tax
Where the taxable income does not exceed Rs. 600,000	0%
Where the taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 100
Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	7% of the amount exceeding Rs. 1,200,000
Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 84,000 + 12.5% of the amount exceeding Rs. 2,400,000
Where the taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 234,000 + 17.5% of the amount exceeding Rs. 3,600,000
Where the taxable income exceeds Rs. 6,000,000 but does not exceed Rs. 12,000,000	Rs. 654,000 + 22.5% of the amount exceeding Rs. 6,000,000
Where the taxable income exceeds Rs. 12,000,000	Rs. 2,004,000 + 32.5% of the amount exceeding Rs. 12,000,000

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Division II

Rates of Tax for Companies

The bill proposes to fix the corporate rate of tax shall be as follows:

Type of Company	Rate of Tax
Small company	20%
Banking company	45%
Any other company	29%

Division IIA

Rates of Super Tax

The bill proposed to exclude the expression "Tax Year 2021 and onward" with the words "Tax Year 2021 and 2022".

Division IIB

Rates of tax high earning persons for poverty alleviation

Section 4C

This proposed new section seeks to introduce a tax high earning persons for poverty alleviation to be levied for the tax year 2022 and onwards. The tax is proposed to be levied on persons shall be as follows:

Income under section 4C	Rate of Tax
Where income does not exceed Rs. 300 million	0% of the income
Where income exceeds Rs. 300 million	2% of the income

Division IV

Rates of tax on certain payments to non-residents

The Bill proposes to substitute the Division IV of the Ordinance shall be as follows:

Existing

The rate of tax imposed under section 6 on payments to non-residents shall be 15% of the gross amount of the royalty or fee for technical services and 5% of the gross amount of the fee for offshore digital services".

Proposed

The rate of tax imposed under section 6 on payments shall be 15% of the gross amount of royalty or fee for technical services and 10% in any other case.

Division VII

Rates of Tax on Capital Gains on Disposal of Securities

Section 37A

The Bill proposes to substitute the table and the tax to be paid under section 37A of the Ordinance shall be as follows:

S. No.	Holding Period	Rates of Tax for Tax year 2023 and onwards
(1)	(2)	(3)
1.	Where the holding period does not exceed one year	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%
4.	Where the holding period exceeds three years but does not exceed four years	7.5%
5.	Where the holding period exceeds four years but does not exceed five years	5%
6.	Where the holding period exceeds five years but does not exceed six years	2.5%
7.	Where the holding period exceeds six years	0%
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%

**SECTION
(CLAUSE)**
THE INCOME TAX ORDINANCE, 2001
Division VIII
Rates of Tax on Capital Gains on Disposal of Immovable Property
Section 37

The Bill proposes to substitute the table and the tax to be paid under section 37 of the Ordinance shall be as follows:

S. No.	Holding Period	Rates of Tax		
		Open Plots (3)	Constructed Property (4)	Flats (5)
1.	Where the holding period does not exceed one year	15%	15%	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-
5.	Where the holding period exceeds four years but does not exceed five years	5%	0	-
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-
7.	Where the holding period exceeds six years	0%	-	-

Division VIIC
Rates of Tax on deemed rental income under section 7E

The bill proposes to insert a new Division VIIC in respect of deemed rental income paid to resident persons prescribed at the rate of tax of 20% of the gross amount payable

Part II
Rates of tax
148
Rates of Advance Tax
Section 148

The bill proposed insertion of new proviso after the expression "federal excise duty" with the words "and 4% of the import value as increased by customs duty, sales tax and federal excise duty in case of commercial importer"

In the second proviso the table serial no. 5 and 6 shall be substituted as under:

S. No.	C & F Value of mobile phone (in US Dollar)	Tax (in Rs.)	
		In CBU condition PCT Heading 8517.1219	IN CKD/SKD condition under PCT Heading 8517.1211
5	Exceeding 350 and up to 500	5,000	3,000
6	Exceeding 500	11,500	5,200

Part III
Rates of deduction of tax at source
Division III
Rates of payments for goods or services
Section 153

The Bill proposes to insert a new service "REIT management services, services rendered by National Clearing Company of Pakistan Limited" under the reduce rate of 3% on the gross amount payable

SECTION (CLAUSE) THE INCOME TAX ORDINANCE, 2001

Division IVA Rates of tax on export of services

Section 154A The Bill proposes to substitute the tax to be paid under section 154A of the Ordinance shall be as follows:

S. No. (1)	Types of Receipts (2)	Rate of Tax (3)
1	Export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board	0.25% of proceeds
2	Any other case	1% of proceeds

Part IV Rates of deduction or collection of advance tax Division III Rates of tax on motor vehicles

Section 234 The Bill proposes to substitute the table for the tax to be paid under section 234 of the Ordinance shall be as follows:

S. No. (1)	Capacity (2)	Rs. per seat per annum Non Air Conditioned (3)	Rs. per seat per annum Air Conditioned (4)
1	4 or more persons but less than 10 persons	500	1,000
2	10 or more persons but less than 20 persons	1,500	2,000
3	20 persons or more	2,500	4,000

Division IV Rates of tax on electricity consumption

Section 235 The Bill proposes to insert a new clause which provides following criteria based on special provision relating to traders and tax collected sub section (1A) of section 235 as follows:

S. No.	Gross amount of monthly bill	Rate of Tax
1	Where the amount does not exceed Rs. 30,000	Rs. 3,000
2	Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 5,000
3	Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	Rs. 10,000
4	Specified retailers and service providers through Income Tax General Order	Rs. 50,000

Division VII Rates of advance tax on purchase, registration and transfer of motor vehicles

**Section 231B
Clause I** The Bill proposes to substitute the table and the tax to be paid under section 231B of the Ordinance shall be as follows:

S. No. (1)	Engine Capacity (2)	Rate of Tax (3)
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	Rs.300,000
8	2501cc to 3000cc	Rs.400,000
9	Above 3000cc	Rs.500,000

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Provided that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million 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.

Clause II

The bill proposes insertion of two new proviso in Clause (2) as follows:

"Provided that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be Rupees twenty thousand:

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".

Division X

Rates of advance tax on sale or transfer of immovable property

Section 236C

The proposed amendment seeks to increase the rate of tax on sale or transfer of immovable property under section 236C from 1% to 2%.

Division XA

Rates of advance tax on TV plays and advertisements

Section 236CA

The Bill proposes to substitute the table and the tax to be paid under section 236CA of the Ordinance shall be as follows:

S. No. (1)	Description (2)	Rate of Tax (3)
1	Foreign-produced TV drama serial or play	Rs.1,000,000 per episode
2	Foreign-produced TV play (single episode)	Rs.3,000,000
3	Advertisement starring foreign actor	Rs.100,000 per second

Division XVI

Rates of collection of advance tax by educational institutions

Section 236I

The Bill has completely omitted the tax regime on advance tax deducted by educational institutions which was inserted through Finance Act 2013.

Division XVIII

Rates of advance tax on purchase of immovable property

Section 236K

The proposed amendment seeks to increase the rate of tax on purchase of immovable property under section 236K from 1% to 2%.

Division XXIII

Rates of payment to a resident person for right to use machinery and equipment

Section 236Q

The Bill has completely omitted the tax regime on advance tax deducted of payment to a resident person for right to use machinery and equipment which was inserted through Finance Act 2015.

Division XXVII

Rates of advance tax on amount remitted abroad through credit, debit or prepaid card

The Bill proposes insertion of new division "XXVII" after omitted division "XXVI" as under:

236Y

The rate of tax to be deducted under section 236Y shall be 1% of the gross amount remitted abroad.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
SECOND SCHEDULE	RATES OF TAX
Part I	EXEMPTIONS FROM TOTAL INCOME
Clause (23A)	The Bill proposes to substitute the Clause 23A as follows: "The accumulated balance received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005".
Clause (23B)	The Bill proposes to omit the exemption of the amounts received as monthly installment from an income payment plan invested out of the accumulated balance of an individual pension accounts with a pension fund manager or an approved annuity plan or another individual pension account of eligible person or the survivors pension account maintained with any other pension fund manager as specified in the Voluntary Pension System Rules 2005 provided accumulated balance is invested for a period of ten years.
Clause (66) Sub-clause(1)	The bill proposes new insertion which seeks to grant exemption from tax to any income derived by the following: • Pakistan Mortgage Refinance Company Limited • The Pakistan Global Sukuk Programme Company Limited • Karandaz Pakistan from tax year 2015 onwards • Pakistan Sweet Homes Angles and Fairies Place • Public Private Partnership Authority for tax year 2022 and subsequent four tax years • Dawat-e-Islami Trust • Hamdard Laboratories (Waqf) Pakistan
Sub-clause(2)	The Bill proposes to omit the income derive for claiming 100C tax credits by the following: • Pakistan Sweet Homes Angles and Fairies Place • Pakistan Mortgage Refinance Company Limited • Pakistan Centre for Philanthropy
Clause (99)	The bill proposes to exclude the expression "as reduced by" with the words "accumulated losses and".
Clause (102A)	The Bill proposes to omit to exempt the Income of a person as represents a subsidy granted to him by the Federal Government for the purposes of implementation of any orders of the Federal Government in this behalf.
Clause (103D)	The Bill proposes to exclude the expression "clause (p) of section 2 of the Special Technology Zones Authority Ordinance, 2020" with the words "the Special Technology Zones Authority Act, 2021 (XVII of 2021)".
Clause (126EA)	The Bill proposes to substitute section 126EA of the Ordinance as follows: Profits and gains derived by: - zone developer as defined in the Special Technology Zones Authority Act, 2021 (XVII of 2021) from development and operations of the zones for a period of ten years starting from the date of signing of the development agreement - zone Enterprises as defined in the Special Technology Zones Authority Act, 2021 (XVII of 2021) for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and - Special Technology Zones Authority established under the Special Technology Zones Authority Act, 2021 (XVII of 2021)

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Clause (132)

The Bill proposes insertion of new explanation after the sixth proviso as follows

"Explanation:- For the removal of doubt it is clarified that exemption under this clause shall continue to remain available to those persons to whom exemption under this clause was available on or before 30th day of June, 2021 before insertion of sixth proviso vide Finance Act, 2021:

Provided further that the exemption under this clause shall be available for the life cycle of the project or 25 years from the date of commencement of commercial production, whichever is earlier." and

The bill proposed insertion of new clauses "150 and 151" after clause "149" as under:

Clause (150)

Income derived by Siyahkalem Engineering Construction Industry and Trade Company Limited from contract dated 23rd day of May 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by the Saudi Fund for Development with effect from tax year 2017

Clause (151)

Any income derived by a person from cinema operations in a tehsil or town where there is no cinema, for five years from the commencement of cinema operations:

Provided that this exemptions shall only be available to those persons who start cinema construction on or before 31 day of December, 2023

Part II

REDUCTION IN TAX RATES

Clause (24C)

The Bill proposes to insert the expression "cement" with the words "steel".

Clause (24D)

The Bill proposes to insert the expression "cement" with the words "steel".

Part III

REDUCTION IN TAX LIABILITY

Clause 1

The Bill has completely omitted the clause I as under:

- flying allowance by flight engineers, navigators of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Junior Commissioned Officers or other ranks of Pakistan Armed Forces; and
- submarine allowance by the officers of the Pakistan Navy

Clause 1AA

The Bill has completely omitted the clause 1AA that total allowances received by pilots of any Pakistani airlines shall be taxed at a rate of 7.5%, provided that the reduction under this clause shall be available to so much of the allowances as exceeds an amount equal to the basic pay.

Clause 6

The Bill proposes to exclude the expression "10" with the words "5". The reduction in rate from 10% to 5% relates to the profit on investment in Bahbood Savings Certificate or Pensioners Benefit amount.

Clause 9A

The Bill proposes to omit the clause 9A "The amount of tax payable on income chargeable under the head, "Capital Gains" on disposal of immovable property shall be reduced by fifty percent on the first sale of immovable property acquired or allotted to ex-servicemen and serving personnel of Armed Forces or ex-employees or serving personnel of Federal and Provincial Governments, being original allottees of the immovable property, duly certified by the allotment authority".

Clause 20

The Bill proposes to omit the clause 20 that the tax payable by a person other than a banking or insurance company in respect of profit on debt from investment in Federal Government securities shall be fifteen percent of the gross amount of the profit on debt

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Part IV

EXEMPTION FROM SPECIFIC PROVISIONS

Clause 11A

The Bill proposes insertion in clause 11A after the sub-clause (xlv) as under:

(xlv) Mobile phone manufacturers engaged in the local manufacturing of mobile phone devices

Clause 12B

The Bill proposes to exclude the expression "30th day of June 2021" with the words "31st day of December 2021".

The Bill proposes to insertion of new clause "12BA" after the clause "12B" as under:

Clause 12BA

The provisions of section 148 shall not apply on import of thirty million adult 3xPly Knit face masks received as humanitarian assistance from M/s HANES Brands Inc. North Carolina, USA for distribution within the population of Lahore Division, Government of the Punjab

The Bill proposed to insertion of new clause "12O" after the clause "12N" as under:

Clause 12O

The provisions of section 148 shall not apply on import of drones donated by Ministry of Agriculture and Rural Affairs (MARA), Government of China to Pakistan through Sea Route. (12P) The provisions of section 148 shall not apply on import of cinematographic equipment as notified by the Federal Government.

Clause (60DA)

The Bill proposes to substitute section 60DA of the Ordinance as follows:

The provisions of section 148 shall not apply to the import of the capital equipment as defined in Special Technology Zones Authority Act, 2021 (XVII of 2021).

- (a) Zone developers as defined in Special Technology Zones Authority Act, 2021 (XVII of 2021) for consumption in the special technology zones for the period of ten years commencing from the date of signing the development agreement.
- (b) Zone enterprises as defined in Special Technology Zones Authority Act, 2021 (XVII of 2021) for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and
- (c) Special Technology Zones Authority established under Special Technology Zones Authority Act, 2021 (XVII of 2021)

Clause (86)

The Bill proposes to omit the clause 86. The Clause 86 provided instances where the provision of section 111 was not applicable.

Clause (95)

The Bill proposes to substitute clause 95 of the Ordinance as follows:

The provisions of sections 147, 151, 152, 236A and 236K shall not apply to the Second Pakistan International Sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and The Pakistan Global Sukuk Programme Company Limited, as a payer

Clause (96)

The Bill proposes to substitute clause 96 of the Ordinance as follows:

The provisions of sections 151, 153, 155 and 236C shall not apply to the Second Pakistan International Sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and the Pakistan Global Sukuk Programme Company Limited, as a recipient"; and.

Clause (97A)

The Bill proposes insertion of new clause "97A" after clause "97" of the Ordinance shall be as follows:

The provisions of sections 37, 236C and 236K shall not apply to National Highway Authority in respect of transfer of immovable property to the Pakistan Global Sukuk Programme Company Limited and in respect of transfer of immoveable property to National Highway Authority from the Second Pakistan International Sukuk Company Limited or the Pakistan Global Sukuk Programme Company Limited

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
Clause (105A)	The Bill proposes insertion of new clause "105A" after the omitted clause "105" as follows: The provisions of section 177 and 214C shall not apply to a person whose income tax affairs have been audited in any of the preceding four tax years Provided that the Commissioner may select a person under section 177 for audit with approval of the Board
Clause (120)	The Bill proposes insertion of new clause "120" after clause "119" of the Ordinance shall be as follows: The provisions of Divisions II and III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax shall not apply to the persons mentioned in Table 1 of clause (66) of Part I of the second schedule as recipients of payment: Provided that such persons shall continue to perform functions as withholding and collecting agent under the aforesaid provisions
FOURTH SCHEDULE	RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF INSURANCE BUSINESS
	The Bill proposes insertion of new rule "6DA" after the rule "6D" as follows:
6DA	The provisions of section 4C shall apply to the taxpayers under this Schedule and shall be taxed at the rates specified in Division IIB of Part I of the First Schedule from tax year 2022 onwards
FIFTH SCHEDULE	RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS FROM THE EXPLORATION AND PRODUCTION OF PETROLEUM
	The Bill proposes insertion of new rule "4AB" after the rule "4AA" shall be as follows:
4AB	The provisions of section 4C shall apply to the taxpayers under this schedule and shall be taxed at the rates specified in Division IIB of Part I of the First Schedule from tax year 2022 onwards
SEVENTH SCHEDULE	RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF A BANKING COMPANIES AND TAX PAYABLE THEREON
	The Bill proposes substitution in rule "6C" for sub-rule "6A" shall be as follows:
6A	For tax year 2022 and onwards, the taxable income attributable to investment in the Federal Government securities shall be taxed at the rate of— (i) 55% instead of rate provided in Division II of Part I of the First schedule if the gross advances to deposit ratio as on last day of the tax year is upto 40% (ii) 49% instead of rate provided in Division II of Part I of the First schedule if the gross advances to deposit ratio as on last day of the tax year exceeds 40% but does not exceed 50%; and (iii) at the rates provided in Division II of Part I of the First schedule if gross advances to deposit ratio as on last day of the tax year exceeds 50% Explanation.- For the removal of doubt it is clarified that the tax rate under this sub-rule is applicable to total income attributable to total investment in Federal Government securities The Bill proposes substitution in rule "7CA" after rule "7C" shall be as follows:
7CA	The provisions of section 4C shall apply to the taxpayers under this schedule and shall be taxed at the rates specified in Division IIB of Part I of the First Schedule from tax year 2022 onwards

SECTION (CLAUSE)

THE INCOME TAX ORDINANCE, 2001

TENTH SCHEDULE RULES FOR PERSONS NOT APPEARING IN THE ACTIVE TAXPAYERS LIST

The Bill proposes insertion of new proviso after in rule (1) shall be as follows:

"Provided that the tax required to be collected under section 231B shall be increased by two hundred percent of the rate specified in First Schedule in case of persons not appearing in the active taxpayers' list:

Provided further that the tax required to be collected under section 236K shall be increased by two hundred and fifty percent of the rate specified in Division XVIII of Part IV of the First Schedule in case of persons not appearing in the active taxpayers

Rule 10

The Bill proposes insertion of new sub-rule (ca) after sub-rule (c) shall be as follows:

tax collected or deducted under section 154A

- (e) The bill proposed to omit tax deducted under section 156B
- (P) The bill proposes to omit tax deducted under section 236I
- (t) The bill proposes to omit tax deducted under section 235Q

TWELFTH SCHEDULE

Tax deducted on import stage under section 148

Part I

The bill proposes insertion of new PCT code before PCT code 2711.1100 as follows:

PCT CODE	DESCRIPTION
27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal

Part II

The Bill proposes to omit PCT code 27.01 which is related to Coal; briquettes, ovoids and similar solid fuels manufactured from coal

The Bill proposes insertion of new PCT code after PCT code 85.03 shall be as follows:

"8504.3100	SMD Inductors for LED Bulb and Lights.
8504.4090	Constant Current Power Supply of LED Lights and Bulbs

The Bill proposes insertion of new PCT code after PCT code 85.29 shall be as follows:

8532.2200	Electrical Capacitors Aluminum Electrolytic for LED Bulbs and Lights
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The Bill proposes insertion of new PCT code after PCT code 85.38 shall be as follows:

8539.9020	Base Cap for all Kinds of LED Bulbs
8539.9090	Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Bulbs
8539.9090	Housing/Shell, Shell Cover and Base Cap for all Kinds of LED Bulbs.

The Bill proposes insertion of new PCT code after PCT code 90.32 shall be as follows:

9001.9000	Lenses for LED Bulbs and Lights
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**SECTION
(CLAUSE)****THE INCOME TAX ORDINANCE, 2001**

The Bill proposes insertion of new PCT code after PCT code 9401.9030 shall be as follows:

"9405.1090	Housing/Shell, Shell Cover and Base Cap for all Kinds of LED Lights.
9405.9900	Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Lights.

**THIRTEENTH
SCHEDULE****Charitable Donations**

The Bill proposes insertion of new serial no "63" after serial no "62" shall be as follows:

63	All entities mentioned in Table-I of clause (66) of Part-I of the Second Schedule of the Ordinance.
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**SECTION
(CLAUSE)**
SALES TAX ACT, 1990
Definitions
2(12)
Goods

The Bill has proposed to insert production, transmission and distribution of electricity as under the definition of goods. By this insertion electricity production and supply also comes under the definitions of goods.

2(29A)
Sales Tax

The Bill proposes to insert the word "excluding fee and service charges imposed and collected under section 76" By this insertion the fee and services charges collected under section 76 shall be excluded from the definitions of sales tax.

2(33)(e)
Supply

This is consequential amendment as the Bill has proposed to insert a new clause as production, transmission and distribution of electricity under the definition of goods under section 2(12) is also included in this definition. By this insertion the production, transmission and distribution of electricity." also comes under the definitions of supply.

2(43A)(ga)
Tier – 1 Retailer

The Bill has proposed to insert a new clause after sub clause "g" as under:
"A person engaged in supply of articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal. By this insertion of this clause, jewelers are also included in the definitions of "Tier-1 retailer".

Scope of Tax
3(1A)

The Bill has proposed to insert the word "or he is not an active taxpayer " of" after the word "registration number" By this substitution non active taxpayers are clearly included the list for charging further tax at the rate 3 percent over and above sales tax.

3(7)

The Bill proposes to approve this provision which was earlier incorporated vide the third amendment Ordinance 2021 dated September 2021 the provision is as under:

"Provided that in case of the online market place facilitating the sale of third party goods, the liability to withhold tax on taxable supplies of such party at the rates specified in column. By addition of this proviso, operators of online market place would now be responsible for collection of sales tax on taxable supplies made by third party.

3(9)

The Bill proposes to substitute after the word in the sub-section for collection of sales tax from retailers other then Tier-I retailers,

Existing

five per cent where the monthly bill amount does not exceed rupees twenty thousand and at the rate of seven and half per cent where the monthly bill amount exceeds the aforesaid amount"

Proposed

the words "rupees three thousand per month where the monthly bill amount does not exceed rupees thirty thousand, rupees five thousand per month where the monthly bill amount exceeds rupees thirty thousand but does not exceed rupees fifty thousand and rupees ten thousand per month where the monthly bill amount exceeds rupees fifty thousand"

SECTION (CLAUSE)

SALES TAX ACT, 1990

3(9)

The Bill has proposed to insert of a new proviso as under

"Provide that the Board may through a general order prescribe any persons or class of person who shall pay rupees fifty thousand per month through their monthly electricity bill"

The Bill has empowered the Board to prescribe any retailer to pay Rs. 50,000 as sales tax through electricity bill.

3(11)

The Bill has also empowered the, to require any person or class of persons to integrate their invoices under Board's Computerized System for real time reporting of sales in such mode and manner and from such date as may be prescribed.

Section 6

Time and manner of payment

(5)

The Bill proposes addition of new sub section after sub section 4 as follows:

"The Federal Government may, subject to such conditions, limitations and restrictions as it may impose, by notification in the official Gazette, allow payment of sales tax on installments basis by the Federal or Provincial Governments or any public sector organization on import or supply of any goods or class of goods: Provided that such payment may be allowed from any previous date specified in the notification under this sub- section.

By addition of this clause the Board is empowered to allow the Federal or Provincial Governments or any public sector organization, relief for payment of sales tax on installment basis.

8 (1)(m)

Tax credit not allowed

The Bill has proposed to omit the requirement to obtain CNIC / NTN in case of supply to un-registered person.

8B

Adjustable Input Tax

The Bill proposes omission of the words "other than public limited companies listed on Pakistan Stock Exchange". Due to this proposed omission, now the above entities would also be restricted to claim input tax adjustment up to 90% of the output tax.

14AB

Discontinuance of gas and electricity connections

The Bill proposes to approve the provision which was earlier incorporated vide the Third Amendment Ordinance dated September 2021 the provision is as under:

Notwithstanding anything contained in this Act or any other law for the time being in force, the Board shall have power through Sales Tax General Order to direct the gas and electricity distribution companies for discontinuing the gas and electricity connections of any person who fall in the following categories, namely:-

- (a) Any person, including tier-1 retailers, who fail to register for sales tax purpose or
- (b) Notified tier-1 retailers registered but not integrated with the Board's Computerized System

Provided that upon registration or integration, as the case may be, of the above said persons, the Board shall notify the restoration of their gas or electricity connection through Sales Tax General Order.

By addition of this section Federal Government may direct gas electricity companies to disconnect their connections on non-compliances of the above section.

Section 23(1)(b)

Tax invoices

This is a consequential amendment as the Bill proposes to omit the requirement to obtain CNIC / NTN in case of supply to un-registered person under section 8 (1)(m). However, the requirement to obtain "Name, address and registration number of the recipient is intact.

SECTION
(CLAUSE)

SALES TAX ACT, 1990

The Third Schedule Sales Tax charged at standard rate

Serial No.7 The Bill proposes substitution of tariff code 3402.2000 by word respective heading

Sixth Schedule Local and Imported Goods Exemptions

Table -1

S.No	Existing	Proposed
	Amendment in Column 3	
13	Edible vegetables [imported from Afghanistan] including roots and tubers, [except ware potato and onions], whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled [or] canned [0709.5910, 0709.5990],	Omitted
32	Newsprint and books but excluding brochures, leaflets and directories	Addition of Respective headings. Instead of tariff code
45	Dextrose and saline infusion giving sets 792[***] along with empty non-toxic bags for infusion solution, Dextrose and saline infusion giving sets, Artificial parts of the body, Intra-Ocular lenses and Glucose testing equipment. 9027.8000	
120	Diagnostic kits or equipment, namely:- HIV Kits 4C Es Trionyx 5C Cell control Lnormal Bovine precision multi sera Pregnancy test DNA SSP DRB Generic IC Reticulocyte count (control) retic C Control Kit for vitamin B12 estimation Ferritin kit HEV (Hepatitis E virus) ID-DA Cell Urine Analysis Strips Albumin beg Cratinin syti Ring Detektiion cups ISE Standard Alkaline phosphatase (Alb) Bilirubin kit HDL Cholesterol Ck creatin in kinase (mb) Ck nac Glucose kit Ammonia Modular Lac Ldh kit (lactate dehydrogenase kit) Urea uv kit Ua plus Tina quant Crp control Aslo tin Proteins Lipids HDL/LDL cholesterol Protein kit U Control Sera Pac Control HCV UIBC (Unsaturated iron binding capacity) U/CSF Inorganic Phosphorus kit Kit amplicon kit (for PCR) Ige Lc hsv Oligo NA/K/CL Hcy Standard [or calibrated] Hla B27 Liss Coombs Typhoid kit HCV amp Urine test strips for sugar test Blood glucose test strips Kits for automatic cell separator for collection of platelets Elisa or Eclia kit PCR kits Immunoblast (western blot test). I.C.T. (Immunochromatographi c kit) CBC Reagent (For hematology analyzer) Complete blood count reagent. <u>Tariff Code was 3822.000</u>	
133	Pesticides and their active ingredients registered by the Department of Plant Protection under the Agricultural Pesticides Ordinance, 1971(II of 1971), stabilizers, emulsifiers and solvents, namely:- Xylol (xylenes)- Beta Pinene / Agrotin 527 / Terpenic derivative, Toluene , Mixed xylene isomers, Naphthalene, Solvesso-[100, 150, 200], Methanol (methyl alcohol), Propylene glycol (propane-1, 2- diol), Adhesives Polyvinyl Acetate , Polyvinyl Alcohol Ingredients for pesticides, Other ingredients for pesticides, Solvenon MP / 1-Methoxy 2-Propanol - Methylglycol Acetate, Methanal (formaldehyde) , Cyclo-hexanone and methylcyclo-hexanone, Cyclohexanon, Cyclohexanone Mixed petroleum Xylene (1,2 & 1,3 & 1,4 dimethyl benzene and ethyle benzene), Acetic anhydride, Ingredients for pesticides, Dioctyl orthophthalates, Endosulfan Technical Material, Other ingredients for pesticides Diethylamine and its salts Ingredients for pesticides, Other Ingredients for pesticides Ingredients for pesticides <u>Tariff Code was</u> 2930.9090 , 2931.0010, 2931.0090, 2932.2920, 2933.3930, 2941.9050, 3402.1110, 3402.1190, 3402.1290, 3402.1300, 3402.1990	

SECTION
(CLAUSE)

SALES TAX ACT, 1990

S.No	Exisitng	Proposed
137		
in Column no. 2	Paper weighing 60 g/m2 852[, art paper and printing paper] for printing of Holy Quran imported by Federal or Provincial Governments and Nashiran-e-Quran as per quota determined by IOCO	Paper weighing 60 g/m2 852[, art paper and printing paper] art card for printing of Holy Quran imported by Federal or Provincial Governments and Nashiran-e-Quran as per quota determined by IOCO
in Column no. 3	8402.6990	8402.6990'4810.2900

The Bill proposes addition of the following serial number as under

S.No	Particular	Code
Serial 52	Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal on which tax has been paid at the import stage @ 4%.	71.13
53	Prepared food or foodstuff supplied by Restaurants and caterers	Respective headings
164	Photovoltaic cells whether or not assembled in modules or made up into panels	8541.4200 and 8541.4300
165	Goods imported by or donated to hospitals run by the non-profit making institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969, (IV of 1969).	99.13 and 99.14
166	Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.	Respective headings
167	Goods temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate of customs duty subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969 (IV of 1969).	99.19, 99.20 and 99.21
168	Tractor	8701.9220 and 8701.9320
169	Seeds for sowing	Respective headings
170	Machinery, equipment and materials imported either for exclusive use within the limits of Export Processing Zone or for making exports therefrom, and goods imported for warehousing purpose in Export Processing Zone, subject to the conditions that such machinery, equipment, materials and goods are imported by investors of Export Processing Zones, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (IV of 1969) and rules made thereunder shall mutatis mutandis, apply.	Respective headings

SECTION
(CLAUSE)

SALES TAX ACT, 1990

Table 2

Local Supply's only

Serial

S.No	Existing	Proposed
11	Supply of ware potato and onions 0701.9000 and 0703.1000]	Omitted
32	Yogurt, excluding that sold in retail packing under a brand name- Tariff Code: 0403.1000	Respective headings
45	Edible vegetables including roots and tubers whether fresh, frozen or otherwise reserved (e.g. in cold storage) but excluding those bottled or canned. 0701.1000, 0702.0000, 0703.2000, 0703.9000, 0704.1000, 0704.2000, 0704.9000, 0705.1100, 0705.1900, 0705.2100, 0705.2900, 0706.1000, 0706.9000, 0707.0000, 0708.1000, 0708.2000, 0708.9000, 0709.1000, 0709.2000, 0709.3000, 0709.4000, 0709.5100, 0709.5910, 0709.5990, 0709.6000, 0709.7000, 0709.9000, 0710.1000, 0710.2100, 0710.2200, 0710.2900, 0710.3000, 0710.4000, 0710.8000, 0710.9000, 0712.2000, 0712.3100, 0712.3200, 0712.3300, 0712.3900 and 0712.9000	Respective headings

Table 3

Specific Exemptions

The Bill proposes addition of new serial number after serial 21 and also substituted the Annexure A

S.No	Descriptions	PCT Heading	Conditions
22	1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through hydel, oil, gas, coal, nuclear and renewable energy sources including under construction projects entered into an implementation agreement with the Government of Pakistan prior to 15th day of January, 2022. 2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.	Respective headings	(i) This concession shall also be available to primary contractors of the project upon fulfilment of the following conditions, namely:- (a) The contractor shall submit a copy of the contract or agreement under which he intends to import the goods for the project; (b) The Chief Executive or head of the contracting company shall certify in the prescribed manner and format as per Annex-A that the imported goods are the projects bona fide requirement; and (c) The goods shall not be sold or otherwise disposed of without prior approval of the FBR on payment of sales tax leviable at the time of import; (ii) temporarily imported goods shall be cleared against a security in the form of a post-dated cheque for the differential amount between the statutory rate of sales tax and the amount payable along with an undertaking to pay the sales tax at the statutory rates in case such goods are not re-exported on conclusion of the project.

Eighth Schedule

Serial Number 25, 47, and 75 and entries relating thereto in columns (2), (3), (4), and (5) is proposed to be omitted

In Serial No. 53 for the item Step Lights the tariff code 9405.4090 is substituted with Respective headings

In Serial No. 56 for the item Potassium Chlorate (KCLO3) rate was Rs. 90 per KG which is proposed to be Rs.60 per KG

SECTION (CLAUSE)

SALES TAX ACT, 1990

The following new entries were proposed

S. No	Description	Code	Rate of Sales Tax	Conditions
78	Supply of articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal.	71.13	3%	No input tax shall be adjusted
79	Import of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.	71.13	4%	No input tax shall be adjusted
80	Local supply of reclaimed lead	Respective heading	1%	Subject to the conditions that: (i) Supplies are made to registered manufacturers of lead and lead batteries; and (ii) No refund of input tax shall be admissible."

Eleventh Schedule Sales Tax Withheld

Under the Serial No. 7 the Bill has proposed to amend the PCT Headings: 8548.1010, 8548.1090 with Respective headings.

Twelfth Schedule Levy and collection of tax on specified goods on value addition

Clause 2(1)

Existing

Raw materials and intermediary goods imported by a manufacturer for in-house consumption;]

Proposed

Raw materials and intermediary goods imported by a manufacturer for in-house consumption "excluding compressor scrap (PCT heading 7204.4940), motor scrap (PCT heading 7204.4990) and copper cable cutting scrap (PCT heading 7404.0090)"

**SECTION
(CLAUSE)**

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE

**The Schedule
Table I**

(i) The Bill proposed to substitute in Table 1, in column (1).- substitution for reduction of rate in Islamabad territory as under;

S.No	Description	PCT heading, if applicable	Rate of Tax (Existing)	Rate of Tax (Proposed)
1	Services provided or rendered by hotels, motels, guest houses, farmhouses, restaurants, marriage halls, lawns, club and caterers. Services provided or rendered by hotels motels, guest houses and farmhouses. Services provided or rendered by restaurants. Services provided or rendered by marriage halls and lawns. Services provided or rendered by clubs. Services provided or rendered by caterers, suppliers of foods and drinks.	98.01	Sixteen percent	Fifteen percent

(ii) In Table 1, the following substitution in sales tax rate as under;

Against S. Nos.	Rate of Tax (Existing)	Rate of Tax (Proposed)
2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 43, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, and 59	Sixteen percent	Fifteen percent

**SECTION
(CLAUSE)**
THE FEDERAL EXCISE ACT, 2005
First Schedule
**Amendments in
Table-I**
(EXCISABLE GOODS) & TABLE-II (EXCISABLE SERVICES)

The Bill proposes to amend Excise Rates of excisable goods and services as under

Excisable Goods/Services	Existing Rates	Proposed Rates
E-liquids by whatsoever name called, for electric cigarette kits	Rs. 10 per ml	Rs. 10,000 per Kg
Locally produced cigarettes if their on pack printed retail price exceeds five thousand nine hundred and sixty rupees per thousand cigarettes	Rs. 5,200 per 1000 cigarettes	Rs. 5,600 per 1000 cigarettes
Locally produced cigarettes if their on pack printed retail price does not exceed five thousand nine hundred and sixty rupees per thousand cigarettes	Rs.1,650 per 1000 cigarettes	Rs.1,850 per 1000 cigarettes
Filter rod for cigarettes	Re. 1 per Filter Rod	Rs. 1500 per Kg
services provided or rendered in respect of travel by air of the passengers embarking on international journey from Pakistan Club, business and first class	Rs. 10,000	Rs. 50,000
Telecommunication services	16% of charges	19.5% of charges

SECTION (CLAUSE)

LEVY OF TAX ON CAPITAL VALUE OF CERTAIN ASSETS

Section 1

The Bill has proposed to introduce a tax which will be levied, charged and collected, to be called the Capital Value Tax 2022 on the value of assets at the rates provided in the First Schedule to this section.

Section 2

Assets on Which CVT Is charged

Capital Value Tax shall be charged on the following assets

- a) motor vehicle held in Pakistan where the value of motor vehicle exceeds rupees five million;
- b) assets of a resident individual, whether movable or immovable, held abroad where the value of such assets exceeds rupees one hundred million; or
- c) such assets or class of assets as specified by the Federal Government through a notification in the official Gazette, at such rates and in such manner as may be specified.

Section 3

Valuation of Assets

For the purposes of this tax, the Bill has proposed value of the assets shall be determined in the following manner:

- a) in case of motor vehicle mentioned in a of section 2 above –
 - i. where the vehicle is imported in Pakistan, the import value assessed by the Customs authorities as increased by customs duties;
 - ii. where the vehicle is manufactured or assembled locally in Pakistan, the value at which the motor vehicle is sold by the local manufacturer or assembler;
 - iii. where the vehicle is auctioned, the auction price; or
 - iv. in any other case, the total consideration paid to acquire, alter or improve the vehicle;
- b) the value of the motor vehicle mentioned in clause (c) of section 2 above, shall be reduced by ten percent for each year from the end of financial year in which the motor vehicle is acquired:

Provided that the value shall be treated as zero-

 - i. after ten years from the end of financial year in which the motor vehicle is acquired; or
 - ii. where the value after reduction as mentioned in this clause, is less than or equal to rupees five million;
- c) in case of assets mentioned in clause (b) of section 2 above, the value shall be the higher of –
 - i. the total consideration paid to acquire, alter or improve the asset; or
 - ii. the fair market value of the asset;
- d) in case of assets notified by Federal Government in terms of clause (c) of sub-section (2) above, the value shall be as specified in such notification.

Section 4

Mode and manner of Tax

The tax shall be collected or paid in following manner –

- a) the Collector of Customs shall collect tax at the time of import of motor vehicle mentioned in clause (a) of sub-section (2) on the import value as increased by customs duties at the rate specified in the First Schedule;
- b) the provisions of the Customs Act, 1969 (IV of 1969), in so far as relevant, shall apply to the collection and payment of tax under clause (a) of this sub-section;
- c) Local manufacturer or assembler shall collect tax from the buyer of the motor vehicle mentioned in clause (a) of sub-section (2) on sale value at the rate specified in the First Schedule;

SECTION (CLAUSE)

LEVY OF TAX ON CAPITAL VALUE OF CERTAIN ASSETS

- d) any person making sale by public auction or auction by a tender of motor vehicle mentioned in clause (a) of sub-section (2) shall collect tax from the person to whom such motor vehicle is sold on the sale value 'auction price' of motor vehicle at the rate specified in the First Schedule;
- e) where clauses (c) or (d) apply, the tax shall be collected at the time of sale or where the payment is made in installments at the time of payment of first installment and the tax collected shall be paid to the credit of the Federal Government through remittance to the Government Treasury or deposit in an authorized branch of the State Bank of Pakistan or the National Bank of Pakistan within seven days of the date of collection:

Provided that the tax collected by the Federal Government, a Provincial Government or a Local Government shall be paid to the credit of the Federal Government on the day the tax is collected;

- f) Every motor vehicle registering authority of Excise and Taxation Department at the time of collecting motor vehicle tax shall also collect tax on the value of motor vehicle at the rate specified in the First Schedule:

Provided that tax under this clause shall not be collected from the person in the financial year in which tax has been paid or collected from the said person under this section at the time of-

- 1. import;
- 2. purchase from local manufacturer or assembler; or
- 3. auction;

- g) in case of assets mentioned in clauses (b) of sub-section (2), the person holding the assets shall be liable to pay tax at the time of filing of income tax return for the tax year in the manner prescribed; and
- h) in case of assets notified by Federal Government in terms of clause (c) of sub-section (2) above, the tax shall be collected or paid in the manner as specified in such notification.

Section 5

Deposit of tax collected

The proceeds of the tax collected under this section shall be credited to the Federal Consolidated Fund under the head specified by the Federal Government.

Section 6

Penalty or Default

Where a person fails to-

- a) pay tax to the credit of the Federal Government;
- b) collect tax; or
- c) pay to the credit of the Federal Government after having collected the tax, the person shall be personally liable to pay-
 - i. the amount of tax; and
 - ii. the default surcharge at a rate equal to twelve per cent per annum on the tax unpaid computed for the period commencing on the date on which the tax was due and ending on the date on which it was paid.

Section 7

Order and opportunity of being heard

Where sub-section (6) applies, the officer of Inland Revenue may pass an order after giving the person an opportunity of being heard, and proceed to recover the tax under the provisions of the Income Tax Ordinance, 2001 (XLIX of 2001) and the Income Tax Rules, 2002 as if the tax were an arrear of income tax.

SECTION (CLAUSE)

LEVY OF TAX ON CAPITAL VALUE OF CERTAIN ASSETS

Section 8

Revision of Order

The Commissioner, on an application by the person, may revise any order made under this section.

The provisions of the Income Tax Ordinance, 2001 (XLIX of 2001) and the Income Tax Rules, 2002 in so far as relevant, shall apply to the collection and recovery of tax under this section.

Any person dissatisfied with any order passed by the Commissioner or an officer of Inland Revenue under this section may prefer an appeal before the Commissioner (Appeals) against the order as provided in section 127 of the Income Tax Ordinance, 2001 (XLIX of 2001) and all provisions of Part III of Chapter X of the Income Tax Ordinance, 2001 shall apply accordingly.

The Federal Board of Revenue may, by notification in the official Gazette, prescribe the manner and procedure relating to the collection and recovery of, or any other matter relating to the capital value tax. The Federal Government may, by notification in the official Gazette, exempt any asset or class of assets from tax subject to such conditions as may be specified.

Section 9

Relevancy of provision of Tax Ordinance and Income Tax Rule

The provisions of the Income Tax Ordinance, 2001 (XLIX of 2001) and the Income Tax Rules, 2002 in so far as relevant, shall apply to the collection and recovery of tax under this section.

Section 10

Appeal

Any person dissatisfied with any order passed by the Commissioner or an officer of Inland Revenue under this section may prefer an appeal before the Commissioner (Appeals) against the order as provided in section 127 of the Income Tax Ordinance, 2001 (XLIX of 2001) and all provisions of Part III of Chapter X of the Income Tax Ordinance, 2001 shall apply accordingly.

Section 10 & 11

Other provisions

The Federal Board of Revenue may, by notification in the official Gazette, prescribe the manner and procedure relating to the collection and recovery of, or any other matter relating to the capital value tax.

The Federal Government may, by notification in the official Gazette, exempt any asset or class of assets from tax subject to such conditions as may be specified.

First Schedule (See section 1)
Rates of Capital Value Tax
TABLE

S. No.	Assets/Description	Rate
(1)	(2)	(3)
1	Motor vehicle mentioned in clause (a) of sub-section (2)	2% of the value
2	Assets held abroad mentioned in clause (b) of sub-section (2)	1% of the value

SECTION (CLAUSE)	CUSTOMS ACT, 1969
2(1) (a) (bbc)	The proposed amendment seeks to add "bordering and coastal areas" in order to curb the menace of smuggling of essential commodities.
2(1) (b) (kka)	Proposed amendments seeks to align the Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021 in terms of Section 3(3) of PSW Act, 2021
2(1) (c) (kkd)	The proposed amendments seeks to define new clause "essential commodities" which are prone to smuggling out of the country through international borders due to price differential in the international market.
2(1) (d) (oa)	Proposed amendments seeks to define new clause "other government agencies" in order to align the Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021 in terms of Section 3(3) of PSW Act, 2021 (III of 2021).
2(1) (e) (pb)	Proposed amendments seeks to define new clause "Pakistan Single Window" in order to align the Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021 in terms of Section 3(3) of PSW Act, 2021 (III of 2021).
2(1) (f) (qb)	Bill seeks shall inserted word "Trade Controls" to align the Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021 in terms of Section 3(3) of PSW Act, 2021.
2(1) (g)	Bill seeks to amend clause 2(s) to include the "essential commodities" in the definition of smuggling.
2(1) (h) (sa)	Proposed amendments seeks to add new clause (sa) to section 2 to defining "trade controls" , to align the Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021 in terms of Section 3(3) of PSW Act, 2021 (III of 2021).
2(1) (i) (sb)	Bill seeks to insert new clause (sb) to section 2 to defining "un-authorised access" in order to align the Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021 in terms of Section 3(3) of PSW Act, 2021 (III of 2021).
3C	The proposed amendments seeks to substitute "Directorate General of Training and Research" as "Pakistan Customs Academy" .
19(5)	The proposed amendments seeks to amend to give continuity to the notifications issued during the financial year.
21 (c)	The proposed amendments seeks to amend section 21 by removing the provision which has become infructuous for supplies against international tenders.
81 (a) and (b)	The proposed amendments seeks to amend section 81 in order to facilitate trade and avoid delay in realization of government revenue.
98(a) and (aa)	The proposed amendments seeks to facilitate trade by expediting grant of requests for extension in warehousing period.
138(1)	The proposed amendments seeks to align the Customs Act, 1969 with the Import Policy Order, 2020.
156(1) (a) and (b)	Bill seeks to make amendments, in order to provide punishment for the smuggling of essential commodities.
105(i)	The proposed bill seeks to insert a new serial number "105" in section 156(1) in order to align the Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021, in terms of Section 3(3) of PSW Act, 2021 (III of 2021).
157(2)	Bill seeks to omit the proviso being procedural in nature and already being dealt under SRO 499 (I)/2009 dated 13.06.2009.

SECTION (CLAUSE)	CUSTOMS ACT, 1969
164(3)	The proposed amendments seeks to restrict the stop and search operations in relation to the smuggling of essential commodities within the bordering and coastal areas.
170A	The proposed insertion seeks to restrict the seizing agency to deposit the seized goods (essential commodities) in nearest custom-house or the nearest place appointed by the Collector of Customs.
179(1) (a) and (b)	The proposed bill seeks to amend the pecuniary jurisdiction of Additional Collector and Deputy Collector to rationalize the workload of adjudicating authorities and quick disposal of legal cases.
196(1)	The proposed amendments seeks to harmonize filing of appeal by, "an officer of Customs" .
203 (1)(2)(3)	The proposed amendments seeks to amend wharfage or storage fees and port charges in order to reduce the cost of doing business and to rationalize the dues charged by the terminal operators.
217	The proposed amendments seeks to protect the actions taken in good faith by the officers of Provincial government.
SCHEDULES	The bill proposes to amend First Schedule and Fifth Schedule to the Customs Act, 1969 by that provided in the Finance Bill, 2021.

**SECTION
(CLAUSE)**

CUSTOMS ACT, 1969

PAKISTAN SINGLE WINDOW ACT, 2021

Pakistan has ratified the agreement on Trade Facilitation of the World Trade Organization and has established PSW for managing external Trade. In this respect, Pakistan Single Window Act, 2021 (PSWA, 2021) has already been enacted.

Through the Finance Bill, following amendments are proposed to align the Customs Act with PSWA, 2021;

(i) Definition of following terms as per PSWA, 2021 are proposed to be adopted for Customs Act:-

- a) other government agencies
- b) Pakistan Single Window
- c) trade controls
- d) un-authorized access

(ii) Following penalties are proposed in the Finance Bill, 2022:

S. No. 105.	Offences	Penalties
(i)	Un-authorized access to information, data or personal details of registered user of Pakistan Single Window system or systems connected or ancillary thereto;	Imprisonment which may extend up to six months or with fine which may extend to one hundred thousand rupees or with both.
(ii)	Un-authorized copy, transmission or cause to transmit any data, information or detail in relations to Pakistan Single Window system or systems connected or ancillary thereto;	Imprisonment which may extend upto six months or with fine which may extend to one hundred thousand rupees or with both
(iii)	Un-authorized interference, or attempt to interfere, damage or attempt to damage any part of whole of the Pakistan Single Window system or data or system connected to or ancillary thereto;	Imprisonment which may extend to three years or fine which may extend to five hundred thousand rupees or with both.
(iv)	Use of any information system, device or data to make any illegal claim or title or cause any person to part with property or to enter into any express or Implied contract or intent to commit fraud by any input, alteration, deletion or suppression of data, resulting in unauthentic data with the intent that such data be considered or acted upon for legal purpose, as if it were authentic in relations to Pakistan Single Window system or Systems connected or ancillary thereto;	Imprisonment which may extend to four years or fine which may extend to one million rupees or with both.
(v)	Use, make, supply, retain, obtain device, system or software for offences under section 13 of The Pakistan Single Window Act, 2021 (III of 2021);	Imprisonment which may extend to six months or with fine which may extend to one hundred thousand rupees or with both.
(vi)	Obtain, sell, process, use or transmit another person's Unique User Identifier or make an attempt thereof Without authorisation;	Imprisonment which may extend to four years and fine which may extend to one million rupees or with both.
(vii)	Tamper with or attempt to tamper with, alter, re-Programme any Pakistan Single Window system or System connected or Ancillary thereto for un-authorized use;	Imprisonment which may extend to four years and fine which may extend up to one million rupees or with both and any devices or systems used in offence shall be liable to confiscation.

SECTION (CLAUSE)

CUSTOMS ACT, 1969

S. No. 105.	Offences	Penalties
(viii)	Write, offer, make available, distribute or transmit a malicious code or abet in the same, with intent to cause harm to Pakistan Single Window system or data resulting in or intending to result in corruption, destruction, alteration, suppression, theft or loss to the Pakistan Single Window	Imprisonment for a term which may extend to four years and fine which may extend to five million rupees or with both.

REDUCTION / CONCESSIONS IN CUSTOMS DUTY

Exemption of Customs Duty and Additional Customs Duty

Customs Duty (CD) leviable on the import of following categories of items / sectors is proposed to be exempted for incentivizing the respective sectors:

- Machinery and capital goods for mechanization of farming including machinery pertaining to irrigation, drainage, harvesting, plant protection etc.
- Specified raw materials used for manufacturing of LED lights, LED bulbs (including parts thereof) and brush ware.
- 26 Active Pharmaceutical Ingredients for incentivizing Pharmaceutical manufacturers.
- Raw materials for manufacture of first aid bandages.
- Membranes for filtering / purifying water.
- The drug 'Grafalon' and gadget 'Irisvision'.
- Raw materials of Ivy leaves extract powders.
- Motor spirit.

In addition to CD, Additional Customs Duty (ACD) is also proposed to be exempted on import of the following goods:

- Raw materials imported by paper sizing industry and chlorinated paraffin wax industry and manufacturers of aluminum conductor composite cores.
- Stamping foils for manufacturing of optic fiber cables.
- Aluminum paste and powder imported by the Coating industry.
- Guts, bladders and stomachs of animals.

Reduction In Customs Duty And Additional Customs Duty

CD leviable on import of following goods is proposed to be reduced in the Finance Bill, 2022:

- Specified categories of other woven fabrics and artificial flowers / foliage of other materials imported by manufacturers of footwear.
- High-density fiber (HDF) boards of wood or other ligneous materials
- Specified fibers of polypropylene.

In addition to CD, ACD, leviable on import of following goods is also proposed to be reduced:

- Direct and reactive dyes.
- Glycerol crude and Glycerol for the coating industry.
- Goods pertaining to Aluminum, polymers of ethylene, Biaxially Oriented Polypropylene (BOPP) used by the packing industry.

SECTION (CLAUSE)

CUSTOMS ACT, 1969

- Adhesive, Epoxide resins, Filter media/ paper, Non-woven fabric media and Steel plates / sheets of prime quality imported by manufacturers of filters, other than automotive.
- Organic composite solvents and thinners imported by manufacturers of Dibutyl Orthophthalates.
- Plywood, veneered panels & similar laminated wood, poly (methyl methacrylate) and cyanoacrylate.
- Flavoring powders for food preparation for snacks manufacturers.

PROPOSED AMENDMENTS IN REGULATORY DUTIES

- Reduction in Regulatory Duty

Following regulatory duty has been proposed to be reduced as follows:

DESCRIPTION	OLD RATES	PROPOSED RATES
Case hardening steel	30%	20%
Chrome yellow	15%	0%

- Increase in / levy of Regulatory Duty

Through the finance bill, Regulatory duty has been proposed to be levied/ increased as follows:

DESCRIPTION	OLD RATES	PROPOSED RATES
Motor spirit	N/A	10%
Other paper, paperboard, cellulose wadding and webs of cellulose fibers.	0%	10%
High Carbon Wire rod	0%	30%
Optic Fiber Cables	10%	20%

INFORMATION ABOUT WITHHOLDING TAXES

APPENDIX – I

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/ COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
148	Import of goods	1% of the import value as increased by customs-duty, sales tax and federal excise duty	Collector of Customs	Minimum Tax
	ii. Persons importing goods classified in Part I of the Twelfth Schedule	2% of the import value as increased by customs-duty, sales tax and federal excise duty		
	iii. Persons importing goods classified in Part III of the Twelfth Schedule	5.5% of the import value as increased by customs-duty, sales tax and federal excise duty"		
148(A)	Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011;	1%	Collector of Customs	Minimum Tax
148(B)	Persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulatory Authority of Pakistan	4%	Collector of Customs	Minimum Tax
148(C)	Person Importer of CKD kits of electric vehicles for small cars or SUVs with 50 kwh battery or below and LCVs with 150 kwh battery or below.	1%	Collector of Customs	Minimum Tax
S. No.	C & F Value of mobile phone (in US Dollar)	Tax (in Rs)		
		In CBU condition PCT Heading 8517.1219	In CKD/SKD condition under PCT Heading 8517.1211	
(1)	(2)	(3)	(4)	
1	Up to 30 except smart phones	700	0	
2	Exceeding 30 and up to 100 and smart phones up to 100	100	0	
3	Exceeding 100 and up to 200	930	0	
4	Exceeding 200 and up to 350	970	0	
5	Exceeding 350 and up to 500	3000	5000	
6	Exceeding 500	5,200	11,500	

Business Individual & AOP	Rate of tax for Individual and Association of Person	
	Taxable Income	Rate of Tax
	Where the taxable income does not exceed Rs. 600,000	0%
	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	5% of the amount exceeding Rs. 600,000
	Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 10,000 + 12.5% of the amount exceeding Rs. 800,000
	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 60,000 + 17.5% of the amount exceeding Rs. 1,200,000
	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 270,000 + 22.5% of the amount exceeding Rs. 2,400,000
	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 405,000 + 27.5% of the amount exceeding Rs. 3,000,000
	Where taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 680,000 + 32.5% of the amount exceeding Rs. 4,000,000
	Where taxable income exceeds Rs. 6,000,000	Rs. 1,330,000 + 35% of the amount exceeding Rs. 6,000,000."

149	Rate of tax of Salaried Individual	
	Taxable Income	Rate of Tax
	Where the taxable income does not exceed Rs. 600,000	0%
	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 100
	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	7% of the amount exceeding Rs. 1,200,000
	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 84,000 + 12.5% of the amount exceeding Rs. 2,400,000
	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 234,000 + 17.5% of the amount exceeding Rs. 3,600,000
	Where taxable income exceeds Rs. 6,000,000 but does not exceed Rs. 12,000,000	Rs. 654,000 + 22.5% of the amount exceeding Rs. 6,000,000
	Where taxable income exceeds Rs. 12,000,000	Rs. 2,004,000 + 32.5% of the amount exceeding Rs. 12,000,000."

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
150	Payments of dividend declared / distributed by:		Every person paying dividend	Final
	(a) In the case of dividend paid by independent power purchasers where such dividend is a pass-through item under an Implementation agreement and is required to be reimbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity.	7.5%		
	(b) In the case of mutual funds and other than those mentioned in clauses (a).	15%		
	(ba) In the case of a person receiving dividend from a company where no tax is payable by such company due to exemption of income or carry forward of business losses under Part VIII of Chapter III or claim of tax credits under Part X of Chapter III."	25%		
150(A)	On Payment of return on investment in Sukuks:		Every person paying dividend	Final
	a) In case the Sukuk- holder is a company,	25%		
	b) In case the Sukuk- holder is a individual or an Association of person, if the return of invest is more than one million	12.5%		
	c) In case the Sukuk- holder is a individual or an Association of person, if the return of invest is less than one million	10%		
151	The rate of tax of profit on debt imposed under section 7B shall be--	15%	Payer of the profit or yield	Minimum
152	Payments to non-residents:	4%	Federal Government, Company, Association of Persons (under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 50M or above), AOP (normal) (turnover of Rs. 50M or above), A person registered under the Sales Tax Act, 1990, an exporter or an export house	Minimum Tax
	Sales of good in case of company			
	• Sales of good in case of other then company	4.5%		
	• Transport services, Freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard service, software development services, IT services and IT enable services as defined in clause (133) of the part I of the second Schedule. tracking services, advertising services (other than by print or electronic media), share registrar services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services	3%		
	• Other than transport services in case of Company	8%		
	• Other than transport services in any other case	10%		

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
	Royalty or fee for technical services	15%	Payment to non-resident by a resident person	Final
	- Execution of contract i) In the case of companies ii) In the case other taxpayers - In the case of Sports person	7% 7.5% 10%		
	Fees for technical services	15%		
	Fee for offshore digital services	5%		
	Shipping income	8%		
	Air Transport income	3%		
	Contract or sub contract under a construction,	7%		
	assembly or installation project	7%		
	Advertisement services rendered by T.V. Satellite Channel	3%		
	Advertisement services relaying from outside Pakistan	10%		
	Insurance premium or re-insurance premium	5%		
	Other cases	20%		
153	- Sale of goods on amount inclusive of Sales Tax ➤ General - In the case of companies	4%	Federal Government, Company, Association of Persons (under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 50M or above), AOP (normal) (turnover of Rs. 50M or above), A person registered under the Sales Tax Act, 1990, an exporter or an export house	Minimum Tax Adjustable for manufacturer company or listed companies
	In the case of other taxpayers	4.5%		
	Rice, cotton seed oil and edible oil other than mentioned below	1.5%		Minimum Tax Adjustable for manufacturer company or listed companies
	Payment to electronic and print media for advertising services	1.5%		

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
	- Rendering of services ➤ General i) In the case of companies - In the case of other taxpayers	8% 10%	Any person being a withholding agent	Minimum Tax
	Transport services, freight forwarding services, air cargo services, courier services, man power outsourcing services, hotel services, security guard services, software development services, IT Services and IT enabled services as defined in clause (65F) of Part I of the Second Schedule, 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. & Pakistan Mercantile Exchange Ltd. , inspection, certification, testing & training services oilfield services, telecommunication services, warehousing services, collateral management services, travel and tour services.	3%		
154	Realization of proceeds on account of: Exports of goods and sales of goods by indirect exporter under inland back to back letter of credit or standard purchase order of goods specified in seventh schedule	1%	Authorized Dealer in foreign exchange, Collector of Customs and Banking Company	Final
	Exports of goods by an industrial undertaking located in the export processing zones.	1%	EPZ authority established under the EPZ authority Ordinance, 1980.	
	Payment for firm contract to an indirect exporter.	1%	Direct exporter and an export house registered under the Duty and Tax Remission for Export Rules 2001.	
	Indenting commission	5%	Authorized Dealer in foreign exchange.	

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
154A	The rate of tax to be deducted under section 154A on the following (a) exports of computer software or IT services or IT enabled services (b) services or technical services rendered outside Pakistan or exported from Pakistan; (c) 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; (d) construction contracts executed outside Pakistan; and (e) other services rendered outside Pakistan as notified by the Board from time to time;	1%	Authorized Dealer in foreign exchange, Collector of Customs and Banking Company	Final
	Export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board	0.25%		
155	• Payment of rent (including advance) on immovable property,		Federal Government, Provincial Government, Local Authority, Company, Non-Profit Organization, Charitable Organization and Diplomatic Mission of Foreign State, Private Educational Institution, Boutique, Beauty parlor, Hospital, Clinic, Maternity Home, Individuals or AOPs paying gross rent of Rs 1.5 million or more in a year. Paid by the company	Adjustable
	• Gross amount of rent	Rate of tax		
	• Where the gross amount of rent does not exceed Rs. 300,000	NIL		
	• Where the gross amount of rent exceeds Rs. 300,000 but does not exceed Rs. 600,000	5 per cent of the gross amount exceeding Rs. 300, 000		
	• Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 2,000,000	Rs. 15,000 plus 10 per cent of the gross amount exceeding Rs. 600, 000		
	• Where the gross amount of rent exceed Rs. 2,000,000	Rs. 155,000 plus 25 per cent of the gross amount exceeding Rs. 2,000, 000";		
	• Payment of rent on immovable property (In case of company)	15%		

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
156	• Payment of prize on prize bond or crosswords puzzle	15%	Person paying the amount where the payment is not in cash	Final
	• Payment of prize on winning of raffle, lottery, a quiz, offered by companies for promotion of sale.	20%		
156A	• Payment of commission or discount allowed to a petrol pump operator	12%	Person selling petroleum products to a petrol pump operator	Final
231B	• Purchase, Registration of Transfer of Motor Vehicles	Rs. 7,500 To 250,000	Excise and Taxation (Motor Vehicle)	Adjustable
231B (2)	• Transfer of Registration or ownership of a private motor vehicle:	Rs. 0 To 62,500	Excise and Taxation (Motor Vehicle)	Adjustable
231B (2A)	• Transfer of Registration or ownership of a private motor vehicle:	Rs. 0 To 62,500	Excise and Taxation (Motor Vehicle)	Adjustable
S.No.	Engine capacity	Tax		
1.	851cc to 1000cc	Rs. 10,000	Excise and Taxation (Motor Vehicle)	Adjustable
2.	1001cc to 1300cc	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	Rs. 300,000		
8.	2501cc to 3000cc	Rs. 400,000		
9.	Above 3000cc	Rs. 500,000		
10	If the value of vehicle is Rs. Five million or more the rate of tax collection shall be including import value custom duty, sales tax and federal excise duty in case of local manufactured value	3%	Collector of Customs	
233	Payment of Brokerage and Commission		Federal Government, Local Government, Local Government, Company and Association of Person constituted by or under any law	Minimum Tax
	• Advertising Agents	10%		
	• Life Insurance Agents where commission received is less than Rs. 0.5 million per annum	8%		
	• Person not covered in Advertising and Life Insurance Agents above	12%		
234	On collection of motor vehicle tax of:		Person collecting motor vehicle tax	Adjustable
	• Passenger transport vehicle with registered seating capacity of 4 to 10 persons	Rupees 500 for Non Air Conditions and Rs. 1,000 for air conditions		
	• Passenger transport vehicle with registered seating capacity of 10 to 20 persons	Rupees 1,500 for Non Air Conditions and Rs. 2,000 for air conditions		
	• Passenger transport vehicle with registered seating capacity of 20 or more	Rupees 2,500 for Non Air Conditions and Rs. 4,000 for air conditions		

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
	Goods transport vehicle.	per kilogram of the laden weight per annum Rs. 2.50		
	In the case of goods transport vehicles with minimum laden weight of 8,120 Kg, advance tax after a period of ten years from the date of first registration of vehicle in Pakistan.	Rs. 1,200 per annum		
	Other private motor vehicle.	Rs. 800 to 10,000		
	Where the motor vehicle tax is collected in lump sum	Rs.10,000 to 120,000		
235	On collection of amounts of commercial and industrial of electricity bill:		Person preparing electricity consumption bill	Adjustable for Companies (minimum for others for bill amounting to Rs. Rs.30,000 per month / adjustable for the amount of bill which exceeds Rs. 30,000)
	Where the amount of electricity bill upto Rs.500	0		
	exceeds Rs. 500 but does not exceed Rs. 20,000	10% of the Amount		
	exceeds Rs.20,000	Rs. 1950 plus 12% of the amount exceeding Rs. 20,000 for commercial consumers Rs. 1950 plus 5% of the amount Exceeding Rs. 20,000 for industrial consumers		
	On collection of amounts of domestic electricity bill:			
	i) Where bill is less than Rs 25,000	0%		
	ii) Where bill exceeds Rs 25,000	7.5%		
	On collection of amounts of commercial and industrial of electricity bill:		Person preparing electricity consumption bill	
	Where the amount of electricity bill upto Rs.30,000	Rs.3000		
	exceeds Rs. 30 000 but does not exceed Rs. 50,000	Rs. 5,000		
	exceeds Rs. 50 000 but does not exceed Rs. 100,000	Rs. 10,000		
	Specified retailers and service providers through Income Tax General Order	Rs.50,000		
235B	Production of steel billets, ingots and mild steel excluding stainless steel	Rs. 1/units of electricity consumed	Person preparing electricity consumption bill	Final
236	On custom of amounts of telephone charges of:		Person preparing telephone bills	Adjustable
	Telephone subscriber (bill exceeds Rs. 1,000)	10		
	subscriber of internet, mobile telephone and pre-paid internet or telephone card	10 for tax year 2022 and 8% on wards		

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
236A	- On the sale by public auction or auction by tender - In case of immovable property sold by auction	10% 5%	Any person making sale by public auction or auction by tender	Adjustable
236C	On sale or transfer of immovable property for:	1%	Any person responsible for registering or attesting transfer of immovable property	Minimum Tax if property is acquired and disposed-off within the same tax year; Otherwise Adjustable.
236G	Sales to distributors, dealers and wholesalers Fertilizers		Every manufacturer or commercial importer of occurring for the first time, the expression "pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics, IT equipment, electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector	Adjustable
	Fertilizers	0.7%		
	Other then Fertilizers	0.1%		
	Provided that the rate of advance tax on sale to distributors, dealers or wholesalers of fertilizer shall be 0.25%, if they are already appearing on both the Active Taxpayers' Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001 (XLIX of 2001)	0.25%		
236H	Advance tax on Sales to retailers	0.5%	Every manufacturer, distributor, dealer, wholesaler or commercial importer of occurring for the first time, the expression "pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics, IT equipment, electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector	Adjustable

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
236K	On purchase or transfer of immovable property	2% Fair Market value of Immovable Property	Any person responsible for registering or attesting transfer for local authority, housing authorities, housing society, public and private real estate projects registered/governed under any law, joint ventures, private Commercial concerns.	Adjustable
236X	Advance tax on tobacco	5% of purchase value	Pakistan Tobacco Board	Adjustable
236Y	Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards	1%	Every banking Company shall collect advance tax	Adjustable

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