



2022

BUDGET

EXECUTIVE SUMMARY

The federal budget of Pakistan for the fiscal year beginning from 1 July 2021 and ending on 30 June 2022.

W: imamassociate.com
P: +92 (21) 34320321
E: info@imamassociate.com

INCOME TAX

The Executive summary for the amendments proposed vide Finance Bill 2021 is being stated as under:

- It has been proposed that following withholding and advance taxes shall be abolished.

S.No	Exemptions Proposed
1	Special Economic Zone Enterprises has been exempted from payment of minimum tax.
2	Tax exemption for 10 years has been given for Special Technology Zone Authority, Zone Developers and Zone Enterprises.
3	Exemption from tax on income of deep conversion new refineries and BMR projects of existing refineries for 10 years.
4	Electronic warehousing receipts traded on Pakistan Mercantile Exchange are now exempted.
5	Import of books and agriculture equipment are now exempted from tax.
6	Exemption from tax for bagasse fired power generating units and reduced rate of tax on dividend income from such projects.
7	Tax exemptions and concessions for Roshan digital accounts and implementation of electric vehicles and mobile phone policy implemented vide Tax Laws (Amendment) Ordinance, 2021 dated 11 th February 2021 have been made part of bill.

- It has been proposed that the following withholding taxes shall be merged with other existing provisions.

Section	Description	Merged with
150A	Deduction of tax on return on investment in Sukuks.	Proposed to be merged in section 151 for residents and in section 152 for non-residents with deal with such payments.
152A	Deduction of tax on payments for foreign produced commercials.	To be merged with section 152 which deals with payments to non-residents.
236S	Collection of tax on dividend in specie.	To be merged with section 150 which deals with dividend.

- It has been proposed that the following exemptions shall be introduced:

S.No	Exemptions Proposed
1	Special Economic Zone Enterprises has been exempted from payment of minimum tax.
2	Tax exemption for 10 years has been given for Special Technology Zone Authority, Zone Developers and Zone Enterprises.
3	Exemption from tax on income of deep conversion new refineries and BMR projects of existing refineries for 10 years.
4	Electronic warehousing receipts traded on Pakistan Mercantile Exchange are now exempted.
5	Import of books and agriculture equipment are now exempted from tax.
6	Exemption from tax for bagasse fired power generating units and reduced rate of tax on dividend income from such projects.
7	Tax exemptions and concessions for Roshan digital accounts and implementation of electric vehicles and mobile phone policy implemented vide Tax Laws (Amendment) Ordinance, 2021 dated 11 th February 2021 have been made part of bill.



- Minimum Tax on Turnover basis has been reduced from 1.50% to 1.25% and threshold for individuals and AOPs for chargeability of minimum tax has been increased from PKR 10 million to PKR 100 million.
- Capital gain tax on disposal of securities is proposed to be reduced from 15% to 12.5%.
- The deductible allowances have now been proposed to be allowed on payment of WWF or WPPF to provinces.
- It has been proposed to withdraw the power of tax authorities to conduct inquiry under section 122(5A).
- The tax on export of services has been made subject to a final tax rate of 1% on exports realization, in the same manner as in case of exports of goods. However, the to avail 1% as final tax, the compliances like filing of returns, withholding tax statements etc. are required.
This shall apply to all types of services including exports of computer software or IT services or IT enabled services in case tax credit under section 65F is not available, services or technical services rendered outside Pakistan or exported from Pakistan; royalty, commission or fees derived by a resident company etc.
- The tax under income from property in case of individuals and association of persons shall not be subject to progressive taxation as separate block of income rather normal tax rates would be applied.
- The slab rates in case of disposal of immovable property ranging from 2.5% to 10% have ended, whereas, the flat tax rate of 5% shall only be applied provided gain doesn't exceeds PKR 5 million, in which case it shall be subject to normal tax rates without having the advantage of holding for more than one year and getting exemption of 25%. Moreover, the benefit of holding period which applies to immovable property shall be applied as it applies in the usual case.



The above benefit of 5% shall not be applied in case if person's business is to do so in which case the said income shall be chargeable to tax under the head Income from Business.

- The interest income of an individual or association of persons falls under normal tax regime if same exceeds by PKR 36 million. However, the same have now been reduced to the threshold of PKR 5 million.
- The requirement to issue the separate notice in case of concealment of income have now been abolished.
- In order to, discourage the existing practice of "on" money on vehicles, the tax will be charged in case the vehicle is disposed of without registration by the person who originally purchased it from the local manufacturer.

- The tax on commission income that is required to be collected by withholding tax agent as specified under section 233 includes association of persons too. Now, it is proposed that the scope shall be increased by including the individuals or association of persons having turnover of PKR 100 million or more.

- It has been proposed that the threshold of monthly electricity bill for withholding of tax on electricity consumption shall be reduced from PKR 75,000 to PKR 25,000 from domestic users not appearing on Active Taxpayers' List.

- The exemption of several personal taxation has been proposed to be withdrawn.

- During the fiscal year 2021, certain amendments were brought in vide Tax Laws (Second Amendment) Ordinance, 2021 to implement corporate income tax reforms to provide level playing field to all businesses. In the amendment certain tax credits, concessions and exemptions were withdrawn. The provisions of the Ordinance have been made part of the Finance Bill.

- Cloud computing and data storage services has been proposed to be included in scope of IT services.

- Special tax regime has been proposed for manufacturing SMEs

- The scope of sectors under section 153 that are subject to withholding tax of 3% have been enhanced including following sectors:

- + Oilfield Services
- + Collateral Management Services
- + Logistic Services
- + Warehousing Services
- + Telecommunication Services

- Telecommunication services has now been proposed to be included in the definition of industrial undertaking.

- The loss under any head of income including income from business is now proposed to be allowed to be adjusted against income from property.

- The powers of the Commissioner Inland Revenue to reject advance tax estimates presented by taxpayer have now been proposed to be withdrawn.

- Gain / loss on disposal of assets to non-residents under gift from relative, inheritance and agreement to live apart is proposed not to be recognized.



- Live animals, raw hides and unpackaged meat have now been proposed to be included in the definition of agriculture produce.
- Tax liability for women entrepreneurs is proposed to be reduced by 25%.
- Extension in time limits for availing tax benefits under section 100D and Eleventh Schedule vide Income Tax (Amendment) Ordinance 2021 dated 21st February 2021 made part of the bill.
- The mechanism of Alternate Dispute Resolution is proposed to be strengthen.
- It is proposed that the requirement of filing of application for automated issuance of refund shall be eliminated.
- Time limitation for disposal of show cause notices is proposed to be introduced.
- Recording of e-hearing to be considered as an admissible evidence has been proposed.
- It is proposed that the automated issuance of exemption certificates if application is not disposed by Commissioner within 15 days.
- Through the finance bill 2020 taxpayer was required to update the taxpayer profile, which is proposed to be withdrawn.
- It is proposed that the time limitation for issuance of notice for filing of return in case of foreign income or foreign assets shall be extended.
- Time limitation for completion of assessment in pursuance of orders of the Commissioner Inland Revenue has been proposed.
- Directorate of compliance Risk Management in FBR is proposed to be established.



SALES TAX

- New definition is proposed to be inserted outlying the appointment the Commissioner of Inland Revenue (Appeals) under section 30 of the Sales Tax Act, 1990.
- It is proposed that relief should be given to the cottage industry whereby the threshold limit shall be increased from PKR 3 million to PKR 10 million annually.
- The new definition of online-market place is proposed to be inserted to regulate the sales of goods through online-market places.
- In definition section 2(43A) relating to Tier-I retailers of furniture, the shop measuring below 2000 square feet are proposed to be excluded from the ambit of Tier-I retailers.
- It is proposed that an online-market place supplying goods through e-commerce platform, whether or not the goods are owned by him shall be brought into tax net.
- A retailer who has acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan.
- New section is proposed to be inserted whereby the concept of Common Identifier Number has been introduced in the case of individual and AOP, having (CNIC) issued by the (NADRA), registered or liable to be registered under the provisions of section 14, CNIC shall be common identifier number in addition to sales tax registration number (STRN).
- It is proposed to introduce a separate section for filling of extension of monthly sales tax return whereby Commissioner is empowered to grant extension in filling of return up-to 15 days.





- It is proposed that manufacturers of the specified goods would be required to obtain brand licence for FBR before selling of goods.

- The new sub section is proposed to be inserted whereby the FBR shall have power to share data or information including real time data videos, images received under the provisions of this Act with any other Ministry or Division of the Federal Government or Provincial Government.

- It is proposed that the sugar shall be made part of the Third schedule.

- It is proposed that the zero rating shall be withdrawn on
 - (i) Supply of spare parts and equipment for ships and aircraft falling under the respective tariff heading
 - (ii) Supply of locally manufacture plant and machinery to petroleum and gas sector
 - (iii) Petroleum and crude oil.

- The amendments have been proposed under Sixth and Eighth Schedule for various items regarding introduction and withdrawal.

Sales Tax On Services Under ICT

- A provision of zero rating has been introduced whereby the Export of services under ICT will be charged rate of 0%.



+92 345 6019010
+92 345 2901872



info@imamassociate.com



KARACHI

Suite # 403, 4th Floor, M.Yousaf
Chamber Building, main Shahr-
e-Faisal Karachi.

LAHORE

Suit No 19-20 1st Floor Aslam Plaza
DHA main Boulevard Lahore.

ISLAMABAD

Flat -4 second floor Gul Arcade
Chaklala Scheme 3 Rawalpindi.