

FINANCE

BILL

2022

HIGHLIGHTS

FINANCE BILL 2022

This memorandum portrays the significant changes which have been introduced through Finance Bill 2022 in different taxation laws. These changes are mainly relating to Income Tax, Sales Tax, Federal Excise Duties and Custom Duties. It also includes analysis of micro and macro-economic characteristics of our country during the tax year 2021-2022.

We have prepared this commentary for benefit, information and guidance of our prestigious clients, both local and foreign doing business in Pakistan, and it is available at our website www.hmcglobal.org.

These proposed changes will generally be applicable from 1st July 2022 until and unless specified.

The notes specified in this document are based on Finance Bill 2022. This Finance Bill shall be published as Finance Act 2022 as and when enacted.

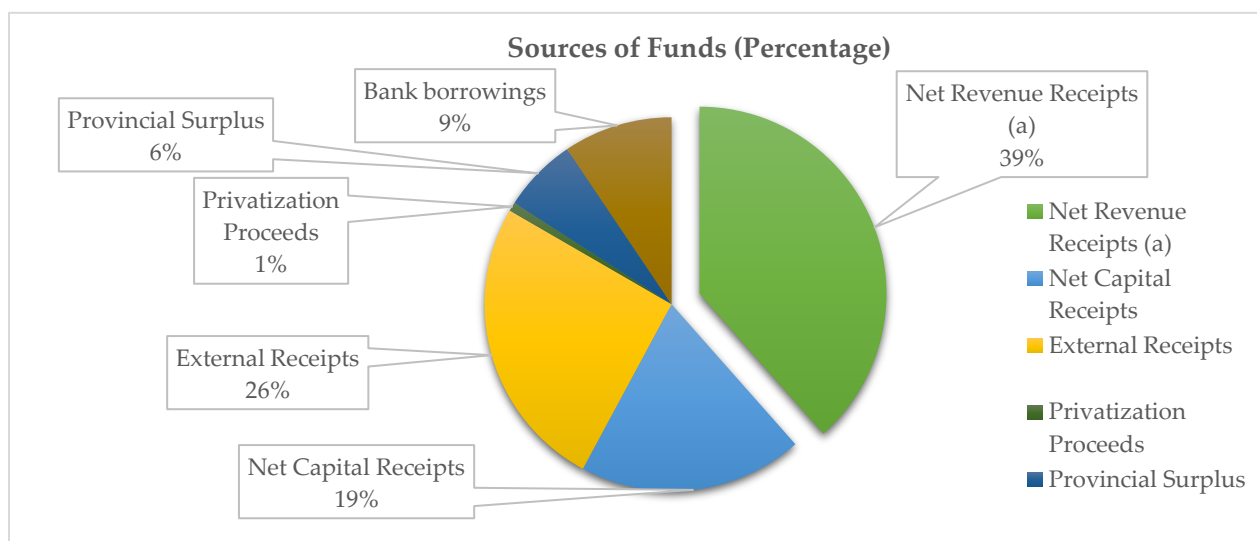
The memorandum is aimed at providing general guidance with the objective of keeping our clients and staff abreast of the changes in the aforementioned laws. HMC accepts no duty of care or liability for any loss occasioned to any person acting in this publication. The readers are therefore advised to seek professional advice before exercising any judgment, interpretation of any legal provision and acting thereupon.

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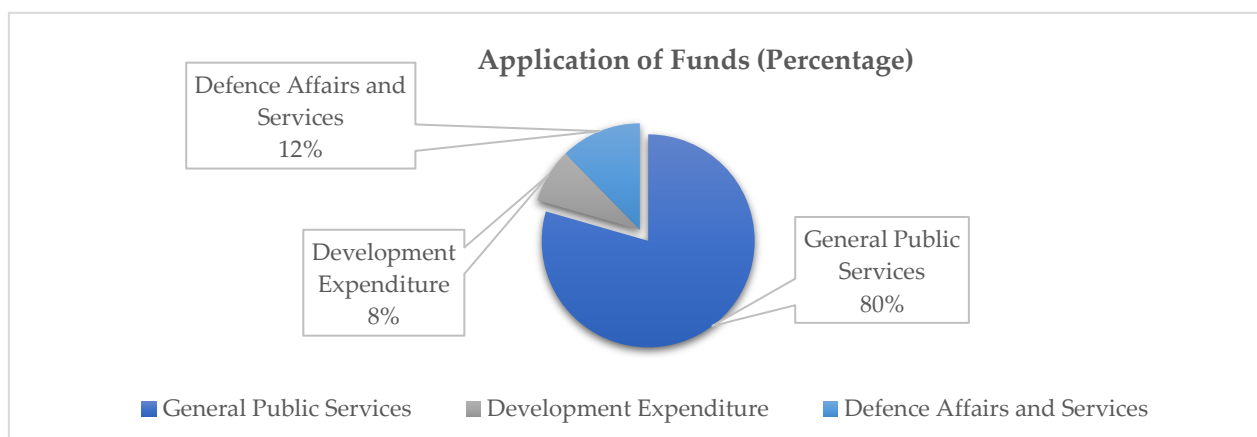
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FINANCE BILL HIGHLIGHTS 2022

SOURCES OF FUNDS	2022-23	2021-22	Difference
	Rupees in Billion		%
Net Revenue Receipts (a)	4,779	3,558	34.32%
Net Capital Receipts	2,408	2,508	-3.99%
External Receipts	3,166	3,114	1.67%
Privatization Proceeds	96	-	100.00%
Provincial Surplus	800	570	0.00%
Bank borrowings	1,172	873	34.25%
Total Sources of Funds	12,421	10,623	16.93%

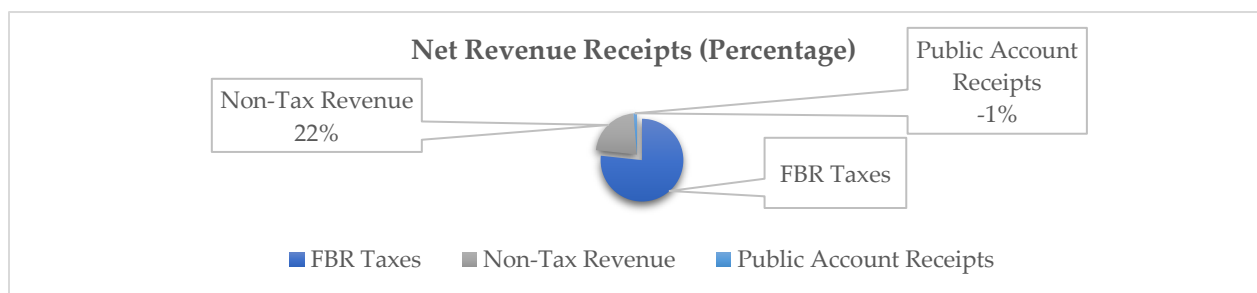


APPLICATION OF FUNDS	2022-23	2021-22	Difference
	Rupees in Billion		%
General Public Services	9,870	8,705	13.38%
Development Expenditure	1,024	434	135.94%
Defence Affairs and Services	1,527	1,484	2.90%
Total Application of funds	12,421	10,623	16.92%

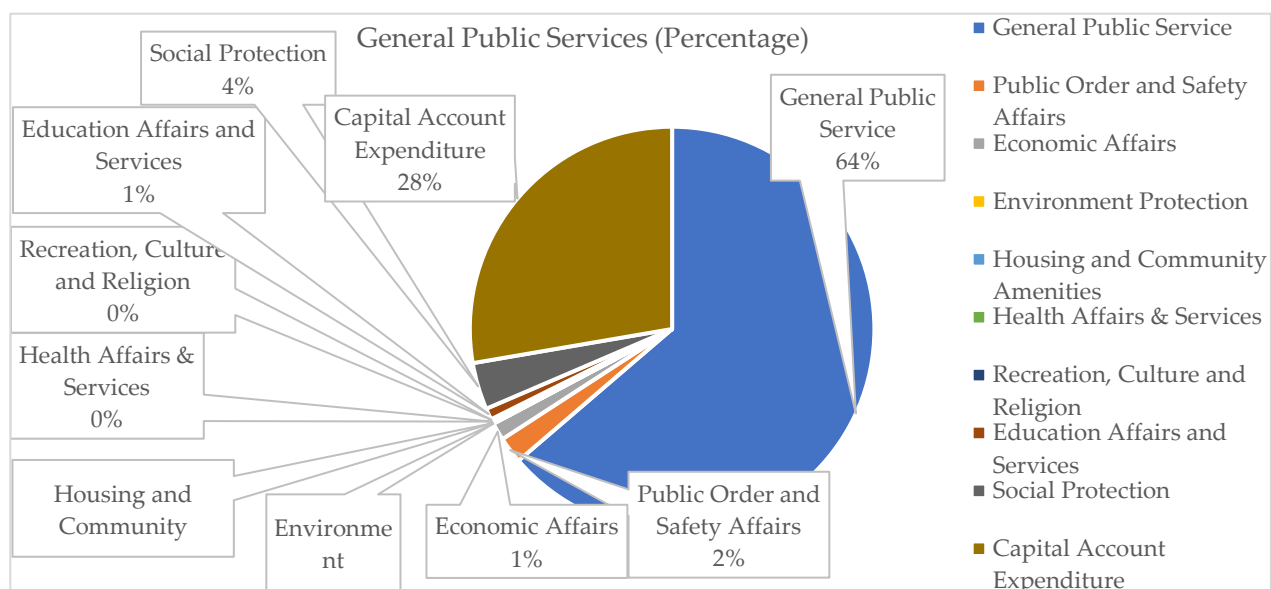


FINANCE BILL HIGHLIGHTS 2022

(a) NET REVENUE RECEIPTS	2022-23	2021-22	Difference
	Rupees in Billion		%
FBR Taxes	7,004	6,000	16.73%
Non-Tax Revenue	2,000	1,315	52.09%
Public Account Receipts	(125)	(245)	-48.98%
Gross Revenue Receipts	8,879	7,070	25.59%
Less: Provincial Share in Taxes	4,100	3,512	16.74%
Total Net Revenue Receipts	4,779	3,558	34.32%



APPLICATION OF FUNDS	2022-23	2021-22	Difference
	Rupees in Billion		%
General Public Service	6,289	5,618	11.94%
Public Order and Safety Affairs	209	191	9.14%
Economic Affairs	139	454	-69.38%
Environment Protection	0.749	0.452	65.71%
Housing and Community Amenities	8	5	60.00%
Health Affairs & Services	19	155	-87.74%
Recreation, Culture and Religion	11	12	-8.33%
Education Affairs and Services	90	91	-1.10%
Social Protection	370	362	2.21%
Capital Account Expenditure	2,734	1,816	50.55%
Total Sources of Funds	9,870	8,705	13.38%

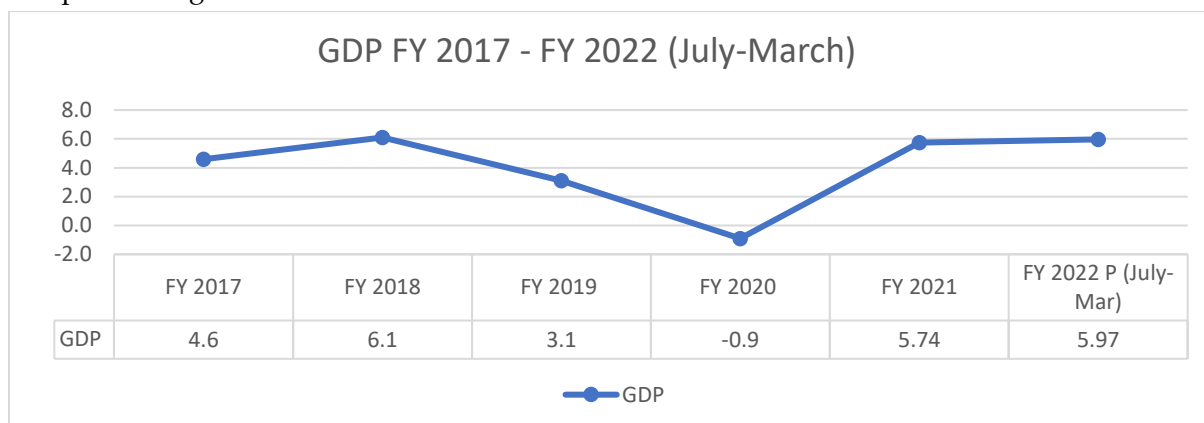


SECTION A. OVERVIEW OF THE ECONOMY

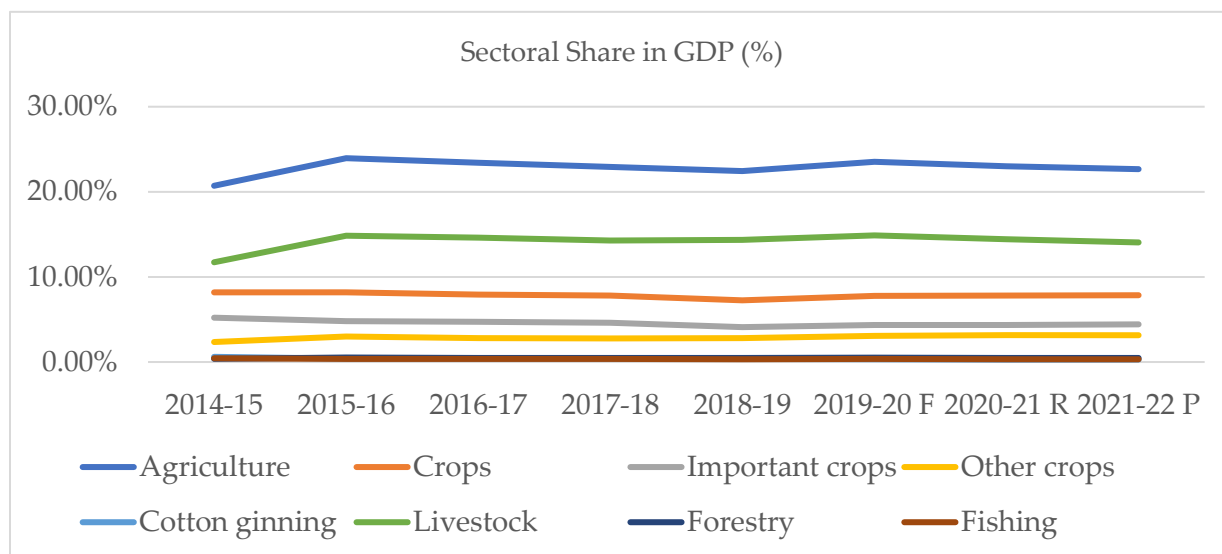
- The provisional GDP growth rate for FY2022 is estimated at 5.97 percent as compared to the GDP rate at 5.74 percent for FY2021. The GDP growth rate is achieved mainly due to the good performance in the Agriculture Sector with a growth rate of 4.40%, 7.19% in Industrial Sector and 6.19% growth in Services Sector. Investment to GDP ratio remained at 15.1 percent compared to 14.6 percent recorded in FY2021.
- Fiscal deficit as a percentage of GDP is recorded at 3.8 percent during July-March FY2022 against 3 percent in the same period of last year. The primary balance posted a deficit of Rs. 447.2 billion during July-March 2022 against the surplus of Rs. 451.8 billion in same period of last year.
- Revenue collection (Federal and Provincials) on account of tax collection during July-April, FY2022 is increased to Rs. 4,855.8 billion as compared to Rs. 3303.4 billion in FY 2021 reflecting a growth of 28.5 percent. On the other hand, Non-tax Revenues, reduced to Rs. 1,052.2 billion in July-March from Rs.1227.6 billion showing a decrease of 14.3 percent.
- Current account posted a deficit of \$13.8 billion, during July-April, FY2022 compared to deficit of \$ 0.5 billion during same period last year.
- Pakistan's total liquid foreign exchange reserves decreased by \$ 7.0 billion during July-March 2022 and reached to \$10.9 billion by the end of March 2022.
- Inflation was recorded at 11.3 percent for the period July-May FY2022 as compared to 8.8 percent during the same period last year.
- Public debt was recorded at Rs. 44,366 billion [Domestic debt Rs. 28,076 billion and external public debt Rs. 16,290 billion] at the end of March 2022 as compared to Rs. 38,006 billion [Domestic debt Rs. 25,552 billion and external public debt Rs. 12,454 billion] in the same period last year.
- Trade deficit increased by 49.6 percent to \$ 32.9 billion as compared to \$ 21.3 billion last year that is historically high. Export of goods grew by 27.6 percent during July-April FY2021 and stood at \$ 26.8 billion as compared to \$ 21 billion in the same period last year. Imports grew by 49.1 percent to \$ 58.9 billion as compared to \$ 39.5 billion last year.
- The inflow of workers' remittances in Pakistan has been rising consistently since FY2018 and the trend continued in FY2022 reaching USD 22.9 billion with a growth of 7.6 percent.
- As of March 31, 2022, the total market capitalization of the Pakistan Stock Exchange was Rs. 7,583 billion. During July-May FY2022, the benchmark KSE-100 index is declined from 47,356 points to 44,929 points. During the period under review, the index closes at its highest level of 48,112 points on August 23, 2021.
- Foreign Direct Investment (FDI) net, reached US\$ 1455.6 million during July-April FY 2022 as compared to US\$ 1480 million last year showing a decrease of 1.6 percent. FDI received from China US \$355.8 million, United States US\$223.4 million, Hong Kong US\$ 133.9 million, Switzerland \$119.8, UAE \$118.2 and Singapore \$ 97.4 million.

GROWTH AND INVESTMENT

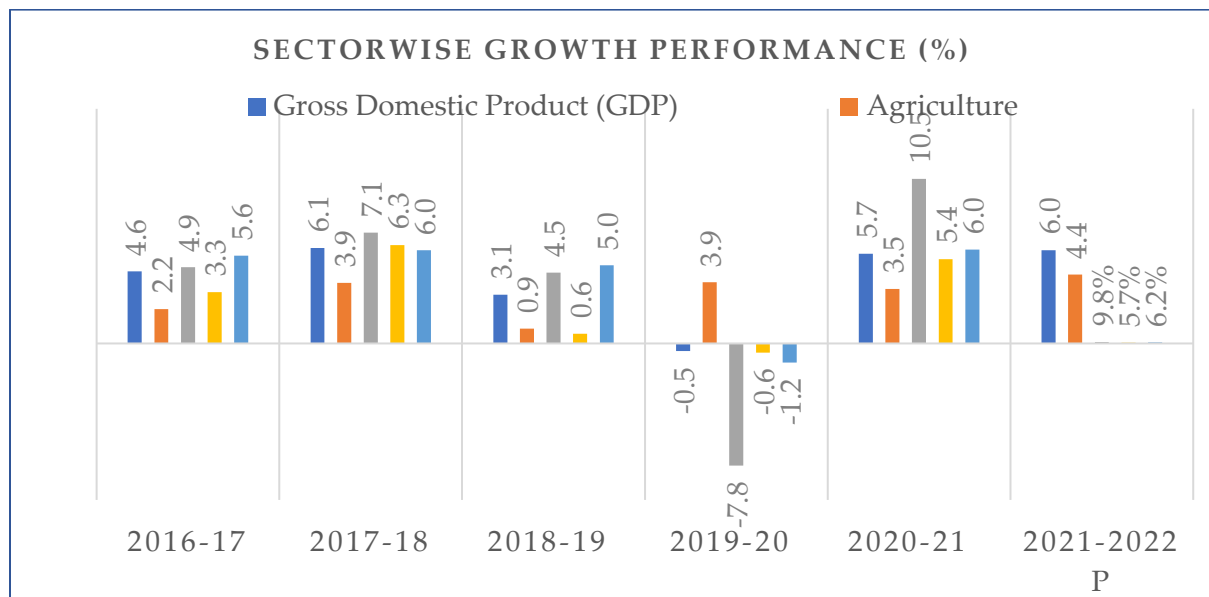
- **GDP** has witnessed a growth of 5.97 percent in FY 2022 which is higher than the 5.74 percent recorded last year FY 2021. The economy of Pakistan rebounded from the pandemic (0.94 percent contraction in FY 2020) and continued to post a V-Shaped economic recovery. Year wise comparison is given hereunder:



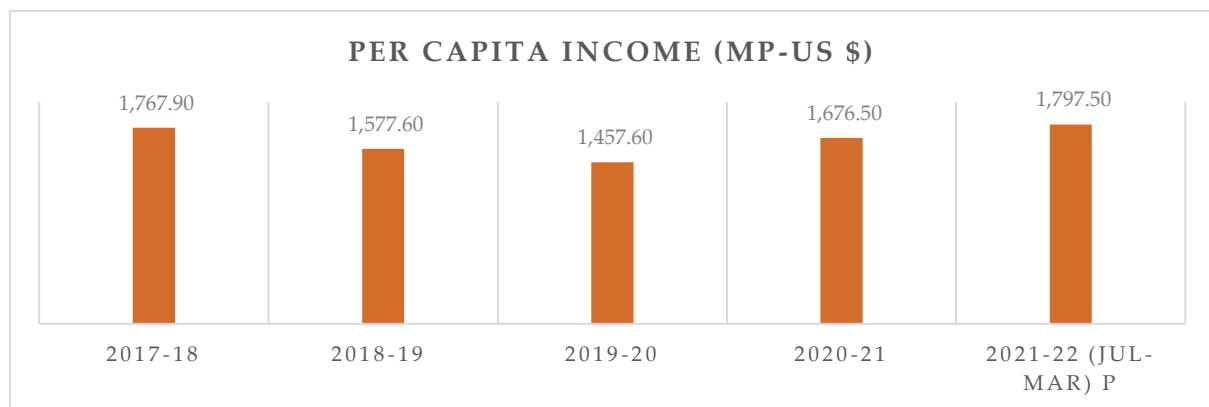
- **Agricultural Sector** has recorded a remarkable growth of 4.40% in FY 2022 as compared to 3.48% in FY 2021 mainly due to 6.6 percent growth in Crops and 3.3 percent growth in Livestock. **Services Sector** still constitutes the largest share of 58 percent in GDP. During FY 2022, the services sector continued to post a significant growth of 6.2 percent as it posted 6.0 percent growth last year. **Industrial Sector** recorded a growth of 7.2 percent in FY 2022 compared to 7.8 percent growth in FY 2021. Industrial sector performance is more dependent on the Manufacturing sector which has a share of 65.0 percent whereas the construction has a 13.4 percent share in Industry. The manufacturing and construction sector shows a growth of 10.4% and 3.1% respectively. Detail of Agricultural sector are hereunder:



The details of services sector are provided hereunder:



- **Per Capita Income** is increased to US\$ 1,798 in FY 2022 which was US\$ 1676 in FY 2021 showing an increase of 7.24 percent. It reflects an improvement in prosperity due to the fact that economic growth per person significantly improved.

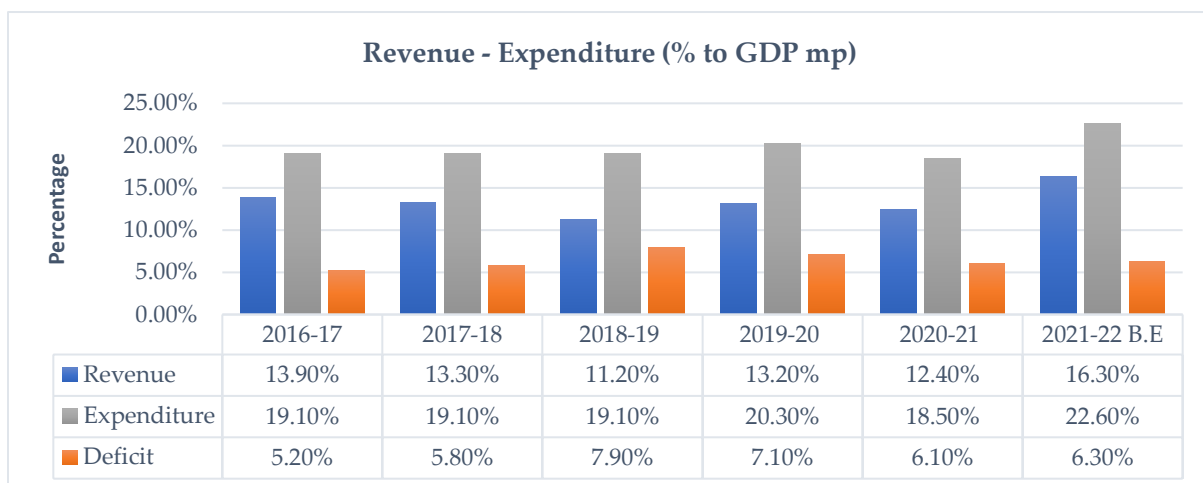


- **Public Consumption** increased to 11.3 percent during FY 2022 mainly due to increase in government consumption expenditures as well as increase in interest payments.

FISCAL DEVELOPMENT

- **Fiscal Deficit** has increased to 3.8% during the period, up from 3.0% in the previous period. The primary balance posted a deficit of Rs 447.2 billion (0.7% of GDP) during FY 2022 (July-March) as compared to a surplus of Rs 451.8 billion (0.8% of GDP) last year.
- **Revenue Deficit** also deteriorated to 2.2% of GDP in the first nine months of FY 2022 against the deficit of 2.0% of GDP in the same period of FY 2021.

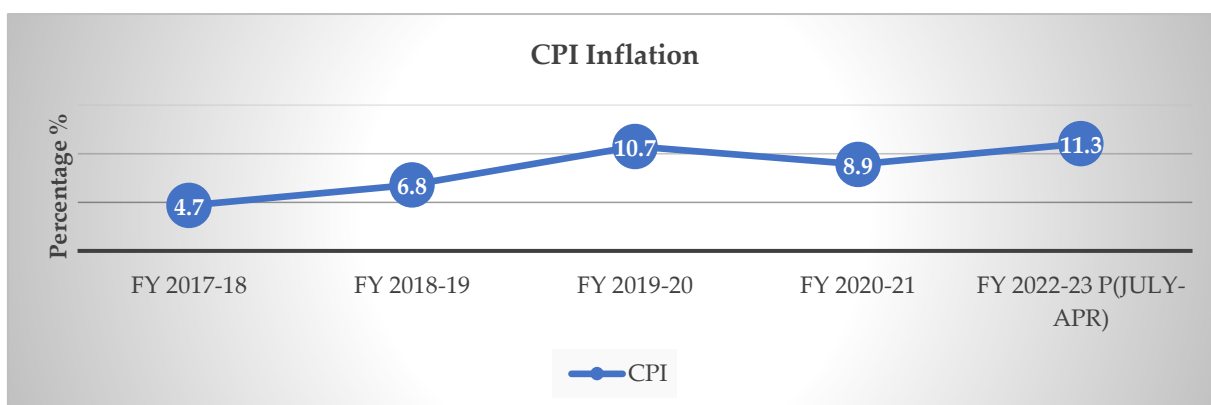
- Total Revenue** increased by 17.7% and reached Rs 5,874.2 billion in FY 2022 (July-March) against Rs 4,992.6 billion in the same period of last year. Revenue growth appears to be impressive when compared to the meager 6.5% growth recorded in the same period of FY 2021. On the revenue side, FBR was able to boost the collection by 28.5% to reach Rs 4,855.8 billion during FY 2022 (July-April) against Rs 3,777.7 billion collections in the same period of last year.



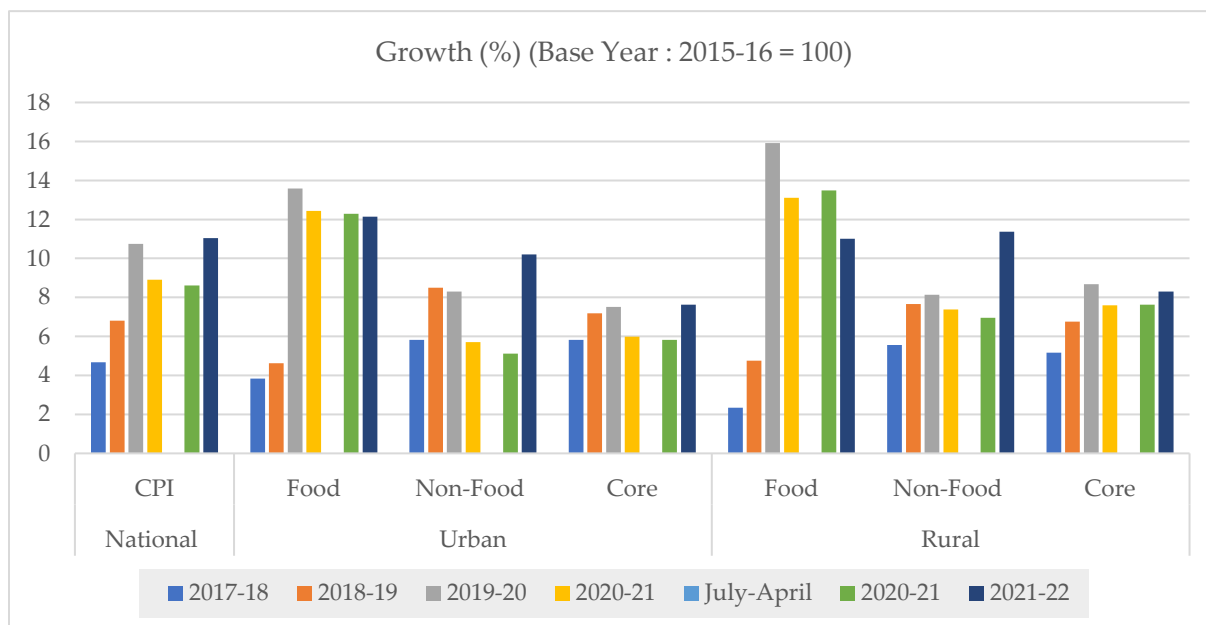
- Total Expenditure** increased by 27.0% and reached Rs 8,439.8 billion during FY 2022 (July-March), against Rs 6,644.6 billion in the comparable period of last year.

INFLATION

- Consumer Price Index Inflation** was recorded at 11.3 percent on average during FY 2022 (July-April) as against 8.9 percent in FY 2021. The pressures on headline inflation during the period can be attributed to adjustment in prices of electricity and gas, a significant increase in the non-perishable food prices, exchange rate depreciation along with rapid increase in global fuel and commodity prices.



- **Core inflation** (defined as Non-Food and Non-Energy (NFNE) inflation) for Urban and Rural recorded at 7.6 percent and 8.3 percent respectively during FY 2022 (July-April) as compared to 5.8 percent and 7.6 percent during the same period last year. The comparison of National CPI, Urban (Food, Non-food and Core) and Rural (Food, Non-food and Core) is presented below:

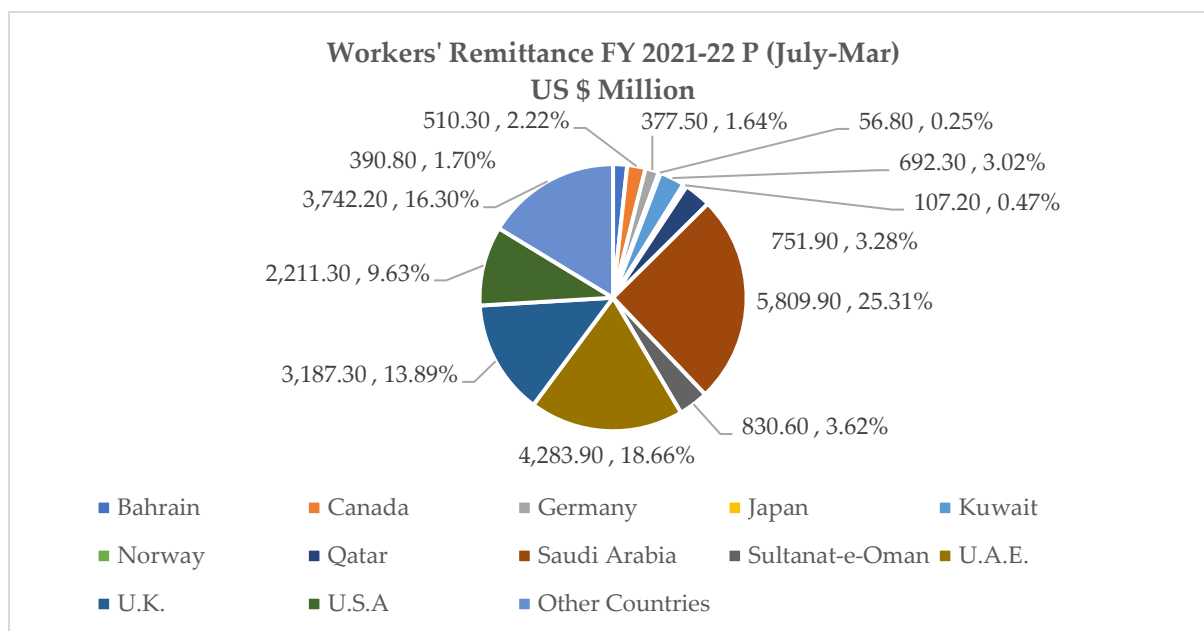


- **Wholesale Price Index (WPI)** for April 2022 is recorded at 28.1 percent against 23.8 percent in the previous month and 16.6 percent in the same month last year. The index on period average basis during FY 2022 (July-April) has been recorded at 22.9 percent as against 7.4 percent during the same period last year.
- **Sensitive Price Indicator (SPI)** (comprises of 51 essential items) during FY 2022 (July-April) was recorded at 16.9 percent against 12.9 percent in the same period last year.

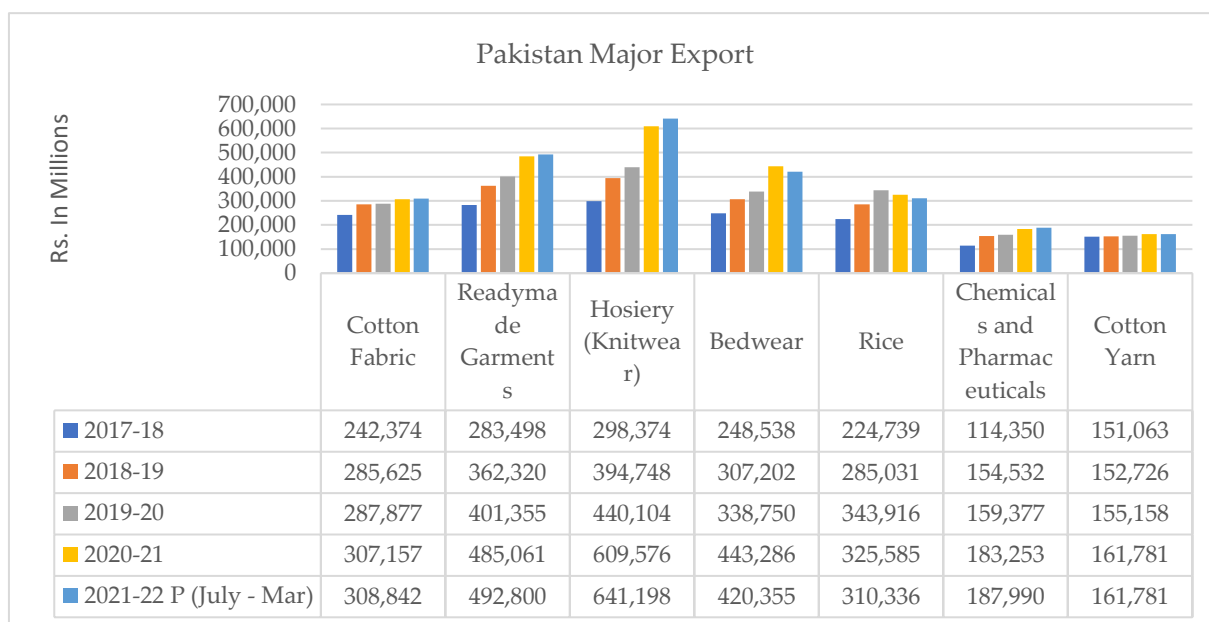
BALANCE OF PAYMENTS AND RESERVES

- **Total Foreign Exchange Reserves** decreased by USD 7.0 billion during FY 2022 (Jul-Mar) and stood at USD 16.4 billion by end-March 2022. SBP's reserves reduced by USD 5.9 billion by end-March which stood at USD 10.49 billion and commercial banks' reserves declined by USD 1.1 billion during Jul-Mar FY2022 which stood at USD 5.907 billion.
- **Current Account Deficit** recorded at USD 13.2 billion during FY 2022 (Jul-Mar) which is decreased to USD 1.9 billion (0.6 percent of the GDP) in FY 2021 from USD 4.4 billion (1.7 percent of GDP) in FY 2020. This is the lowest deficit in 10 years with all-time high exports (USD25.6 billion) and workers remittances (USD29.4 billion).
- **Trade Deficit** increased by 55.5 percent to USD 30.1 billion during FY 2022 (Jul-Mar) as compared to USD 19.3 billion last year.
- **Exchange Rate** depreciated significantly during FY 2022 (July-May) recorded at 1 USD = Rs 197.87 on June 1, 2022 compared to 1 USD = Rs 157.55 on June 30, 2021, showing 20 percent depreciation.

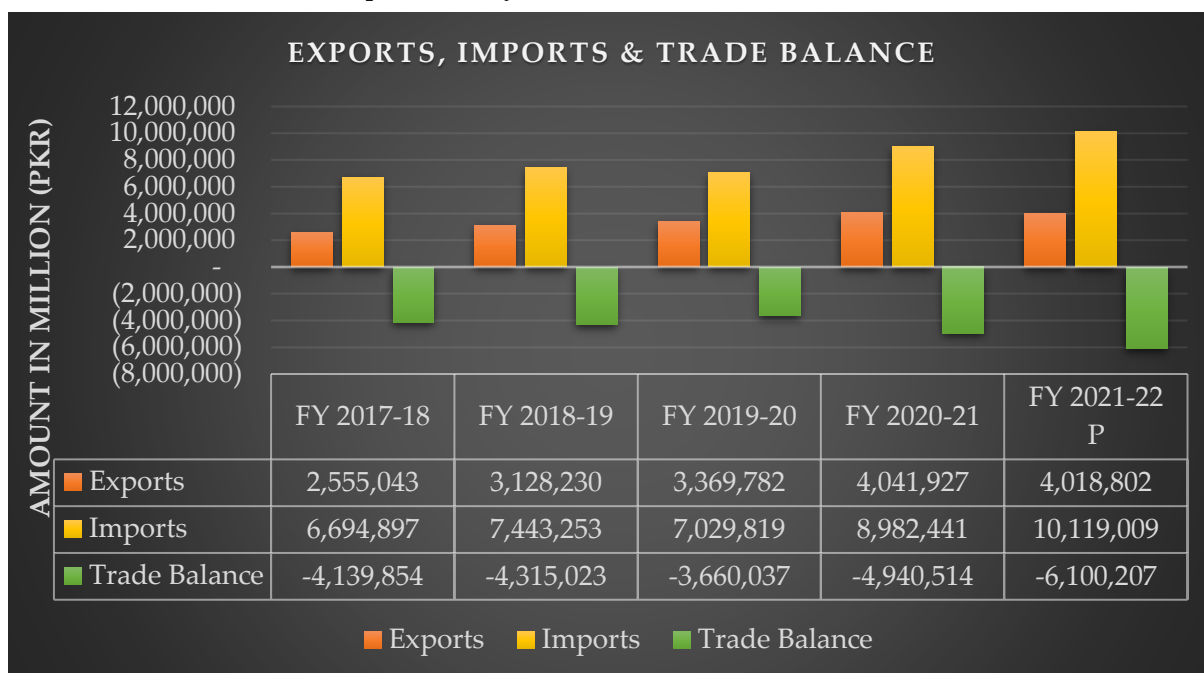
- **Worker Remittances** reached to USD 22.9 billion during the FY 2022 (Jul-Mar) as compared to USD 21.4 billion during same period FY 2021.



- **Export of Goods** grew by 26.6 percent and reached USD 23.7 billion as compared to USD 18.7 billion the same period last year.
- **Exports of Services** grew by 17.1 percent and reached USD 5.2 billion during FY 2022 (Jul-Mar) as compared to USD 4.4 billion last year. This increase may be attributed due to 29.3 percent increase in net information and communication technology (ICT) services export.



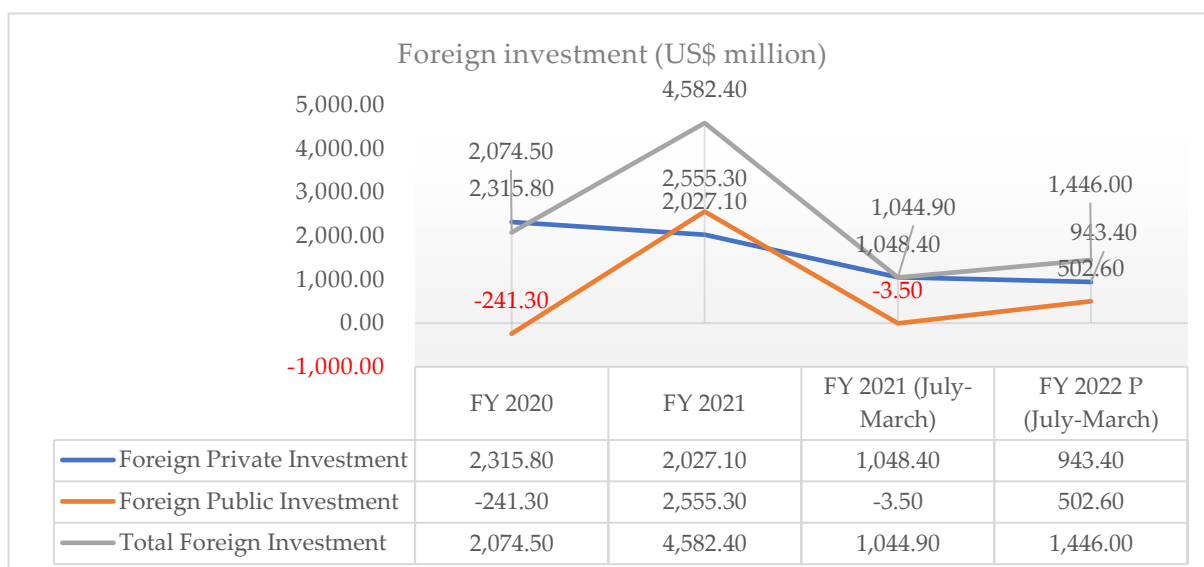
- Import of Goods** grew by 41.3 percent to USD 53.8 billion during FY 2022 (Jul-Mar) as compared to USD 38.1 billion the same period last year.



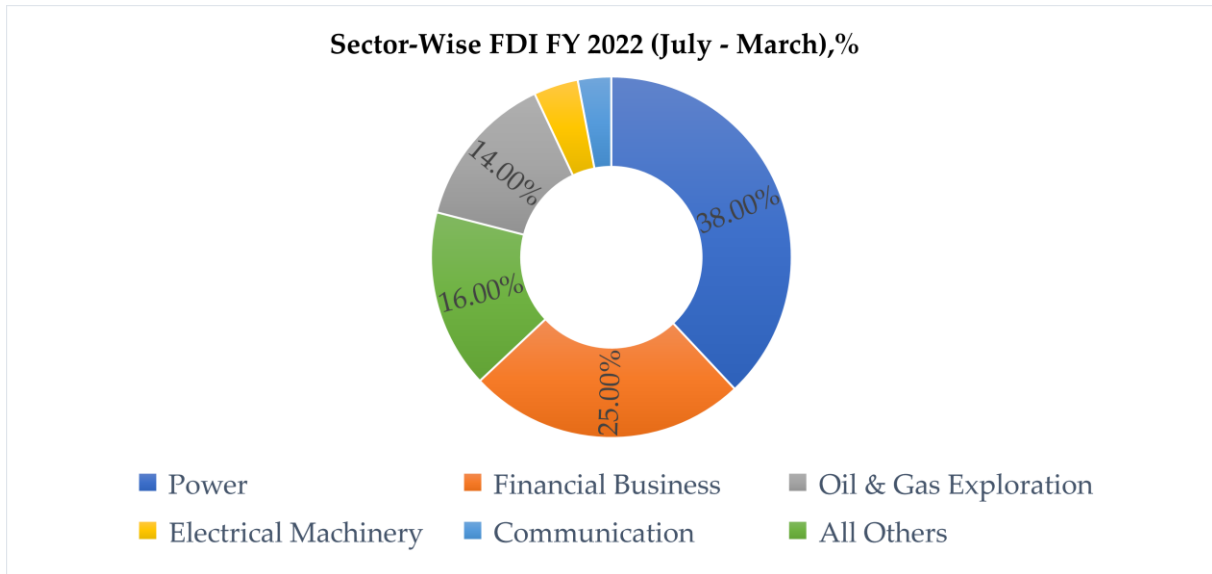
- Import of Services** increased by 31.3 percent during FY 2022 (Jul-Mar) and stood at USD 8.3 billion as compared to USD 6.3 billion last year. The resumption of international air travel also led to an increase in air transport and travel services imports.

FOREIGN DIRECT INVESTMENT (FDI)

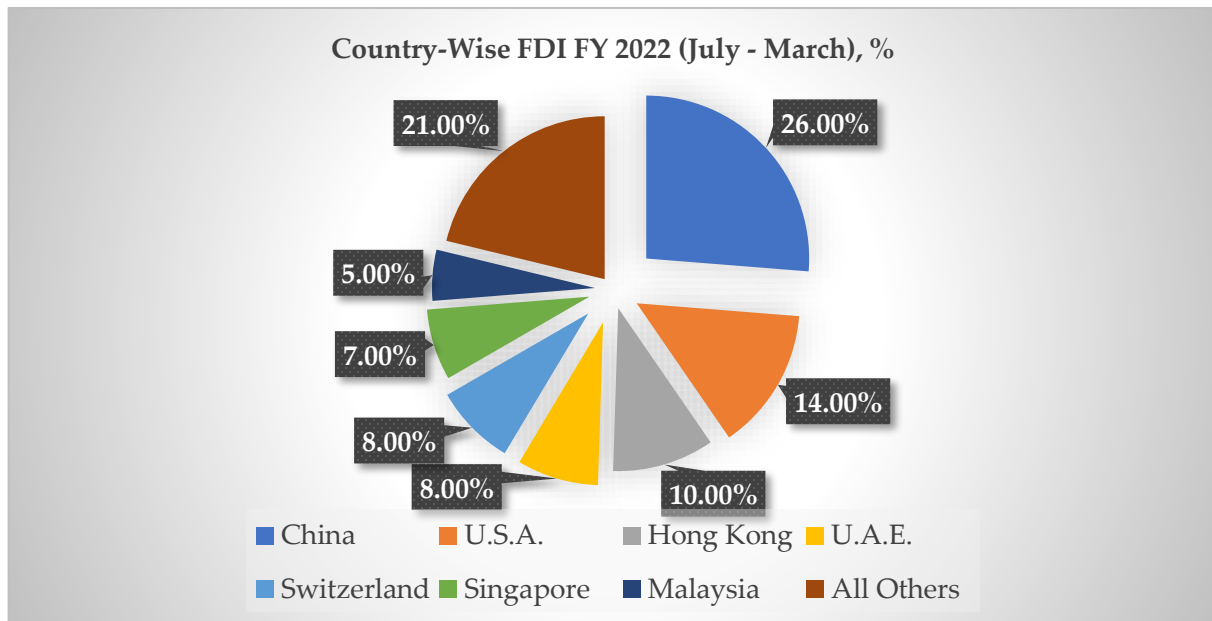
- Foreign Direct Investment (FDI)** declined by 2.0 percent to USD 1.28 billion during FY 2022 (Jul-Mar), as compared to USD 1.31 billion same period last year. The inflows of FDI reached USD 1.96 billion during FY 2022 (Jul-Mar) compared to USD 2.33 billion million same period last year, declined by 15.6 percent. The outflows of FDI during FY 2022 (Jul-Mar) decreased by 33.2 percent and reached USD 682.4 million compared to USD 1021.0 million same period last year.



- **Information technology (IT)** sector also attracted substantially higher inflows of USD 118.5 million as compared to USD 50.6 million last year whereas **Telecom sector** attracted a net FDI inflow of USD 92.3 million till February 2022. The Sectoral breakdown is given hereunder:



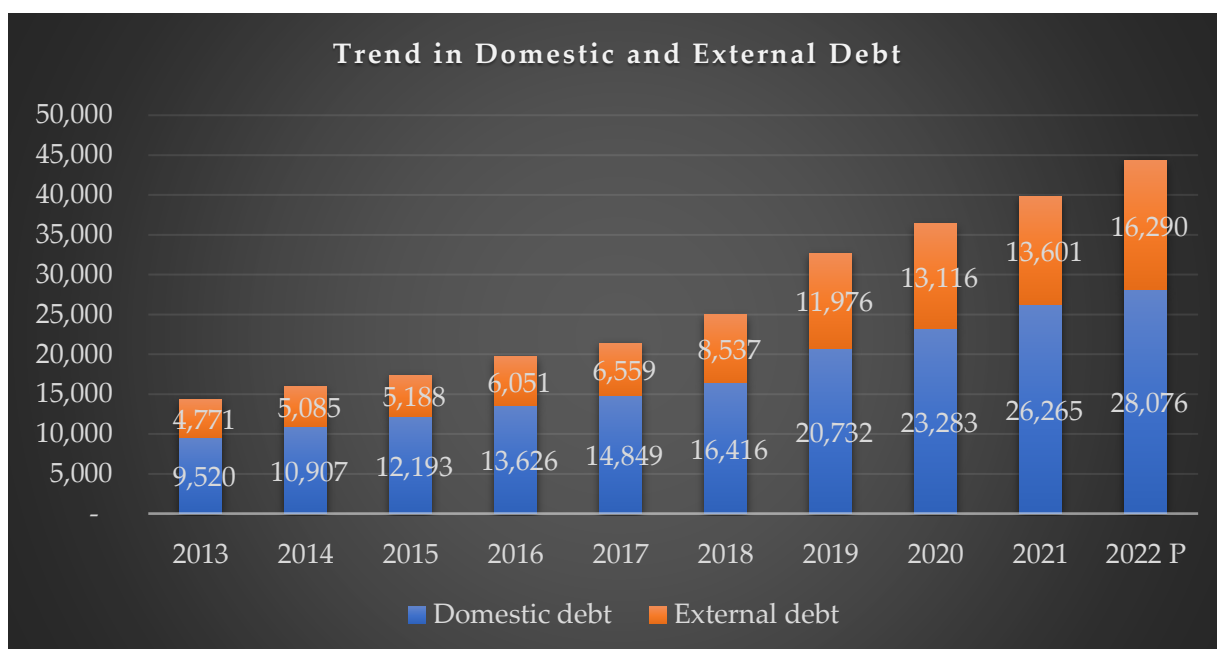
- **Country Wise** highest FDI received from China during FY 2022(Jul-Mar) (26.0 percent), United States (14.2 percent), Hong Kong (10.3percent), Switzerland (8.3 percent), U.A.E (7.8 percent) and Singapore (7.0percent).



- **Foreign Portfolio Investment** during FY 2022 (Jul-Mar) witnessed a net inflow of USD 162 million as against outflow of USD 266.2 million the same period last year.

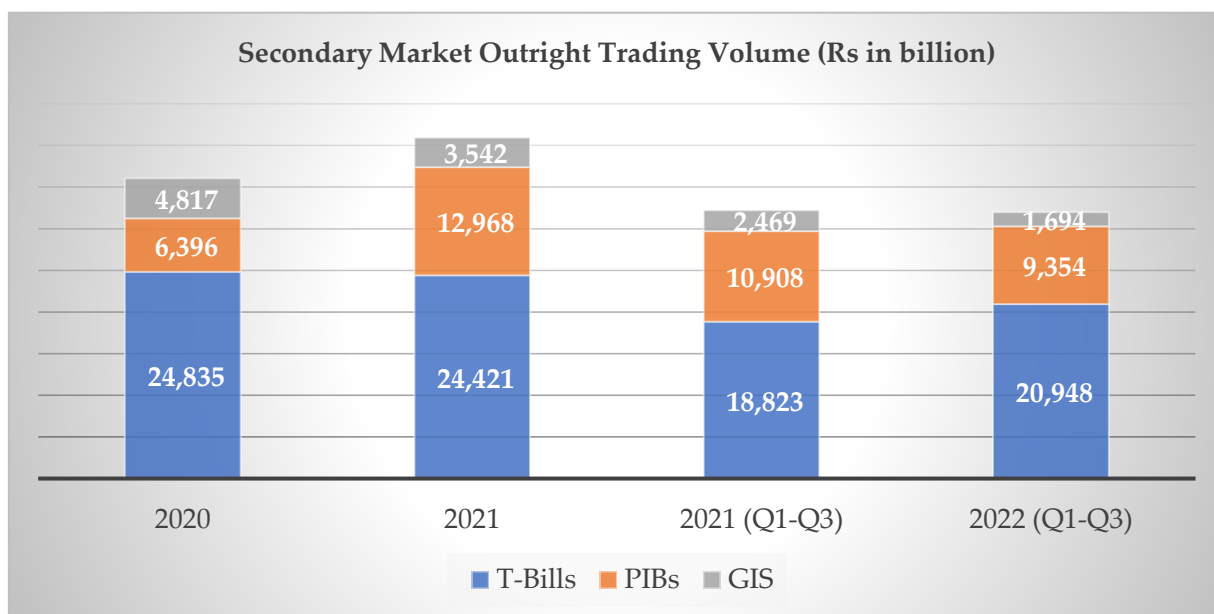
PUBLIC DEBTS

- **Total Public Debt** was recorded at Rs 44,366 billion at the end-March 2022, registering an increase of Rs 4,500 billion during first nine months of current fiscal year. Interest servicing was recorded at Rs 2,118 billion during the first nine months of the current fiscal year against its annual budgeted estimate of Rs 3,060 billion.



- **Domestic Debt** was recorded at Rs 28,076 billion at end-March 2022, registering an increase of Rs 1,811 billion during the first nine months of the current fiscal year. Domestic borrowing was made entirely from the financial markets. The Government retired a portion of Treasury Bills stock amounting to Rs 1.5 trillion which led to a reduction of short-term maturities in-line with the Government's commitment to reduce its Gross Financing Needs.
- **Shariah Compliant Sukuks** issued by Government amounting to around Rs 1.1 trillion. Government has further issued around Rs 0.4 trillion worth of Sukuks during April and May 2022 and total issuance of Sukuk accordingly stood at around Rs 1.5 trillion during first eleven months of ongoing fiscal year.
- **Permanent Debt** constituted 67 percent of the domestic debt portfolio and was recorded at Rs 18,714 billion at end-March 2022, representing an increase of Rs 2,803 billion during the first nine months of the ongoing fiscal year.
- **Floating Debt** was recorded at Rs 5,241 billion or around 19 percent of the total domestic debt portfolio at the end-March 2022, a reduction of Rs 1,486 billion was witnessed in the stock of T-bills.

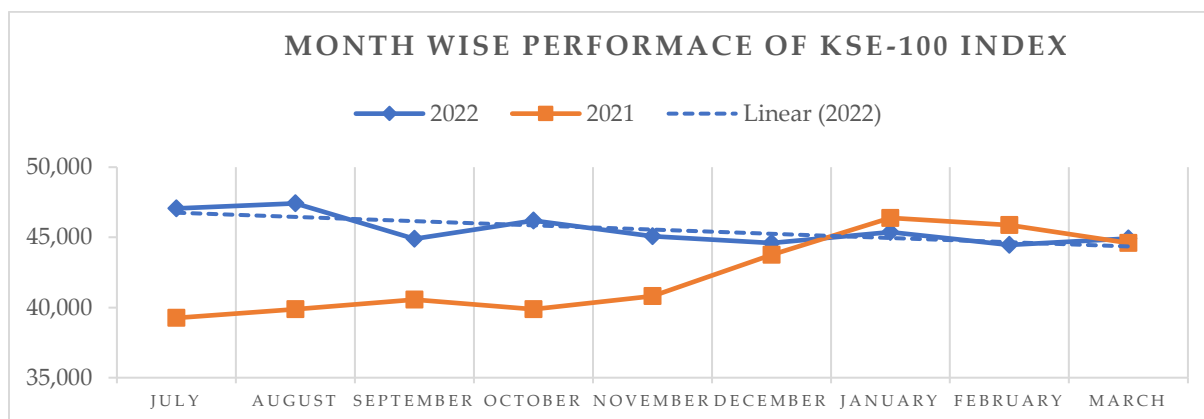
- **Unfunded Debt** stood at Rs 3,609 billion at end-March 2022, constituting around 13 percent of the total domestic debt portfolio recording net reduction of Rs 37 billion during the first nine months of the current fiscal year.



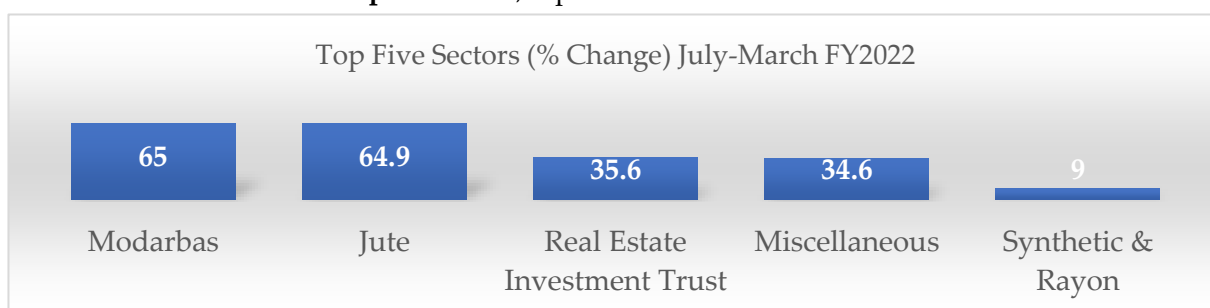
- **External Public Debt** was recorded at USD 88.8 billion at end-March 2022, increasing by around USD 2.3 billion during the first nine months of the current fiscal year.
- **Repayments** of external public debt were recorded at USD 8,139 million during the first nine months of FY 2022 as compared with USD 5,148 million during the same period last year. Interest payments were recorded at USD 1,297 million during the first nine months of FY2022 as compared to USD 1,080 million during the same period of the preceding year.
- In US Dollar terms, revaluation gain owing to appreciation of the US Dollar against other international currencies decreased the external public debt stock by around USD 1.6 billion however this was offset by the depreciation of the Pak Rupee against the US Dollar by around 17 percent which led to increasing the Rupee value of external debt by around Rs 2.3 trillion.

CAPITAL MARKET

- **Benchmark KSE-100 index** declined from 47,356 points to 44,929 points during July 2021 to March 2022. During this period, the index closed at its highest point of 48,112 points on August 23, 2021. As of March 31, 2022, number of listed companies stood at 532, with total market capitalization of Rs. 7,583 billion.



- **IPOs** were offered by five companies during FY 2022 (July-March) on Pakistan Stock Exchange (PSX), while two companies were listed on the newly introduced Growth Enterprise Market (GEM) Board. In terms of **market capitalization**, top five sectors are shown as under:



- Corporations raised Rs. 121.5 billion by issuing 32 **Debt Securities** as of March 31, 2022, Term Finance Certificates (TFCs) amounting to Rs. 17.2 billion, Sukuk amounting Rs. 48.5 billion and Commercial Papers (CPs) amounting to Rs 55.8 billion.
- **Corporate Debt Securities** worth Rs 749.8 billion remain outstanding which comprises of Term Finance Certificates (TFCs) amounting to Rs. 164.5 billion, Sukuk amounting Rs. 576.07 billion and Commercial Papers (CPs) amounting to Rs. 9.30 billion.
- **National Saving Scheme's** net proceeds counted at Rs. -86.4 billion as of March 31, 2022 due to discontinuation of highest domination prize bonds i.e., Rs 40,000, Rs 15,000 and Rs 7,500.
- **Pakistan Mercantile Exchange (PMEX)** held trade of 2.31 million lots of various commodities futures contracts including gold, crude oil and US equity indices worth Rs 2.65 trillion during FY 2022 (July-March).

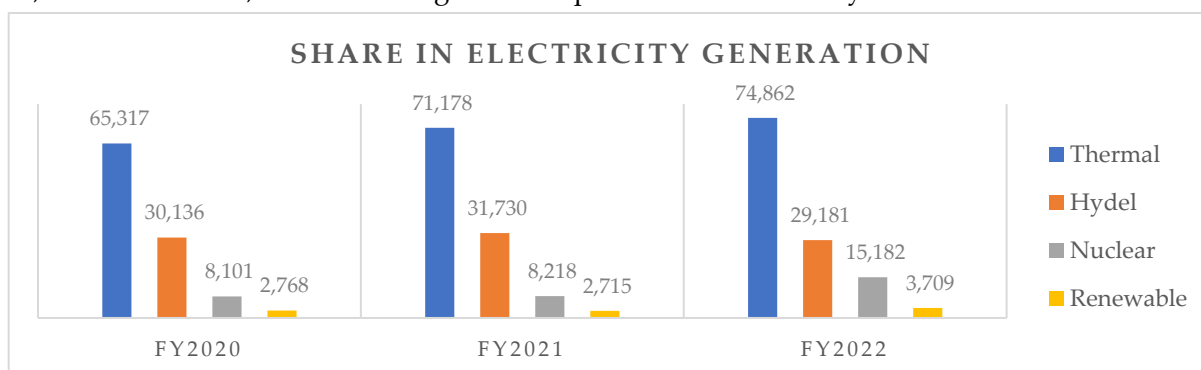
MONEY AND CREDIT

- SBP had initiated to tighten monetary policy stance from September 2021 after keeping the policy rate unchanged at 7% in all the MPC meetings held in FY 2021. The monetary policy in Pakistan shifted direction in Q1 of FY 2022 and policy rate had increased by cumulative 275 bps to 9.75% during consecutive three monetary policy decision. In monetary policy decision held on 23rd May, 2022 the MPC decided to raise the **policy rate** by 150 basis points to 13.75%.

- During the period FY 2022 (01st July-29th April), **broad money (M2)** has increased by Rs 1,457.2 billion (growth of 6.0%) as compared with Rs 1,632.7 billion in FY 2021. **Net Domestic Assets (NDA)** of the banking sector observed an expansion of Rs 2,784.8 billion against Rs 652.1 billion last year. **Net Foreign Assets (NFA's) point contribution** has decreased to 5.5% as compared to positive contribution of 4.7% last year.
- Private sector credit** witnessed an unprecedented expansion of Rs 1,312.9 billion during the period FY 2022 (1st July-29th April), compared to Rs 454.4 billion during the same period last year, posting significant growth of 189%. The **working capital loans** observed an expansion of Rs 608.7 billion during FY 2022 (July-March), as compared to an expansion of Rs 110.8 billion during the same period last year.
- 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. Government has borrowed Rs 1,453.3 billion from **scheduled banks** as compared to borrowing of Rs 1,807 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.
- Currency in Circulation (CIC)** witnessed an expansion of Rs 991.7 billion during the period FY 2022 (July-April), showed growth of 14.4% as compared to expansion of Rs 673.0 billion during same period last year.

ENERGY

- Electricity Generation Capacity** during July-April 2022 has increased by 11.5% and it reached 41,557 MW from 37,261 MW during the same period as of last fiscal year.



- The average **natural gas consumption** has declined from 3,723 MMCFD to about 3,565 MMCFD during FY 2022 (July-March). This also includes 863 MMCFD volume of RLNG during July 2021 to March 2022.
- Six Nuclear Power Plants (Npps)** operating on two sites in the country. The capacity of these nuclear power plants has increased this year and the gross capacity of NPPs stood at 3,530 MW that supplied 12,885 million of electricity to the National grid during 1st July 2021 to 31st March 2022. This shows an increase of 39 percent in terms of MW and 82 percent increase in terms of units supplied.

TAXATION

- FBR tax collection crossed Rs 4 trillion mark for the first time in history. In FY2021, FBR was able to collect Rs 4,855.8.0 billion while exceeding the revised target of Rs 5400 billion.
- The provisional net collection grew by 23.3 percent to Rs 4,855 (July to April) billion against Rs 4,744 billion last year FY2021.
- The net collection of income tax has registered a growth of 28 percent during the first ten months of FY2022. The net collection has increased from Rs 1,362.8 billion to Rs 1,743.7 billion. The major contributors to income tax are withholding tax, voluntary payments, and collection on demand.
- The gross and net sales tax collection during July-April, FY2022 has been Rs 2289.2 billion and Rs 2064.2 billion, respectively, showing healthy growths of 29.6 percent and 29.3 percent respectively. Around 71.2 percent of total sales tax was contributed by sales tax on imports during July-April, 2021-22, while the rest was contributed by the domestic sector.
- The collection of federal excise duties (FED) from July-April, FY2022 has recorded a growth of 14.6 percent. The net collection has stood at Rs 256.0 billion during July-April, FY2022 as against Rs 223.4 billion during the same period last year. The major revenue spinners of FED are cigarettes, cement, services, and beverages.
- Customs duty has registered a growth of 33.4 percent and 33.0 percent in gross and net revenues, respectively. The net collection has increased from Rs 595.4 billion during July-April, FY2021 to Rs 791.8 billion during July-April, FY2022. The major revenue spinners of customs duty have been vehicles, mineral fuels, iron and steel, electrical machinery, plastic, edible fruits, etc.
- FBR has initiated various measures to facilitate the taxpayers in order to create a congenial environment and to fetch sufficient tax revenues which includes The Track and Trace System, Point of Sales (POS) Invoicing system of Tier-1 Retailers, Automated Issuance of Refunds, Single Sales Tax Portal/Return, E-hearing, Electronic Filing of an Appeal, Tax Asaan mobile application, IREN and Joint Anti-smuggling Field Intelligence Exercise, Risk-based Audit, Transformation of Traditional Audit Processes through E-Audits, Automation of Audit Monitoring System, Pakistan Single Window (PSW), Automated Process for Scanning of Cargo, Removal of Requirement for I-form, E-form, Virtual Assessment Module, Development of Authorized Economic (AEO) Module, Common Bonded Warehousing Module.
- Tax expenditure of Federal Taxes for FY 2022 are as follows:

Description (Rs. in Billions)	2017-18	2018-19	2019-20	2020-21	2021-22
Income Tax	61.78	141.6	378.03	448.046	399,662
Sales Tax	281.05	597.7	518.81	578.456	1,014,483
Custom Duty	198.15	233.1	253.11	287.771	342,890
Total	540.98	972.4	1150	1314.27	1757

SECTION B. INCOME TAX ORDINANCE, 2001

1. DEFINITIONS

[Section 2]

The changes proposed in the definitions are as follows:

i. Beneficial Owner

[Clause 7A]

Currently, there is no definition of term “beneficial owner” which is being used/referred in different provisions of Income Tax Ordinance, however, now through this Finance Bill 2022, definition of beneficial owner is proposed to be introduced which is as follows.

“Beneficial Owner” 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 person.

ii. Distributor

[Clause 18A]

The Finance Bill, 2022 has proposed to define the term Distributor in the following manner:

“Distributor” means a person appointed by a manufacturer, importer, or any other person for a specified area to purchase goods from him for further supply.

iii. Synchronized Withholding Administration and Payment System agent or SWAPS agent

[Clause (62B)]

Finance Bill 2022 has proposed to introduce a new term “Synchronized Withholding Administration and Payment System agent” or “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.

2. TAX ON HIGH EARNING PERSONS FOR POVERTY ALLEVIATION

[Section 4C]

Finance Bill, 2022 has proposed to include a new Section i.e., Section 4C “Tax on high earning persons for poverty alleviation”. This tax resembles the concept of super tax levied under Income tax Ordinance. This tax is chargeable at the rate of 2% on income of every person earning more than **Rs. Three hundred million**.

Same as super tax, “income” for the purposes of this provision of law is introduced as **sum of the following**:

- i. profit on debt, dividend, capital gains, brokerage, and commission.
- ii. taxable income (other than brought forward depreciation and brought forward business losses) under section 9 of the Ordinance, if not included in clause (i).
- iii. imputable income as defined in clause (28A) of section 2 excluding amounts specified in clause (i); and
- iv. income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under Fourth, Fifth and Seventh Schedules.

3. TAX ON CERTAIN PAYMENTS TO NON-RESIDENTS

[Section 6]

Section 6 of ITO provides for taxation on royalty services, fee for offshore digital services and fee for technical services. The bill proposes to add following service in the above stated services so that these services provided by non-residents will also be taxed in Pakistan. The proposed services are:

- fee for money transfer operations,
- card network services,
- payment gateway services, and
- interbank financial telecommunication services

The bill also proposes to increase tax rate from 5% to 10% in case of services other than royalty and fee for technical services. Accordingly, above listed proposed services will be taxed at the rate of 10%.

4. TAX ON DEEMED INCOME

[Section 7E]

The bill has proposed to introduce this new section, whereby, the concept of deemed rental income has been introduced. The rental income of the eligible property shall be deemed to be **5%** of its fair market value, irrespective of the fact whether such property has been rented out for any consideration or not, and a tax at the rate of **20%** on such deemed rental income will be charged. **This means the effective tax rate on Fair market value of the property will be 1%.** The Bill further clarified that the following properties are not covered under this section.

- a) self-owned business premises on which business is conducted.
- b) self-owned agriculture land where agriculture activity is conducted by person but does not include farmhouse and land annexed thereto.
- c) where the fair market value of the property or properties, in aggregate, excluding properties mentioned in clauses (a) and (b) **does not exceed twenty-five million Rupees.**
- d) a Provincial Government, a Local Government, a local authority, or a development authority.
- e) land development and construction projects of builders and developers registered with Directorate General of Designated Non-Financial Businesses and Professions of Board.
- f) a property which is subject to tax under section 15 of the Ordinance and the tax chargeable is more than tax chargeable under this section. *Provided that if the tax chargeable under section 15 is less than*

the tax chargeable under this section, so much of the amount of tax which is more than tax chargeable under section 15 shall be paid under this section

Considering above, self-residential property is also covered in the scope of above section if it meets the conditions of this section.

5. DEDUCTIONS NOT ALLOWED

[Section 21]

Section 21 specifies certain expenses which are not allowed as deduction from business income. The bill proposes to add the following further conditions for claiming expenses.

a) Contributions to funds

The bill proposes to disallow amounts of contributions to approved gratuity fund, an approved pension fund or an approved superannuation in excess of 50% of the contribution made by the person.

b) Non-Integration

Through SRO 779(I)/2020, the FBR introduced a Chapter VIIA in the Income Tax Rules, 2002 whereby certain businesses were required to install prescribed fiscal electronic device and software for integration with FBR's system. The bill proposes to disallow any expenditure which is 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. However, it is also proposed that such disallowance does not exceed 10% of the allowable deductions.

c) Payments through digital means

Section 21(l) of ITO provides that a business expense of any person shall not be allowed if paid through any means other than through crossed banking instrument from business bank account of the taxpayer.

The bill has now proposed to limit the applicability of above clause to the persons other than companies only and for the companies it has introduced another clause (1a), whereby, payments of business expenses by companies through digital means from business bank account of the taxpayer have been made compulsory for claim of such expenses. However, for companies, the payment limit is increased to **one million rupees**, which means if payment in a single account head is more than this amount then the company is required to make payment through Digital means. All other exceptions to the above restrictions for other persons are mutatis mutandis applicable to companies. **May it be added here that Provided further that this clause shall be effective from such date as the Board may notify.**

The option of payment through digital mode has also been proposed to be introduced for payment of salaries by employer to employees.

6. DEPRECIATION

[Section 22]

Currently, depreciation expense on depreciable assets is reduced by **fifty percent** in the year of purchase and in the year of disposal. However, now the finance Bill has proposed to omit this condition, by virtue of which now taxpayer can claim 100% of depreciation deduction in the year of purchase/first use and no depreciation deduction in the year of disposal.

Furthermore, the cost of a depreciable asset being a passenger transport vehicle not plying for hire to claim the depreciable expense deduction has been proposed to increase to five million from 2.5 million. Where such a vehicle is obtained on lease, the rentals relating to the principal amount are restricted to Rs 2.5 million. In line with the above proposal, this limit also needs to be enhanced

7. INITIAL ALLOWANCE

[Section 23]

Section 23 provides for initial allowance of 25% for eligible depreciable asset for first year the asset is placed into service in Pakistan. The bill proposes to exclude 'immovable property or structural improvement to the immovable property' from the definition of eligible depreciable asset.

8. CAPITAL GAIN

[Section 37]

Capital gain on immovable property

The rates of taxes proposed in the finance bill have been reconstructed and divided into specific types of properties such as open plots, constructed property and flats instead of the existing general categorization. Previously capital gain on property was taxable up to a holding period of four years and after that period capital gain was exempt but Finance bill seeks to increase this holding period up to six years.

Withdrawal of 25% exemption of capital gain

Presently, where a capital asset has been held by a person for more than one year then 25% Gain arising on disposal of capital asset is exempt from income tax. However, the bill has proposed to withdraw this exemption.

Withdrawal of exemption on Assets acquired under non-Recognition rule

Presently where the capital asset becomes the property of the person under a gift, by succession, inheritance, or distribution of asset on winding up/dissolution of company/AOP the FMV on the date of acquisition was considered as cost for the purpose of computation of capital gain. By virtue of this provision the capital gain arising on the date of acquisition is exempt from tax, however, now Finance bill has proposed to withdraw this exemption now cost of the capital asset will be the actual cost of the transferor which will result in higher capital gain tax.

9. SICK INDUSTRIAL UNITS

[Section 59C]

Vide Income Tax (Amendment) Ordinance, 2022, A new Section 59C was inserted, whereby, an incentive was provided to the companies acquiring 'sick industrial units' to adjust business losses of those units by acquiring company. However, the bill now proposes to withdraw the above incentive ab initio. However, it has not been clarified with respect to taxpayers who have already made investments.

10. DEDUCTIBLE ALLOWANCE FOR PROFIT ON DEBT

[Section 60C]

Currently, every individual is entitled to a deductible allowance for any profit or share in rent or share in appreciation value of house paid by the individual in a tax year on a loan for the construction of a new house or the acquisition of a house. Finance Bill 2021 has proposed to withdraw this allowance.

11. WITHDRAWAL OF TAX CREDITS

[Section 62, 62A & 63]

The finance bill 2021 proposes to withdraw following tax credit available for adjustment against tax liability of the taxpayer.

- a) Currently, **tax credit on investment in shares and insurance** is allowed to resident taxpayers other than a company. Finance Bill 2021 has proposed to withdraw this credit.
- b) Currently, A resident person other than a company shall be entitled to a tax credit for a tax year in respect of any **health insurance premium or contribution** paid to any insurance company, provided the resident person is deriving income chargeable to tax under the head "salary" or "income from business." Now, this tax credit is proposed to be omitted through Finance Bill, 2022.
- c) Currently, tax credit is allowed to people deriving salary income or business income on **Contribution to an Approved Pension Fund**. Finance Bill, 2022 has proposed to omit this section.

12. TAX CREDIT FOR CERTAIN PERSONS

[Section 65F and Section 154A]

Income tax exemption up to tax year 2025 was available on income from export of software, IT services and IT enabled services under second schedule. Through Tax Laws (Second Amendment) Ordinance, 2021, the said exemption was withdrawn and a concept of 100% tax credit was introduced as part of section 65F up to tax year 2025, subject to certain conditions. Taxpayers of the same sector who do not qualify for tax credit are being subjected to 1% withholding income tax on export proceeds under section 154A. Finance Bill, 2022 has now proposed to withdraw this exemption u/s 65F, which means now these services are only chargeable under section 154A.

The bill, on the other hand, also proposes to reduce the final tax of 1% to 0.25% of the exports proceeds of computer software or IT services or IT enabled services under section 154A of the Income Tax

Ordinance. By virtue of this amendment, now IT and IT enabled services are taxable at the rate of 0.25%.

13. TAX CREDIT FOR FOREIGN INVESTMENT FOR INDUSTRIAL PROMOTION

[Section 65H]

Vide Income Tax (Amendment) Ordinance, 2022, A new Section 65H was inserted, whereby, a one-time 100% tax credit against tax liability was available against foreign investments. The bill now proposes to withdraw the above incentive ab initio.

14. RESIDENT INDIVIDUAL

[Section 82]

Currently, an individual shall be a resident individual for a tax year if the individual:

- is present in Pakistan for a period of, or periods amounting in aggregate to, one hundred and eighty-three days or more in the tax year.
- is an employee or official of the Federal Government or a Provincial Government posted abroad in the tax year.

The bill now proposes to also include such citizens of Pakistan who are not a tax resident of any other country in the above definition.

15. PRINCIPLES OF TAXATION OF ASSOCIATION OF PERSONS

[Section 92]

Currently, there is confusion regarding the taxability of share of income of member of AOP if the income of AOP is exempt. The bill now proposes to add an explanation that in case the income of AOP is exempt, the share from such income will remain exempt in hands of the Partners.

16. SPECIAL PROVISIONS RELATING TO TRADERS

[Section 99A]

Presently, Section 99A deals with the taxation of "Traders" (means an individual or an association of persons (AOP) buying goods or merchandise and selling the same without further processing and providing, business-related after sales, services by doing repair jobs).

Finance Bill, 2022 has proposed to charge and collect the tax from retailers other than Tier-I retailers and specified service providers on commercial electricity connections at the following rates.

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

In connection of above, this section will not apply on retailer who has paid sales tax under Sales Tax Act, 1990 and the tax collected or paid under this section shall be final tax in respect of business being conducted from the premises where the electricity connection is installed.

17. TAX CREDIT FOR CHARITABLE ORGANIZATIONS

[Section 100C]

Section 100C provides 100% tax credit to certain eligible charitable organizations subject to certain conditions. One of said conditions is that the approval of Commissioner has been obtained as a non-profit organization in respect of the persons mentioned in Table II of Clause (66) of Part I of Second Schedule and this condition was deemed to be applicable from 1st July 2022. The bill now proposes to extend such a date to 1st July 2024.

18. INVESTMENT IN NEW INDUSTRIES/EXISTING INDUSTRIES

[Section 100F]

Income Tax (Amendment) Ordinance, 2022 has enacted a new Section 100, whereby, a general amnesty was extended to all persons to declare assets by paying a general tax rate of 5% through investment in new industries. The bill now proposes to withdraw the above incentive ab initio.

19. RECHARACTERIZATION OF INCOME AND DEDUCTIONS

[Section 109]

Section 109 empowers the Commissioner to recharacterize a transaction for the purpose of determining liability to tax. The bill now proposes to extend such powers to enable the Commissioner to treat a place of business in Pakistan as a permanent establishment from 2018 and onwards, if the said place is a fixed place of business that is used or maintained by a person if the person or an associate of a person carries on business at that place or at another place in Pakistan and—

- i. that place or other place constitutes a permanent establishment of the person or an associate of the person under this sub-clause; or
- ii. business continued by the person or an associate of the person at the same place or at more than one place constitute complementary functions that are part of a cohesive business operation.

Main thing which needs to be noted that above amendment is proposed to have retrospective effect i.e., from tax year 2018.

20. UNEXPLAINED INCOME OR ASSETS

[Section 111]

Means of Payment added in the definition of normal banking channel

Section 111(4) provides immunity from inquiry to an amount, up to Rs. Five million, remitted through normal banking in Pakistan in foreign currency and converted into PKR. In this connection, Tax Laws (Third Amendment) Ordinance, 2021 has inserted an explanation whereby, remittances through

following means were deemed as foreign exchange remitted from outside Pakistan through normal Banking channels

- Money Service Bureaus (MCBs),
- Exchange Companies (ECs) and
- Money Transfer Operators (MTOs) such as Western Union, Money Gram and Ria Finance or other like entities,

The bill has now proposed to endorse the above explanation and proposed to insert the same explanation in the above referred section.

Exception from issuance of separate notice u/s 111

Presently there is a requirement to issue separate notice u/s 111 along with Section 122 for the purpose of amendment of assessment. However, now the Finance bill has proposed to add exceptions to this requirement whereby separate notice u/s 111 will not be required for explanation and source of the income. Said exceptions are as follows.

- 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. suppression of any production, sales, or any amount chargeable to tax; or
- iv. 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.

21. MINIMUM TAX

[Section 113]

Presently, Section 113 provides that the amount of turnover tax in excess of actual tax liability may be carried forward to the next five years. Now, the Finance Bill has proposed to withdraw this facility which means any tax paid under this section will not be available for adjustment in future years.

22. POWERS TO ENFORCE FILING OF RETURNS

[Section 114B]

Presently, FBR cannot enforce filing of return by giving a general order in respect of persons who are not appearing on active taxpayers' list but are liable to file return under the provisions of the Ordinance. The Finance Bill 2022, being in conformity with Tax Laws (Third Amendment) Ordinance, 2021 has proposed to include section a 114B that would provide this power to the FBR. Due to insertion of this section now and onward FBR shall issue a general order the non-compliance of which may entail any or all the following consequences for the persons mentioned therein, namely:

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

However, before inclusion of any person in the general order under this section FBR shall ensure that

- Notice under sub section (4) of section 114 has been issued
- Date of compliance of the notice under sub section (4) of section 114 has elapsed; and
- the person has not filed the return

23. BEST JUDGEMENT ASSESSMENT

[Section 121]

Section 121 of the Income Tax Ordinance, 2001 authorizes the commissioner to issue the best judgement assessment order in case a return of income has not been filed. Under this section assessment order is required to be issued within five years from the end of the relevant tax year. The finance bill now proposes to increase this limit from five years to six years.

24. AMENDMENT OF ASSESSMENT

[Section 122]

Section 122 of the Income Tax Ordinance, 2001 allows the commissioner to amend the assessment of a taxpayer after giving an opportunity of being heard by issuing a show cause notice. Said section also required that the amendment order shall be issued within 120 days from the date of issuance of show cause notice. The bill now proposes to extend the time limit of 120 days to 180 days.

25. ALTERNATIVE DISPUTE RESOLUTION

[Section 134A]

The finance bill proposes to substitute whole of the section. Main differences between existing section and proposed sections are as follows.

- a. Presently, the Committee shall comprise of Chief Commissioner Inland Revenue having jurisdiction and two persons from the panel notified by Board comprising of Chartered Accountants, Cost and Management Accountants and advocates having minimum 10 years of experience in the field of taxation and reputable businessmen. The bill proposes to amend the Committee members which are as follows:
 - Chief Commissioner Inland Revenue having jurisdiction
 - Person to be nominated by the taxpayer from the panel notified by Board comprising of:
 - i. Chartered Accountants, Cost and Management Accountants and advocates having a minimum of 10 years of experience in the field of taxation.
 - ii. Officers of the Inland Revenue Service who have retired in BS 21 or above or.
 - iii. Reputable businessmen as nominated by Chambers of Commerce and Industry
 - Person to be nominated through consensus by the members appointed under (i) and (ii) above
- b. Presently, there is no limit on the amount of tax liability on the aggrieved person for applying to the Board for the appointment of committee for resolution of any hardship or dispute. The bill

proposes that the tax liability on the aggrieved person must be **one hundred million or more** for applying to the Board for the appointment of committee for resolution of any hardship or dispute.

- c. Presently, the time for appointment of the committee by the Board is 30 days upon receipt of an application. The bill proposes to increase the time for appointment of the committee by the Board to 45 days upon receipt of an application.
- d. Presently a committee cannot be formed for Question of law, however bill proposes to exclude this limitation.

26. IMPORTS

[Section 148]

Presently, the tax required to be collected under this section is the minimum tax on the income of the importer arising from the imports. This section also provides that tax collected on import of goods at the rate of 1% or 2% by an industrial undertaking for its own use is adjustable tax and at the rate of 5.5% is minimum tax. However, now the bill proposes that the tax required to be collected by an industrial undertaking for its own use will be adjustable irrespective of the rate at which such collection is required. However, the following items imported, whether by the commercial importer or by the industrial undertaking for its own use will remain under the minimum tax regime.

- **Edible oil.**
- **Packaging material.**
- **Paper and paper board; or**
- **Plastics**

27. SALARY

[Section 149]

Presently, in this section the employer at the time of making payment to the employee was required to adjust the amount of tax credit for investment in health insurance and contribution to an approved pension fund the salary. In line with the omission of the above referred tax credits, finance Bill 2022 proposes to exclude this section from this section as well.

28. PAYMENT OT NON-RESIDENT

[Section 152]

The bill proposes to add that tax on following payments will be deducted at the rate of 10% as a final tax liability.

- i. Payment of service charges or commission or fee by exchange company 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.
- ii. Payment to card network company or payment gateway of any transaction fee or licensing fee or service charges or commission or fee or interbank financial telecommunication services by banking company.

29. REDUCED RATE ON REIT MANAGEMENT AND NCCPL SERVICES**[Section 153]**

The bill proposes to add 'REIT management services and services rendered by National Clearing Company of Pakistan Limited in the list of services which are subject to tax at reduce rate of 3%.

30. PAYMENT OF TAX COLLECTED OR DEDUCTED BY SWAPS AGENTS**[Section 164A]**

The finance bill 2022 has proposed to add a new Section relating to payment of tax collected or deducted by SWAPS agent. The FBR may notify any person required to deduct or collect tax to integrate with Synchronized Withholding Administration and Payment System and to function as SWAPS agent. The tax collected by a notified SWAPS agent and credited to the Commissioner through digital mode, shall be treated to have been paid tax.

Any notified SWAPS agent shall not be eligible for tax credit under Part X of Chapter III of the Ordinance and exemption under any of the provisions of the Ordinance if notified SWAPS agent fails to integrate with the Board.

All persons from whom the tax has been collected or deducted by the notified SWAPS agents shall be eligible for credit of tax withheld against SPR issued by SWAPS agent.

31. TIME LIMIT FOR RECORDS**[Section 174]**

Section 174 provides for keeping of necessary records and provides that such records shall be kept for a period of six years after the end of the tax year to which they relate. The bill now proposes that such limitation may not apply to the records pertaining to income, assets, expenses, or transactions discovered by the Commissioner which are situated or incurred outside Pakistan, or the concealed income is foreign source income.

32. NATIONAL DATABASE AND REGISTRATION AUTHORITY (NADRA)**[Section 175B]**

The finance bill has proposed to add a new section:

- whereby NADRA on its own motion or upon application by the Board, share its records and any information available or held by it, with the FBR with a view to broadening the tax base.
- In respect of any person NADRA may make the supply of information in respect of any income, receipt, assets, liabilities, properties that have escaped assessment or under assessed.
- The Board may use and utilize any information communicated to it by NADRA and forward such information to an income tax authority, who may utilize the information for the purposes assessment.
- The NADRA may compute the tax liability and this tax liability will be notified by the FBR to the person.
- In case the person against whom a liability has been determined does not pay such liability within the time prescribed, the Board shall act under the Ordinance and payment of said liability will be treated as amendment of assessment.

- This section is totally about the liaison between FBR, and NADRA and this step ensures the correct assessment of the taxpayer. This section also focused on the assessment of non-filers and making the non-filer comply with the board.

33. AUDIT

[Section 177] (Subsection (6))

Currently, the commissioner is required to issue an audit report after completion of Audit proceedings. In this regard, an opportunity of being heard has also been given to the taxpayer to justify the points raised in the audit. Through the Finance bill, 2022 it has been proposed to omit the requirement for issuance of Audit Report after the completion of the audit proceedings. Due to this, the commissioner may send the show cause notice along with completion of Audit without the need for issuance of the audit report.

We understand that the above proposed amendment is illogical and unlawful, and its constitutionality may be challenged on account of depriving of taxpayer's rights. The bill now proposes to withdraw the requirement of issuing audit reports. We understand that this will reduce the transparency and will result in illogical demands under section 122 and involvement of appellate authorities on petty issues which could have been easily solved at audit stage.

34. RECORD OF BENEFICIAL OWNERS

[Section 181E]

The finance bill has proposed to add a new section, whereby every company and association of persons shall electronically furnish as well as update the particulars of its beneficial owners in the manner which may be prescribed by the FBR. In case of non-compliance, such a company or Association of Persons shall pay a penalty of Rs. 1,000,000/- for each default.

35. OFFENSE AND PENALTIES

[Section 182]

Through finance bill 2022 it has been proposed to revise the rates for penalties for the person.

Offence	Penalty
Persons who fail to furnish the return of income as envisaged in section 114.	Such person shall pay a penalty equal to higher of – 0.1% of the tax payable in respect of that tax year for each day of default; or - rupees one thousand for each day of default: Provided that minimum penalty shall be: - rupees ten thousand in case of individual having seventy-five percent or more income from salary; or - rupees fifty thousand in all other cases: - maximum penalty shall not exceed two hundred percent of tax payable by the person in a tax year. - 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.

Any person who fails to integrate or perform roles and functions as specified, after being duly notified by the Board as SWAPS Agent.	Such a 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
Any person who is integrated with the Board and conducts any transaction to avoid tax	Such a person shall pay a penalty of five hundred thousand rupees or two hundred per cent of the amount of tax involved, whichever is higher.
Any person, who fails to integrate his business with Board	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

36. PROSECUTION FOR NON-COMPLIANCE

[Section 191]

Through the Finance Bill, 2022 it has been proposed to consider the following function as an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

- i. Non-Integration of business with Board's computerized system; and
- ii. Non-Generation of tax invoice verifiable by the Board's system

37. CONDONATION OF TIME LIMIT

[Section 214A]

It has been proposed through the finance bill 2022 to grant power to the Board to entertain any application for condonation of time limit at any time before or after the expiry of such time or period as specified by the Board.

38. PROCEEDING AGAINST AUTHORITY AND PERSONS

[Section 216A]

Presently, Board has power for initiating criminal proceedings against any authority and persons who willfully and deliberately commits or omits an act which results in under benefit or advantage to the authority or the officer or official or to any other person. Through the Finance Bill 2022 it has been proposed that the above section shall be omitted. By this omission, the Board has no power to initiate proceedings against above stated persons.

39. ADVANCE TAX ON SALE OR TRANSFER OF IMMOVABLE PROPERTY

[Section 236C]

Currently, advance tax is not collected by the registering authority if the property is sold after expiration of four years period. But through Finance Bill, 2022 it has been Proposed to increase said period to ten years.

40. COLLECTION OF ADVANCE TAX BY EDUCATIONAL INSTITUTIONS

[Section 236I]

Currently advance tax is required to be collected as an adjustable tax on the amount of fee paid to an educational institution for those persons whose names do not appear in the active Taxpayer list. But through the Finance bill, 2022 it has been proposed to omit this section.

41. PAYMENT TO RESIDENTS FOR USE OF MACHINERY AND EQUIPMENT

[Section 236Q]

Currently 10% tax is being deducted by the withholding agents while making payments to resident person for use of machinery and equipment. But through the Finance bill, 2022 it has been proposed to omit this section. Due to this change, withholding of income tax will be made under section 153 being the payment on account of services at the rate of 8% or 10% as the case may be.

42. ADVANCE TAX ON PERSONS REMITTING AMOUNTS ABROAD THROUGH CREDIT OR DEBIT OR PREPAID Cards

[Section 236Y]

The Finance bill has proposed to reinstate the above referred section which was removed through Finance act 2021. This section requires from every banking company to collect advance tax, at the time of transfer of any sum remitted outside Pakistan, on behalf of any person who has completed a credit card or debit card or prepaid card transaction with a person outside Pakistan at the rate of 1%.

43. ELECTRONIC RECORD

[Section 237A]

Through the Finance bill, 2022 it has been proposed that in case of an integrated enterprise, no sale shall be made, or service shall be rendered, without generating fiscal invoices.

44. PRIZE SCHEMES TO PROMOTE TAX CULTURE

[Section 237B]

Through Finance bill, 2022 it has been proposed that board may prescribe prize schemes to encourage the public to make purchases, or avail services only from integrated enterprises issuing tax invoices.

FIRST SCHEDULE-PART I

1. FIRST SCHEDULE

Rate of Tax for Non-Salaried Individuals & AOP - Part I, Division I

Table 1

Following are the present and proposed rates for the Non-salaried individual & AOP:

FINANCE BILL HIGHLIGHTS 2022

CURRENT RATE (2021-22)			PROPOSED RATE (2022-23)	
Sr. No.	Taxable Income	Current Tax Rate	Taxable Income	Proposed Tax Rate
1	Where the taxable income does not exceed Rs. 400,000	0%	Where taxable income does not exceed Rs. 600,000/-	0%
2	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 600,000	5% of the amount exceeding Rs. 400,000	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	5% of the amount exceeding Rs. 600,000
3	Where the taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 10,000 plus 10% of the amount exceeding Rs. 600,000	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
4	Where the taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 70,000 plus 15% of the amount exceeding Rs. 1,200,000	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
5	Where the taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 250,000 plus 20% of the amount exceeding Rs. 2,400,000	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
6	Where the taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 370,000 plus 25% of the amount exceeding Rs. 3,000,000	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
7	Where the taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 620,000 plus 30% of the amount exceeding Rs. 4,000,000	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
8	Where the taxable income exceeds Rs. 6,000,000	Rs. 1,220,000 plus 35% of the amount exceeding Rs. 6,000,000	Where the taxable income exceeds Rs. 6,000,000	Rs. 1,330,000 + 35% of the amount exceeding Rs. 6,000,000

Rate of Tax for Salaried Individuals & AOP - Part I, Division I

Table 2

Following are the present and proposed rates for the Salaried individual:

FINANCE BILL HIGHLIGHTS 2022

CURRENT RATE (2021-22)			PROPOSED RATE (2022-23)	
Sr.	Taxable Income	Current Tax Rate	Taxable Income	Proposed Tax Rate
1	Where taxable income does not exceed Rs. 600,000	0%	Where taxable income does not exceed Rs. 600,000	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 100
3	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000	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
4	Where taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000	Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000	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
5	Where taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000	Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000	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
6	Where taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 5,000,000	Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000	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
7	Where taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000	Where taxable income exceeds Rs. 12,000,000	Rs. 2,004,000 + 32.5% of the amount exceeding Rs. 12,000,000."
8	Where taxable income exceeds Rs. 8,000,000 but does not exceed Rs. 12,000,000	Rs. 1,345,000 plus 25% of amount exceed Rs. 8 million	This slab is omitted	
9	Where taxable income exceeds Rs. 12,000,000 but does not exceed Rs. 30,000,000	Rs. 2,345,000 + 27.5% of the amount exceed Rs. 12,000,000	This slab is omitted	
10	Where taxable income exceeds Rs. 30 million but does not exceed Rs. 50 million.	Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30 million	This slab is omitted	
11	Where taxable income exceeds Rs. 50,000,000 but does not exceed Rs. 75,000,000	Rs. 13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000	This slab is omitted	
12	Where taxable income exceeds Rs. 75,000,000	Rs. 21.42 million plus 35% of the amount exceeding Rs. 75 million	This slab is omitted	

Rate of Tax for Companies - Part I, Division II

The finance bill proposes to remove all entries relating to rate of tax for companies and introduced simplified table specifying rate of tax applicable on taxable income of companies including small companies. Proposed rates are as under

Sr. No.	TYPE OF COMPANY	CURRENT RATE	PROPOSED RATE
1	Small Company	21%	20%
2	Banking Company	39%	45%
3	Any other Company	29%	29%

Rate of super tax for banking companies – Part I- Division IIA

The finance bill proposes to continue the rate of super tax on banking company @4% for 2022 and onward

Rat of Tax on high earning persons for poverty alleviation- Part I -Division IIB

The finance bill has proposed additional income tax on income of persons (having high earnings) for the purpose of poverty alleviation with effect from tax year 2022. The rate of tax imposed under newly inserted section 4C are as under:

Sr. No	INCOME UNDER SECTION 4C	PRESENT RATE
1	Where income does not exceed Rs.300 million	0% of income
2	Where income exceeds Rs300 million	2% of income

Rate of Tax on Certain Payments to Non-residents- Part I -Division IV

Rate of tax on fee for offshore digital services is proposed to be increased from 5% to 10%.

Rate of Tax Capital gain on Disposal of Securities- Part I-Division VII

The finance bill proposes new rate of tax based on holding period. The new proposed rates are as under:

CURRENT (2021-22)			PROPOSED (2022-23)	
S. No	Holding Period	Present Tax Rate	Holding Period	Proposed Tax Rate
1	Where holding period of a security is less than twelve Months	12.5%	Where the holding period does not exceed one year	15%
2	Where holding period of a security is twelve months or more but less than twenty-four months		Where the holding period exceeds one year but does not exceed two years	12.5%
3	Where holding period of a security is twenty – four months or more but the security was acquired on or after 1st July, 2013.		Where the holding period exceeds two years but does not exceed three years	10%
4	Where the security was acquired before 1st July, 2013.	0%	Where the holding period exceeds three years but does not exceed four years	7.5%
5	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	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%

Rate of Tax on Capital Gains on disposal of immovable property- Part I-Division VIII

The finance bill proposes to introduce new table specifying different rates for open plots and for constructed property including flats based upon their holding period of such property. The new table is as under:

FINANCE BILL HIGHLIGHTS 2022

CURRENT RATE (2021-22)				PROPOSED RATE (2022-23)		
S. No	Present Slabs	Present Rates	Proposed Holding period	Proposed Rates		
				For open plots	Constructed Property	Flats
1	Where the gain does not exceed Rs. 5 million	3.5%	Where the holding period does not exceed one year	15%	15%	15%
2	Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	7.5%	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%
3	Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	10%	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0
4	Where the gain exceeds Rs. 15 million	15%	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%	-	-

Rate of Tax on Deemed Rental Income- PART I-DIVISION VIII B

Finance Bill proposes to impose tax on deemed rental income of immovable property under newly proposed section 7C. Proposed rate of tax on deemed rental income are as follows:

DESCRIPTION	PROPOSED RATE
The rate of tax on deemed Rental Income	20%

Rate of Advance Tax at Import-Section 48-Part II

Currently goods classified in part ii of twelfth schedule were subject to collection of advance tax at import stage @2% for all importers. However, Finance bill proposed to increase the rate of advance tax to be collected from commercial importer importing goods classified in part II of twelfth schedule to 3.5%. now entry no. 2 of table shall be read as under:

PERSONS	PROPOSED RATE
Person Importing Goods classified in part II of twelfth	Rate 2% of the import value as increased by customs-duty, sales tax, and federal excise duty and 3.5% of the import value as increased by customs duty, sales tax, and federal excise duty in case of commercial importer”

Furthermore, rate of tax to be collected at import stage on import of mobile phones having C&F value exceeding 350US Dollar are proposed to be restated which are as under:

Sr. No	C&F VALUE OF MOBILE PHONE (IN USD)	TAX-IF MOBILE IS IMPORTED IN CBU CONDITION	TAX-IF MOBILE IS IMPORTED IN CKD/SKD CONDITION
1	Exceeding 350 and up to 500	5000	3000
2	Exceeding 500	11,500	5,200

Rate of Tax on Payment for Goods & Services-Part III, Division- III

Currently there are some services specified in paragraph (i) of clause (2) which are subject to withholding of income tax@3%. Now Finance bill proposed to include REIT management services provided by National clearing company of Pakistan limited within the list of such services so that withholding on such services may be @3%.

Rate of Tax on Export of services- Part III- Division-IVA

Currently export of services are subject to deduction of income tax @1% under section 154A. however now, finance bill proposed to specify separate rate for the services provided by exporters of software. Proposed table is as under:

Sr. No	TYPES OF RECEIPTS	PROPOSED RATE
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

Rate of Tax on motor vehicle under section 234-Part IV- Division III

Finance bill proposed to increase the rate of tax to be collected as advance tax and proposed revised table specifying new rates are as under:

Sr. No.	CURRENT RATE (2021-22)		PROPOSED RATE (2022-23)		
	Capacity	Rs. Per seat per annum	Capacity	Rs. Per seat per annum	
				Non-Air Conditioned	Air Conditioned
1	Four or more persons but less than ten persons.	50	4 or more persons but less than 10 persons	500	1000
2	Ten or more persons but less than twenty persons.	100	10 or more persons but less than 20 persons	1500	2000
3	Twenty persons or more	300	20 persons or more	2500	4000

Rate of Collection of Advance Tax through Monthly Electricity Bill-Part IV-Division IV

With the substitution of section 99A special provisions for payment of tax through monthly electricity bill by retailers other than tier 1 and specified service providers, finance bill proposed following rates for collection of tax from small retailers which are not tier 1 retailers. The rates for collection of tax through monthly electricity bill are as under:

“(3) The rate of tax leviable under section (99A), and collectable under sub section (1A) of Section 235 shall be as under:

Sr. No.	PROPOSED RATES (2022-23)	
	Gross Amount Bill-Monthly	Tax
1	Where the amount does not exceed Rs. 30,000	3000
2	Where the amount exceeds Rs. 30,000 but does not exceed Rs.50,000	5000
3	Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	10,000
4	Specified retailers and service providers through Income Tax General Order	50,000

Rate of Advance Tax on Purchase, Registration, and Transfer of Motor Vehicles-Part IV-Division VII

Finance bill proposed to increase the rates of tax to be collected at the time of purchase, registration, and transfer of motor vehicles under section 231B and now proposed rates are as under:

Sr. No.	Current Rate (2021-22)		Proposed Rate (2022-23)	
	Engine Capacity	Tax	Engine Capacity	Tax
1	Up to 850 cc	Rs. 7,500	Up to 850 cc	Rs.10,000
2	851cc to 1000cc	Rs. 15,000	851cc to 1000cc	Rs.20,000
3	1001cc to 1300cc	Rs. 25,000	1001cc to 1300cc	Rs.25,000
4	1301cc to 1600cc	Rs. 50,000	1301cc to 1600cc	Rs.50,000
5	1601cc to 1800cc	Rs. 75,000	1601cc to 1800cc	Rs.150,000
6	1801cc to 2000cc	Rs. 100,000	1801cc to 2000cc	Rs.200,000
7	2001cc to 2500cc	Rs. 150,000	2001cc to 2500cc	Rs.300,000
8	2501cc to 3000cc	Rs. 200,000	2501cc to 3000cc	Rs.400,000
9	Above 3000cc	Rs. 250,000	Above 3000cc	Rs.500,000

New Proviso is also inserted to specify the rate for those vehicles where engine capacity is not applicable:

“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.”

Similarly Finance Bill proposes to insert following proviso which shall be applicable in case of transfer of registration or ownership of a private motor vehicle where engine capacity is not relevant. Thus, in clause (2) of division VII, the rate of tax under sub-section 2 of section 231B shall remain the same however, the Finance Bill proposes that the following two proviso shall be inserted:

“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.

Rate of Advance Tax on Sale or Transfer of Immovable Property-Part IV- Division X

The rate of tax to be collected under section 236C for the present expression “1%”, the Finance Bill has proposed “2%” rate. Now seller of immovable property shall be paying tax @2% at the time of transfer of ownership.

Rate of Tax on Foreign Produced T.V Drama- Part IV- Division XA

Rate of tax for foreign produced TV drama shall be as under:

Sr. No.	PROPOSED RATES (2022-23)	
	DESCRIPTION	TAX
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 second. Per Second

Rate of Advance tax on Purchase of Immovable Property-Part IV- Division XVIII

Presently, the rate of advance tax on purchase of immovable property collected under section 236K shall be 1% of the fair market value. Now the Finance Bill proposed to increase the said rate to 2%.

Rate of Tax on Payment to a Resident Person for Right to use Machinery and Equipment-Part IV- Division XXIII

With the omission of section 236Q, finance bill proposes to omit the said division

Rate of Advance Tax on Amount Remitted Abroad through Credit or Debit Card or Prepaid Card-Part IV- Division XXVII

The finance bill has proposed that Advance tax on amount remitted abroad through credit, debit or prepaid cards The rate of tax to be collected under section 236Y shall be 1% of the gross amount remitted abroad.

2. SECOND SCHEDULE

(A) EXEMPTIONS FROM TOTAL INCOME

[Second Schedule PART I]

The Finance Bill 2021 has proposed the following amendments in the Second Schedule of ITO.

FULL EXEMPTION ON WITHDRAWAL OF ACCUMULATED BALANCE RECEIVED FROM PENSION FUND-(Substitution of Clauses 23A)

Presently, salary received by a Pakistani seafarer, working on Pakistan flag vessels or a foreign vessel is exempt under this clause. Now the Finance Bill 2021 has proposed to Omit this clause due to which salary received by said person would be taxable in light of applicable provision of ITO.

Currently, withdrawal of accumulated balance was exempt up to 50% subject to terms and conditions specified in old clause 23A. now finance bill proposed to substitute clause 23A with new clause 23A which shall be read as under:

“The accumulated balance received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005”.

EXEMPTIONS REGARDING DONATION TO INSTITUTIONS, FOUNDATIONS, SOCIETIES, BOARDS, TRUSTS AND FUNDS

(Clause 66)

Income derived by following institution has been proposed to be exempted in addition to other institutions already provided in the above clause.

Table 1

“(lvi)	Pakistan Mortgage Refinance Company Limited.;
(lvii)	The Pakistan Global Sukuk Programmed Company Limited.”
(lviii)	Karandaaz Pakistan from tax year 2015 onwards
(lix)	Pakistan Sweet Homes Angels and Fairies Place.
(lx)	Public Private Partnership Authority for tax year 2022 and subsequent four tax years
(lxi)	Dawat-e-Islami Trust
(lxii)	Hamdard Laboratories (Waqf) Pakistan

Under Table 2 income derived by the Institution, Foundations, Societies, Boards, Trusts and Funds are exempt subject to the provisions of section 100C. due to inclusion of following institute in Table 1, same has been removed from Table 2:

Table 2

(xiv)	Pakistan Sweet Homes Angels and Fairies Place.
(xviii)	Pakistan Mortgage Refinance Company Limited
(xxvii)	Dawat-e-Islami Trust

EXEMPTIONS REGARDING SUBSIDY GRANTED TO INSTITUTIONS BY FEDERAL GOVERNMENT

(Clause 102A)

Presently, income of a person as represents a subsidy granted to him by the Federal Government is exempted. Now in the proposed finance bill, same has been omitted. Subsidy granted by the Federal Government to a taxpayer will no longer be exempt.

PROFITS AND GAINS DERIVED BY A TAXPAYER FROM AN ELECTRIC POWER GENERATION PROJECT

(Clause 132)

Finance Bill proposes to clarify by inserting explanation to clause 132 that exemption available to profits and gains derived by an electric power generation project will now be restricted to the life cycle of the project or twenty-five years from the date of commencement of commercial production, whichever is earlier.

PROFITS AND GAINS DERIVED BY A TAXPAYER FROM EARTHQUAKE REHABILITATION AND CONSTRUCTION AUTHORITY (Clause 150)

After clause (149), the following new clause shall be added:

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.

**INCOME DERIVED FROM CINEMAS OPERATIONS-
[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 these exemptions shall only be available to those persons who start cinema construction on or before 31 day of December, 2023.

(B) REDUCTION IN TAX RATES

[SECOND SCHEDULE PART II]

REDUCE RATE OF WITHHOLDING FROM DEALERS/SUB DEALERS OF SUGAR, CEMENT, STEEL AND EDIBLE OIL (Clause 24C)

The Finance Bill 2022 has proposed to broaden the scope of this clause by adding steel sector in the said clause. Now along with other sectors specified therein, the rate of withholding tax for dealer, sub-dealer, distributor, wholesalers, and retailers of steel sector shall be 0.25% subject to conditions that beneficiary of the said clause should appear in ATL list issued under sales tax act, 1990. And for retailers of the steel sector, the benefit shall be available to those retailers who are tier 1 retailers and integrated with FBR.

REDUCED RATE OF MINIMUM TAX U/S 113 FROM DEALERS/SUB DEALERS OF SUGAR, CEMENT AND EDIBLE OIL

[CLAUSE 24D]

Same as mentioned in clause 24C, the benefit of reduced rate of minimum tax under section 113 shall also be available to dealer, sub-dealer, distributor, wholesaler, and retailers of steel sector subject to condition that beneficiary of the said clause should appear in ATL list issued under sales tax act, 1990. And for retailers of the steel sector, the benefit shall be available to those retailers who are tier 1 retailers and integrated with FBR.

(C) REDUCTION IN TAX LIABILITY

[SECOND SCHEDULE PART III]

REDUCTION IN TAX RATE FOR INVESTMENT IN BAHBOOD SAVINGS CERTIFICATES, PENSIONERS BENEFIT ACCOUNT AND SHUHADA FAMILY WELFARE ACCOUNT

[Clause 6]

Presently, any amount paid as yield or profit on investment in Bahbood Savings Certificate or Pensioners Benefit Account and *Shuhada* Family Welfare Account which is taxable under section 39(1) ('C) was chargeable to tax at the rate not exceeding 10% of such profit.

Now, this limit of 10% of such profit has been reduced to 5%, in the proposed Finance Bill 2022.

TAX REDUCTION ON DISPOSAL OF IMMOVEABLE PROPERTIES

[Clause 9]

Benefit available in the form of 50% reduction in tax liability on profits and gains arising on low-cost housing projects is now proposed to be withdrawn.

TAX PAYABLE ON PROFIT ON DEBT FROM INVESTMENT IN FEDERAL GOVERNMENT SECURITIES

[Clause 20]

Tax payable in respect of profit on debt arising from investment in investment in Federal Government securities was fifteen percent of the gross amount of the profit on debt and it was final tax.

Now, the same has been proposed to be omitted. It means now the said profit on debt shall not be final tax.

(D) EXEMPTIONS FROM SPECIFIC PROVISIONS

[SECOND SCHEDULE PART IV]

The Finance Bill 2022 proposes the following amendments in Part IV of Second Schedule of ITO.

EXEMPTION FROM APPLICATION OF MINIMUM TAX U/S 113

Presently, there are certain organizations/ type of business which have been exempted from levy of minimum turn over tax. Now the said benefit has been proposed to be provided to local manufacturers of mobile phone devices.

EXEMPTION FROM WITHHOLDING, COLLECTION/DEDUCTION OF TAX TO PERSONS APPEARING IN TABLE 1 OF CLAUSE 66 PART 1 OF SECOND SCHEDULE.

There shall be no withholding/collection or deduction of tax from such persons as recipient subject to the condition that the said person shall continue to perform their duty as withholding agent under the aforementioned provisions.

IMMUNITY FROM AUDIT UNDER SECTION 177 AND 214C

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.

3. [FOURTH SCHEDULE]

RULE 6DA: APPLICATION OF SECTION 4C ON INSURANCE COMPANIES

Insurance companies shall also be liable to pay tax proposed to be imposed on persons with high earnings. Thus, insurance companies shall also be liable to pay additional tax @2% if taxable income exceeds Rs. 300m

4. [FIFTH SCHEDULE]

[RULE 4AA]

The finance bill 2022 has proposed to include after rule 4AA, the following new rule shall be inserted, namely:

“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.

It means petroleum companies shall also be liable to pay tax levied for poverty alleviation under section 4C @3% if taxable income exceeds Rs. 300m.

5. [SEVENTH SCHEDULE]

(a) in rule 6C, for sub-rule (6A), the following new rule shall be substituted,

“(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:

Sr. No.	CURRENT	PROPOSED
1	40% instead of rate provided in Division II of Part I of the First schedule if the assets to deposit ratio as on last day of the tax year is up to 40%;	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 up to 40%;
2	37.5% instead of rate provided in Division II of Part I of the First schedule if the assets to deposit ratio as on last day of the tax year exceeds 40% but does not exceed 50%; and	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
3	At the rates provided in Division II of Part I of the First schedule if assets to deposit ratio as on last day of the tax year exceeds 50%.]	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%.

Furthermore, banking companies shall also pay tax @3% for poverty alleviation under section 4C. this tax would be in addition to super tax under section 4B.

6. [TENTH SCHEDULE]

- In case of a person whose name is not appearing in active taxpayer list, rate of tax to be collected under section 231B (advance tax on private motor vehicles) shall be increased by 200%.
- similarly, in case of a person whose name is not appearing in active tax payer list, the rate of collection of tax under section 236k (advance tax on purchase of immovable property) shall be increased by 200%.

- Furthermore, provisions of schedule 10 shall not apply for export of services. Which means in case of export of services, the rate of income tax shall not increase due to the name of person not appearing in ATL list.

7. [TWELFTH SCHEDULE]

Table of Items for Application of Tax on Imports

The Bill seeks to amend the Twelfth Schedule to the Ordinance, as under-

PART-I

Following entries are proposed to be inserted-

27.01	Coal, briquettes, ovoid manufactured and similar solid fuels from coal
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PART-II

Following entries are proposed to be omitted-

27.01	Coal, briquettes, ovoid manufactured and similar solid fuels from coal
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PART-III

8504.3100	SMD Inductors for LED Bulb and Lights.
8504.4090	Constant Current Power Supply of LED Lights and Bulbs.
8532.2200	Electrical Capacitors Aluminum Electrolytic for LED Bulbs and Lights
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
9001.9000	Lenses for LED Bulbs and Lights
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.

8. [THIRTEENTH SCHEDULE]

Table 1

As proposed by Finance Bill in column (1), after S. No. 62 and entries relating thereto in column (2), the following S. No and entry relating thereto shall be added, namely:

63	All entities mentioned in Table-I of clause (66) of Part-I of the Second Schedule of the Ordinance.
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Effectively, for those charitable organizations appearing in thirteenth schedule, section 61 provides a tax credit to taxpayer who pay donation to such organizations. Finance bill proposed to enhance the list of charitable organizations by including all those organizations appearing in table 1 of clause 66 of part 1 of second schedule. Name of those organizations can be found in the said clause.

SECTION C. SALES TAX ACT, 1990

SALIENT FEATURES

- It is proposed to treat “production, transmission and distribution of electricity” as supply of goods.
- Proposal to clarify that the fees and service charges on implementation of point of sale are excluded from the definition of sales tax.
- Person engaged in supply of articles of jewelry, parts of precious metal or metal clad with precious metal are proposed to be considered as Tier-I retailers.
- Further tax in addition to sales tax is proposed to be charged to a person who is not an active taxpayer.
- The sale of goods through online marketplace is proposed to be brought into the sales tax net by deeming the online market place as supplier in respect of third-party sales through their platform.
- Proposed to collect sales tax which will increase progressively up to Rs. 10,000 through electricity bill from retailers (other than Tier-I retailers). The board may also levy sales tax at Rs. 50,000/- on persons, as may be prescribed.
- Payment of sales tax on an instalment basis is proposed for Federal or Provincial Governments or any public sector organization.
- Requirement of CNIC number or NTN of unregistered persons to avail sales tax credit has been withdrawn.
- Public limited companies are proposed to be excluded from the purview of section 8B.
- It is proposed to exempt the following from chargeability of sales tax:
 - Import and supply of all types of seeds
 - Tractors
 - Solar panels
 - Silver and gold in unworked condition
 - Books
 - Temporary imports
 - Goods imported by or donated to non-profit charitable hospitals
 - Imports by UN diplomats/diplomatic missions and privileged persons.
- Exemption in sales tax is proposed on Plant and machinery imported by power generation projects.
- The reduced rate of sales tax has been proposed on following:
 - Supply and import of articles of jewelry.
 - Local supply of reclaimed lead
 - Rate for potassium chlorate is proposed to be reduced proportionately.
- The reduced rate of sales tax has been proposed to be withdrawn on following:
 - Imported Electric Vehicles in CBU Condition
 - Agricultural tractors
 - Locally Produced Coal

1. DEFINITIONS

[Section 2]

The changes proposed in the definitions are as follows:

i. GOODS

[Section 2(12)]

Presently, goods defined in Sales Tax Act, 1990 do not include “electricity” but the sales tax on the same is being charged at standard rate i.e., 17%. However, now the Finance Bill 2022 has proposed to include the “production, transmission and distribution of electricity,” in the definition of goods.

ii. SALES TAX

[Section 2(29A)]

Presently, the definition of sales tax includes all types of fees imposed or charged under the Sales Tax Act, 1990. However, now the Finance Bill 2022 has proposed to exclude fees and service charges imposed and collected under section 76 of the Act from the definition of Sales Tax.

iii. SUPPLY

[Section 2(33)]

As the production, transmission and distribution of electricity is being proposed to be added in the definition of goods, therefore, a consequential change has been proposed in the definition of supply with the addition of a sub clause i.e., “**(e) production, transmission and distribution of electricity.**”.

iv. TIER-1 RETAILER

[Section 2(43A)]

The Sales Tax Act, 1990 has defined the category of retailers which fall under the ambit of Tier-1 retailer. Through Finance Bill, 2022 it is being proposed to add an additional category whereby a person engaged in supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal will be classified under Tier-1 retailer. After this addition, **jewelers** will become Tier-1 retailers irrespective of fulfilling any other general condition.

2. FURTHER TAX ON SALE TO IN-ACTIVE TAXPAYER

[Section 3(1A)]

Currently further tax at the rate of 3% is chargeable while making supplies to un-registered persons. Now, the Finance Bill, 2022 has proposed to charge further tax on those persons who are inactive in the sales tax. By virtue of this, suppliers must ensure active status of buyers at the time of supply.

3. SALES TAX ON RETAILERS OTHER THAN TIER-1

[Section 3(9)]

Finance Bill, 2022 proposes to change the sales tax rates applicable on retailers who do not fall under the ambit of Tier-1 Retailer and pay sales tax through their monthly electricity bill. Existing rates in comparison to the proposed rates are as follows:

Existing Taxation		Proposed Taxation	
Monthly Bill	Tax Chargeable	Monthly Bill	Tax Chargeable
Up to Rs. 20,000	5% of the bill amount	Up to Rs. 30,000	Rs. 3,000
More than Rs. 20,000	7.5% of the bill amount	Rs. 30,001 to Rs. 50,000	Rs. 5,000
-	-	More than Rs. 50,000	Rs. 10,000
-	-	Prescribed Persons*	Rs. 50,000

* The Board will determine the prescribed persons through general orders. No such person has been specified by the Board till date.

4. PAYMENT OF SALES TAX ON INSTALLMENT BASIS

[Section 6 (5)]

Presently, all taxpayers are required to pay sales tax in full amount when it is due to be paid, however, Finance Bill, 2022, has proposed the payment of due sales tax on installment basis for Federal or Provincial Governments or any public sector organization on import or supply of any goods or class of goods. However, further details of installment plan are not yet notified by the Board.

5. INADMISSIBILITY OF INPUT TAX ON NON-PROVISION OF CNIC/NTN

[Section 8(1)(m)]

Presently, clause (m) of sub-section 1 of section 8 of the Sales Tax Act, 1990 barred the taxpayers to adjust input tax where the taxpayer failed to provide NIC/NTN of the buyers against its sales, on pro-rata basis. However, Finance Bill, 2022 has proposed to omit the said clause, therefore, removing such bar on adjustment of input sales tax whereby now the taxpayer shall be able to claim input sales tax of the customers who don't provide their CNIC/NTN.

6. RESTRICTION ON ADJUSTMENT OF INPUT TAX

[Section 8B]

Section 8B imposes a restriction on the adjustment of input tax up to the 90% of the output tax where it exceeds 90% of the output tax. However, presently the public limited companies listed on Pakistan Stock Exchange are excluded from the applicability of such restriction, therefore, these entities are allowed to adjust 100% input tax available for the period resulting in nil tax liability where input tax is more than the output tax.

Finance Bill, 2022 has proposed to not exclude public limited companies listed on Pakistan Stock Exchange from the applicability of section 8B, resultantly, these companies shall have to restrict the

adjustment of input tax and pay sales tax at least 10% of the output sales at the time of filing of the sales tax return.

7. CONDITION OF PROVIDING NTN/CNIC NO. ON TAX INVOICE

[Section 23]

Presently, it is mandatory for a registered person to provide the CNIC or NTN of the unregistered buyer in the Sales Tax Act on the invoice issued to him where the transaction value inclusive of sales tax amount does equal to or exceeds rupees one hundred thousand, if sale is being made to an ordinary consumer. This requirement is effective from 1st August 2019. However, the Finance Bill, 2022 has proposed to withdraw the condition of providing CNIC/NTN number of the unregistered buyers on the sales tax invoice. It is a relief measure for business community as it had practical difficulties.

8. CONSEQUENTIAL CHANGE IN THE THIRD SCHEDULE

[THE THIRD SCHEDULE]

As the HS Code for the preparations put up for retail sale has been changed in the Customs Act, 1969. So, through Finance Bill 2022, it has been proposed to change the Heading No. for the detergents by changing the HS. Code “3402.2000” to “Respective Headings” against serial no. 7 in the Third Schedule.

9. REDUCED RATE OF SALES TAX

[THE EIGHTH SCHEDULE]

The Eight Schedule deals with the goods chargeable to sales tax at the reduced rates instead of the standard rates of 17%. In this regard, amendments have been proposed in the eighth schedule through this Finance Bill whereby certain items are excluded from the Eighth Schedule and certain items have been added in the Eighth Schedule. The detail is provided hereunder:

9.1 Withdrawal of The Reduced Rates of The Sales Tax

Through the Finance Bill, 2022, it has been proposed to withdraw the reduced rate of sales tax on the supply of following items through the omission of the corresponding entries in ‘Table – I’ of Eighth Schedule to the Act. Therefore, the following items will be subjected to the sales tax at the standard rate of 17%:

Table-I	
Sr. No.	Description
25	Agricultural tractors
47	Locally Produced Coal
75	Imported Electric Vehicles in CBU Condition

9.2 Proposed Reduced Rate on items which are currently chargeable at Standard Rates

Through the Finance Bill, 2022, it has been proposed to charge the sales tax at the reduced rate on the following items through the insertion of the corresponding entries in ‘Table – I’ of the Eighth Schedule to the Sales Tax Act.

Table-I			
Sr. No.	Description	Rate	Condition
78	Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.	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	4%	No input tax shall be adjusted
80	Local supply of reclaimed lead	1%	i. Supplies are made to registered manufacturers of lead and lead batteries ii. No refund of input tax shall be admissible

9.3 Decrease in Sales Tax

Through the Finance Bill, 2022, it has been proposed to decrease the sales tax on the supply of following items through the change in column (4) of the corresponding entries in 'Table – I' of the Eighth Schedule to the Act.

Table-I			
Sr. No.	Description	Old Rate	New Rate
56	Potassium Chlorate (KCLO3) except where imported by or supplied to organizations under control of Ministry of Defence Production	17% along with rupees 90 per kilogram	17% along with rupees 60 per kilogram

10. EXEMPTIONS

[SIXTH SCHEDULE]

Through the Finance Bill 2022, significant changes have been proposed regarding sales tax exemptions on the following items of the corresponding entries mentioned hereunder in 'Table - I (i.e., import and supply)', 'Table - II (i.e., local supplies only)', and 'Table - III' (i.e., capital goods and plant and machinery) of Sixth Schedule to the Sales Tax Act. Therefore, these items shall be subject to the sales tax at the standard rate of 17%.

10.1 Exemptions from sales tax proposed to be Withdrawn

The exemption of sales tax on the following items has been proposed to be omitted:

TABLE – 1 (Import and Supply)

Sr. No.	Description
13	The item "Mushrooms of the genus Agaricus" under HS Code "0709.5990"

TABLE- 2 (Local Supplies Only)

Sr. No.	Description
11	Supply of ware potato and onions

10.2 Exemptions of sales tax which are proposed to be provided rather than standard rate of sales tax

The following items have been proposed to be exempted by adding them in the respective tables under Sixth Schedule of the Act. Therefore, the following items which are currently subject to the standard rate of sales tax of 17% now shall be exempted from the sales tax. The detail is provided in Table 1 [on the import and supply], Table 2 [local supply] and Table 3 [Capital Goods and Machinery].

TABLE – 1 Proposed Exemption of sales tax at Import and Supply

Sr. No.	Description	Headings
32	Newsprint and books but excluding brochures, leaflets and directories	4801.0000, 4901.9100, 4901.9990 and 4903.0000
137	Paper weighing 60 g/m ² 852[, 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	4802.5510, 4810.1990, 4810.1910, 4802.6990 and 4810.2900
163	Goods imported by various agencies of the United Nations, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts and, Orders, rules and regulations made thereunder; and agreements by the Federal Government: Provided that such goods are charged to zero-rate of customs duty under the Customs Act, 1969 (IV of 1969), and the conditions laid therein. Provided further that exemption under this serial shall be available with effect from the 15th day of January, 2022.	99.01, 99.02, 99.03 and 99.06
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 heading
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	99.19, 99.20 and 99.21

	envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969 (IV of 1969).	
168	Silver, in unworked condition	7106.1000, 7106.9110 and 7106.9190
169	Gold, in unworked condition	8701.9220 and 8701.9320
170	Tractor	8701.9220 and 8701.9320
171	Seeds for sowing	Respective heading
172	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

TABLE – 2 Proposed Exemption of sales tax on Local Supplies only

Sr. No.	Description	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.	Respective heading
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 heading

TABLE – 3 Proposed Exemption of sales tax on Capital Goods and Machinery

Sr. No.	Description	Headings	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.	Respective heading	(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;

2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of 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.
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11. VALUE ADDITION TAX ON IMPORTS

[TWELFTH SCHEDULE]

Currently, raw material and intermediary goods imported by manufacturer for in-house consumption are exempt from 3% value addition tax. However, Finance Bill 2022 has proposed to withdraw this exemption on the import of compressor scrap (PCT Heading 7204.4940), motor scrap (PCT Heading 7204.4990) and copper cable cutting scrap (PCT Heading 7404.0090), Therefore, these times now shall be subject to the value addition tax of 3% at the time of import.

SECTION D. ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

In the Finance Bill, the rate of tax on the services in the Islamabad Capital Territory Ordinance, 2001 is proposed to be reduced to facilitate the growth of service industry and give relief to the end consumers.

1. The rate of tax on all the services in Table I is reduced from 16% to 15% except the services provided by property developers and promoters (including allied services) excluding the actual purchase value or documented cost of land.
2. The tax on call centers is proposed to be reduced from 17% to 15% for rapid growth of this sector and to increase foreign remittance.
3. IT services and IT-enabled services of Table II has been proposed to be omitted from the Islamabad Capital Territory Ordinance, 2001, making it exempt from sales tax.

SECTION E. CUSTOMS ACT, 1969

1. DISCHARGE OF CARGO AND ENTRY INWARDS OF GOODS

[Section 81]

The bill has proposed to amend the 6-month period to ninety days for goods to be allowed to be cleared or delivered on the basis of provisional determination. Further, the collector of custom can only extend the above-mentioned period up to thirty days only for exceptional nature goods.

2. EXPORTATION OR SHIPMENT AND RE-LANDING

[Section 79]

Through Finance Bill, it is proposed that in case of inadvertence, misdirection or untrace ability of the consignee, now the Additional Collector of Customs has been awarded with the authority of change of name of consignee for clearance under section 79 on request of consign.

3. OFFENCES AND PENALTIES

Sr. No. 8(i) has widened the scope of goods for charging penalties, which now includes the essential commodities as notified by the board. The following clauses of penalties have been added in the Sr. No. 105:

Description	Penalties
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
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 up to six months or with fine which may extend to one hundred thousand rupees or with both.
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.
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.

Use, make, supply, retain, obtain device, system or software for offences under section 13 of the Pakistan Single Window Act, 2021 (III of 2021); Obtain, sell, process, use or transmit another person's Unique User Identifier or make an attempt thereof without authorization	Imprisonment which may extend to six months or with fine which may extend to one hundred thousand rupees or with both. Imprisonment which may extend to four years and fine which may extend to one million rupees or with both.
Tamper with or attempt to tamper with, alter, re-programmed any Pakistan Single Window system or system connected or ancillary thereto for unauthorized use; 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 system or data, or any attempt thereof.”;	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. Imprisonment for a term which may extend to four years and fine which may extend to five million rupees or with both.

4. POWER TO STOP AND SEARCH CONVEYANCE

[Section164]

A new proviso has been proposed which limits the power of the officers and now it can only exercise within bordering and coastal areas for essential commodities.

5. PROCEDURE IN CASE OF SEIZURE OF ESSENTIAL COMMODITIES

[Section170A]

This section has been proposed whereby seized goods shall be deposited in the nearest custom house, or the nearest place appointed by the Collector of Customs for deposit of goods so seized.

6. WHARFAGE OR STORAGE FEES AND PORT CHARGES

[Section 203]

This section has been substituted which has proposed to introduce the authority for the fixation of port charges on import and export of goods for services rendered by terminal authorities and for storing of seized and confiscated goods.

7. ADOPTION OF WCO HS VERSION 2022

Pakistan being a signatory to HS Convention has proposed to adopt HS 2022 version and incorporate its nomenclature/new HS Codes in Pakistan Customs Tariff (PCT) with adjustments of local PCT codes. Accordingly, the first schedule to the Act is expected to be substituted to effect the required changes. Notifications are also expected to be issued.

8. REDUCTION/ CONCESSIONS IN CUSTOM DUTY

9.1 Exemption of Customs Duty and Additional Custom 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 the 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 optic fiber cables.
- Aluminum paste and powder imported by the Coating industry.
- Guts, bladders, and stomachs of animals.

9.2 Reduction in Custom Duty and Additional Customs Duty

CD leviable on import of following goods is proposed to be reduced:

- 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.
- 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 Orth phthalates.

- Plywood, veneered panels & similar laminated wood, poly (methyl methacrylate) and cyanoacrylate.
- Flavoring powders for food preparation for snacks manufacturers.

9. PROPOSED AMENDMENTS IN REGULATORY DUTIES

10.1 Reduction in Regulatory Duty

Regulatory duty has been proposed to be reduced as follows;

Description	Original Rate	Proposed Rate
Case hardening steel	30%	20%
Chrome yellow	15%	0%

10.2 Increase in/ levy of Regulatory Duty

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

Description	Original rate	Proposed rate
Motor Spirit	-	10%
Other paper, paper board, cellulose wadding and webs of cellulose fibers	-	10%
High Carbon Wire rod	-	30%
Optic Fiber Cables	10%	20%

SECTION F. FEDERAL EXCISE ACT, 2005

1. CHANGES IN DUTIES ON GOODS

Table I [Serial no 8a, 9, 10 and 56]

Through the proposed finance bill the tobacco related industry shall be affected because of proposed heavy duties. The purpose of increase in duties is to reduce the consumption of tobacco and related products and increase the revenue from the head of FED. On the other side, tobacco industry shall be affected negatively. Details of duties imposed by the proposed finance bill are as under:

Sr No.	Description of Goods	Old rate of duty	New rate of duty
8a	E-liquids by whatsoever name called, for electric cigarette kits.	Rupees ten per ml.	Rupees ten thousand per kg
9	Locally produced cigarettes if their on-pack printed retail price exceeds five thousand nine hundred and sixty rupees per thousand cigarettes.	Rupees five thousand two hundred per thousand cigarettes	Rupees five thousand six hundred per thousand cigarettes
10	Locally produced cigarettes if their on-pack printed retail price does not exceed five thousand nine hundred and sixty rupees per thousand cigarettes.	Rupees one thousand six hundred and fifty per thousand cigarettes	Rupees one thousand eight hundred and fifty per thousand cigarettes
56	Filter rod for cigarettes	Rupee one per filter rod	Rupees fifteen hundred per kg

2. CHANGES IN DUTIES ON SERVICES

Table-II [Serial No. 3 & 6]

Following amendments have also been proposed in Table II:

Sr No.	Description of Services	Old Rate of Duty	New Rate of Duty
3	(b) Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan, (ii) Club, business and first class	Ten thousand rupees	Fifty thousand rupees
6	Telecommunication services excluding such services in the area of a Province where such Province has imposed Provincial sales tax and has started collecting the same through its own Board or Authority, as the case may be	sixteen per cent of charges	nineteen and half per cent of charges

SECTION G. CAPITAL VALUE TAX, 2022

A tax shall be levied, charged, and collected, to be called the capital value tax 2022 on the value of assets. 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.

The tax will be collected at the following rates:

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 subsection (2)	1% of the value

In respect of above, 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.

PARTNERS**MALIK HAROON AHMAD, FCA**

He is a Fellow Member of Institute of Chartered Accountants of Pakistan. He graduated as Bachelor of Commerce from University of Punjab in 1994. He is practicing member since 2005. Previously, he worked in the capacity of Senior Manager Taxation in Ford Rhodes Sidat Hyder & Company (Chartered Accountants), a member firm of Ernst & Young (E&Y) International, one of the big accountancy firms in the world. He spent 11 years with EY Ford Rhodes in different capacities.

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He has 25 years of experience in the field of consultancy especially Taxation, Audit and Corporate work. During his service, he gained diversified experience of corporate tax planning, counseling and benefit optimization, handling matters relating to Capital Value tax, Provincial Professional Tax, Corporate Asset Tax. He is supervising a large team of employees (around 225+) working in the fields of Corporate Compliance Services, Internal Control development and Re Engineering Services, Audit & Assurance, Accountancy assignments.

He is also a Lifetime member of Lahore Tax Bar Association. He is a writer of three books published by the Professional Business Publications [PBP], Emile Wolf International United Kingdom. He is writer of Articles on different issues in the Newspapers and Magazines. He is also interviewed as tax expert in TV shows on different taxation issues.

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Muhammad Asim, ACA, is an Associate Member of Institute of Chartered Accountants of Pakistan (ICAP). He was working as a Senior Manager taxation in Malik Haroon Shahid Safder & Co. Chartered Accountants.

**Professional Experience and Achievements:**

He is possessing sufficient skill to deal with the matters related to accounting, finance, corporate and taxation. He has diversified range of experience in Oversees Compliance including: Taxation Planning, Implication of tax on onshore and offshore contracts, Taxation implications on future cash flows of the company, ERP Installation and Implementation, Financial Analysis, Business Valuations, Business Process Re-Engineering, Business finance decisions, Financial Modeling, Due Diligence, Performance Analysis, Corporate matters related to incorporation and liquidation of Companies. Business Intelligence Tools relating to Financial matters of the organization.

FINANCE BILL HIGHLIGHTS 2022



中国电建
POWERCHINA



哈电集团
HARBIN ELECTRIC CORPORATION



KERUI



TIANJIN ELECTRIC POWER CONSTRUCTION COMPANY
OF CHINA ENERGY ENGINEERING GROUP



Punjab Oil Mills Limited
An ISO 9001 & FSSC 22000 CERTIFIED COMPANY



FINANCE BILL HIGHLIGHTS 2022



HM CLIENTS

INDUSTRIES

Large Number of Chinese Clients	Infrastructure	Chemicals
Energy, Utilities & Mining	Hospitality & leisure	Entertainment & Media
Engineering Companies	Paper & packaging	Government & Public Services
Transformers Manufacturers	Food & Agriculture	Industrial Manufacturing
Contracting Companies	Metals	Pharmaceuticals & Life Sciences
Dairy Farms & Processing	Retail & Consumer	Hospitals
Information Technology	Pesticides	Transportation & Logistics
Mobile Phone manufacturers	Automotive	Nonprofit Organizations
Real estate and Housing Societies	Advertising	Textile & apparel
Waste Management Company	Education	Certification & training Companies
Cement Plant Contractors	Oil Drilling Companies	Gas Processing Plant Contractors
Importers	Exporters	Steel Manufacturers

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SERVICES

Business Registrations:

- All types of Companies registrations (Private), (Public), (Listed)
- Foreign Company, Branch Office, Liaison Office, Joint Venture
- Partnership, Non-for Profit, NGO, Trust
- Trade Mark, Patent, Copyright, Brand
- Registration with Board of Investment (BOI), Chamber of Commerce
- Registration with FBR, Pakistan Single Window (PSW)
- Listing of Companies on Pakistan Stock Exchange
- Legal Services of drafting of Business Agreements
- Advice on Social Security, PESI, EOBI, Pension Fund, Gratuity Fund and Provident Fund
- Obtaining approvals/permissions/sanctions /registrations from Regulatory Authorities
- Business mergers, de-mergers, acquisition and disposals matters

Taxation Services:

- Advice on legal structure and Government policies
- Withholding Income Tax and withholding sales tax compliances
- Preparation and filing of monthly Sales Tax Returns (FBR) and Provincial Revenue Authorities.
- Preparation and filing of monthly Withholding Tax Statements.
- Filing of Annual Income Tax Return under the requirement of Income Tax Ordinance
- Compliance of Legal & Tax notices and tax exemptions matters
- International taxation issues
- Providing opinions on transactions from a domestic law and tax treaty point of view
- Tax planning, tax support and all types of corporate tax matters

Audit and Assurance Services

Business Advisory Services:

- | | |
|---|---------------------------------------|
| ➤ Feasibility studies | ➤ Project evaluation |
| ➤ Business valuations | ➤ Physical verification of assets |
| ➤ Business process & internal controls review | ➤ Supply chain management |
| ➤ Budgeting & forecasting | ➤ Standard operating procedures (SOP) |
| | ➤ Gap analysis |

Software Services (Safasha Business Solutions)

- | | |
|---|---|
| ➤ ERP Development Services | ➤ Hotel Management System |
| ➤ Web Development Services | Human Resource Services |
| ➤ Graphic Designing | ➤ Labour Law Compliances |
| ➤ Internet Marketing | ➤ Recruitment Solutions |
| ➤ CSM & E-Commerce | Business Retainership Services |
| ➤ Mobile Apps Development | ➤ Book Keeping |
| ➤ Point of Sale (POS) Solution [Safasha Retail Pro] | ➤ Monthly filing of Sales Tax Returns |
| ➤ Off the shelf Accounting Software | ➤ Quarterly filing of Withholding Tax Returns |
| ➤ Restaurant Management System | ➤ Day to Day Advisory |



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