



2022

HIGHLIGHTS ON
FINANCE
ACT

Highlights on the Finance Act, 2022

This document summarizes significant changes brought to statute vide the Finance Act, 2022 (the Act).

Effective date of applicability of these changes shall be July 1, 2022, unless otherwise mentioned.

Nothing contained in this document shall be construed as our advice in general or on a given case, accordingly, for ascertaining any effect of these changes in general or particular, the wordings in the Act should carefully be examined, taking into consideration the applicable laws and regulations, and precise advice should be sought before taking any decision based on, or acting up on any of the contents hereof.

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July 2, 2022

SECTION I SALIENT FEATURES

Income Tax

Relief measures

1. Tax relief for salaried class with lower income brackets. Tax saving where annual income is up to Rs. 2.9M.
2. 1% relief in tax rate for small companies.
3. 50% ceiling on allowable depreciation in the year of acquisition and disposal to be abolished.
4. Increase in monetary cost threshold for allowing depreciation on private vehicles from Rs. 2.5M to Rs. 7.5M.
5. The anomaly that tax collected at the rate of 5.5% from industrial undertakings on imports for their own use was being treated as minimum tax during tax years 2021 and 2022 instead of advance tax has been done away with.
6. The anomaly that higher tax was being collected on imports of high-end mobiles under CKD/ SKD over CBU has been done away with.
7. Rate of collection of tax on foreign indenting commission reduced from 5% to 1%.
8. Export proceeds of Computer software or IT services or IT Enabled services by PSEB registered/ certified taxpayers to be reduced from 1% to 0.25% of proceeds.
9. The minimum tax for REIT management services & NCCPLs services to be withheld at 3%.
10. Lowering the rate of tax on yield or profit on investment in Bahbood Savings Certificate or Pensioners Benefit Account and Shuhada Family Welfare Account from existing 10% to 5%.
11. Enactment of exemption from minimum tax u/s 113 to mobile phone manufacturers engaged in the local manufacturing of mobile phone devices.
12. Immunity from audit u/s 177 & 214C for persons who have been subjected to tax audits in any of the preceding 4 tax years.
13. Tax holiday for venture capital companies and venture capital funds during July 1, 2022 and June 30, 2025.
14. Reduced withholding rate of 1% on payment for sale of gold and silver and articles thereof.

15. The incremental rates for collection advance tax on sale and purchase of property not to apply to non-resident individuals holding POC or NICOP.

Revenue measures

1. Withdrawal of deductible allowance on account of profit on debt.
2. Tax credits for investment in shares and life & health insurance abolished.
3. Substantial increase in the tax burden for non-salaried individuals and AOPs.
4. Increase in tax rate from 35% to 39% for banking companies.
5. Super tax levied on high earning taxpayers with effect from tax year 2022.
6. Increase in final tax rate from 5% to 10% in case of payment of fee for offshore digital services.
7. Levy of 10% final tax on Fee for money transfer operations, card network services, payment gateway services; and interbank financial telecommunication services.
8. From tax year 2022, levy of tax at effective rate of 1% on deemed income from immoveable property.
9. Limiting the admissibility of contributions to approved EOSB funds to the extent of 50% of the actual amount contributed.
10. Increase in tax burden on capital gains on disposal immoveable property.
11. Gains on disposal of offshore immoveable property to be taxed as foreign source income instead of capital gains.
12. Abolishing 25% relief on all capital gains arising upon disposal of capital assets other than immoveable property irrespective of one year holding period.
13. The relief by way of treating the fair value as cost of capital asset in case of transfer/ acquisition in case of gift, succession, etc. is no more applicable.
14. Tax on capital gain on disposal of listed securities more closely linked with holding period.
15. Carry forward of losses for industrial units granted to acquiring company abolished.
16. Collection of final tax along with electricity bills from retailers (other than Tier-1 retailers) and retailers & service providers specified through Income Tax General Order.

17. Rate of minimum tax u/s 113 reduced to 0.5% for OMCs.
 18. Excess of minimum tax amount over the actual tax liability to be adjustable in succeeding 3 years instead of 5 years.
 19. Minimum tax from commercial importers for items as per Part II of Twelfth Schedule to be increased from 2% to 3.5%.
 20. Tax collected at import stage from industrial undertakings importing edible oil, packaging material, paper & paper board and plastics for own use to be treated as minimum tax.
 21. Advance taxes applicable related to motor vehicle registration and transfer to be increased substantially.
 22. 3% advance tax to be collected on registration of Electric Vehicles valuing Rs. 5M or more.
 23. Advance tax collection rate doubled from 1% to 2% both in case of sale and purchase of immovable properties. No relief from collection of this tax to be available irrespective of holding period.
 24. Advance tax to be collected at 250% increased rates on purchase of immovable property by non-filers.
 25. Non-filers to be subjected 300% increased advance tax at the time of registration of motor vehicles.
 26. Advance tax to be collected at 1% of the amount remitted abroad via credit, debit and prepaid cards.
 27. Scale of penalties to be increased substantially.
 28. Substantial increase in tax rates for banking companies on income from investment in the Federal Government securities.
5. A separate notice under section 111 not required to be issued if the related explanation has been confronted to the taxpayer through a notice under section 122(9).
 6. Commissioner to be empowered to make best judgement assessments within a period of next 6 years instead of prevailing 5 years for a given tax year.
 7. The maximum timeframe for an assessment to be amended or further amended under section 122 to be increased from 120 to 180 days.
 8. The procedure for alternative dispute resolution has been revisited. Moreover, this channel to be applicable only for cases involving tax of Rs. 100M and above.
 9. A new concept of Synchronized Withholding Administration and Payment System (SWAPS) and SWAPS agent to be introduced with further rules in this regard to follow.
 10. Companies and AOPs to electronically furnish particulars of beneficial owners and to keep these particulars updated.
 11. Monthly payments from Voluntary Pension System Rules, 2005 to be taxed.

Sales Tax

Relief measures

1. Expenditure by a company under a single account head which aggregating Rs. 250,00 made other than by digital means from business bank to be disallowed.
2. Payment of salaries exceeding Rs. 25,000 to be allowed by digital means in addition to being made through other banking channels.
3. Disallowance up to 8% for any expenditure attributable to sales by persons required to integrate business with the Board but failing to do so.
4. A citizen of Pakistan who is not present in any other country for more than 182 days during the tax year or who is not a resident taxpayer of any other country shall be treated as resident.
1. Requirement for availing CNIC/ NTN for supplies by manufacturers & importers to unregistered person has been limited to such supplies made to unregistered distributors.
2. Exemption on re-import of locally manufactured goods.
3. Services subject to sales tax under a Provincial enactment have been excluded from the scope of tax.
4. Rate for collection of tax by online market place from persons other than active taxpayers to be collected at 1% instead of existing rate of 2%.
5. Payment of sales tax allowed on installment basis for the import or supply of any goods or class of goods by the Federal or Provincial Governments or any public sector organization, subject to such conditions, limitations and restriction as Federal Government may impose.

6. Exemption from sales tax on import and supply of solar panels.
7. Fertilizers, oil cake & other solid residues and seeds for sowing exempted.
8. Tractors exempted which were being subjected to tax at 5%.

Revenue measures

1. Rates of tax for other than Tier-I retailers increased by 100% if the name of the person is not appearing in the income tax active taxpayers list on the date of issuance of monthly electricity bill.
2. Pharmaceutical goods (medicines, drugs) subjected to 1% sales tax and omitted from zero-rating. No input tax now admissible in this case, this directly impacts the pharmaceutical sector as well consumers.
3. Extending the scope of further sales tax to those persons who are not active taxpayer regardless of being registered person in sales tax.
4. Penalties on Tier-I retailers on failing to integrate business.
5. The scope of Tier-1 retailer extended to include the persons engaged in supply of articles of jewelry, or part thereof, of precious metals or of metal clad with precious metal as Tier-1 Retailer. However, this doesn't apply to retailers whose shop area measures up to 300 sq. feet.
6. Sales tax to be collected from retailers, other than tier-1 retailers, through electricity bills. The value of sales tax has also been increased.
7. Sales tax on locally produced coal enhanced to the higher of Rs. 700/ MT or 17% ad valorem.
8. Supply of locally manufactured articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal subjected to sales tax at 3%.
9. Electric transport buses of 25 seats or above in CBU condition taxed at 1%.

Regulatory measure

In case of the online market place facilitating the sale of third-party goods, the liability to withhold tax on taxable supplies of such party shall be on the operator of such market place.

Federal Excise Duty

Revenue measure

1. Increase in rates of duty on locally produced cigarettes.
2. Increase in duty value on filter rods for cigarettes.
3. Increase in duty on telecommunication services from existing 16% to 19.5%.
4. Increase in duty imposed on club, business & first-class travel facilities services from Rs. 10,000 to Rs. 50,000.

Capital Value Tax

Capital Value Tax 2022 (CVT) has been levied on the following assets at the below rates and limits:

SN	Assets Description	Rate	Applicability	Applicable Limits of CVT
1	Motor vehicle	1% of Value	Tax Year 2023	Motor vehicle held in Pakistan where: (i) the engine capacity exceeds 1300 cc; or (ii) in case of electric vehicles, the battery power capacity exceeds 50kwh.
2	Assets held abroad	1% of Value	Tax Year 2022	Foreign assets of a resident individual where the value of such assets on the last day of the tax year in aggregate Rs. 100M
3	Assets or class of assets notified by the Fed. Govt.	Up to 5% of Value		As specified in such notification.

SECTION 2 INCOME TAX

1. SALARIED INDIVIDUALS

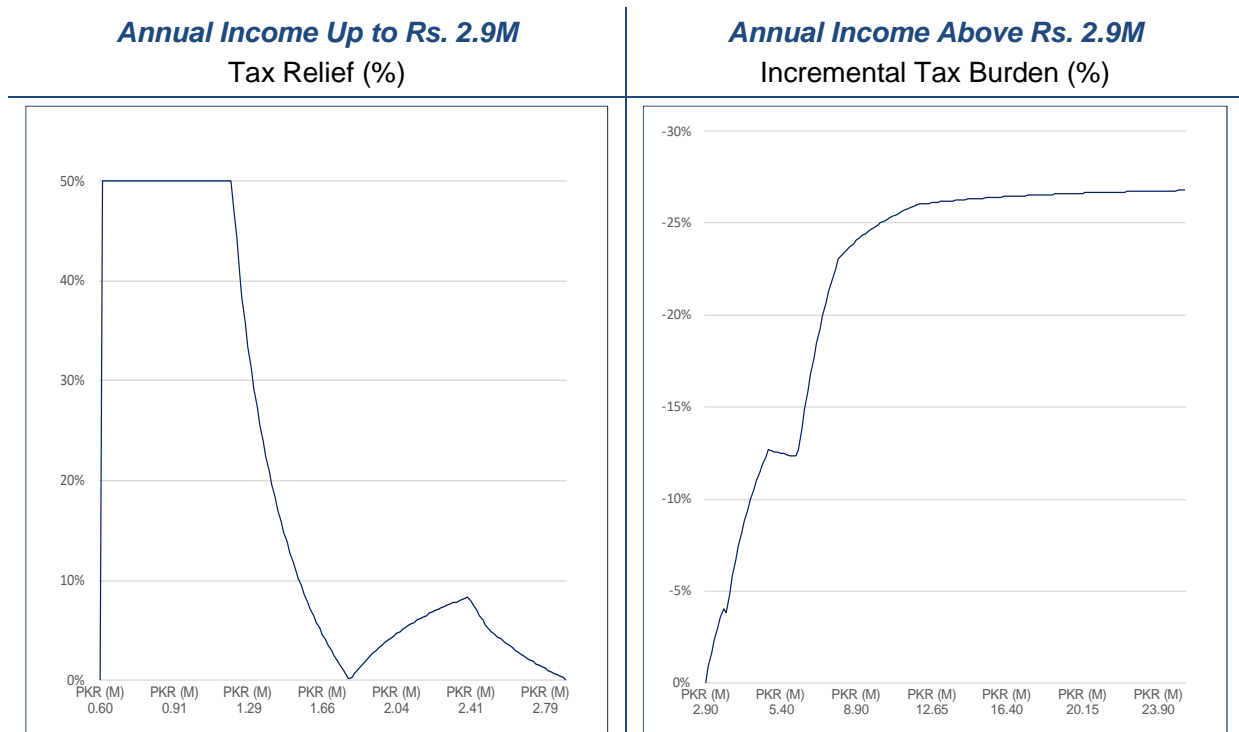
Rate of tax

[CI (2) Div I Pt 1 First Sch.]

The Act effectively relieves the tax burden for salaried individuals in brackets up to Rs.12,000,000 by reducing the tax rates. Below is the table of rates:

Taxable Income (Rs.)		Rate of Tax	
From	To		
Up to 600,000		0.00%	
600,001	1,200,000		2.5% on amount exceeding Rs.600,000
1,200,001	2,400,000	Rs. 15,000	12.5% on amount exceeding Rs.1,200,000
2,400,001	3,600,000	Rs. 165,000	20% on amount exceeding Rs.2,400,000
3,600,001	6,000,000	Rs. 405,000	25% on amount exceeding Rs.3,600,000
6,000,001	12,000,000	Rs. 1,005,000	32.5% on amount exceeding Rs.6,000,000
Above 12,000,000		Rs. 2,955,000	35% on amount exceeding Rs.12,000,000

As seen in the below charts, there appears a relief in overall tax burden where salary is below Rs.2.9Million, whereas there is an incremental tax burden on cases with salary above this amount.



Deductible allowance & tax credits

The following deductible allowance and tax credits have been abolished

- Section 60C | Deductible allowance for profit on debt
- Section 62 | Tax credit for investment in shares and insurance
- Section 62A | Tax credit for investment in health insurance

2. NON-SALARIED INDIVIDUALS AND ASSOCIATION OF PERSONS

Rate of tax

[CI (1) Div I Pt 1 First Sch.]

While increasing the minimum exemption threshold from existing Rs. 400,000 to Rs. 600,000, the tax burden for non-salaried individuals and association of persons has been substantially increased.

Taxable Income (Rs.)		Rate of Tax	
From	To		
	Up to 600,000		0.00%
600,001	800,000		5% of the amount exceeding Rs. 600,000
800,001	1,200,000	Rs.10,000	12.5% of the amount exceeding Rs. 800,000
1,200,000	2,400,000	Rs.60,000	17.5% of the amount exceeding Rs. 1,200,000
2,400,000	3,000,000	Rs.270,000	22.5% of the amount exceeding Rs. 2,400,000
3,000,001	4,000,000	Rs.405,000	27.5% of the amount exceeding Rs. 3,000,000
4,000,001	6,000,000	Rs.680,000	32.5% of the amount exceeding Rs. 4,000,000
	Above 6,000,000	Rs.1,330,000	35% of the amount exceeding Rs.6,000,000

Super tax also to apply with effect from the tax year 2022 under section 4C as under:

Income under section 4C	Rate of tax
Up to Rs. 150M	0% of the income
Above Rs. 150M up to Rs. 200M	1% of the income
Above Rs. 200M up to Rs. 250M	2% of the income
Above Rs. 250M up to Rs. 300M	3% of the income
Exceeding Rs. 300M	4% of the income

Moreover, for tax year 2022 the rate for super tax for persons engaged in certain sectors specified under section 4C shall be 10% in case income exceeds Rs. 300M.

3. DEFINITIONS

The following new definitions have been adopted:

- (i) **Beneficial owner** [Section 2(7A)]
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 25% shares or voting rights; or
 - (b) exercise ultimate effective control, through direct or indirect means, over the company or association of persons including control over the finances or decisions or other affairs of the company or association of persons.
- (ii) **Distributor** [Section 2(18A)]
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) **Fair market value** [Section 2(22AA)]
Fair market value means value as provided in section 68.
- (iv) **Information Technology (IT) services & IT enabled services** [Section 2(30AD) & (30AE)]
A clarity has been enacted to the definitions of IT and IT enabled services that scope of these services are not limited to those specified in the respective definitions but any services that may be of the related nature.

(v) **Synchronized Withholding Administration & Payment System agent [Section 2(62B)]**

Synchronized Withholding Administration and Payment System agent or “SWAPS agent” means any person or class of persons notified by Board to collect or deduct withholding taxes through Synchronized Withholding Administration and Payment System.

(vi) **Tax invoice [Section 2(66A)]**

Tax invoice means an invoice as prescribed under the Income Tax Rules, 2002.

4. TAXATION OF COMPANIES

Tax rates

[Div II Part I First Sch.]

<i>Type of Company</i>	<i>Existing Rates</i>	<i>New Rates</i>
Small companies	21%	20%
Banking companies	35%	39%
Other companies	29%	29%

5. CHARGE OF TAX

Tax on taxable income

[Section 4]

The Act clarifies that all the taxes under Chapter II of the Income Tax Ordinance, 2001 are to be treated as final taxes instead of limiting final taxation to Div. sections 5, 6 and 7.

Super tax on high earning persons

[Section 4C | Div IIB Part 1 First Sch.]

A new section 4C has been inserted, which aims to tax high earning persons. The newly inserted section reads as:

- (1) A super tax shall be imposed for tax year 2022 and onwards at the rates specified in Division IIB of Part I of the First Schedule, on income of every person:
Provided that this section shall not apply to a banking company for tax year 2022.
- (2) For the purposes of this section, “income” shall be the 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, excluding amounts specified 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) The tax payable under sub-section (1) shall be paid, collected and deposited on the date and in the manner as specified in sub-section (1) of section 137 and all provisions of Chapter X of the Ordinance shall apply.
- (4) Where the tax is not paid by a person liable to pay it, the Commissioner shall by an order in writing, determine the tax payable, and shall serve upon the person, a notice of demand specifying the tax payable and within the time specified under section 137 of the Ordinance.
- (5) Where the tax is not paid by a person liable to pay it, the Commissioner shall recover the tax payable under subsection (1) and the provisions of Part IV, X, XI and XII of Chapter X and Part I of Chapter XI of the Ordinance shall, so far as may be, apply to the collection of tax as these apply to the collection of tax under the Ordinance.
- (6) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.

The rate of tax under section 4C shall be as under:

<i>Income under section 4C</i>	<i>Rate of tax</i>
Up to Rs. 150M	0% of the income
Above Rs. 150M up to Rs. 200M	1% of the income
Above Rs. 200M up to Rs. 250M	2% of the income
Above Rs. 250M up to Rs. 300M	3% of the income
Exceeding Rs. 300M	4% of the income

Provided that for tax year 2022 for persons engaged, whether partly or wholly, in the business of airlines, automobiles, beverages, cement, chemicals, cigarette and tobacco, fertilizer, iron and steel, LNG terminal, oil marketing, oil refining, petroleum and gas exploration and production, pharmaceuticals, sugar and textiles the rate of tax shall be 10% where the income exceeds Rs. 300M.

Provided further that in case of banking companies for tax year 2023, the rate of tax shall be 10% where the income exceeds Rs. 300M.

Tax on certain payments to non-residents

[Section 6 | Div IV Part 1 First Sch.]

The Act includes certain other payments to non-residents not having a permanent establishment in Pakistan by specification and include as well amend rates of tax on these payments.

<i>Existing Services/ Rates</i>		<i>New Services/ Rates</i>	
Royalty	15%	Royalty	15%
Fee for technical services	15%	Fee for technical services	15%
Fee for offshore digital services	5%	Fee for offshore digital services	10%
		Fee for money transfer operations	10%
		Fee for card network services	10%
		Fee for payment gateway services	10%
		Fee for interbank financial telecommunication services	10%

Tax on deemed income

[Section 7E | Div VIII C Part 1 First Sch.]

From tax year 2022 and onwards, income from capital asset situated in Pakistan to be taxed on deemed basis, whether or not the said capital asset derives any income or not. For this purpose, tax at 20% is to applied on deemed income computed as 5% of fair value of the capital asset. This tax shall, however, not apply to:

- (a) one capital asset owned by the resident person;
- (b) self-owned business premises from where the business is carried out by the persons appearing on the active taxpayers' list at any time during the year;
- (c) self-owned agriculture land where agriculture activity is carried out by person excluding farmhouse and land annexed thereto;
- (d) capital asset allotted to:
 - (i) a Shaheed or dependents of a shaheed belonging to Pakistan Armed Forces;
 - (ii) a person or dependents of the person who dies while in the service of Pakistan armed forces or Federal or provincial government;
 - (iii) a war wounded person while in service of Pakistan armed forces or Federal or provincial government; and
 - (iv) an ex-serviceman and serving personal of armed forces or ex-employees or serving personnel of Federal and provincial governments, being original allottees of the capital asset duly certified by the allotment authority;

- (e) any property from which income is chargeable to tax under the Ordinance and tax leviable is paid thereon;
- (f) capital asset in the first tax year of acquisition where tax under section 236K has been paid;
- (g) (g) where the fair market value of the capital assets in aggregate excluding the capital assets mentioned in clauses (a), (b), (c), (d), (e) and (f) does not exceed Rupees 25M;
- (h) capital assets owned by a provincial government or a local government; or
- (i) capital assets owned by a local authority, a development authority, builders and developers for land development and construction, subject to the condition that such persons are registered with Directorate General of Designated Non-Financial Businesses and Professions.

The Federal Government may include or exclude any person or property for the purpose of this newly enacted section.

For the purpose of this new section:

- (a) **capital asset** means property of any kind held by a person, whether or not connected with a business, but does not include:
 - (i) any stock-in-trade, consumable stores or raw materials held for the purpose of business;
 - (ii) any shares, stocks or securities;
 - (iii) any property with respect to which the person is entitled to a depreciation deduction under section 22 or amortization deduction under section 24; or
 - (iv) any movable asset not mentioned in clauses (i), (ii) or (iii);
- (b) **farmhouse** means a house constructed on a total minimum area of 2000 square yards with a minimum covered area of 5000 square feet used as a single dwelling unit with or without an annex:

Provided that where there are more than one dwelling units in a compound and the average area of the compound is more than 2000 square yards for a dwelling unit, each one of such dwelling units shall be treated as a separate farmhouse.

6. INCOME FROM BUSINESS

Deductions not allowed

[Section 21]

The Act limits contributions made to approved gratuity funds, approved pension funds or approved superannuation funds to the extent of 50% of the actual contribution made to these funds.

Clauses (l) and (la) earlier included vide Tax Laws (Third Amendment) Ordinance, 2021 now being enacted as under:

- Clause (l) | Certain expenditure under single account head exceeding Rs. 250,000 is to be paid via banking channels. This restriction shall not be applicable to companies effective from a date notified by the Board.
- Clause (la) | Any expenditure incurred by a company for a transaction under a single account head which aggregates to exceed Rs. 250,000 made other than by digital means from business bank account of the company notified to the Commissioner under section 114A. This requirement shall not apply to expenditure not exceeding Rs. 25,000. However, this ceiling of Rs. 250,000 shall not apply in case of utility bills, freight charges, travel fare, postage; and payment of taxes, duties, fee, fines or any other statutory obligation. The Board has been empowered to notify the effective date for this clause.
- Clause (m) | Payment of salaries exceeding Rs. 25,000 to be allowed by digital means in addition to being made through other banking channels.

A new **Clause (r)** has been introduced that aims to disallow any expenditure attributable to sales claimed by any person who is required to integrate but fails to integrate his business with the Board through approved fiscal electronic device and software. However, disallowance of such expenditure shall not exceed 8% of the allowable deduction.

Depreciation

[Section 22]

The existing ceiling of 50% brought vide Finance Act, 2020 for allowable depreciation on new assets acquired after July 1, 2020 has been done away with. Likewise, the similar of 50% in case of disposal of these assets has also been abolished.

The existing monetary threshold of Rs. 2.5M increased to Rs. 7.5M in case of passenger transport vehicles not plying for hire.

Initial allowance

[Section 23]

No initial allowance shall be admissible on immovable property or structural improvement to the immovable property.

7. CAPITAL GAINS

Capital gains

[Section 37 | Div VIII Pt 1 First Sch.]

The Act amends tax rates for capital gains on disposal of immovable property as under as well to abolish the relief based on holding period:

Existing Rates		New Rates			
Amount of Gain	Rate	Holding Period	Rate of Tax		
			Open Plots	Const- ructed Property	Flats
Up to Rs. 5 M	3.5%	Up to 1 Year	15%	15%	15%
Above Rs. 5 M to Rs. 10 M	7.5%	Above 1 Year to 2 Years	12.5%	10%	7.5%
Above Rs. 10 M to Rs. 15 M	10%	Above 2 Year to 3 Years	10%	7.5%	-
Exceeding Rs. 15 M	15%	Above 3 Year to 4 Years	7.5%	5%	-
		Above 4 Year to 5 Years	5%	-	-
		Above 5 Year to 6 Years	2.5%	-	-
		Above 6 Years	0%	-	-

Moreover, the above concept for taxing capital gains on immovable property has been limited to gain disposal of immovable property in Pakistan only, meaning thereby that any gains arising from disposal of offshore immovable property are to be taxed as foreign source income on which foreign tax credit on this gain shall be admissible.

25% relief on all capital gains arising upon disposal of other capital assets after a holding period of one year has been abolished.

Presently the fair market value of the capital asset is treated to be the cost of the asset on the date of its transfer or acquisition in the following cases:

- under a gift from a relative as defined in sub section (5) of section 85, bequest or will;
- by succession, inheritance or devolution;
- a distribution of assets on dissolution of an association of persons; or
- on distribution of assets on liquidation of a company.

The Act now abolishes this relief.

Capital gains on disposal of listed securities [Section 37A | Div VII Pt 1 First Sch.]

Capital gains on sale of listed securities are taxable at 12.5% for the tax year 2022 irrespective of the holding period. The following rates have been enacted for taxing these capital gains for listed securities acquired on or after July 1, 2022:

<i>Holding Period</i>	<i>Rate of Tax</i>
Up to 1 year	15.0%
Above 1 year to 2 years	12.5%
Above 2 years to 3 years	10.0%
Above 3 years to 4 years	7.5%
Above 4 years to 5 years	5.0%
Above 5 years to 6 years	2.5%
Above 6 years	0.0%

Moreover, normal tax rate shall apply for companies on debt securities, viz. standard 29%, 20% for small companies and 39% for banks.

Tax at following rates shall be deducted by mutual funds, collective investment schemes and REITs:

<i>Category</i>	<i>Rate of Tax</i>		
	<i>Holding Period Up to 6 Years</i>		<i>Holding Period Above 6 Years</i>
	<i>Stock Fund</i>	<i>Other Funds</i>	
Individuals & AOPs	10%	10%	0%
Companies	10%	25%	

In case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 12.5%.

8. LOSSES

Carry forward of business losses of sick industrial units [Section 59C]

Carry forward of losses for industrial units granted to acquiring company vide Income Tax (Amendment) Ordinance, 2022 dated March 3, 2022 has been abolished with effect from March 2, 2022.

9. DEDUCTIBLE ALLOWANCES & TAX CREDITS, ETC.

The Acts abolishes the following deductible allowances and tax credits applicable to individuals:

Section 60C	Deductible allowance for profit on debt
Section 62	Tax credit for investment in shares and insurance
Section 62A	Tax credit for investment in health insurance
Section 65F(1)(c)	Exports of computer software, IT services or IT enabled services
Section 65H	Tax credit for foreign investment for industrial promotion (w.e.f. March 2, 2022)
Section 100F	Special provisions relating to investment in industrial promotion (w.e.f. March 2, 2022)

10. PROVISIONS GOVERNING PERSONS

Resident individual [Section 82]

A citizen of Pakistan who is not present in any other country for more than 182 days during the tax year or who is not a resident taxpayer of any other country shall be treated as resident.

Principles of taxation of associations of persons

[Section 92]

The Act clarifies by way of an explanation that if the income of association of persons is exempt and no tax is payable under the Ordinance due to this exemption, the share received in the capacity as member out of the income of the association shall remain exempt.

11. SPECIAL INDUSTRIES

Special provisions relating to payment of tax through electricity connections

[Section 99A & 235 | Div IV Part IV First Sch.]

The Act substitutes section 99A as under to collect income tax from certain retailers through their electricity bills:

- (1) Notwithstanding anything contained in the Ordinance, a tax shall be charged and collected from retailers other than Tier-I retailers as defined in Sales Tax Act, 1990 (VII of 1990) and specified service providers on commercial electricity connections at the rates provided in clause (2A) of Division IV, Part IV of the First Schedule.
- (2) A retailer who has paid sales tax under sub-section (9) of section 3 of Sales Tax Act, 1990 (VII of 1990), shall not be required to pay tax under this section and the sales tax so paid shall constitute discharge of tax liability under this section.
- (3) The tax collected or paid under this section shall be final tax on the income of persons covered under this section in respect of business being carried out from the premises where the electricity connection is installed.
- (4) For the purposes of this section, Board with the approval of the Minister in-charge may issue an income tax general order to-
 - (a) provide the scope, time, payment, recovery, penalty, default surcharge, adjustment or refund of tax payable under this section in such manner and with such conditions as may be specified.
 - (b) provide record keeping, filing of return, statement and assessment in such manner and with such conditions as may be specified;
 - (c) provide mechanism of collection, deduction and payment of tax in respect of any person; or
 - (d) include or exempt any person or classes of persons, any income or classes of income from the application of this section, in such manner and with such conditions as may be specified.

Following rates shall apply for collection of tax under this mode:

<i>Gross amount of monthly bill</i>	<i>Tax</i>
Up to Rs. 30,000	Rs. 3,000
Above Rs. 30,000 to Rs. 50,000	Rs. 5,000
Rs. 50,000 to Rs. 100,000	Rs. 10,000
Specified retailers and service providers through Income Tax General Order	Up to Rs.200,000

12. ANTI AVOIDANCE

Recharacterisation of income and deductions

[Section 109(1)(e)]

The Act introduces a new clause effective from tax year 2018 empowering the Commissioner to treat a place of business in Pakistan as a permanent establishment, if the said place fulfills the conditions as specified in sub-clause (g) of clause (41) of section 2.

Unexplained income or assets

[Section 111]

Powers of the Commissioner to probe under section 111(1) are not to apply to any amount of foreign exchange remitted from outside Pakistan through normal banking channels not exceeding Rs. 5M in

a tax year that is en-cashed into rupees by a scheduled bank and a certificate from such bank is produced to that effect.

The Act now includes an explanation that the remittance through money service bureaus, exchange companies or money transfer operators shall be deemed to constitute foreign exchange remitted from outside Pakistan through normal banking channels as provided under this sub-section.

Where a taxpayer, while explaining the nature and source of any amount takes into account any source of income which is subject to final tax under any provision of the Ordinance, the taxpayer shall not be entitled to take credit of any sum as is in excess of imputable income, unless the excess amount is reasonably attributed to the business activities subject to final tax and the taxpayer furnishes financial statements and accounts duly audited by a chartered accountant.

Moreover, a separate notice under section 111 shall not be required to be issued if the explanation has been confronted to the taxpayer through a notice under section 122(9) regarding nature and sources of:

- a. any amount credited in a person's books of account; or
- b. any investment made or ownership of money or valuable article; or
- c. funds from which expenditure was made; or
- d. suppression of any production, sales, or any amount chargeable to tax; or
- e. suppression of any item of receipt liable to tax in whole or in part.

13. MINIMUM TAX

Minimum tax on income of certain persons

[Section 113]

Presently the excess of minimum tax amount over the actual tax liability is carried forward and adjusted from tax payable for succeeding 5 tax years. This period has been reduced from 5 tax years to 3 tax years. Moreover, the rate for minimum tax has been reduced from 0.75% to 0.5% in case of Oil Marketing Companies.

14. RETURNS

Powers to enforce filing of returns

[Section 114B]

Section 114B earlier introduced vide Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021 has been enacted.

Section 114B empowers the Board to issue income tax 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 said income tax general order may entail any or all of the following consequences for the persons mentioned therein, namely:

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

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

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

No person shall be included in the said general order unless following conditions have been met with:

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

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

15. ASSESSMENTS

Best judgement assessment

[Section 121]

The Commissioner is empowered to make best judgement assessment within a period of next 5 years in respect of a given tax year. This timeframe has been increased to 6 succeeding years.

Amendment of assessments

[Section 122]

The existing maximum allowable timeframe for an assessment to be amended or further amended under section 122 is 120 days. This timeframe has been enhanced to 180 days.

16. APPEALS

Alternative Dispute Resolution

[Section 134A]

The Act substitutes the provisions related to alternate dispute resolution as under:

An aggrieved person may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated, in connection with any dispute pertaining to:

- (a) the liability of tax of one hundred million and above against the aggrieved person or admissibility of refund, as the case may be;
- (b) the extent of waiver of default surcharge and penalty; or
- (c) any other specific relief required to resolve the dispute;

The application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute, including an offer of tax payment, from which, the applicant would not be entitled to retract.

The Board may, after examination of the application of an aggrieved person, appoint a committee, within 45 days of receipt of such application in the Board, comprising:

- (i) Chief Commissioner Inland Revenue having jurisdiction over the case;
- (ii) person to be nominated by the taxpayer from a panel notified by the Board comprising –
 - (a) chartered accountants, cost and management accountants and advocates having a minimum of 10 years' experience in the field of taxation;
 - (b) officers of the Inland Revenue Service who have retired in BS 21 or above; or
 - (c) reputable businessmen as nominated by Chambers of Commerce and Industry:
Provided that the taxpayer shall not nominate a Chartered Accountant or an advocate if the said Chartered Accountant or the advocate is or has been an auditor or an authorized representative of the taxpayer; and
 - (d) person to be nominated through consensus by the members appointed under (i) and (ii) above, from the panel as notified by the Board in (ii) above:
Provided that where the member under this clause cannot be appointed through consensus, the Board may nominate a member proposed by the taxpayer eligible to be nominated as per clause (ii).

The aggrieved person, or the Commissioner, or both, as the case may be, shall withdraw the appeal pending before any court of law or an Appellate Authority, after constitution of the committee by the Board, in respect of dispute.

The committee shall not commence the proceedings unless the order of withdrawal by the court of law or the Appellate Authority is communicated to the Board:

Provided that if the order of withdrawal is not communicated within 75 days of the appointment of the committee, the said committee shall be dissolved and provisions of this section shall not apply.

The Committee appointed shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:

Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal shall be excluded.

The decision by the Committee shall not be cited or taken as a precedent in any other case or in the same case for a different tax year.

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

The decision of the committee shall be binding on the Commissioner and the aggrieved person.

If the Committee fails to decide within the period of 120 days, the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the Appellate Authority which issued the order of withdrawal and the appeal shall be treated to be pending before such court of law or the Appellate Authority as if the appeal had never been withdrawn.

The Board shall communicate the order of dissolution to the court of law or the Appellate Authority and the Commissioner.

The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the Appellate Authority, which shall decide the appeal within six months of the communication of said order.

The aggrieved person may make the payment of income tax and other taxes as decided by the committee and all decisions, orders and judgments made or passed shall stand modified to that extent.

The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the appointed member.

The Board may, by notification in the official Gazette, make rules in this regard.

17. IMPORTS

[Section 148 & 169 | Pt II First Sch.]

The tax collected on commercial imports was made minimum tax vide the Finance Act, 2019. The earlier Finance Bill sought to subject commercial imports to final tax on the basis of tax collected at import stage. However, this proposal has not been enacted, meaning thereby that tax collected on commercial imports continue to be treated as minimum tax.

The rate for collection of this minimum tax from commercial importers in respect of items specified in Part II of Twelfth Schedule increased from 2% to 3.5%.

The anomaly where the tax collected at the rate of 5.5% from industrial undertakings on imports for their own use was being treated as minimum tax during tax years 2021 and 2022 instead of advance tax has been done away with.

The tax collected at imports shall be minimum tax on the income of every person (i.e., including industrial undertakings) arising from imports of following goods:

- (a) edible oil;
- (b) packaging material;
- (c) paper and paper board; or
- (d) plastics:

The Board with the approval of Minister in-charge, shall be empowered to add or omit or amend any entry from the above list by notification in the official Gazette.

The rate for collection of advance tax related to mobile phones rationalized for CKD/ SKD and CBU conditions for last two brackets. The new table of rates is as below:

<i>C & F Value of mobile phone (in US Dollar)</i>	<i>Tax in Rs.</i>	
	<i>In CBU Condition</i>	<i>In CKD/ SKD Condition</i>
Up to 30 except smart phones	70	NIL
Exceeding 30 and up to 100 and smart phones up to 100	100	NIL
Exceeding 100 and up to 200	930	NIL
Exceeding 200 and up to 350	970	NIL
Exceeding 350 and up to 500	5,000	3,000
Exceeding 500	11,500	5,200

18. PAYMENTS TO NON-RESIDENTS

[Section 152]

Two new sub-sections to section 152 have been introduced as under, whereby the tax collected shall be final tax:

- (1DC) Every exchange company licensed by the State Bank of Pakistan shall deduct tax at the time of making payment of service charges or commission or fee, by whatever name called, to the global money transfer operators, international money transfer operators or such other persons engaged in international money transfers or cross-border remittances for facilitating outward remittances, at the rates given in Division IV, Part I of the First Schedule:

Provided that where such person retains service charges or commission or fee, by whatever name called from the amount payable to the exchange company on any account, the exchange company shall be deemed to have paid the service charges or commission or fee, by whatever name called and the exchange company shall collect the tax accordingly.

- (1DD) Every banking company while making payment to card network company or payment gateway or any other person, of any transaction fee or licensing fee or service charges or commission or fee by whatever name called or interbank financial telecommunication services, shall deduct tax at the rates given in Division IV, Part I of the First Schedule:

Provided that where card network company or payment gateway or any other person retains money in relation to aforementioned services from the amount payable to the banking company on any account, the banking company shall be deemed to have paid the amount and the banking company shall collect the tax accordingly.

19. EXPORTS

[Section 154]

Foreign indenting commission which was being taxed at 5% has now been omitted from section 154%. However, these now be taxed under section 154A at 1%.

20. EXPORT OF SERVICES

[Section 154A | Div IVA Part III First Sch.]

The following final tax rates for collection of tax from export of services have been enacted instead of the unified rate of 1%:

<i>Types of Receipts</i>	<i>Rate of Tax</i>
Export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board	0.25% of proceeds
Foreign indenting commission	1% of proceeds
Any other case	1% of proceeds

21. COLLECTION OR DEDUCTION OF WITHHOLDING TAX

Withholding tax on services

[Section 153(1)(b) | Div III Pt III First Sch.]

REIT management services and services rendered by National Clearing Company of Pakistan Limited included in the list of services to which withholding tax rate apply at 3% of gross amount payable.

Payment of tax collected or deducted by SWAPS agents

[Section 164A]

The Acts brings a new concept of Synchronized Withholding Administration and Payment System through section 164A, whereby the Board may, by notification in the official gazette, notify any person or class of persons required to deduct or collect tax under the Ordinance to integrate with Synchronized Withholding Administration and Payment System and to act as SWAPS agent within the time and in the manner as may be prescribed.

The tax collected or purported to be collected or deducted or purported to be deducted under the Ordinance by a notified SWAPS agent and credited to the Commissioner through digital mode, shall be treated to have been paid under section 160 of the Ordinance.

Where tax has been paid by a notified SWAPS agent, copy or number of SWAPS Payment Receipt (SPR) shall replace copy or number of Computerized Payment Receipts (CPR) for the purposes of the Ordinance.

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 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.

All other provisions of the Ordinance shall, mutatis mutandis, apply to the notified SWAPS agents.

Advance tax on motor vehicles

[Section 234 | Div III Part IV First Sch.]

The Act introduces collection of advance tax based on the air conditioning facility in addition to the seating capacity while proposing to increase the rates:

Seating Capacity	Existing Rate per Seat per Annum (Rs.)	New Rates per Seat per Annum (Rs.)	
		Non-Airconditioned	Airconditioned
4 to 10 persons	50	500	1,000
10 to 20 persons	100	1,500	2,000
Above 20 persons	300	2,500	4,000

Advance tax on Purchase, Registration & Transfer of Motor Vehicles

[Section 231B | Div VII Part IV First Sch.]

The Act increases following rates of advance tax based on engine capacity at the time of purchase and registration of Motor Vehicles:

Engine Capacity	Existing Rates (Rs.)	New Rates (Rs.)
Up to 850cc	7,500	10,000
851cc to 1000cc	15,000	20,000
1001cc to 1300cc	25,000	25,000
1301cc to 1600cc	50,000	50,000
1601cc to 1800cc	75,000	150,000
1801cc to 2000cc	100,000	200,000
2001cc to 2500cc	150,000	300,000
2501cc to 3000cc	200,000	400,000
Above 3000cc	250,000	500,000

Advance tax to be collected at 3% on Electric Vehicles where the value of vehicle is Rs. 5M or more. The rate of advance tax for imported vehicles to be applicable on imports value as increased by customs duty, sales tax & federal excise duty. In case of locally manufactured vehicles the rate to apply on invoice value.

Moreover, the advance tax also to be collected on these Electric Vehicles at the time of transfer at Rs.20,000 and this rate to be reduced at 10% annually from the date of first registration in Pakistan.

Advance tax on sale or transfer of immovable property

[Section 236C | Div X Part IV First Sch.]

No advance tax is collectible from sellers upon sale or transfer of immovable property at 1% in case the holding period of property more than 4 years. Now this concession has been abolished. Hence the tax will be collected in all cases of property transfers. Moreover, the rate for collection of advance tax has also been increased from 1% to 2%.

Advance tax on TV plays and advertisements [Section 236CA | Div XA Part IV First Sch.]

A new section 236CA was introduced vide the Finance (Supplementary) Act, 2022 dated January 15, 2022, whereby minimum tax has to be collected foreign-produced TV plays and advertisements starring foreign actors. The rates table has now been enacted while reducing rate for said advertisements from existing Rs. 500,000 to Rs. 100,000 per second.

Collection of advance tax by educational institutions

[Section 236I | Div XVI Part IV First Sch.]

Advance tax is collectible from non-filers on education fee where such fee exceeds Rs. 200,000 per annum. This tax is being abolished.

Advance tax on purchase or transfer of immovable property

[Section 236K | Div XVIII Part IV First Sch.]

The rate for collection of advance tax on purchase of immovable property has been increased from 1% to 2%.

Payment to residents for use of machinery and equipment

[Section 236Q | Div XXIII Part IV First Sch.]

Payments to resident persons for use or right to use industrial, commercial and scientific equipment are subject to deduction of tax at 10%. This related section and division from first schedule have been omitted.

Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards

[Section 236Y | Div XXVII Part IV First Sch.]

Banks were required vide the Finance Act, 2018 to collect advance tax at the time of remitting funds outside Pakistan on credit card/ debit card or prepaid cards. Later this requirement was done away vide the Finance Act 2021. This advance tax collection has been reinstated at 1% of the amount remitted.

22. RECORDS, INFORMATION COLLECTION AND AUDIT

Records

[Section 174]

The accounts and documents are required to be maintained for six years after the end of the tax year to which they relate. A new proviso has been introduced which aims that this limitation not to apply to records pertaining to income, assets, expenses or transactions to which of section 111(2)(ii) applies.

National Database and Registration Authority (NADRA)

[Section 175B]

Section 175B earlier introduced vide Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021 has now been enacted. The section reads as under:

- (1) The National Database and Registration Authority shall, on its own motion or upon application by the Board, share its records and any information available or held by it, with the Board, for broadening of the tax base or carrying out the purposes of the Ordinance.
- (2) The National Database and Registration Authority may:
 - (i) submit proposals and information to the Board with a view to broadening the tax base;
 - (ii) identify in relation to any person, whether a taxpayer or not:
 - (a) income, receipts, assets, properties, liabilities, expenditures, or transactions that have escaped assessment or are under-assessed or have been assessed at a low rate, or have been subjected to excessive relief or refund or have been mis-declared or misclassified under a particular head of income or otherwise;
 - (b) the value of anything mentioned in sub-clause (a) of clause (ii), if such value is at variance with the value notified by the Board or the district authorities, as the case may be, or if no such value has been notified the true or market value; and
 - (iii) enter into a memorandum of understanding with the Board for a secure exchange and utilization of a person's information.
- (3) The Board may use and utilize any information communicated to it by the National Database and Registration Authority and forward such information to an income tax authority having jurisdiction in relation to the subject matter regarding the information, who may utilize the information for the purposes of the Ordinance.
- (4) The National Database and Registration Authority may compute indicative income and tax liability of anyone mentioned under sub-sections (1) or (2) by use of artificial intelligence, mathematical or statistical modeling or any other modern device or calculation method.
- (5) The indicative income and tax liability computed by the National Database and Registration Authority under sub-section (4) shall be notified by the Board to the person in respect of whom such indicative income and tax liability has been determined, who shall have the option to pay the determined amount on such terms, conditions, installments, discounts, reprieves pertaining to penalty and default surcharge, and time limits that may be prescribed by the Board.

- (6) In case the person against whom a liability has been determined under sub-section (4), does not pay such liability within the time prescribed under sub-section (5), the Board shall take action under the Ordinance, upon the basis of tax liability computed under sub-section (4).
- (7) If the person against whom the liability has been determined under sub-section (4) pays such liability in terms of sub-section (5), such payment shall be construed to be an amended assessment order under section 120 or sub-section (1) of section 122 or sub-section (4) of section 122, as the case may be.
- (8) For the purposes of sub-sections (4) and (5), the Board may prescribe the extent of installments, relieves pertaining to penalty and default surcharge and time limits.

23. TAXPAYER'S REGISTRATION

Record of beneficial owners

[Section 181E]

Companies and association of persons now required to electronically furnish particulars of its beneficial owners in such form and manner as may be prescribed. Moreover, companies and association of persons also to update the particulars of their beneficial owners as and when there is a change in the particulars of the beneficial owners.

24. OFFENCES AND PENALTIES

[Section 182]

Following new offences and penalties have been enacted, adopted or amended:

- a. **Sr. No. 1** | Penalty for failure to furnish return of income u/s 114 by due date, higher of:
 - (i) 0.1% of the tax payable for each day of default
 - (ii) Rs. 1,000 for each day of default

In case individual having income of 75% or more from salary, the penalty is to be imposed at a minimum amount of Rs. 10,000.

Penalty for delayed filing of return of income to be reduced by 75%, 50% and 25% if the return is filed within 1, 2 & 3 months respectively after the due date or extended due date of filing of return.

In other cases, the penalty shall be Rs. 50,000. However, the maximum penalty shall not exceed 200% of tax payable by the person in a tax year.
- b. **Sr. No. 30** | Penalty for contravention to the provisions of section 181E is to be imposed at Rs. 1,000,000 for each default.
- c. **Sr. No. 31** | Person fails to integrate or perform roles and functions as specified, after being duly notified by the Board as SWAPS Agent, the penalty is to be imposed as:
 - (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

However, the above penalty shall not impose on cases where an extension is granted by the Commissioner.
- d. **Sr. No. 32** | Person, who is integrated for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system but fails to conduct transactions in a manner to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or QR code or bears duplicate invoice number or counterfeit QR code, or defaces the prescribed invoice number or QR code, or any person who abets commissioning of above offence. Penalty shall be higher of Rs. 500,000 or 200% of the amount of tax involved.

- e. **Sr. No. 33** | Person who fails to integrate his business for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under the law. The penalty for above offence shall be:
- (i) Rs. 1,000,000
 - (ii) The same offence commits again after a period of 2 months after imposition of penalty at (i), his business premises shall be sealed till such time he integrates his business in the manner as stipulated under section 237A(3) of the Ordinance.
- f. **Sr. No. 34** | Person who fails to get his business integrated under section 237A(3) of the Ordinance, and if registered, fails to integrate in the manner as required under the law and rules made thereunder. The penalty shall be imposed as under:
- i) Rs 500,000 for first default;
 - ii) Rs 1,000,000 for second default after 15 days of order for first default;
 - iii) Rs 2,000,000 for third default after 15 days of order for second default;
 - iv) Rs. 3,000,000 for fourth default after 15 days of order for third default:
- In case a person fails to integrate his business within 15 days of imposition of penalty for fourth default, his business premises shall be sealed till such time he integrates his business under section 237A(3) of the Ordinance.
- Penalty for first default shall be waived by the Commissioner, if the person integrates his business with the Board's computerized system before imposition of penalty for second default.

25. OFFENCES AND PROSECUTIONS

Prosecution for non-compliance with certain statutory obligations [Section 191]

Failure towards certain compliances is punishable, on conviction, with a fine or imprisonment for a term not exceeding one year or both. The below two non-compliances have been brought to this list:

- (a) Integrating business with Board's computerized system; or
- (b) Generating tax invoice verifiable by the Board's system.

26. ADMINISTRATION

Condonation of time limit [Section 214A]

The Board is empowered to extend the time limit for any application to be made or any act or thing to be done. The Board has been given these powers on retrospective basis.

27. MISCELLANEOUS

Electronic record [Section 237A(3)]

A new definition for "Integrated Enterprise" was introduced earlier vide Finance Act, 2020, which means a person integrated with the Board through approved fiscal electronic device and software, and who fulfills obligations and requirements for integration as may be prescribed. It has been enacted now that no sale shall be made or service shall be rendered without generating fiscal invoices as prescribed in case of an integrated enterprises.

Prize schemes to promote tax culture [Section 237B]

With a view to promote tax culture, the Board has been empowered to prescribe prize schemes to encourage the general public to make purchases or avail services from integrated enterprises issuing

tax invoices. The Board has also been empowered to prescribe procedure for mystery shopping in respect of invoices issued by integrated enterprises randomly.

28. EXEMPTIONS FROM TOTAL INCOME

[Second Schedule Part I]

Exemptions granted

Income derived by institutions

[Clause (66)]

Unconditional exemption from tax has been granted on total income to the following institutions:

- (a) Pakistan Mortgage Refinance Company Limited;
- (b) The Pakistan Global Sukuk Programme Company Limited;
- (c) Karandaaz Pakistan from tax year 2015 onwards;
- (d) Pakistan Sweet Homes Angels and Fairies Place;
- (e) Public Private Partnership Authority for tax year 2022 and subsequent four tax years;
- (f) Dawat-e-Islami Trust; and
- (g) Hamdard Laboratories (Waqf) Pakistan.

The following institutions have been granted tax exemption by way of 100% tax credit subject to compliance with section 100C:

- (a) Burhani Qarzan Hasnan Trust;
- (b) Saifee Hospital Karachi;
- (c) Saifiyah Girls Taalim Trust; and
- (d) Pakistan Mortgage Refinance Company Limited.

Income derived by institutions

[Clause (152)]

Profits and gains of venture capital companies and venture capital funds registered under relevant Venture Capital Companies and Funds Management Rules issued by SECP derived between July 1, 2022 and June 20, 2025 have been exempted from income tax.

Extension in period for exemption

CIS, REIT and SPVs

[Clause (99)]

Collective Investment Schemes, Real Estate Investment Trusts and Special Purpose Vehicles granted the benefit of accumulated losses while reckoning at least 90% distribution of income to remain exempt from income tax.

Exemptions withdrawn

Clause (5) | *Allowance or perquisites by the Government to a citizen of Pakistan for rendering service outside Pakistan.*

Clause (23B) | *Monthly pension from voluntary pension system*

29. REDUCTION IN TAX RATES

[Second Schedule Part II]

Exemptions granted

Supply-chain for steel industry

[Clause (24C) | Section 153]

Clause (24C) | Section 153 | The reduced rates enacted on supply of goods at 0.25% on distributors, dealers, sub-dealers, wholesalers and retailers of steel subject to the same conditions as presently applicable to fast moving consumer goods, fertilizer, electronics excluding mobile phones, sugar, cement and edible oil. The conditions include:

- a. Borne on the Active Taxpayers' Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001
- b. For retailers this concession is limited to Tier-1 retailers as defined under Sales Tax Act, 1990, who are integrated and configured with Board or its computerized system for real time reporting of sales or receipts.

Clause (24D) | Section 113 | Reduced rate enacted for Minimum Tax u/s 113 at 0.25% on distributors, dealers, sub-dealers, wholesalers and retailers of steel subject to the same conditions as presently applicable to fast moving consumer goods, fertilizer, electronics excluding mobile phones, sugar, cement and edible oil. The conditions include:

- a. Borne on the Active Taxpayers' Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001
- b. For retailers this concession is limited to Tier-1 retailers as defined under Sales Tax Act, 1990, who are integrated and configured with Board or its computerized system for real time reporting of sales or receipts.

Clause (31) | Section 153 | Reduced withholding rate enacted for 1% advance tax on payment for sale of gold and silver and articles thereof.

30. REDUCTION IN TAX LIABILITY

[Second Schedule Part III]

Enhancement in concession

Bahbood Savings Certificate, Pensioners Benefit Account, etc.

[Clause (6)]

The rate of tax on yield or profit on investment in Bahbood Savings Certificate or Pensioners Benefit Account and Shuhada Family Welfare Account from lowered from existing 10% to 5%.

Exemptions withdrawn

Clause (1) | *Allowances received by flight engineers, navigators of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Junior Commissioned Officers or other ranks of Pakistan Armed Forces and submarine allowance by the officers of the Pakistan Navy presently being taxed at 2.5%*

Clause (1AA) | *Allowances received by pilots of Pakistani airlines presently being taxed at 7.5%*

31. EXEMPTIONS FROM SPECIFIC PROVISIONS

[Second Schedule Part IV]

Exemptions granted

Exemptions from minimum tax u/s 113

[Clause (11A)(xiv)]

Exemption from minimum tax u/s 113 has been enacted to mobile phone manufacturers engaged in the local manufacturing of mobile phone devices. This was earlier brought to statute vide Tax Laws (Third Amendment) Ordinance, 2021.

Exemptions from tax u/s 148

Clause (12O) | *On import of drones donated by Ministry of Agriculture and Rural Affairs (MARA), Government of China to Pakistan through Sea Route*

Clause (12P) | *On import of machinery and equipment as listed in S. No 32 of Part-I of Fifth Schedule to the Customs Act, 1969 subject to the same conditions and limitations as specified therein.*

Immunity from audit

[Clause (105A)]

The provisions of section 177 and 214C not to apply to a person whose income tax affairs have been audited in any of the preceding 4 tax years. However, the Commissioner may select a person under section 177 for audit with approval of the Board.

Purchase & sale of immoveable property by non-resident individuals

[Clause (111AC)]

The provisions of section 100BA and rule 1 of the Tenth Schedule shall not apply to non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) in respect of transactions on which tax is collectible under section 236C and 236K of the Ordinance.

Exemptions from collection & deduction of withholding taxes

[Clause (120)]

Persons mentioned in Table 1 of clause (66) of Part I of the second schedule as recipients of payment have been immuned from the provisions of Divisions II and III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding subject to the condition that such persons shall continue to perform functions as withholding and collecting agent under the aforesaid provisions.

32. INSURANCE BUSINESS

[Fourth Schedule]

Super tax on high earning persons

[Rule 6DA]

Insurance companies shall also be subject to super tax under section 4C at the following rates with effect from tax year 2022:

Income under section 4C	Rate of tax
Up to Rs. 150M	0% of the income
Above Rs. 150M up to Rs. 200M	1% of the income
Above Rs. 200M up to Rs. 250M	2% of the income
Above Rs. 250M up to Rs. 300M	3% of the income
Exceeding Rs. 300M	4% of the income

33. EXPLORATION AND EXTRACTION OF MINERAL DEPOSITS

[Fifth Schedule]

Super tax on high earning persons

[Rule 4AB]

Super tax under section 4C at the following rates to apply with effect from tax year 2022:

Income under section 4C	Rate of tax
Up to Rs. 150M	0% of the income
Above Rs. 150M up to Rs. 200M	1% of the income
Above Rs. 200M up to Rs. 250M	2% of the income
Above Rs. 250M up to Rs. 300M	3% of the income
Exceeding Rs. 300M	4% of the income

34. BANKING COMPANIES

Super tax

[Section 4B & 4C]

The following tax rates for super tax to apply for banking companies:

Tax year 2022 | 4% irrespective of income

Tax year 2023 | 10% for cases where income exceeds Rs. 300M

Computation of profits & gains of a banking company and tax thereon [Seventh Schedule]

Rule (6A) | The substitutes provisions related to taxation of income attributable to investment in the Federal Government securities as under:

“For tax year 2022 and onwards, the taxable income attributable to investment in the Federal Government securities shall be taxed at the rate of:

- (i) 55% instead of rate provided in Division II of Part I of the First schedule if the gross advances to deposit ratio as on last day of the tax year is up to 40%;
- (ii) 49% instead of rate provided in Division II of Part I of the First schedule if the gross advances to deposit ratio as on last day of the tax year exceeds 40% but does not exceed 50%; and
- (iii) at the rates provided in Division II of Part I of the First schedule if gross advances to deposit ratio as on last day of the tax year exceeds 50%.

Explanation.- For the removal of doubt it is clarified that the tax rate under this sub-rule is applicable to total income attributable to total investment in Federal Government securities.

Rule (7CA) | Banking companies with income exceeding Rs. 300M to be subject to super tax at 10% on income with effect from tax year 2023.

35. PERSONS NOT APPEARING IN THE ACTIVE TAXPAYERS' LIST [Tenth Schedule]

Rule (1) | **Tax on registration of motor vehicle (u/s 231B):** Tax to be collected at three times on registration of motor vehicles in case of non-filers.

Tax on purchase of immovable property (u/s 236K): Tax to be collected at three and half times on purchase of immovable property by non-filers.

Rule (10) | **100% increase in tax rate:** 100% increase in the rate of collection of advance tax shall not be applicable on proceeds from export services u/s 154A.

Provisions for collection of taxes at double rate due to omission of sections 236I (Advance tax on educational fee) and 236Q (Advance tax on renting of equipment, etc.) have been omitted.

36. TWELFTH SCHEDULE

PART I | **List of items on which tax at import stage is collected at 1%:**

Entries against PCT Code 72.04 (Ferrous waste and scrap; remelting scrap ingots of iron or steel) have been omitted.

The following entire have been transposed from Twelfth Schedule Part II:

PCT Code	Description
07.01	Potatoes, fresh or chilled.
0702.0000	Tomatoes, fresh or chilled.
07.03	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled.
1006.1010	Seed for sowing.
27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal.

PART II | **List of items on which tax at import stage is collected at 2%:** The following new entries have been inserted:

<i>PCT Code</i>	<i>Description</i>
3919.9020	PVC electric insulation tapes in logs exceeding 100 cm.
72.04	Ferrous waste and scrap; remelting scrap ingots of iron or steel.
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.

37. THIRTEENTH SCHEDULE

The entry no. 63, earlier inserted vide Tax Laws (Third Amendment) Ordinance, 2021 related to entities mentioned in Table-I of clause (66) of Part-I of the Second Schedule of the Ordinance for allowability of tax credit on donations u/s 61 of the Ordinance, has now been enacted.

SECTION 3 SALES TAX & FEDERAL EXCISE DUTY

1. SALES TAX ACT, 1990

Definitions

Goods

[Section 2(12)]

The Act expands the scope of definition by adding the production, transmission and distribution of electricity for clarification.

Supply

[Section 2(33)(e)]

A new sub clause (e) has been added to expand the scope of supplies for the production, transmission and distribution of the electricity as the definition of goods has been inserted in section 2(12) of the Sales Tax Act, 1990.

Tier-1 Retailer

[Section 2(43A)(ga)]

The scope of Tier-1 retailer extended by adding a new subclause to include the persons engaged in supply of articles of jewelry, or part thereof, of precious metals or of metal clad with precious metal as Tier-1 Retailer. This, however, doesn't apply to retailers whose shop area measures up to 300 sq. feet.

Value of supply

[Section 2(46)(i)]

An explanation has been added that the value of supply does not include the amount of subsidy provided by the federal government or provincial governments to the electricity consumers and has never been chargeable to tax under the Act.

Scope of tax

Following amendments have been made to the definition of scope of tax:

Section 3(1A)		Extend the scope of further sales tax i.e., 3% to those persons who is not active taxpayer regardless of being registered person in sales tax.
Section 3(7)		Services subject to sales tax under a Provincial enactment have been excluded. A proviso has also been added, explaining that, in case of the online market place facilitating the sale of third-party goods, the liability to withhold tax on taxable supplies of such party at the rates specified in column (4) against S.No. 8 of the Eleventh Schedule to the Sales Tax Act, 1990 shall be on the operator of such market place.
Section 3(9)		Refixing the rate of sales tax to be collected from retailers by electricity supplier, other than those falling in Tier-1 retailer.

Existing Rates		New Rates	
Percentage	Range of Bill Amount (Rs.)	Amount of tax (Rs.)	Range of Monthly Bill Amount (Rs.)
5%	Up to 20,000	3,000	Up to 30,000
7.5%	Above 20,000	5,000	Up to 50,000
		10,000	Above 50,000

Two new provisos have been inserted under:

First proviso | Rates of tax shall be increased by 100% if the name of the person is not appearing in the Active Taxpayers List issued by the Board under section 181A of the Income Tax Ordinance, 2001 on the date of issuance of monthly electricity bill.

Second proviso | The Board, through a general order, has been empowered to prescribe any person or class of person who shall be liable to pay sales tax to pay Rs. 200,000 per month through their monthly electricity bill.

Section 3(11) | A new sub-section inserted which empowers board to issue notifications in the official gazette notification for integration of any person or class of person to integrate their invoice issuing machine with the Board's Computerize System for real time reporting of sales in specific manner, mode and date as may be prescribed.

Time and manner of payment

[Section 6(5)]

The Federal Government has been empowered to allow, through a notification, the payment of Sales Tax on an installments basis by the Federal or Provincial Governments, or any public sector organization on the import or supply of any goods or class of goods. The facility may be allowed subject to any conditions, limitations and from any previous date, as specified in the notification.

Tax credit not allowed

[Section 8(1)(m)]

Input tax is disallowed on supplies made to unregistered person, on pro-rata basis, for cases where sales tax invoice does not bear invoice particulars as stipulated in section 23 of the Sales Tax Act, 1990. This disallowance has now been limited in case of supplies made to unregistered distributors.

Adjustable input tax

[Section (8B)(1)]

Limitation imposed on input tax adjustment to 90% of its output by including the public limited companies listed in Pakistan Stock Exchange in the purview of section 8B of the Sales Tax Act, 1990 which is currently excluded from this limitation.

Discontinuance of gas and electricity connections

[Section (14AB)]

The Board has been empowered to direct the gas and electricity distribution companies for disconnection of any person utility connection that falls in Tier-1 retailer but, who fail to register for sales tax purpose or notified Tier-1 retailer registered but not integrate with the Board computerize system. The Board shall notify the restoration of utility connection through sales tax general order upon registration or integration by the person.

Tax invoices

[Section 23(1)(b)]

Requirement for availing CNIC/ NTN for supplies by manufacturers & importers to unregistered person has been limited to such supplies made to unregistered distributors.

Alternative Dispute Resolution

[Section 47A]

Section 47A for alternate dispute resolution has been substituted as under:

- (1) Notwithstanding any other provision of the Act, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to:
 - (a) the liability of tax of one hundred million and above against the aggrieved person or admissibility of refund, as the case may be;
 - (b) the extent of waiver of default surcharge and penalty; or
 - (c) any other specific relief required to resolve the dispute;

- may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated.
- (2) The application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute, including an offer of tax payment, from which, the applicant would not be entitled to retract.
 - (3) The Board may, after examination of the application of an aggrieved person, appoint a committee, within forty-five days of receipt of such application in the Board, comprising:
 - (i) Chief Commissioner Inland Revenue having jurisdiction over the case;
 - (ii) person to be nominated by the registered person from a panel notified by the Board comprising –
 - (a) chartered accountants, cost and management accountants and advocates having a minimum of ten years' experience in the field of taxation;
 - (b) officers of the Inland Revenue Service who have retired in BS 21 or above; or
 - (c) reputable businessmen as nominated by Chambers of Commerce and Industry:Provided that the registered person shall not nominate a Chartered Accountant or an advocate if the said Chartered Accountant or the advocate is or has been an auditor or an authorized representative of the registered person; and
 - (d) person to be nominated through consensus by the members appointed under (i) and (ii) above, from the panel as notified by the Board in (ii) above:
Provided that where the member under this clause cannot be appointed through consensus, the Board may nominate a member proposed by the registered person eligible to be nominated as per clause (ii).
 - (4) The aggrieved person, or the Commissioner, or both, as the case may be, shall withdraw the appeal pending before any court of law or an Appellate Authority, after constitution of the committee by the Board under sub-section (3), in respect of dispute as mentioned in subsection (1).
 - (5) The committee shall not commence the proceedings under sub-section (6) unless the order of withdrawal by the court of law or the Appellate Authority is communicated to the Board:
Provided that if the order of withdrawal is not communicated within seventy-five days of the appointment of the committee, the said committee shall be dissolved and provisions of this section shall not apply.
 - (6) The Committee appointed under sub-section (3) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:
Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal under sub-section (5) shall be excluded.
 - (7) The decision by the Committee under sub-section (6) shall not be cited or taken as a precedent in any other case or in the same case for a different tax period.
 - (8) The recovery of tax payable by a registered person in connection with any dispute for which a Committee has been appointed under sub-section (3) shall be deemed to have been stayed on withdrawal of appeal up to the date of decision by the Committee or the dissolution of the Committee whichever is earlier.
 - (9) The decision of the committee under sub-section (6) shall be binding on the Commissioner and the aggrieved person.
 - (10) If the Committee fails to decide within the period of one hundred and twenty days under sub-section (6), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the Appellate Authority which issued the order of withdrawal under sub-section (5) and the appeal shall be treated to be pending before such court of law or the Appellate Authority as if the appeal had never been withdrawn.

- (11) The Board shall communicate the order of dissolution to the court of law or the Appellate Authority and the Commissioner.
- (12) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the Appellate Authority, which shall decide the appeal within six months of the communication of said order.
- (13) The aggrieved person may make the payment of sales tax and other taxes as decided by the committee under sub-section (6) and all decisions, orders and judgments made or passed shall stand modified to that extent.
- (14) The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the member appointed under clause (i) of sub-section (3).
- (15) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.

Sales tax on retail price

[Third Schedule]

PCT heading at Sr. 7 of Third Schedule of the Sales Tax Act, 1990 substituted as under:

Existing			New		
Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
7.	Detergents	3402.2000	7.	Detergents	Respective headings

Sales Tax on retail price

[Third Schedule]

PCT heading at Sr. 32 of Third Schedule of the Sales Tax Act, 1990 omitted:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
32	Fertilizers	Respective heading

Zero rating

[Fifth Schedule]

PCT heading at Sr. 19 of Fifth Schedule of the Sales Tax Act, 1990 omitted:

Sr.	Description
19	Drugs registered under the Drugs Act, 1976 (XXXI of 1976), or medicaments as classified under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except PCT heading 3005.0000

The following entries have been inserted:

Sr.	Description
17.	Fat filled Milk (PCT 1901.9090)
21	Local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions as specified therein.

Exemptions

[Sixth Schedule]

Following two PCT codes/ headings omitted from Table I:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
13	Edible vegetables [imported from Afghanistan] including roots and tubers, [except ware potato and onions], whether fresh, frozen or otherwise preserved (e.g., in cold storage) but excluding those bottled [or] canned	0709.5910, 0709.5990

For the following PCT headings have been substituted in Table I:

Sr.	Description	Existing Heading Nos. of the First Schedule to the Customs Act, 1969	Substituted Heading Nos. of the First Schedule to the Customs Act, 1969
32.	Newsprint and books but excluding brochures, leaflets and directories	4801.0000, 4901.9100, 4901.9990, 4902.1000, 4902.9000 and 4903.0000	Respective Headings
45.	Dextrose and saline infusion giving sets along with empty non-toxic bags for infusion solution, Dextrose and saline infusion giving sets, Artificial parts of the body, Intra-Ocular lenses and Glucose testing equipment	9027.8000	Respective Headings
120.	Diagnostic kits or equipment, namely: - HIV Kits, 4C Es Trionyx, 5C Cell control Lnormal, Bovine precision multi, sera, Pregnancy test, DNA SSP DRB Generic, IC, Reticulocyte count, (control) retic C Control, Kit for vitamin B12, estimation, Ferritin kit, HEV (Hepatitis E virus), ID-DA Cell, Urine Analysis Strips, Albumin beg, Cratinin sysi, Ring, Detektiion cups, ISE Standard, Alkaline phosphatase (Alb), Bilirubin kit, HDL Cholesterol, Ck creatinin kinase (mb), Ck nac, Glucose kit, Ammonia Modular, Lac, Ldh kit (lactate, dehydrogenase kit), Urea uv kit, Ua plus, Tina quant, Crp control, Aslo tin, Proteins, Lipids, HDL/LDL cholesterol, Protein kit, U, Control Sera, Pac Control, HCV, UIBC (Unsaturated iron, binding, capacity), U/CSF, Inorganic Phosphorus kit, Kit, amplicon kit (for PCR), Ige, Lc hsv, Oligo, NA/K/CL, Hcy, Standard [or calibrated], Hla B27, Liss Coombs, Typhoid kit, HCV amp, Urine test strips, Strips for Sugar test, Blood glucose test strips, Kits for automatic cell, separator for collection of platelets, Elisa or Eclia kit, PCR kits, Immunoblast (western blot test), I.C.T. (Immunochromatographic kit), CBC Reagent (For hematology analyzer), Complete blood count reagent	3822.0000	Respective Headings
133.	Pesticides and their active ingredients registered by the Department of Plant Protection under the Agricultural Pesticides Ordinance, 1971(II of 1971), stabilizers, emulsifiers and solvents, namely:-		
	Other organosulphur compounds	2930.9090	Respective headings
	- Ethion, Methamidophos Technical Material		
	- Dimethylsulfoxid		
	Ingredients for pesticides	2931.0010	Respective headings
	Other Ingredients for pesticides	2931.0090	Respective headings
	Ingredients for pesticides	2932.2920	Respective headings
	Ingredients for pesticides	2933.3930	Respective headings
	- Abamectin, Emamectin Technical Material	2941.9050	Respective headings
	Sulphonic acid (Soft)	3402.1110	Respective headings
	Other surface-active agents	3402.1190	Respective headings
	Cationic	3402.1290	Respective headings
	Non ionic surface active agents	3402.1300	Respective headings
	Other organic surface-active agents	3402.1990	Respective headings

The following entry has been updated at Sr. No. 137.

Sr.	Existing Description	Existing Heading Nos. of the First Schedule to the Customs Act, 1969	Sr.	New Description	Substituted Heading Nos. of the First Schedule to the Customs Act, 1969
137.	Paper weighing 60 g/m2 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 and 4802.6990	137.	Paper weighing 60 g/m2 art paper and printing paper, art card for printing of Holy Quran imported by Federal or Provincial Governments and Nashiran-e-Quran as per quota determined by IOCO	4802.5510, 4810.1990, 4810.1910 4802.6990 and 4810.2900

Following new items inserted in Table I:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
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 15 th 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 headings
167.	Goods temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate of customs duty subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969 (IV of 1969).	99.19, 99.20 and 99.21
168.	Fertilizers	Respective headings
169.	Oil cake and other solid residues	2306.1000
170.	Tractor	8701.9220 and 8701.9320
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,	Respective headings
173.	Goods produced or manufactured in and exported from Pakistan which are subsequently imported in Pakistan within one year of their exportation, provided conditions of section 22 of the Customs Act, 1969 (IV of 1969), are complied with.	Respective headings
174.	Machinery and equipment as listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969 (IV of 1969) , subject to the conditions, limitations and restrictions specified thereunder.	Respective Headings

Following item have been omitted from Table II:

Sr.	Description	PCT Heading
11.	Supply of ware potato and onions	0701.9000 and 0703.1000

Following entries have been updated in Table II:

Existing			New		
Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
7.	Breads, vermicillies, nans, chapattis, sheer mal, bun and rusk excluding those sold in bakeries, restaurants, food chains and sweet shops falling in the category of Tier-1 retailers.	Respective headings	7.	Vermicillies, sheer mal, bun and rusk excluding those sold in bakeries and sweet shops falling in the category of Tier-1 retailers.	Respective headings
32.	Yogurt, excluding that sold in retail packing under a brand name	Respective headings	32.	Yogurt, excluding that sold in retail packing under a brand name	Respective heading
45.	Edible vegetables including roots and tubers, except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned.	0701.1000, 0702.0000, 0703.2000, 0703.9000, 0704.1000, 0704.2000, 0704.9000, 0705.1100, 0705.1900, 0705.2100, 0705.2900, 0706.1000, 0706.9000, 0707.0000, 0708.1000, 0708.2000, 0708.9000, 0709.1000, 0709.2000, 0709.3000, 0709.4000, 0709.5100, 0709.5910, 0709.5990, 0709.6000, 0709.7000, 0709.9000, 0710.1000, 0710.2100, 0710.2200, 0710.2900, 0710.3000, 0710.4000, 0710.8000, 0710.9000, 0712.2000, 0712.3100, 0712.3200, 0712.3300, 0712.3900 and 0712.9000	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

Following item have been inserted Table II:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
52.	Raw hides and skins	Respective headings
53.	Prepared food or foodstuff supplied by Restaurants and Caterers	Respective headings
54.	All types of breads, nans and chapattis	Respective headings

Following new items inserted in Table III:

Sr.	Description	PCT Heading	Conditions
22.	1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power Generation through hydel, oil, gas, coal, nuclear and renewable energy sources including under Construction projects entered into an implementation agreement with the Government of Pakistan prior to 15th day of January, 2022. 2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.	Respective Headings	(i) This concession shall also be available to primary contractors of the project upon fulfilment of the following conditions, namely: (a) the contractor shall submit a copy of the contract or agreement under which he intends to import the goods for the project; (b) the Chief Executive or head of the contracting company shall certify in the prescribed manner and format as per Annex-A that the imported goods are the projects bonafide 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 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

Following entry has been amended in Table IV:

Sr.	Description	Existing Heading Nos. of the First Schedule to the Customs Act, 1969	Substituted Heading Nos. of the First Schedule to the Customs Act, 1969
80.	Yogurt	0403.1000	0403.2000

Reduced Rate Subject to Conditions and Limitations

[Eight Schedule]

Following entries omitted from Table I:

Sr.	Description	PCT Heading
25.	Agricultural tractors	8701.9220 and 701.9320
52.	Fertilizers (all types)	Respective headings
75.	Import of electric vehicle in CBU conditions	8703.8090

Rate of sales tax amended for the following entries in Table I:

Sr.	Description	PCT Heading	Existing Rate of Sales Tax	New Rate of Sales Tax
47.	Locally produced coal	27.01	Rs. 425 per metric tonne or 17% ad valorem, whichever is higher	Rs. 700 per metric tonne or 17% ad valorem, whichever is higher
56.	Potassium Chlorate (KClO ₃)	Respective headings	17% along with Rs. 90 per kilogram	17% along with Rs. 60 per kilogram

Following new entries have been made in Table I:

Sr.	Description	PCT Heading	Rate of Sales Tax	Conditions
78.	Supply of locally manufactured articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal.	71.13	3%	No input tax shall be adjusted
79.	Electric vehicle in CBU condition of 50 kwh battery or below	8703.8090	12.5%	
80.	EV transport buses of 25 seats or more in CBU condition	Respective heading	1%	

Sr.	Description	PCT Heading	Rate of Sales Tax	Conditions
81.	Manufacture or import of substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976)	Respective Heading	1%	Subject to the conditions that: (i) Tax charged and deposited by the manufacturer or importer, as the case may be, shall be final discharge of tax in the supply chain (ii) No input tax shall be adjusted by the manufacturer or importer
82.	Active Pharmaceutical Ingredients, excluding excipients, for manufacture of drugs registered under the Drugs Act, 1976 (XXXI of 1976) or raw materials for the basic manufacture of pharmaceutical Active ingredients.	Respective Heading	1%	Subject to the conditions that: (i) DRAP shall certify item-wise requirement of manufacturers of drugs and APIs and in case of import shall furnish all relevant information to Pakistan Customs Computerized System; and (ii) No input tax shall be adjusted by the manufacturer or importer."

Sales Tax Withholding

[Eleventh Schedule]

Following entries substituted in Eleventh Schedule:

S. #	Withholding Agent	Existing		New	
		Supplier Category	Rate or extent of deduction	Supplier Category	Rate or extent of deduction
4.	Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	Persons other than Active Taxpayers	5% of gross value of supplies	Companies excluding companies exporting surgical instruments as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)	5% of gross value of supplies
7.	Registered persons manufacturing lead batteries	Persons supplying any kind of lead under chapter 78 (PCT Headings: 7801.1000, 7801.9100, 7801.9900, 7802.0000, 78.03, 7804.1100, 7804.1900, 7804.2000, 78.05, 7806.0010, 7806.0020, 7806.0090) or scrap batteries under chapter 85 (PCT Headings: 8548.1010, 8548.1090)	75% of the sales tax applicable	Persons supplying any kind of lead under chapter 78 (PCT Headings: 7801.1000, 7801.9100, 7801.9900, 7802.0000, 78.03, 7804.1100, 7804.1900, 7804.2000, 78.05, 7806.0010, 7806.0020, 7806.0090) or scrap batteries under chapter 85 (PCT Headings: Respective headings")	75% of the sales tax applicable
8.	Online market place	Persons other than active taxpayers	2% of gross value of supplies: Provided that the provisions of this entry shall be effective from the date as notified by the Board.		1% of gross value of supplies: Provided that the provisions of this entry shall be effective from the date as notified by the Board.

Levy and Collection of Tax on Specified Goods on Value Addition

[Twelfth Schedule]

The following sub-clause (i) of procedure and condition (2) substituted:

Existing	New
(2) The value addition tax under this Schedule shall not be charged on: (i) Raw materials and intermediary goods imported by a manufacturer for in-house consumption;	(2) The value addition tax under this Schedule shall not be charged on: (i) Raw materials and intermediary goods imported by a manufacturer for in-house consumption excluding compressor scrap (PCT heading 7204.4940), motor scrap (PCT heading 7204.4990) and copper cable cutting scrap (PCT heading 7404.0090)"

2. FEDERAL EXCISE ACT, 2005

Definition

Duty

[Section 2(9)]

The Act excludes fee and service charges for valuation, in respect of any other service or control mechanism provided by any formation under the control of the Board, including ventures of public-private partnership stipulated under section 49 of the Federal Excise Act, 2005, from the definition of duty.

Appointment of Federal Excise Officers and Delegation of Powers

[Section 29(2c)]

The Act substitutes designation of Directorate General of Training and Research with Inland Revenue Services Academy.

Alternative Dispute Resolution

[Section 38]

The Act substitutes section 38 as under:

- (1) Notwithstanding any other provision of the Act, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to:
 - (a) the liability of duty of one hundred million and above against the aggrieved person or admissibility of refund, as the case may be;
 - (b) the extent of waiver of default surcharge and penalty; or
 - (c) any other specific relief required to resolve the dispute;may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated.
- (2) The application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute, including an offer of duty payment, from which, the applicant would not be entitled to retract.
- (3) The Board may, after examination of the application of an aggrieved person, appoint a committee, within forty-five days of receipt of such application in the Board, comprising:
 - (i) Chief Commissioner Inland Revenue having jurisdiction over the case;
 - (ii) person to be nominated by the registered person from a panel notified by the Board comprising:
 - (a) chartered accountants, cost and management accountants and advocates having a minimum of ten years' experience in the field of taxation;
 - (b) officers of the Inland Revenue Service who have retired in BS 21 or above; or
 - (c) reputable businessmen as nominated by Chambers of Commerce and Industry:
Provided that the registered person shall not nominate a Chartered Accountant or an advocate if the said Chartered Accountant or the advocate is or has been an auditor or an authorized representative of the registered person; and
 - (d) person to be nominated through consensus by the members appointed under (i) and (ii) above, from the panel as notified by the Board in (ii) above:
Provided that where the member under this clause cannot be appointed through consensus, the Board may nominate a member proposed by the registered person eligible to be nominated as per clause (ii).

- (4) The aggrieved person, or the Commissioner, or both, as the case may be, shall withdraw the appeal pending before any court of law or an Appellate Authority, after constitution of the committee by the Board under sub-section (3), in respect of dispute as mentioned in subsection (1).
- (5) The committee shall not commence the proceedings under sub-section (6) unless the order of withdrawal by the court of law or the Appellate Authority is communicated to the Board:
Provided that if the order of withdrawal is not communicated within seventy-five days of the appointment of the committee, the said committee shall be dissolved and provisions of this section shall not apply.
- (6) The Committee appointed under sub-section (3) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:
Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal under sub-section (5) shall be excluded.
- (7) The decision by the Committee under sub-section (6) shall not be cited or taken as a precedent in any other case or in the same case for a different period.
- (8) The recovery of tax payable by a registered person in connection with any dispute for which a Committee has been appointed under sub-section (3) shall be deemed to have been stayed on withdrawal of appeal up to the date of decision by the Committee or the dissolution of the Committee whichever is earlier.
- (9) The decision of the committee under sub-section (6) shall be binding on the Commissioner and the aggrieved person.
- (10) If the Committee fails to decide within the period of one hundred and twenty days under sub-section (6), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the Appellate Authority which issued the order of withdrawal under sub-section (5) and the appeal shall be treated to be pending before such court of law or the Appellate Authority as if the appeal had never been withdrawn.
- (11) The Board shall communicate the order of dissolution to the court of law or the Appellate Authority and the Commissioner.
- (12) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the Appellate Authority, which shall decide the appeal within six months of the communication of said order.
- (13) The aggrieved person may make the payment of duty and other taxes as decided by the committee under sub-section (6) and all decisions, orders and judgments made or passed shall stand modified to that extent.
- (14) The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the member appointed under clause (i) of sub-section (3).
- (15) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.

Uniform

[Section 50]

A new section has been enacted to empower the Board to prescribe rules for wearing of uniform by officers and staff of Inland Revenue Services.

Excisable goods

[First Schedule]

The following changes in the Table I have been enacted:

Existing				New			
S. #	Description of Goods	Heading/ sub- heading Number	Rate of Duty	S. #	Description of Goods	Heading/ sub- heading Number	Rate of Duty
8a.	E-liquids by whatsoever name called, for electric cigarette kits.	Respective heading	Rupees ten per ml.	8a.	E-liquids by whatsoever name called, for electric cigarette kits.	Respective heading	Rupees ten thousand per Kg.
8c.	Tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without combustion	2403.9990	Rupees five thousand Two hundred per kg	8c.	Tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without combustion	Respective heading	Rupees five thousand Two hundred per kg
9.	Locally produced cigarettes if their on-pack printed retail price exceeds five thousand nine hundred and sixty rupees per thousand cigarettes.	24.02	Rupees five thousand two hundred per thousand cigarettes	9.	Locally produced cigarettes if their on-pack printed retail price exceeds six thousand six hundred and sixty cigarettes.	24.02	five thousand nine hundred
10.	Locally produced cigarettes if their on-pack printed retail price does not exceed five thousand nine hundred and sixty rupees per thousand cigarettes	24.02	Rupees one thousand six hundred and fifty per thousand cigarettes	10.	Locally produced cigarettes if their on-pack printed retail price does not exceed six thousand six hundred and sixty cigarettes	24.02	One thousand eight hundred and fifty
35	Other Liquefied petroleum Gases and gaseous hydrocarbons	2711.1900	Seventeen rupees and eighteen paisa per hundred cubic meters.	35	Other Liquefied petroleum Gases and gaseous hydrocarbons	2711.1900	Rupees sixty per hundred metric tonne
56.	Filter rod for cigarettes	5502.0090	Rupee one per filter rod	56.	Filter rod for cigarettes	Respective heading	Rupee fifteen hundred per Kg.

Excisable services

[First Schedule]

The Act introduced following changes in the Table II:

Existing				New			
S. #	Description of Goods	PCT Heading	Rate of Duty	S. #	Description of Services	PCT Heading	Rate of Duty
3.	Facilities for travel	98.03	Ten thousand rupees	3.	Facilities for travel	98.03	Fifty thousand rupees
	(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	9803.1000			(b) Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan, - (ii) Club, business	9803.1000	
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.	98.12 (All sub headings)	Sixteen percent of charges	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.	98.12 (All sub headings)	Nineteen and half percent of charges

SECTION 4 FINANCE ACT, 2018 (XXX OF 2018)

In the Finance Act, 2018 (XXX of 2018), for Mobile handset levy the following table has been substituted:

Sr. No	Mobile Phones having C&F Value (US Dollars)	Rate of levy per set in Pak Rupees
1.	Up to 30	100
2.	Above 30 and up to 100	200
3.	Above 101 and up to 200	600
4.	Above 201 and up to 350	1,800
5.	Above 351 and up to 500	4,000
6.	Above 501 and up to 700	8,000
7.	Above 701 and above	16,000

SECTION 5 CAPITAL VALUE TAX 2022

Capital Value Tax 2022 (CVT) has been levied on the following assets at the below rates and limits:

SN	Assets Description	Rate	Applicability	Applicable limits of CVT
1	Motor vehicle	1% of Value	Tax Year 2023	Motor vehicle held in Pakistan where: (i) the engine capacity exceeds 1300 cc; or (ii) in case of electric vehicles, the battery power capacity exceeds 50kwh.
2	Assets held abroad	1% of Value	Tax Year 2022	Foreign assets of a resident individual where the value of such assets on the last day of the tax year in aggregate Rs. 100M
3	Assets or class of assets notified by the Fed. Govt.	Up to 5% of Value		As specified in such notification.

Value of the assets, for the purposes of CVT, shall be determined in the following manner:

Motor vehicle:

- where the vehicle is imported in Pakistan, the import value assessed by the Customs authorities as increased by all duties and taxes leviable at import stage;
- where the vehicle is manufactured or assembled locally in Pakistan, the ex-factory price inclusive of all duties and taxes; or
- where the vehicle is auctioned, the auction value inclusive of all duties and taxes.

The value of the motor vehicle, shall be reduced by 10% for each year from the end of financial year in which the motor vehicle is acquired.

The value shall be treated as zero after 5 years from the end of financial year in which the motor vehicle is imported, sold by local manufactured or auctioned.

Foreign assets mean any movable or immovable assets held outside Pakistan, whether directly or indirectly, and includes but not limited to real estate, mortgaged assets, stock and shares, bank

accounts, bullion, cash, jewels, jewelry, paintings, accounts and loan receivables, assets held in dependents' name, beneficial ownership or beneficial interests or contribution in offshore entities or trusts.

For Foreign Assets, the value shall be:

- the total cost of the foreign assets on the last day of the tax year, in relevant foreign currency converted into Rupees as per exchange rates notified by State Bank of Pakistan for the said day;
- where the cost of foreign asset as provided in paragraph (a) cannot be determined with reasonable accuracy, the fair market value of the asset on the last day of the tax year, in relevant foreign currency converted into Rupees as per exchange rates notified by State Bank of Pakistan for the said day.

In case of **assets notified by Federal Government**, the value shall be as specified in such notification.

CVT shall be collected or paid in following manner:

- the Collector of Customs shall collect tax at the time of import of motor vehicle on the value at the specified rate;
- the provisions of the Customs Act, 1969 (IV of 1969), in so far as relevant, shall apply to the collection and payment of tax;
- local manufacturer or assembler shall collect tax from the buyer of the motor vehicle on the value at the specified rate;
- any person making sale by public auction or auction by a tender of motor vehicle shall collect tax from the person to whom such motor vehicle is sold on the value at the specified rate specified;
- where above clauses (c) or (d) apply, the tax shall be collected at the time of sale or where the payment is made in installments at the time of payment of first installment and the tax collected shall be paid to the credit of the Federal Government through remittance to the Government Treasury or deposit in an authorized branch of the State Bank of Pakistan or the National Bank of Pakistan within seven days of the date of collection:

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

- (f) every motor vehicle registering authority of Excise and Taxation Department at the time of registration of a motor vehicle or transfer of registration shall collect tax on the value of motor vehicle at the rate specified in the First Schedule:

Provided that tax under this clause shall not be collected from the person from whom tax has been collected in respect of same vehicle under this section at the time of:

- (i) import;
- (ii) purchase from local manufacturer or assembler; or
- (iii) auction;

- (g) in case of assets held abroad, the person holding the assets shall be liable to pay tax at the time the income tax return for the tax year is due in the manner prescribed; and

- (h) in case of assets notified by the Federal Government, the tax shall be collected or paid in the manner as specified in such notification.

The provisions of the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002 in so far as relevant, shall apply to the collection, payment, recovery or refund of tax.

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

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

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

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

Where a person fails to pay tax, or to collect tax or fails to pay to the credit of the Federal Government after having collected the tax the person shall be personally liable to pay-

- (a) the amount of tax; and
- (b) the default surcharge at a rate equal to 12% per annum on the tax unpaid computed for the period commencing on the date on which the tax was due and ending on the date on which it was paid.

In case of failure, the officer of Inland Revenue may pass an order after giving the person an opportunity of being heard and proceed to recover the tax under the provisions of the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002 as if the tax were an arrear of income tax.

The Commissioner, on an application by the person, may revise any order.

SECTION 6 ICT (TAX ON SERVICES) ORDINANCE, 2001

Rate of tax

The general rate of tax has been reduced from existing 16% to 15%

Schedule

[Table I]

The following amendments in Table I of the Schedule have been enacted:

S.No.	Existing			New		
	Description	PCT Heading, if applicable	Rate of Tax	Description	PCT Heading, if applicable	Rate of Tax
1	Services provided or rendered by hotels, motels, guest houses, marriage halls and lawns (by whatever name called) including "pandal" and "shamiana" services, clubs including race clubs, and caterers.	9801.1000 9801.3000 9801.4000 9801.5000 9801.6000	Sixteen percent	Services provided or rendered by hotels, motels, guest houses, farmhouses, restaurants, marriage halls, lawns, clubs and caterers. Services provided or rendered by hotels motels, guest houses and farmhouses. Services provided or rendered by restaurants. Services provided or rendered by marriage halls and lawns. Services provided or rendered by clubs. Services provided or rendered by caterers, suppliers of food and drinks	98.01	Fifteen percent

[Table II]

The reduction in the rate of tax for IT services and IT-enabled services from general rate to 5% has been enacted.



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