



2022

HIGHLIGHTS ON
FINANCE
BILL

Highlights on the Finance Bill, 2022

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

Effective date of applicability of these changes will 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 Bill 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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June 11, 2022

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SECTION I BUDGET AT A GLANCE

SOURCES OF FUNDS	2022-23	2021-22	Change
	Rupees in Billion		%
Net Revenue Receipts*	4,904	4,497	9.1
Net Capital Receipts	1996	1,241	60.8
External Receipts	533	1,246	-57.2
Privatization Proceeds	96	252	-61.8
Provincial Surplus	800	570	40.4
Bank Borrowings	1172	681	72.1
Total	9,502	8,487	12.0

Category	2021-22 (%)	2022-23 (%)
Net Revenue Receipts	52%	53%
Net Capital Receipts	15%	21%
External Receipts	15%	6%
Privatization Proceeds	3%	1%
Provincial Surplus	7%	8%
Bank Borrowings	8%	12%

APPLICATION OF FUNDS	2022-23	2021-22	Change
	Rupees in Billion		%
General Public Service incl. others	7,252	6,153	17.9
Defense Affairs and Services	1,523	1,370	11.2
Development Expenditure	727	964	(24.6)
Total	9,502	8,487	12.0

Category	2021-22 (%)	2022-23 (%)
General Public Service incl. others	76%	72%
Defense Affairs and Services	16%	11%
Development Expenditure	11%	16%

*NET REVENUE RECEIPTS	2022-23	2021-22	Change
	Rupees in Billion		%
Tax Revenue	7,004	5,829	20.2
Non-tax Revenue	2,000	2,080	-3.8
Gross Revenue Receipts	9,004	7,909	13.8
Less: Provincial Share in Taxes	4,100	3,412	20.2
Total	4,904	4,497	9.1

Category	2021-22 (%)	2022-23 (%)
Tax Revenue	74%	78%
Non-tax Revenue	26%	22%

SECTION 2 OVERVIEW OF THE ECONOMY

Pakistan economic growth for fiscal year 2021-22 has been recorded at 5.97 percent, compared to 5.74 percent last year. The synchronized monetary-fiscal policy approach after the COVID-19 outbreak has succeeded in stimulating the real economic activity. Specifically, the fiscal-monetary stimulus packages have a cascading effect on growth through a revival in private investment. In addition, the accommodative monetary policy stance in FY2021, focused on the revival of the construction industry. Further, growth momentum was observed on account of broad-based expansion in large-scale manufacturing (LSM) and improved crop production. The sectoral growth turned out to be 4.40 percent for agriculture, 7.19 percent for industry and 6.19 percent for services. National CPI inflation for FY2022 remained higher than last year, recorded at 11.3 percent measured by CPI, against 8.8 percent same time last year. Increase in current account deficit together with a build-up in inflationary pressures in the backdrop of the geopolitical situation (especially the Russia-Ukraine conflict) has created significant challenges for sustainable economic growth. In addition, the recent emergence of domestic conditions (including political instability) is corroding business confidence. Hence, all in all, inflationary and external sector pressures have caused macroeconomic imbalances in the economy.

Following is a synopsis of Pakistan economy during the fiscal year 2021-22:

- Fiscal deficit as a percent of GDP was confined at 3.8 percent as compared to 3.0 percent during same period of last year.
- Net Domestic Assets (NDA) of the banking system observed an expansion of rupees 2,784.8 billion during the period under review compared to an expansion of rupees 652.1 billion during same period last year.
- The Consumer Price Index (CPI) inflation for the period July-May FY2022 was recorded at 11.3 percent against 8.8 percent during the same period last year. The other inflationary indicators like the Sensitive Price Indicator (SPI) were recorded at 16.7 percent against 13.5 percent last year. Wholesale Price Index (WPI) was recorded at 23.6 percent in July-May FY2022 compared to 8.4 percent last year.
- Total imports during July-March FY2022 clocked at US\$ 58.9 billion as compared to US\$ 39.5 billion in the same period last year, showing a growth of 49.1 percent. Export of goods grew by 27.6 percent to US\$ 26.8 billion, whereas services exports grew by 18.2 percent to US\$ 5.8 billion.
- The country's total foreign exchange reserves decreased by US\$ 7.0 billion during Jul-Mar FY2022 and reached US\$ 10.9 billion by end-March 2022.
- Total public debt was recorded at rupees 44,366 billion at end-March 2022. Domestic debt was recorded at rupees 28,076 billion, while external public debt was recorded at rupees 16,290 billion or US\$ 88.8 billion at end-March 2022.
- FDI inflows rose 6.1 percent to US\$ 1.25 billion till February 2022 as against US\$ 1.18 billion last year. In March 2022, net outflow was recorded at 30.4 million on account of political instability and ultimate change of regime. The FDI during Jul-Mar FY2022 declined by 2.0 percent to 1.28 billion as compared to US\$ 1.31 billion same period last year.
- National Savings dropped to 11.1% of GDP in 2021-22 (provisional), compared to 14.1% of GDP in 2020-21.
- As of March 31, 2022, the total number of listed companies on the Pakistan Stock Exchange (PSX) stood at 532, with a total market capitalization of Rupees 7,583 billion. Pakistan stock market's performance has posted a boom-and-bust situation during the first nine months of the current fiscal year. During July-March FY2022, the benchmark KSE-100 index declined from 47,356 points to 44,929 points. During the period under review, the index closed at its highest level of 48,112 points on August 23, 2021.

- The trade deficit grew by 49.6 percent to US\$ 32.9 billion which is historically high, though on the other hand remittances which always supported in easing out the pressure of trade deficit of both goods and services, recorded at US\$ 26.1 billion during July-April FY2022 and posted a growth of 7.6 percent.

Summary of key performance indicators are as follows:

Description	2018-19	2019-20	2020-21	2021-22P
Gross Domestic Product (GDP) – %	3.1	-0.9	5.7	6.0
Total Investment – Growth %	15.5	14.8	14.6	15.1
Consumer Price Index (CPI) – %	6.8	10.7	8.9	11.0
Trade Deficit - % of GDP	8.6	7.0	8.2	8.6
Current Account Deficit - % of GDP	4.2	1.5	0.8	3.6
Total Public Debt to GDP Ratio (as of)	74.7 _{June 19}	76.6 _{June 20}	71.5 _{June 21}	-
Foreign Exchange Reserves – US\$ billion	14.8	17.1	17.6	11.4
Depreciation in Rupee Value against US\$ %	34	11.51	23.58	15.1
International Credit Rating – Moody's	B3 Stable	B3 Stable	B3 Stable	B3 Negative
PSX – 100 Index (%)	9.8	7.4	5.9	-5.1

P = Provisional (various durations)

GROWTH

- Economy of Pakistan recovered strongly in FY2022 and posted increase in GDP by 4 percent over last year's growth, which is not only substantially higher than the previous two years, timely and appropriate policy measures taken by the government helped maintain a V-Shaped economic recovery.
- The economy has shown a strong recovery after being depressed due to the pandemic which resulted in lockdown. For FY2022, real GDP (GVA at basic prices 2015-16) posted a growth of 5.97 percent on account of 4.40 percent growth in Agriculture, 7.19 percent growth in the Industrial sector, and 6.19 percent growth in the Services sector. This growth is slightly above the growth of 5.74 percent recorded for FY2021.
- Services Sector Accounts for 58 percent of GDP. The sector has witnessed a growth of 6.19 percent in current fiscal.
- Performance of Large-Scale Manufacturing (LSM) stood tremendous with 10.4 percent growth during July-March FY2022 as compared to growth of 4.2 percent same period last year. LSM on year-to-year basis grew by 26.6 percent in March FY2022 against 22.5 percent growth in the same month last year.

Description	2018-19 Growth %	2019-20 Growth %	2020-21 Growth %	2021-22P Growth %
Gross Domestic Product (GDP)	3.1	-0.9	5.7	6.0
Agriculture	0.9	3.9	3.5	4.4
Manufacturing	4.5	-7.8	10.5	9.8
Commodity Producing Sector	0.6	-0.6	5.4	5.7
Services Sector	5.0	-1.2	6.0	6.2

P = Provisional

INVESTMENT & SAVING

- Total investment recorded growth of 24.1 percent in FY2022. Fixed investment as percentage of GDP is recorded at 13.4 percent increased from 12.90 percent last year, while Private investment as percentage of GDP at 10 percent remained same as to last year. Public investment as percentage of GDP has increased from 3 percent to 3.4 percent this year.
- National savings shows a decline to 11.1.3 percent of GDP in this fiscal year against 14.1 percent last year.
- The inflows of FDI reached US\$ 1.96 billion during Jul-Mar FY2022 compared to US\$ 2.33 billion million same period last year, declined by 15.6 percent. The outflows of FDI during Jul-Mar FY2022 decreased by 33.2 percent and reached US\$ 682.4 million compared to US\$ 1021.0 million same period last year.

Description	2018-19	2019-20	2020-21	2021-22 P
Total Investment - % of GDP	15.60	14.80	14.60	15.10
Fixed Investment - % of GDP	13.80	13.10	12.90	13.40
Public Investment - % of GDP	3.10	2.80	3.00	3.40
Private Investment - % of GDP	10.70	10.30	10.00	10.00
National Saving - % of GDP	11.30	13.30	14.10	11.10

P = Provisional

CAPITAL MARKETS

- During first three quarters of FY 2022, the performance of stock markets remained volatile. The KSE-100 index showed an encouraging trend from the start of July 2021, which is also evident from the listing of significant number of IPOs. However, the index witnessed a declining trend from 24th February 2022 till end March 2022 due to many reasons including but not limited to rupee value decline, current account deficit and political tension.
- As of March 31, 2022, number of listed companies stood at 532, with total market capitalization of rupees 7,583 billion, while during July 2021 to March 2022, the benchmark KSE-100 index declined from 47,356 points to 44,929 points.
- Though investors are confident that the reforms and development activities introduced by the SECP will not only help the capital markets to regain its momentum but also neutralize the associated risks. However, the performance of Pakistan's capital market will depend on the domestic as well as international economic conditions in the future.

Some of the relevant statistics related to the Karachi Stock Exchange are as follows:

Description	2018-19	2019-20	2020-21	2021-22P
KSE – 100 Index Points	33,766	34,889	47,356	44,929
KSE – 100 Index - Growth %	-19.6	3.2	35.7	-5.1
Aggregate Market Capitalization (Growth %)	-20.5	-18.4	26.6	-8.6
Turnover of Shares (Rs. Billions)	39.9	52.8	49.86	20.07 (D-M)

P = Provisional

(D-M= Dec 2021 to March 2022)

INFLATION

- Average inflation during the current fiscal year has been recorded at 11.3 percent, as against 8.8 percent during last year, this is due to significant increase in the non-perishable food prices, exchange rate depreciation along with rapid increase in global fuel and commodity prices.

Description	2018-19	2019-20	2020-21	2021-22P
CPI (Consumer Price Index)	6.51	11.22	8.8	11.3
Average Food Inflation	4.69	15.09	14.1	-
Average Non-food Inflation	8.07	8.07	8.9	-
SPI (Sensitive Price Index) (Base Year 2015-16=100)	0.9	1.37	13.5	16.7
WPI (Wholesale Price Index) (Base Year 2015-16=100)	0.25	-0.32	8.4	23.6

P = Provisional

BALANCE OF PAYMENTS & RESERVES

- Trade deficit increased by 49.6 percent in July-April FY2022 to US\$ 32.9 billion as compared to US\$ 22.0 billion in the same period last year.
- During July-April FY2022, goods exports grew by 27.6 percent to US\$ 26.8 billion. Around two-thirds of the increase came from the textile sector, especially from the high value-added segment. Services exports grew by 18.2 percent to US\$ 5.8 billion.
- During July-April FY2022, current account posted a deficit of US\$ 13.8 billion compared to a deficit of US\$ 0.5 billion during the same period last year.
- Inflow of remittances in Pakistan has been rising consistently since FY2018 and the trend continued in FY2022 with a growth of 7.6 % and reached \$ 26.1 billion during July-April FY2022.
- The country's total foreign exchange reserves decreased by US\$ 7.0 billion during Jul-Mar FY2022 and reached US\$ 10.9 billion by end-March 2022. Most of the decline was noted in the SBP's reserves, which fell by US\$ 5.9 billion to US\$ 11.4 billion by end-March.
- The interbank PKR-USD exchange rate depreciated 15.1 percent during July-April FY2022.
- The FDI during Jul-Mar FY2022 declined by 2.0 percent to 1.28 billion as compared to US\$ 1.31 billion same period last year.

Some of the relevant statistics related to balance of payments and foreign exchange reserves are as follows:

Description	2018-19 Growth %	2019-20 Growth %	2020-21 Growth %	2021-22P Growth %
Exports	-2.10	-6.81	7.13	26.6
Imports	-6.80	-18.64	13.52	39.0
Workers' Remittances (US\$ in billion)	9.2	6.0	26.2	22.9
Foreign Direct Investment (FDI)	-50.0	31.33	-14.1	-2.0
Total Foreign Exchange Reserves – US\$ in billion	14.48	18.88	24.39	16.4 A

P = Provisional (A: End April 2022, SBP Data)

PUBLIC DEBT

- Total public debt was recorded at rupees 44,366 billion at end-March 2022. Domestic debt was recorded at rupees 28,076 billion, while external public debt was recorded at rupees 16,290 billion or US\$ 88.8 billion at end-March 2022.
- Domestic debt was recorded at rupees 28,076 billion at end-March 2022, registering an increase of rupees 1,811 billion during the first nine months of the current fiscal year.

- During first nine month of current fiscal year, external debt stood at rupees 16,290 billion till Mar 2022 vs rupees 13,601 billion in FY2021

Description	2018-19	2019-20	2020-21	2021-22P
	Growth %	Growth %	Growth %	Growth %
Total Public Debt to GDP Ratio	17.2	2.5	-6.6	-
Depreciation in Value of Rupee against US\$ - %	34	11.51	23.58	15.1
International Credit Rating – Moody	B3 Stable	B3 Stable	B3 Stable	B3 Negative
New Guarantees issued as a percentage of GDP	0.4	0.8	-	-

P = Provisional

SECTION 3 SALIENT FEATURES

Income Tax

Relief measures

1. Substantial tax relief for salaried class, especially those under lower income brackets. Tax saving where annual income is up to Rs. 18.82M.
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. 2.5 Million to Rs. 5 Million.
5. Tax collected at imports stage to be treated as final tax in case of commercial imports.
6. 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.
7. The anomaly that higher tax was being collected on imports of high-end mobiles under CKD/ SKD over CBU has been done away with.
8. Export proceeds of Computer software or IT services or IT Enabled services by PSEB registered 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.
3. Substantial increase in the tax burden for non-salaried individuals and AOPs.
4. Increase in tax rate from 35% to 45% for banking companies.
5. 2% tax for poverty alleviation on high earning taxpayers having income above Rs. 300M.
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:
 - a. money transfer operations;
 - b. card network services;
 - c. payment gateway services; and
 - d. 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 to be 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. Excess of minimum tax amount over the actual tax liability not to be carried forward and adjusted from tax payable for succeeding years.
18. Final tax from commercial importers for items as per Part II of Twelfth Schedule to be increased from 2% to 4%.

Revenue measures

1. Withdrawal of deductible allowance on account of profit on debt.
2. Tax credits for investment in shares, life & health insurance and approved pension funds abolished.

19. Advance taxes applicable related to motor vehicle registration and transfer to be increased substantially.
20. Advance tax also to be collected on registration of Electric Vehicles valuing Rs. 5M or more.
21. Advance tax collection rate doubled from 1% to 2% both in case of sale and purchase of immoveable properties.
22. Advance tax to be collected at a total increased rate of 7% (i.e., proposed new rate of 2%, increased by 250%) on purchase of immoveable property by non-filers.
23. Non-filers to be subjected 6% advance tax at the time of registration of motor vehicles.
24. Advance tax to be collected at 1% of the amount remitted abroad via credit, debit and prepaid cards.
25. Scale of penalties to be increased substantially.
26. Substantial increase in tax rates for banking companies on income from investment in the Federal Government securities.

Other/ regulatory measures

1. The restriction of Rs. 250,000 for payments via banking channels for certain payments not to apply to companies.
2. Expenditure by a company under a single account head which aggregating Rs. 1 Million made other than by digital means from business bank to be disallowed.
3. Payment of salaries exceeding Rs. 25,000 to be allowed by digital means in addition to being made through other banking channels.
4. Disallowance up to 10% for any expenditure attributable to sales by persons required to integrate business with the Board but failing to do so.
5. Citizens of Pakistan not being tax residents of any other country in a tax year to be considered tax resident in Pakistan.
6. 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).
7. 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.
8. The maximum timeframe for an assessment to be amended or further amended under section 122 to be increased from 120 to 180 days.
9. The procedure for alternative dispute resolution to be revisited. Moreover, this channel to be

- applicable only for cases involving tax of Rs. 100M and above.
10. 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.
11. Companies and AOPs to electronically furnish particulars of beneficial owners and to keep these particulars updated.
12. Exemption on withdrawal of accumulated balance from voluntary pension system under Voluntary Pension System Rules, 2005. Whereas, the monthly payments from these plans are to be taxed.

Sales Tax

Relief measures

1. The Bill seeks to withdraw the condition of mentioning the CNIC/ NTN on the invoices where supplies are made to unregistered person.
2. It has been proposed to allow payment of sales tax 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.
3. It has been proposed to exempt import and supply of solar panels.
4. The bill seeks to exempt sales tax on agriculture machinery and seeds.
5. It has been proposed to withdraw sales tax on tractors.
6. Reduction in sales tax is proposed on potassium chlorate from Rs. 90 per kg to Rs. 60 per kg.

Revenue measures

1. It has been proposed to extend the scope of further sales tax to those persons who are not active taxpayer regardless of being registered person in sales tax.
2. The Bill seeks to expand the scope of Tier-1 Retailer by including the persons engaged in supply of articles of jewelry, or part thereof, of precious metals or of metal clad with precious metal.
3. It has been proposed to charge sales tax on retailers as per slab, other than tier-1 retailers through electricity bills, the value of sales tax has also been proposed to be increased.

Federal Excise Duty

Revenue measure

1. The Bill proposed to increase rates of duty on locally produce cigarettes.
2. The Bills seeks to increase the duty value on filter rods for cigarettes which was earlier Rupee one per filter rod to Rupee fifteen hundred per Kg.
3. It has been proposed to increase Federal excise duty on Telecommunication services from existing 16% to proposed 19.5%.
4. The Bill proposes to increase the Federal excise duty imposed on club, business & first-class travel facilities services from Rs. 10,000 to Rs. 50,000.

Customs

Relief Measures

1. Proposed CD & ACD reduction for packaging industry, on various tariff lines pertaining to aluminum, polymers of ethylene, BOPP etc.
2. Reduction in CD and ACD on 10 tariff lines pertaining to direct and reactive dyes for local industry.
3. For agricultural sector and farmers, CD exemption extended further to Farm Mechanization and Logistics including agricultural machinery pertaining to irrigation, drainage, harvesting / post- harvest handling & processing, plant protection equipment as well as machinery, equipment and other capital goods for miscellaneous agro based set ups.
4. For Coating Industry, CD and ACD have been exempted on Aluminum paste and powder and CD and ACD have been reduced on glycerol crude and glycerol.
5. For manufacturers of filters other than automotive, CD and ACD have been reduced on their raw materials i.e., Adhesive, Epoxide resins, Filter media/ paper, Non-woven fabric media and Steel plates / sheets of prime quality.
6. Footwear industry, CDs have been reduced on different categories of other woven fabrics and artificial flowers / foliage of other materials.
7. Exemptions for LED lights and bulbs manufacturers', customs duties have been exempted on import of 05 more items i.e., Aluminum Electrolytic capacitor, SMT Electrical

- Transformer, aluminum alloy sheet, Tantalum capacitors (DIP/SMD) and other inductors, small transformer, coil (DIP/SMD). Furthermore, the scope of exemption has also been extended for the manufacturers of Parts of LED light and Bulbs.
8. For local industry tariff structure on the different tariff lines related to MDF / HDF have been rationalized evenly.
 9. Reduction in CD and ACD rates on import of Plywood, veneered panels & similar laminated wood, poly (methyl methacrylate), cyanoacrylate.
 10. To encourage local manufacturers of brush ware, customs duties have been exempted on import of Poly-butylene terephthalate.
 11. For manufacturers of Optical Fiber Cable CD & ACD on import of Stamping foils have been exempted.
 12. To encourage export-oriented industry, CD and ACD have been exempted on import of Guts, bladders and stomachs of animals etc.
 13. For manufacturers of Dibutyl Orthophthalates, extension in scope of concession on import of organic composite solvents and thinners.
 14. Rationalization of Tariff structure on import of Ivy Leaves extract powders and exemption of CD & ACD on its raw materials i.e., other plants and parts of plants from 3% CD and 2% ACD.
 15. Exemption of customs duties on import of membrane for filtering / purifying water from 16% CD & 4% ACD.
 16. Exemption of customs duties on 03 different raw materials for first aid bandages manufacturing industry from 5%.
 17. Exemption of CD & ACD on import of raw materials of paper sizing industry and chlorinated paraffin wax industry.
 18. Reduction of customs duties on import of flavouring powders for food preparation for snacks manufacturers.
 19. Exemption of CD & ACD on raw materials of aluminum conductor composite core manufacturers.
 20. To keep the prices of medicines stable in the market and to encourage local manufacturing of pharmaceuticals, customs duties have been exempted on 26 more APIs and on one drug "Grafalon".
 21. Customs duties have been exempted on import of Irisvision Device, with its complete components. Irisvision is for low vision individuals of all ages and with this gadget low vision persons can read and write easily.

Other measures

1. It has been proposed to adopt the Harmonized Commodity Description and Coding System (HS) by adopting the same in Pakistan Customs Tariff.
2. The definition of smuggling has been widened to include smuggling of essential commodities out of Pakistan through bordering and coastal areas to curtail smuggling.
3. To facilitate trade and industry, changes have been incorporated to align the provisions of the Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021, providing platform for integration of other government agencies.
4. The timeline to finalize the provisional assessment has been reduced from existing nine months to four months to facilitate trade and avoid delay in realization of government revenue.
5. Powers regarding extension in warehousing period have been delegated to Additional Collector of Customs to facilitate trade by expediting grant of requests for extension.
6. Option to change consignee name in relation to frustrated cargo has been provided to address the issue of port congestion.
7. Pecuniary jurisdiction of Additional Collector and Deputy Collector has been increased to rationalize the workload of adjudicating authorities and quick disposal of legal cases.
8. To reduce the cost of doing business and rationalize fees charged by the terminal operators, enabling provision has been provided for determination of various charges by customs authorities.
9. Provision has been incorporated to indemnify the officers of provincial governments for their actions taken in good faith to prevent the smuggling of essential commodities under the Customs Act, 1969.
6. RD exemption withdrawal on import of High Carbon Wire Rod.
7. To encourage the local manufacturers RD on import of optical fibre cables has been increased from 10% to 20%.

Regulatory Duty

1. Replacement of 10% CD rate on import of motor spirit with 10% RD.
2. Continuation of 20% RD on import of Disodium Carbonate to protect the local industry.
3. RD reduction for vendor industry, on import of case hardening steel from 30% to 20%.
4. Withdrawal of 15% RD on import of Chrome yellow.
5. To protect the local industry 10% RD has been levied on import of other paper, paperboard, cellulose wadding and webs of cellulose fibres.

SECTION 4 INCOME TAX

1. SALARIED INDIVIDUALS

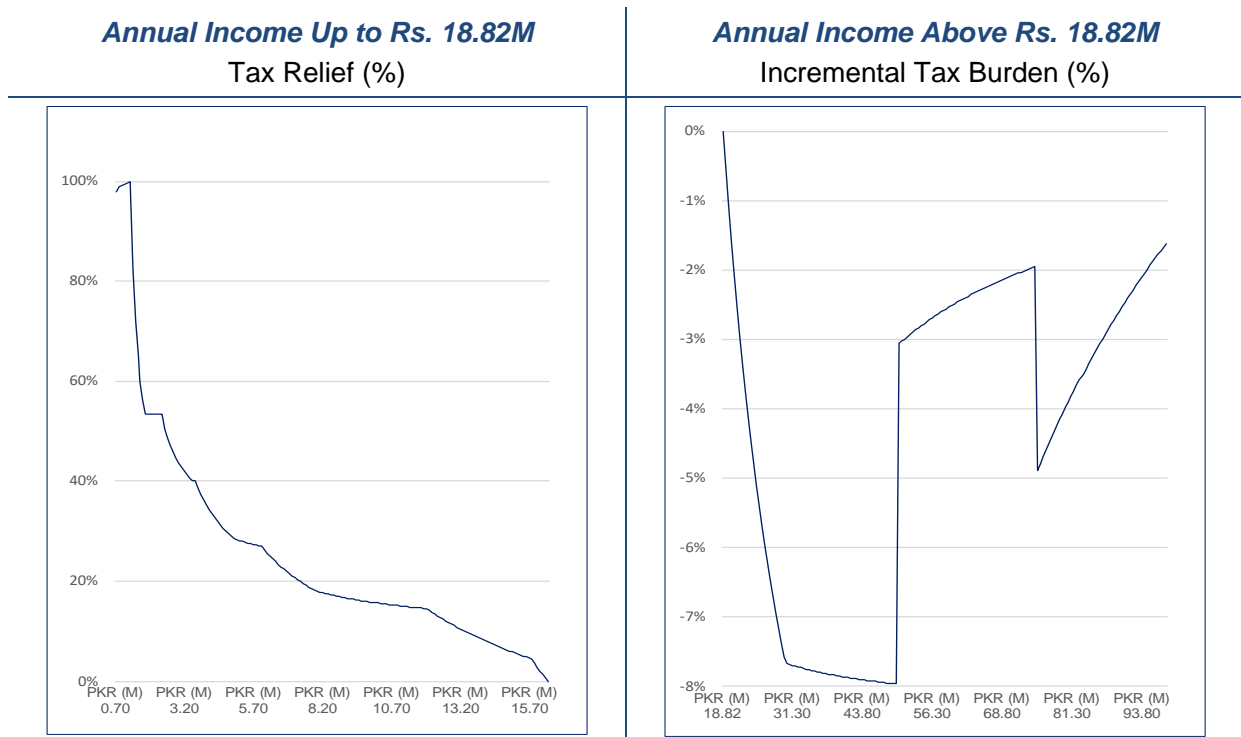
Rate of tax

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

The Bill effectively seeks to relieve the tax burden for salaried individuals in brackets up to Rs.12,000,000 by reducing the tax rates. The below table of rates has been proposed:

Taxable Income (Rs.)		Rate of Tax	
From	To		
Up to 600,000			0.00%
600,001	1,200,000		Rs. 100
1,200,001	2,400,000		7% of the amount exceeding Rs. 1,200,000
2,400,001	3,600,000	Rs.84,000	12.5% of the amount exceeding Rs. 2,400,000
3,600,001	6,000,000	Rs.234,000	17.5% of the amount exceeding Rs. 3,600,000
6,000,001	12,000,000	Rs.654,000	22.5% of the amount exceeding Rs. 6,000,000
Above 12,000,000		Rs.2,004,000	32.5% of the 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.18.82 Million, whereas there is an incremental tax burden on cases with salary above this amount.



Deductible allowance & tax credits

It has been sought to abolish deductible allowance and all existing tax credits available for reducing tax liability.

- 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 63 | Contribution to an approved pension fund

2. NON-SALARIED INDIVIDUALS AND ASSOCIATION OF PERSONS

Rate of tax

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

It has been sought to substantially increase the tax burden for non-salaried individuals and association of persons. The below table of rates has been proposed:

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

3. DEFINITIONS

The following new definitions are proposed to be adopted:

(i) **Beneficial owner**

[Section 2(7A)]

Beneficial owner means a natural person who:

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

(v) **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.]

Type of Company	Existing Rates	Proposed Rates
Small companies	21%	20%
Banking companies	35%	45%
Other companies	29%	29%

5. CHARGE OF TAX

Tax on taxable income

[Section 4]

The Bill seeks to clarify 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.

Tax on high earning persons for poverty alleviation [Section 4C | Div IIB Part 1 First Sch.]

It has been sought to insert a new section 4C, which aims to tax high earning persons, i.e., earning income exceeding Rs. 300M. The proposed section reads as:

- (1) A tax shall be imposed for poverty alleviation at the rates specified in Division IIB of Part I of the First Schedule, on income of every person
- (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, if not included in clause (i);
 - (iii) imputable income as defined in clause (28A) of section 2 excluding amounts specified in clause (i); and
 - (iv) income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under Fourth, Fifth and Seventh Schedules.
- (3) 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 sub-section (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 are proposed as:

<i>Income under section 4C</i>	<i>Rate of tax</i>
Up to Rs. 300 M	0% of the income
Exceeding Rs. 300M	2% of the income

Tax on certain payments to non-residents

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

The Bill seeks to include 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>Proposed 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 (rental) income

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

It has been sought, with effect from tax year 2022, to tax income from immoveable property on deemed basis, whether or not the said property is rented-out for any consideration or not. For this purpose, tax at 20% is to be applied on deemed rental income computed as 5% of fair value of the property. This tax shall, however, not apply to:

- (a) one self-owned immoveable property;
- (b) self-owned business premises from which business is carried out;
- (c) self-owned agriculture land where agriculture activity is carried out by person but does not include farmhouse and land annexed thereto;
- (d) where the fair market value of the property or properties, in aggregate, excluding properties mentioned in clauses (a), (b) and (c) does not exceed Rs. 25 million;
- (e) a Provincial Government, a Local Government, a local authority or a development authority;
- (f) land development and construction projects of builders and developers registered with Directorate General of Designated Non-Financial Businesses and Professions of Board;
- (g) a property which is subject to tax under section 15 of the Ordinance and the tax chargeable is more than tax chargeable under this section. However, in case the tax chargeable under section 15 (Income from Property) is less than the tax chargeable under this proposed section, so much of the amount of tax which is in excess of tax chargeable under section 15 shall be paid as final tax.

It has also been sought that the Federal Government may include or exclude any person or property for the purpose of this proposed tax.

6. INCOME FROM BUSINESS

Deductions not allowed

[Section 21]

The Bill seeks to limit 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.

It has also been sought to enact the clauses (l) and (la) earlier included vide Tax Laws (Third Amendment) Ordinance, 2021 as under:

- Clause (l) | Certain expenditure under single account head exceeding Rs. 250,000 is to be paid via banking channels. It has been proposed that this restriction shall not be applicable to a company.
- Clause (la) | Any expenditure incurred by a company for a transaction under a single account head which aggregates to exceed Rs. 1 Million made other than by digital means from business bank account of the company notified to the Commissioner under section 114A. However, this requirement shall not apply in the case of following utility bills, freight charges, travel fare, postage; and payment of taxes, duties, fee, fines or any other statutory obligation. It has also been sought to empower the Board 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) is proposed to be 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 10% 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 is proposed to be done away with. Likewise, the similar of 50% in case of disposal of these assets has also been proposed to be abolished.

It has also been proposed to increase the monetary threshold of existing Rs. 2.5 Million to Rs. 5 Million in case of passenger transport vehicles not plying for hire.

Initial allowance

[Section 23]

It has been sought to clarify that initial allowance shall not 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 Bill seeks to amend the tax rates for capital gains on disposal of immovable property as under as well to abolish the relief based on holding period:

Existing Rates		Proposed 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.

It has also been proposed to abolish 25% relief on all capital gains arising upon disposal of other capital assets after a holding period of one year.

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 Bill now seeks to abolish 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 Bill now seeks to propose the following rates for tax year 2023 and onwards:

<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%

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 is proposed to be abolished with effect from March 2, 2022.

9. DEDUCTIBLE ALLOWANCES & TAX CREDITS, ETC.

The Bills seeks to abolish 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 63	Contribution to an Approved Pension Fund
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]

It has been sought to clarify that citizens of Pakistan who are not tax residents of any other country in a tax year are to be considered a resident individual in Pakistan.

Principles of taxation of associations of persons [Section 92]

The Bill seeks to clarify 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.]

It has been sought to substitute section 99A 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 have been proposed 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	Rs. 50,000

12. ANTI AVOIDANCE

Recharacterisation of income and deductions

[Section 109(1)(e)]

The Bill seeks to introduce 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 five million Rupees 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 Bill now seeks to enact the 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.

It has also been sought to clarify that a separate notice under section 111 is not 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. The Bill seeks to abolish this concept.

14. RETURNS

Powers to enforce filing of returns

[Section 114B]

The Bill seeks to enact section 114B earlier introduced vide Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021.

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. It has been proposed to increase this timeframe 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. It has now been sought to enhance this timeframe to 180 days.

16. APPEALS

Alternative Dispute Resolution

[Section 134A]

The Bill seeks to substitute 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 Bill now seeks to subject commercial imports to final tax on the basis of tax collected at import stage.

The rate for collection of final tax from commercial importers in respect of items specified in Part II of Twelfth Schedule proposed to be increased from 2% to 4%.

Moreover, it has been sought to do away with 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.

However, the tax collected at imports shall be minimum tax on the income of every person arising from imports of following goods:

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

It has also been sought to empower the adjusted Board with the approval of Minister in-charge 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 proposed to be rationalized for CKD/ SKD and CBU conditions for last two brackets. The proposed updated 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	3,000	5,000
Exceeding 500	5,200	11,500

18. PAYMENTS TO NON-RESIDENTS

[Section 152]

It has been sought to introduce two new sub-sections to section 152 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. EXPORT OF SERVICES

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

The Bill seeks to introduce the following final tax rates for collection of tax from export of services 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
Any other case	1% of proceeds

20. COLLECTION OR DEDUCTION OF WITHHOLDING TAX

Withholding tax on services

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

It has been sought to subject REIT management services and services rendered by National Clearing Company of Pakistan Limited 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 Bills seeks to bring a new concept of Synchronized Withholding Administration and Payment System through newly proposed sections 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 Bill seeks to introduce 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.)	Proposed 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 Bill has been sought to increase the following rates of advance tax based on engine capacity at the time of purchase and registration of Motor Vehicles:

<i>Engine Capacity</i>	<i>Existing Rate (Rs.)</i>	<i>Proposed Rate (Rs.)</i>
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

It also has been sought to collect 3% advance tax on Electric Vehicles where the value of vehicle is Rs. 5 Million 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.]

Advance tax is collectible from sellers upon sale or transfer of immovable property at 1% in case the holding period of property is up to four years. It has now been sought to increase this minimum holding period threshold from four to ten years and increase the rate for collection of advance tax 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 Bill now seeks to adopt the rates table and 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. The Bill seeks to abolish this tax.

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 sought to be 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%. The Bill seeks to abolish this collection.

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. It has now been proposed to reinstate this advance tax at 1% of the amount remitted.

21. 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. It has now been sought to introduce a new proviso 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]

It has been sought to enact section 175B earlier introduced vide Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021. 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.

Audit

[Section 177]

It has been sought to do away with issuance of audit report by Commissioner upon completion of audit before proceeding for amending the assessment order under section 122.

22. TAXPAYER'S REGISTRATION

Record of beneficial owners

[Section 181E]

The Bill seeks that companies and association of persons shall be 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.

23. OFFENCES AND PENALTIES

[Section 182]

Following new offences and penalties are proposed to be 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:
- (i) Rs. 500,000 or
 - (ii) 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.

24. 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. It is proposed to include the below two non-compliances within the list:

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

25. 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. Now it has been sought to give these powers to the Board on retrospective basis.

26. 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. The Bill now seeks 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 Bill seeks to empower the Board to prescribe prize schemes to encourage the general public to make purchases or avail services from integrated enterprises issuing tax invoices. It has also been sought to empower the Board to prescribe procedure for mystery shopping in respect of invoices issued by integrated enterprises randomly.

27. EXEMPTIONS FROM TOTAL INCOME

[Second Schedule Part I]

Exemptions proposed to be granted

Withdrawal of balance from voluntary pension system

[Clause (23A)]

It has been proposed to grant exemption for withdrawal of accumulated balance from voluntary pension system under Voluntary Pension System Rules, 2005.

Income derived by institutions

[Clause (66)]

It has been proposed to grant unconditional exemption from tax on total income to the following institutions:

- (a) Pakistan Mortgage Refinance Company Limited;
- (b) The Pakistan Global Sukuk Programme Company Limited;
- (c) Karandaz Pakistan from tax year 2015 onwards;
- (d) Pakistan Sweet Homes Angles 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.

Extension in period for exemption

CIS, REIT and SPVs

[Clause (99)]

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

Exemptions withdrawn

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

Clause (102A) | *Subsidy by the Federal Government for implementation of any orders on behalf of the Federal Government*

28. REDUCTION IN TAX RATES

[Second Schedule Part II]

Exemptions proposed to be granted

Supply-chain for steel industry

[Clause (24C) | Section 153]

Clause (24C) | Section 153 | It has been sought to enact the reduced rate 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 | It has been sought to enact the reduced rate 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.

29. REDUCTION IN TAX LIABILITY

[Second Schedule Part III]

Enhancement in concession

Bahbood Savings Certificate, Pensioners Benefit Account, etc.

[Clause (6)]

The Bill seeks to further lower 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%.

Exemptions proposed to be 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 any Pakistani airlines presently being taxed at 7.5%

Clause (9A) | 50% reduced rate for Capital Gains on disposal of immovable property on first sale of immovable property allotted to ex-servicemen and serving personal of Armed Forces or ex-employees or serving personnel of Federal and Provincial Governments

30. EXEMPTIONS FROM SPECIFIC PROVISIONS

[Second Schedule Part IV]

Exemptions proposed to be granted

Exemptions from minimum tax u/s 113

[Clause (11A)(xlv)]

The Bill seeks to enact exemption from minimum tax u/s 113 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 cinematographic equipment as notified by the Federal Government.*

Exemptions from collection & deduction of withholding taxes

[Clause (120)]

The Bill seeks to immune the persons mentioned in Table 1 of clause (66) of Part I of the second schedule as recipients of payment 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.

Immunity from audit

[Clause (105A)]

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

31. INSURANCE BUSINESS

[Fourth Schedule]

Tax on high earning persons for poverty alleviation

[Rule 6DA]

It has been sought that insurance companies with income exceeding Rs. 300 Million shall also be subject to tax for poverty alleviation at 2% on income.

32. EXPLORATION AND EXTRACTION OF MINERAL DEPOSITS

[Fifth Schedule]

Tax on high earning persons for poverty alleviation

[Rule 4AB]

The Bills seeks that taxpayers with income exceeding Rs. 300 Million shall also be subject to tax for poverty alleviation at 2% on income.

33. BANKING COMPANIES

Super tax

[Section 4B]

The Bills seeks to enact the extension in the applicability of super tax under section 4B of the Ordinance to all tax years onwards to 2021.

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

Rule (6A) | The Bill seeks to substitute 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. 300 Million proposed to be subject to tax for poverty alleviation at 2% on income.

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

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

Tax on purchase of immoveable property (u/s 236K): The Bill seeks that tax be collected at three and half times on purchase of immoveable property by non-filers.

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

The Bill also seeks to omit collection of taxes at double rate due to proposed omission of sections 236I (Advance tax on educational fee) and 236Q (Advance tax on renting of equipment, etc.).

35. TWELFTH SCHEDULE

PART I | **List of items on which tax at import stage is collected at 1%:** The Bill seeks to insert a new entry for PCT Code 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%:** It has been sought to insert the following new entries:

PCT Code	Description
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.
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.

36. THIRTEENTH SCHEDULE

It has been sought to enact a new 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.

SECTION 5 SALES TAX & FEDERAL EXCISE DUTY

1. SALES TAX ACT, 1990

Definitions

Goods

[Section 2(12)]

The Bill seeks to expand the scope of definition by adding the production, transmission and distribution of electricity for clarification.

Sales tax

[Section 2(29A)]

It has been sought to exclude the scope of sales tax on fee and service charges imposed and collection by Board with approval of Federal Minister-in-charge, by notification as covered under section 76 of the Sales Tax Act, 1990.

Supply

[Section 2(33)(e)]

The Bill seeks to add new sub clause (e) to expand the scope of supplies for the production, transmission and distribution of the electricity as it has also been proposed to add in the definition of goods in section 2(12) of the Sales Tax Act, 1990.

Tier-1 Retailer

[Section 2(43)(ga)]

It has been sought to extend the scope of Tier-1 retailer 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.

Scope of tax

It has been sought to make the following amendments 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(9) | The Bill seeks to refix the rate of sales tax to be collected from retailers by electricity supplier, other than those falling in Tier-1 retailer.

Existing		Proposed	
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

Section 3(9) | The Bill seeks to insert new proviso to empower Board that through a general order it can prescribe any person or class of person who shall be liable to pay sales tax to pay Rupees fifty thousand per month through their monthly electricity bill.

Section 3(11) | Seek to insert new sub section that 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)]

It has been proposed that the Federal Government, through a notification, may allow 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 proposed 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)]

It has been proposed to provide relief by deleting this sub section which earlier disallows the input tax on supplies made to unregistered person, on pro-rata basis, for cases where sales tax invoice do not bear invoice particulars as stipulated in section 23 of the Sales Tax Act, 1990.

Adjustable input tax

[Section (8B)(1)]

The proposed Bill seeks to impose limitation of 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 proposed Bill seeks to empowered the Board 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)]

The Bill seeks to withdraw the requirement to mention CNIC/ NTN number in case of supplies made to unregistered person.

Offences and penalties

[Section (33)]

It has been proposed to amend Serial No.24, by including the requirement of a QR code when issuing an invoice. In addition to this, the Bill also seeks that defacing the prescribed invoice number or barcode or QR code, will be considered an offence.

Sales tax on retail price

[Third Schedule]

The Bill proposes to substitute the PCT heading at Sr. 7 of Third Schedule of the Sales Tax Act, 1990:

Existing			Proposed		
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

Exemptions

[Sixth Schedule]

The Bill proposes to omit following two PCT codes/ headings 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

The Bill proposes to substitute the following amendment in Table I:

Existing		Proposed	
Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	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 [for 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 Bill proposes to substitute the following amendment in Table I:

Existing			Proposed		
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
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

The Bill proposes to insert following new items 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 15th day of January, 2022.	99.01, 99.02, 99.03 and 99.06
164.	Photovoltaic cells whether or not assembled in modules or made up into panels	8541.4200 and 8541.4300
165.	Goods imported by or donated to hospitals run by the non-profit making institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969, (IV of 1969).	99.13 and 99.14,
166.	Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.	Respective headings
167.	Goods temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate of customs duty subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969 (IV of 1969).	99.19, 99.20 and 99.21
168.	Tractor	8701.9220 and 8701.9320
169.	Seeds for sowing	Respective heading
170.	Machinery, equipment and materials imported either for exclusive use within the limits of Export Processing Zone or for making exports therefrom, and goods imported for warehousing purpose in Export Processing Zone, subject to the conditions that such machinery, equipment, materials and goods are imported by investors of Export processing Zones, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (IV of 1969) and rules made thereunder shall mutatis mutandis, apply.	Respective headings

The Bill proposes to omit following items from Table II:

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

The Bill proposes to substitute following items from Table II:

Existing			Proposed
Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	Heading Nos. of the First Schedule to the Customs Act, 1969
32.	Yogurt, excluding that sold in retail packing under a brand name	0403.1000	Respective headings
45.	Edible vegetables including roots and tubers whether fresh, frozen or otherwise reserved (e.g. in cold storage) but excluding those bottled or canned.	0701.1000, 0702.0000, 0703.2000, 0703.9000, 0704.1000, 0704.2000, 0704.9000, 0705.1100, 0705.1900, 0705.2100, 0705.2900, 0706.1000, 0706.9000, 0707.0000, 0708.1000, 0708.2000, 0708.9000, 0709.1000, 0709.2000, 0709.3000, 0709.4000, 0709.5100, 0709.5910, 0709.5990, 0709.6000, 0709.7000, 0709.9000, 0710.1000, 0710.2100, 0710.2200, 0710.2900, 0710.3000, 0710.4000, 0710.8000, 0710.9000, 0712.2000, 0712.3100, 0712.3200, 0712.3300, 0712.3900 and 0712.9000	Respective headings

The Bill proposes to insert following new items in Table II:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
52.	Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal on which tax has been paid at the import stage @ 4%.	71.13
53.	Prepared food or foodstuff supplied by Restaurants and caterers	Respective heading

The Bill proposes to insert following new items in Table III:

Sr.	Description	PCT Heading	Conditions
22.	<p>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.</p> <p>2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.</p>	Respective Headings	<p>(i) This concession shall also be available to primary contractors of the project upon fulfilment of the following conditions, namely:-</p> <p>(a) the contractor shall submit a copy of the contract or agreement under which he intends to import the goods for the project;</p> <p>(b) the Chief Executive or head of the contracting company shall certify in the prescribed manner and format as per Annex-A that the imported goods are the projects bona fide requirement; and</p> <p>(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;</p> <p>(ii) Temporarily imported goods shall be cleared against a security in the form of a post-dated cheque for the differential amount between the statutory rate of sales tax and the amount payable along with an undertaking to pay the sales tax at the statutory rates in case such goods are not re-exported on conclusion of the project.</p>

Reduce Rate Subject to Conditions and Limitations

[Eight Schedule]

The Bill proposes to omit the following entries from Table I:

Sr.	Description	PCT Heading	Rate of Sales tax	Conditions
25.	Agricultural tractors	8701.9220 and 701.9320	5%	
47.	Locally produced coal	27.01	Rs. 425 per metric ton or 17% ad valorem, whichever is higher	Nil
75.	Import of electric vehicle in CBU conditions	8703.8090	12.5%	

The Bill seeks to adopt change in rate of sales tax and condition on the following item in Table I:

S. #	Description	Existing			Proposed		
		PCT Heading	Rate of Sales Tax	Condition	PCT Heading	Rate of Sales Tax	Condition
53.	The following cinematographic equipment imported during the period commencing on the 1st day of July, 2018 and ending on the 30th day of June, 2023. (xvi) Steplights	9405.4090	5%	Subject to same limitations and conditions as are specified in Part-1 of Fifth Schedule to the Customs Act, 1969 for availing 3% concessionary rate of customs duty on the import of these equipment.	Respective headings	5%	Subject to same limitations and conditions as are specified in Part-1 of Fifth Schedule to the Customs Act, 1969 for availing 3% concessionary rate of customs duty on the import of these equipment.
56.	Potassium Chlorate (KClO ₃)	Respective headings	17% along with rupees 90 per kg	Import and supply thereof. Provided that rate of rupees 90 per kilogram shall not apply on imports made by and supplies made to organizations under the control of Ministry of Defense production.	Respective headings	17% along with rupees 60 per Kg	Import and supply thereof. Provided that rate of rupees 60 per kilogram shall not apply on imports made by and supplies made to organizations under the control of Ministry of Defense production.

It has been sought to insert the following new entries in Table I:

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

Sales Tax Withholding

[Eleventh Schedule]

The Bill seeks to substitute the following in Eleventh Schedule:

S. #	Withholding Agent	Existing		Proposed	
		Supplier Category	Rate or extent of deduction	Supplier Category	Rate or extent of deduction
53.	Registered persons manufacturing lead batteries	8548.1010, 8548.1090	75% of the sales tax Applicable".	Respective headings	75% of the sales tax Applicable".

Levy and Collection of Tax on Specified Goods on Value Addition

[Twelfth Schedule]

The Bill proposes to substitute following sub-clause (i) of procedure and condition (2):

Existing	Proposed
<p>(2) The value addition tax under this Schedule shall not be charged on, —</p> <p style="padding-left: 20px;">(i) Raw materials and intermediary goods imported by a manufacturer for in-house consumption;</p>	<p>(2) The value addition tax under this Schedule shall not be charged on, —</p> <p style="padding-left: 20px;">(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)"</p>

2. FEDERAL EXCISE ACT, 2005

Definition

Duty

[Section 2(9)]

The Bill proposes to exclude 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 Bill seeks to substitute designation of Directorate General of Training and Research with Inland Revenue Services Academy.

Uniform

[Section 50]

It has been proposed to insert a new section to empower the Board to prescribe rules for wearing of uniform by officers and staff of Inland Revenue Services.

Excisable goods

[First Schedule]

The Bill proposes following changes in the Table I:

Existing				Proposed			
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.
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 five thousand nine hundred and sixty rupees per thousand cigarettes.	24.02	Rupees five thousand six hundred per thousand cigarettes
10.	Locally produced cigarettes if their on-pack printed retail price does not exceed five thousand nine hundred and sixty rupees per thousand Cigarettes	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 five thousand nine hundred and sixty rupees per thousand cigarettes	24.02	Rupees one thousand eight hundred and fifty per thousand cigarettes
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 Bill proposes following changes in the Table II:

Existing				Proposed			
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 6 CUSTOMS DUTY

1. DEFINITIONS

Bordering and coastal areas

[Section 2(bbc)]

It has been sought to include a new clause to define bordering and coastal areas which means all districts located along international borders including coastal areas of Pakistan, notified as such by Provincial Governments.

Documents

[Section 2(kka)]

The Bill seeks to amend in the definition of the documents to include standardized information and documents lodged with a single entrypoint through Pakistan Single Window, in order to align Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021.

Essential commodities

[Section 2(kkd)]

It has been proposed to insert a new clause to define essential commodities to mean those items availability of which is considered vital for domestic use or consumption, as notified by the Board, from time to time, in consultation with the concerned ministries.

Other government agencies

[Section 2(oa)]

The Bill proposes to include and define other government agencies to mean as defined under the clause (n) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021 (III of 2021), in order to align Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021.

Pakistan Single Window

[Section 2(pb)]

The Bill proposes to include Pakistan Single Window to mean as defined under the clause (m) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021 (III of 2021), in order to align Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021.

Risk Management System

[Section 2(qb)]

The Bill seeks to include the word Trade controls in the systematic application of Customs Controls and Management Procedures, in order to align Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021.

Smuggle

[Section 2(s)]

The Bill seeks to include a new sub-clause 'Essential Commodities', as notified by the Board to cover the same in the definition of smuggling.

Trade controls

[Section 2(sa)]

The Bill proposes to include trade controls to mean as defined under the clause (x) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021 (III of 2021).

Un-authorized access

[Section 2(sb)]

The Bill proposes to include un-authorized access definition to mean as defined under the clause (y) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021 (III of 2021).

2. PAKISTAN CUSTOMS ACADEMY (PCA)

[Section 3C]

The Bill seeks to replace the heading of Directorate General of Training and Research to be Pakistan Customs Academy (PCA).

3. GENERAL POWER TO EXEMPT FROM CUSTOMS-DUTIES

[Section 19]

It has been proposed to replace the year 2022 with 2023 in General Power to exempt from customs duties to provide continuity to the notifications earlier issued so that they may remain effective in the next fiscal year.

4. POWER TO DELIVER CERTAIN GOODS WITH-OUT PAYMENT OF DUTY AND TO REPAY DUTY ON CERTAIN GOODS

[Section 21]

The Bill seeks to exclude the expression “or for supplies against international tenders”, from clause c of the above section”.

5. PROVISIONAL DETERMINATION OF LIABILITY

[Section 81]

The Bill proposes to reduce the time limit of determination of provisional duty, taxes and charges from existing “six months” to 90 days, where any goods are allowed to be cleared or delivered on the basis of provisional determination.

Further it has also been proposed to reduce the time limit from existing 90 days to 30 days for extending the proposed period of 90 days by Collector of Customs or by Director of Valuation, in circumstances of exceptional nature and after recording such circumstances.

6. PERIOD FOR WHICH GOODS MAY REMAIN WAREHOUSED

[Section 98]

The Bill seeks to facilitate the trade by expediting grant of request for extension in warehousing period from current total of six month to seven months – 1 month by Additional Collector Customs 6 months by the Collector of Customs.

7. FRUSTRATED CARGO HOW DEALT WITH

[Section 138]

Currently where any goods are brought into a customs-station by reason of inadvertence, misdirection or untraceability of the consignee, or where consignee has dishonored his commitments an officer of Customs not below the rank of Additional Collector of Customs may, on application by the person-in-charge of the conveyance which brought such goods or of the consignor of such goods and subject to rules, allow export of such goods without payment of any duties (whether of import or export) chargeable thereon, provided that such goods have remained and are exported under the custody of an officer of customs.

Bill now seeks to also allow the change of consignee name for clearance upon payment of duties and fulfilling the conditions under section 79.

8. PUNISHMENT FOR OFFENCES

[Section 156 (1)]

Table | Serial 8.(i) The Bill proposes to broaden the scope of the offence related to smuggled goods by including the ‘essential commodities’ if smuggled within the purview of the offence.

Further the Bill seeks to add the following new S.No. and entries related thereto:

S.No. 105	Offences	Penalties
(i)	Un-authorized access to information, data or personal details of registered user of Pakistan Single Window system or systems connected or ancillary thereto;	Imprisonment which may extend up to six months or with fine which may extend to one hundred thousand rupees or with both.

S.No. 105	<i>Offences</i>	<i>Penalties</i>
(ii)	Un-authorized copy, transmission or cause to transmit any data, information or detail in relations to Pakistan Single Window system or systems connected or ancillary thereto;	Imprisonment which may extend up to six months or with fine which may extend to one hundred thousand rupees or with both.
(iii)	Un-authorized interference, or attempt to interfere, damage or attempt to damage any part of whole of the Pakistan Single Window system or data or system connected to or ancillary thereto;	Imprisonment which may extend to three years or fine which may extend to five hundred thousand rupees or with both.
(iv)	Use of any information system, device or data to make any illegal claim or title or cause any person to part with property or to enter into any express or implied contract or intent to commit fraud by any input, alteration, deletion or suppression of data, resulting in unauthentic data with the intent that such data be considered or acted upon for legal purpose, as if it were authentic in relations to Pakistan Single Window system or Systems connected or ancillary thereto;	Imprisonment which may extend to four years or fine which may extend to one million rupees or with both.
(v)	Use, make, supply, retain, obtain device, system or software for offences under section 13 of the Pakistan Single Window Act, 2021;	Imprisonment which may extend to six months or with fine which may extend to one hundred thousand rupees or with both.
(vi)	Obtain, sell, process, use or transmit another person's Unique User Identifier or make an attempt thereof without authorisation;	Imprisonment which may extend to four years and fine which may extend to one million rupees or with both.
(vii)	Tamper with or attempt to tamper with, alter, re-programme any Pakistan Single Window system or system connected or ancillary thereto for un-authorized use;	Imprisonment which may extend to 4 years and fine which may extend up to one million rupees or with both and any devices or systems used in offence shall be liable to confiscation.
(viii)	Write, offer, make available, distribute or transmit a malicious code or abet in the same, with intent to cause harm to Pakistan Single Window system or data resulting in or intending to result in corruption, destruction, alteration, suppression, theft or loss to the Pakistan Single Window system or data, or any attempt thereof.	Imprisonment for a term which may extend to four years and fine which may extend to five million rupees or with both.

9. EXTENT OF CONFISCATION [Section 157(2)]

Every conveyance of whatever kind used in the removal of any goods liable to confiscation has now been proposed not to be confiscated by removing the second proviso to the extent of confiscation.

10. POWER TO STOP AND SEARCH CONVEYANCES [Section 164(3)]

It has been proposed to add a new proviso to restrict stop and search operations and related actions to restrict smuggled goods, in case of essential commodities other than bordering and coastal areas.

11. PROCEDURE IN CASE OF SEIZURE OF ESSENTIAL COMMODITIES [Section 170(a)]

The Bill seeks to insert this section to define the procedure for seizure of essential commodities, where in case of seizure of essential commodities, as notified by the Board, such seized goods shall be deposited in the nearest custom-house or the nearest place appointed by the Collector of Customs, as the case may be, for deposit of goods so seized.

12. POWER OF ADJUDICATION [Section 179]

It has been sought to enhance the jurisdiction and powers of the officers of Customs in terms of amount of duties and other taxes involved, excluding the conveyance. Existing & proposed limits are as below:

<i>Existing</i>	<i>Proposed</i>
Additional Collector - not exceeding three million rupees	Additional Collector - not exceeding five million rupees
Deputy Collector - not exceeding one million rupees	Deputy Collector - not exceeding two million rupees

13. REFERENCE TO HIGH COURT [Section 196]

For filing the reference to the honorable High Court, it has been proposed to also empower an officer of Customs, along with the existing Collector or Director of Intelligence and Investigation, or Director of Valuation.

14. WHARFAGE OR STORAGE FEES [Section 203]

The Bill seeks to substitute existing sub section with below:

(1) The Collector of Customs may from time to time fix the period after the expiration of which goods left in any custom-house, customs area, wharf or other authorised landing place or part of the custom-house

premises, shall be subject to payment of fees, and the amount of such fees, as provided under the rules prescribed by the Board.

(2) The Collector of Customs may from time to time fix the port charges on import and export of goods for services rendered by terminal operators, as provided under the rules prescribed by the Board.

(3) The Collector of Customs having jurisdiction may from time-to-time fix charges, fees for storing of seized and confiscated goods, vehicles etc. in declared State warehouse.

15. PROTECTION OF ACTION TAKEN UNDER THE ACT

[Section 217]

The Bill seeks to add “or the Provincial Government” after the word “Government”, to protect the actions taken by the officers of the Provincial Government.

16. FIRST SCHEDULE

1. The Bill seeks to increase customs duty from existing 0% to proposed 11% on the following:

PCT CODE	DESCRIPTION
5402.4800	-- Other, of polypropylene
5402.5300	-- Of polypropylene
5402.6300	-- Of polypropylene
5404.1200	-- Other, of polypropylene
5503.4000	- Of polypropylene
5506.4000	- Of polypropylene

2. The Bill seeks to increase customs duty from existing 0% to proposed 3% on the following:

PCT CODE	DESCRIPTION
8462.4900	-- Other

3. The Bill seeks to decrease customs duty from existing 3% to proposed 0% on the following:

PCT CODE	DESCRIPTION
0504.0000	Guts, bladders and stomachs of animals
1211.9000	- Other
3204.1110	--- Powdered
3204.1710	--- Powdered
3212.9010	--- Aluminum paste and powder

4. The Bill seeks to decrease customs duty from existing 11% to proposed 3% on the following:

PCT CODE	DESCRIPTION
2710.1995	--- Liquid paraffin
3901.1000	- Polyethylene having a specific gravity of less
3901.2000	- Polyethylene having a specific gravity of 0.94
3901.3000	- Ethylene- Vinyl acetate copolymers
3901.4000	- Ethylene-alpha-olefin copolymers, having a
3901.9000	- Other
3902.1000	- Polypropylene
3902.2000	- Polyisobutylene
3902.3000	- Propylene copolymers
3902.9000	- Other
7606.9190	--- Other

5. The Bill seeks to decrease customs duty from existing 11% to proposed 0% on the following:

PCT CODE	DESCRIPTION
2710.1210	--- Motor spirit
7606.1100	-- Of aluminum, not alloyed
7606.1200	-- Of aluminum alloys

6. The Bill seeks to decrease customs duty from existing 16% to proposed 11% on the following:

PCT CODE	DESCRIPTION
3204.1190	--- Other
3204.1200	-- Acid dyes, whether or not premetallised, and
3204.1400	-- Direct dyes and preparations based thereon
3204.1600	-- Reactive dyes and preparations based thereon
3204.1790	--- Other
3204.1910	--- Dyes, sulphur
3906.9010	--- Cyanoacrylate

PCT CODE	DESCRIPTION
4411.9200	-- Of a density exceeding 0.8 g/cm2
4411.9310	--- Not mechanically worked or surface covered
4411.9390	--- Other
4411.9400	-- Of a density not exceeding 0.5 g/cm2
7606.9290	--- Other

7. The Bill seeks to decrease customs duty from existing 20% to proposed 16% on the following:

PCT CODE	DESCRIPTION
2905.4500	-- Glycerol
3204.2000	- Synthetic organic products of a kind used as
3204.9000	- Other
3505.2010	--- Starch based glues
3701.3090	--- Other
3823.1100	-- Stearic acid
3920.1000	- Of polymers of ethylene
3920.2010	--- Biaxially Oriented Polypropylene (BOPP)
3920.2020	--- Biaxially Oriented Polypropylene (BOPP)
3920.2030	--- Biaxially Oriented Polypropylene (BOPP)
3920.2040	--- Biaxially Oriented Polypropylene (BOPP)
3920.2090	--- Other
3920.4990	--- Other
3920.5100	- Of poly (methyl methacrylate)
3920.6200	- Of poly (ethylene terephthalate)
3920.6310	--- Polyester rigid film
3920.6900	- Of other polyesters
4412.1000	- Of bamboo
4412.3100	-- With at least one outer ply of tropical wood
4412.3300	-- Other, with at least one outer ply of non-
4412.3400	-- Other, with at least one outer ply of non-
4412.3900	-- Other, with both outer plies of coniferous wood
4412.9900	-- Other, with both outer plies of coniferous wood
4804.1900	-- Other
4805.1100	-- Semi-chemical fluting paper
4805.1900	-- Other
4805.2400	-- Weighing 150 g/ m ² or less
4806.4090	--- Other
4809.9000	- Other
4811.5100	-- Bleached, weighing more than 150 g/m ²
4819.1000	- Cartons, boxes and cases, of corrugated paper
4819.2000	- Folding cartons, boxes and cases, of non
4823.6900	-- Other
4823.9090	--- Other
7607.1100	-- Rolled but not further worked
7607.1990	--- Other:
7607.2000	- Backed

17. FIFTH SCHEDULE

The Fifth Schedule to the Customs Act, 1969 is sought to be fully substituted with the proposed Fifth schedule.

SECTION 7 FINANCE ACT, 2018 (XXX OF 2018)

In the Finance Act, 2018 (XXX of 2018), for Mobile handset levy the following table has been proposed to be 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 8 CAPITAL VALUE TAX 2022

It has been proposed to levy Capital Value Tax 2022 (CVT) on the following assets at the below rates and limits:

S No.	Assets/ Description	Rate	Applicable limits of CVT
1	Motor vehicle	2% of the value	motor vehicle held in Pakistan where the value of motor vehicle exceeds rupees five million.
2	Assets held abroad	1% of the value	assets of a resident individual, whether movable or immovable, held abroad where the value of such assets exceeds rupees one hundred million.
3	Assets or class of assets notified by the Federal Government	To be notified	as specified in such notification.

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

Motor vehicle:

- a. where the vehicle is imported in Pakistan, the import value assessed by the Customs authorities as increased by customs duties;
- b. where the vehicle is manufactured or assembled locally in Pakistan, the value at which the motor vehicle is sold by the local manufacturer or assembler;
- c. where the vehicle is auctioned, the auction price; or
- d. in any other case, the total consideration paid to acquire, alter or improve the vehicle;

The value of the motor vehicle, shall be reduced by ten percent for each year from the end of financial year in which the motor vehicle is acquired. Provided that the value shall be treated as zero:

- a. after ten years from the end of financial year in which the motor vehicle is acquired; or
- b. where the value after reduction as mentioned in this clause, is less than or equal to rupees five million;

Assets held abroad, the value shall be the higher of-

- a. the total consideration paid to acquire, alter or improve the asset; or
- b. the fair market value of the asset;

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:

- a. the Collector of Customs shall collect CVT at the time of import of motor vehicle on the import value as increased by customs duties;
- b. the provisions of the Customs Act, 1969 (IV of 1969), in so far as relevant, shall apply to the collection and payment of CVT;
- c. Local manufacturer or assembler shall collect CVT from the buyer of the motor vehicle on sale value;
- d. any person making sale by public auction or auction by a tender of motor vehicle shall collect CVT from the person to whom such motor vehicle is sold on the sale value 'auction price' of motor vehicle;
- e. where clauses (c) or (d) apply, the tax shall be collected at the time of sale or where the payment is made in installments at the time of payment of first installment and the CVT 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 CVT 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 CVT is collected;
- f. Every motor vehicle registering authority of Excise and Taxation Department at the time of collecting motor vehicle tax shall also collect CVT on the value of motor vehicle. Provided that CVT under this clause shall not be collected from the person in the financial year in which CVT has been paid

or collected from the said person under this section at the time of-

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

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-

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

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

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

The provisions of the Income Tax Ordinance, 2001 (XLIX of 2001) and the Income Tax Rules, 2002 in so far as relevant, shall apply to the

collection and recovery of CVT under this section.

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

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

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

SECTION 9 ICT (TAX ON SERVICES) ORDINANCE, 2001

Scope of tax

[Section 3(1A)]

The Bill proposes following changes in the Table I:

S.No.	Existing			Proposed		
	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

It has been proposed to reduce the rate of tax in Table I:

S.No.	Description	PCT Heading, if applicable	Rate of Tax	
			Existing	Proposed
2	Advertisement on television and radio, excluding advertisements— (a) sponsored by an agency of the Federal or Provincial Government for health education; (b) sponsored by the Population Welfare Division relating to educational promotion campaign; (c) financed out of funds provided by a Government under grant-in-aid agreement; and (d) conveying public service messages, if telecast on television by the World-Wide Fund for Nature (WWF) or United Nations Children's Fund (UNICEF)	9802.1000 and 9802.2000	Sixteen percent	Fifteen percent
3	Services provided by persons authorized to transact business on behalf of others— (a) stevedore; (b) customs agents; and (c) ship chandlers.	9805.2000 9805.4000 and 9805.8000	Sixteen percent	Fifteen percent
4	Courier services and cargo services by road provided by courier companies;	9808.0000 9804.9000	Sixteen percent	Fifteen percent
5	Construction services, excluding: (i) construction projects (industrial and commercial) of the value (excluding actual and documented cost of land) not exceeding Rs. 50 million per annum. (ii) the cases where sales tax is otherwise paid as property developers or promoters. (iii) Government civil works including Cantonment Boards. (iv) construction of industrial zones, consular buildings and other organizations exempt from income tax.	9824.0000 and 9814.2000	Sixteen percent	Fifteen percent

S.No.	Description	PCT Heading, if applicable	Rate of Tax	
			Existing	Proposed
	(v) construction work under international tenders against foreign grants-in-aid. (vi) Residential construction projects where the covered area does not exceed 10,000 square feet for houses and 20,000 square feet for apartments			
7	Services provided by persons engaged in contractual execution of work, excluding: (i) annual total value of the contractual works or supplies does not exceed Rs.50 million; (ii) the contract involving printing or supplies of books.	9809.0000	Sixteen percent	Fifteen percent
8	Services provided for personal care by beauty parlours, clinics and slimming clinics, body massage centres, pedicure centres; including cosmetic and plastic surgery by such parlours/clinics, but excluding: (i) annual turnover does not exceed Rs.3.6 million; or (ii) the facility of air-conditioning is not installed or available in the premises.	9810.0000 9821.4000 and 9821.5000	Sixteen percent	Fifteen percent
9	Management consultancy services	9815.4000, 9819.9300	Sixteen percent	Fifteen percent
10	Services provided by freight forwarding agents, and packers and movers.	9805.3000, 9819.1400	Sixteen percent or Rs. 400 per Bill of lading, whichever is higher	Fifteen percent or Rs. 400 per Bill of lading, whichever is higher
11	Services provided by software or IT-based system development consultants.	9815.6000	Sixteen percent	Fifteen percent
12	Services provided by technical, scientific and engineering consultants	9815.5000	Sixteen percent	Fifteen percent
13	Services provided by other consultants including but not limited to human resource and personnel development services; market research services and credit rating services.	9815.9000 9818.3000 9818.2000	Sixteen percent	Fifteen percent
14	Services provided by tour operators and travel agents including all their allied services or facilities (other than Hajj and Umrah)	9805.5100 9805.5000 9803.9000	Sixteen percent	Fifteen percent
15	Manpower recruitment agents including labour and manpower supplies.	9805.6000	Sixteen percent	Fifteen percent
16	Services provided by security agencies.	9818.1000	Sixteen percent	Fifteen percent
17	Services provided by advertising agents	9805.7000	Sixteen percent	Fifteen percent
18	Share transfer or depository agents including services provided through manual or electronic book-entry system used to record and maintain securities and to register the transfer of shares, securities and derivatives.	9805.9000	Sixteen percent	Fifteen percent
19	Business support services.	9805.9200	Sixteen percent	Fifteen percent
20	Services provided by fashion designers, whether relating to textile, leather, jewellery or other product regimes, including allied services, marketing, packing, delivery and display, etc.	9819.6000	Sixteen percent	Fifteen percent
21	Services provided by architects, town planners and interior decorators.	9814.1000 9814.9000	Sixteen percent	Fifteen percent
22	Services provided in respect of rent a car.	9819.3000	Sixteen percent	Fifteen percent
23	Services provided by specialized workshops or undertakings (auto-workshops; workshops for industrial machinery, construction and earth- moving machinery or other special purpose machinery etc.; workshops for electric or electronic equipments or appliances etc.	98.20	Sixteen percent	Fifteen percent

S.No.	Description	PCT Heading, if applicable	Rate of Tax	
			Existing	Proposed
	Including computer hard ware; car washing or similar service stations and other workshops).			
24	Services provided for purposes including fumigation services, maintenance and repair (including building and equipment maintenance and repair including after sale services) or cleaning services, janitorial services, dredging or de-silting services and other similar services etc.	98.22	Sixteen percent	Fifteen percent
25	Services provided by underwriter, indenters, commission agents including brokers (other than stock) and auctioneers	9819.1100, 9819.1200, 9819.1300 and 9819.9100	Sixteen percent	Fifteen percent
26	Services provided by laboratories other than services relating to pathological or diagnostic tests for patients.	98.17	Sixteen percent	Fifteen percent
27	Services provided by health clubs, gyms, physical fitness centres, indoor sports and games centres and body or sauna massage centres	9821.1000 and 9821.2000 9821.4000	Sixteen percent	Fifteen percent
28	Services provided by laundries and dry cleaners.	9811.0000	Sixteen percent	Fifteen percent
29	Services provided by cable TV operators	9819.9000	Sixteen percent	Fifteen percent
30	Technical analysis and testing services	9819.9400	Sixteen percent	Fifteen percent
31	Services provided by TV or radio program producers or production houses.	--	Sixteen percent	Fifteen percent
32	Transportation through pipeline and conduit services.	--	Sixteen percent	Fifteen percent
33	Fund and asset (including investment) management services.	--	Sixteen percent	Fifteen percent
34	Services provided by inland port operators (including airports and dry ports) and allied services provided at ports and services provided by terminal operators including services in respect of public bonded warehouses, excluding the amounts received by way of fee under any law or by-law.	--	Sixteen percent	Fifteen percent
35	Technical inspection and certification services and quality control (standards' certification) services	--	Sixteen percent	Fifteen percent
36	Erection, commissioning and installation services.	--	Sixteen percent	Fifteen percent
37	Event management services	--	Sixteen percent	Fifteen percent
38	Valuation services; competency and eligibility testing services excluding education testing services provided or rendered under a bilateral or multilateral agreement signed by the Government of Pakistan],	--	Sixteen percent	Fifteen percent
39	Exhibition or convention services	--	Sixteen percent	Fifteen percent
40	Services provided in respect of mining of minerals, oil & gas including related and allied activities	--	Sixteen percent	Fifteen percent
41	Services provided by property dealers and realtors.	--	Sixteen percent	Fifteen percent
42	Call centres.	--	Seventeen per cent	Fifteen percent
43	Services provided by car/ automobile dealers.	--	Sixteen percent	Fifteen percent
44.	Advertisement on hoarding boards, pole signs and signboards, and websites or internet	9802.9000	Sixteen percent	Fifteen percent

S.No.	Description	PCT Heading, if applicable	Rate of Tax	
			Existing	Proposed
45.	Services provided by landscape designers	9814.4000	Sixteen percent	Fifteen percent
46.	Sponsorship services	9805.9100	Sixteen percent	Fifteen percent
47.	Services provided or rendered by legal practitioners and consultants	9815.2000	Sixteen percent	Fifteen percent
48.	Services provided by accountants and auditors	9815.3000	Sixteen percent	Fifteen percent
49.	Service provided or rendered by Stockbrokers, future brokers and commodity brokers, money exchanger, surveyors, outdoor photographers, event photographers, videographers, art painters, auctioneers (excluding value of goods) and registrar to an issue	9819.1000, 9819.2000, 9819.5000, 9819.7000, 9819.8000, 9819.9100, 9819.9500 and 9819.9090	Sixteen percent	Fifteen percent
50.	Services provided by race clubs: Entry/ admission and other services	--	Sixteen percent	Fifteen percent
51.	Services provided or rendered by corporate law consultants	9815.9000	Sixteen percent	Fifteen percent
52.	Visa processing services, including advisory or consultancy services for migration or visa application filing services	--	Sixteen percent	Fifteen percent
53.	Debt collection services and other debt recovery services	--	Sixteen percent	Fifteen percent
54.	Supply chain management or distribution (including delivery) services	--	Sixteen percent	Fifteen percent
55.	Services provided or rendered by persons engaged in inter-city transportation or carriage of goods by road or through pipeline or conduit	--	Sixteen percent	Fifteen percent
56.	Ready mix concrete services	--	Sixteen percent	Fifteen percent
57.	Public relations services	--	Sixteen percent	Fifteen percent
58.	Training or coaching services other than education services	--	Sixteen percent	Fifteen percent
59.	Cleaning services including janitorial services, collection of waste and processing of domestic waste	9822.2000, 9822.3000 and 9822.9000	Sixteen percent].	Fifteen percent

It has been sought to omit following item from Table II:

S.No.	Description	PCT Heading, if applicable	Rate of Tax
11.	IT services and IT-enabled services.	Respective heading	Five percent
	Explanation. - For the purpose of this entry –		
	(a) "IT services" include software development, software maintenance, system integration, web design, web development, web hosting and network design; and		
	(b) "IT enabled services" include inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, HR services, telemedicine centers, data entry operations, locally produced television programs and insurance claims processing		

SECTION 10 RATES FOR WITHHOLDING (INCOME) TAX

Effective July 01, 2022 | Proposed

LINK TO DOWNLOAD: <https://tagm.co/pdf/WithHoldingRatesTaxYear2023.pdf>



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