

# Highlights on Finance Bill 2023

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## Highlights on the Finance Bill, 2023

This document summarizes significant changes proposed to be brought to statute vide the Finance Bill, 2023 (the Bill).

Effective date of applicability of these changes will be July 1, 2023, 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, 2023

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## SECTION I BUDGET AT A GLANCE

SOURCES OF FUNDS	2023-24	2022-23	Change
	Rupees in Billion		%
Net Revenue Receipts	6,887	5,704	20.7
Net Capital Receipts	1,906	1,996	-4.5
External Receipts	2,527	533	374.0
Privatization Proceeds	15	96	-84.4
Bank Borrowings	3,124	1,172	166.6
<b>Total</b>	<b>14,460</b>	<b>9,502</b>	<b>52.2</b>

APPLICATION OF FUNDS	2023-24	2022-23	Change
	Rupees in Billion		%
General Public Service incl. others	11,047	7,252	52.3
Defense Affairs and Services	1,804	1,523	18.5
Development Expenditure	1,609	727	121.3
<b>Total</b>	<b>14,460</b>	<b>9,502</b>	<b>52.2</b>

NET REVENUE RECEIPTS	2023-24	2022-23	Change
	Rupees in Billion		%
Tax Revenue	9,200	7,004	31.4
Non-tax Revenue	2,963	2,000	48.2
Gross Revenue Receipts	12,163	9,004	35.1
Less: Provincial Share in Taxes	5,276	3,300	59.9
<b>Total</b>	<b>6,887</b>	<b>5,704</b>	<b>20.7</b>

## SECTION 2 OVERVIEW OF THE ECONOMY

Pakistan economic growth for fiscal year 2022-23 has been recorded at 0.29 percent, compared to 6.10 percent last year. The decline is due to the fact that country was hit by devastating floods, which caused extensive damage to agricultural land, livestock, roads, and other infrastructure, affecting the output of crops and livestock. Furthermore, economy faced tremendous challenges of macroeconomic imbalances, supply shocks, and international economic slowdown which has dampened the economic growth. The sectoral growth turned out to be 1.55 percent for agriculture, -2.94 percent for industry and 0.86 percent for services. National CPI for FY2023 been recorded significantly higher than last year, recorded at 31.5 percent measured by CPI Q3 FY2023, against 12.6 percent in Q3 FY2022. The current account witnessed a deficit of US\$3.4 billion in Jul-Mar FY2023, declined by around 74.1 percent as compared to same period last year. This is mainly due to the contraction in imports, which continue to offset the combined decline in remittances and exports. Therefore, Pakistan's economy will still face pressures from an uncertain global security situation, higher inflation driven by a spike in food prices, lower than anticipated foreign inflows, and growing financing requirements.

Following is a synopsis of Pakistan economy during the fiscal year 2022-23:

- Fiscal deficit as a percent of GDP was confined at 3.6 percent as compared to 3.9 percent during same period of last year.
- Net Domestic Assets (NDA) of the banking system observed an expansion of rupees 3,254.2 billion during the period under review compared to an expansion of rupees 1,896.2 billion during same period last year.
- The Consumer Price Index (CPI) in April 2023 stood at 36.4 percent on a year-on-year (YoY) basis which was higher from 35.4 percent in the previous month and 13.4 percent in April 2022. On average, CPI inflation, recorded at 28.2 percent during July-April FY2023 as against 11.0 percent in the same period last year. The other inflationary indicators like the Sensitive Price Indicator (SPI), annualized increase in SPI during July-April FY2023 was recorded at 31.7 percent against 16.9 percent in the same period last year. Wholesale Price Index (WPI) recorded at 34.0 percent in July-April FY2023 compared to 22.9 percent same period last year.
- The total imports during Jul-Mar, FY2023 amounted at US\$ 43.7 billion as compared to US\$ 58.9 billion in the same period last year, declined by 25.7 percent, reflecting the impact of policy tightening and other administrative measures. Exports of goods decline by 11.0 percent and recorded at US\$ 21.1 billion during Jul-Mar FY2023 as compared to US\$ 23.7 billion the same period last year.
- The country's foreign exchange reserves declined substantially to US \$ 4.2 billion by end-March 2023, due to persistent pressures on external account owing to net official external outflows of US\$ 2.0 billion in Jul-Mar FY2023, in sharp contrast from net inflows of US\$ 8.4 billion during the same period last year.
- Total public debt was recorded at rupees 59,247 billion at end-March 2023. Domestic debt was recorded at rupees 35,076 billion while external public debt was recorded at rupees 24,171 billion or US\$ 85.2 billion.
- FDI inflows declined by 22.5 percent and recorded at US\$ 1.0 billion during Jul-Mar FY2023 as against US\$ 1.4 billion last year. The financial account recorded net outflow amounted to US\$ 2.0 billion in Jul-Mar FY2023, against inflows of US\$ 8.4 billion last year. Pakistan's net outflows of FX loans and liabilities to US\$ 1.7 billion in Jul-Mar FY2023 in contrast to net inflows of US\$ 9.5 billion in Jul-Mar FY2022.
- In FY2023, the national saving increased from 11.1 percent to 12.6 while foreign savings reduced from 4.7 percent of GDP to 1.0 percent of GDP. Hence, the current savings and investment level is insufficient to boost sustainable growth.

• As of March 31, 2023, total number of listed companies on the Pakistan Stock Exchange (PSX) stood at 526, with a total market capitalization of rupees 6,108.17 billion, compared to total number of listed companies 530, with a total market capitalization of rupees 6,956.51 billion last year. The KSE-100 index registered a decline from 41,540.8 points to 40,000.8 points from 30 June 2022 to 31st March 2023. The Index closed at its highest point of 43,676.6 on 17th August 2022, whereas its lowest closing point was 38,342.2 on 17 January 2023.

Summary of key performance indicators are as follows:

Description	2019-20	2020-21	2021-22	2022-23 P
Gross Domestic Product (GDP) – %	-0.9	5.8	6.10	0.29
Total Investment – Growth %	3.8	15.2	29.0	10.2
Consumer Price Index (CPI) – %	10.7	8.9	12.2	28.2
Trade Deficit - % of GDP	7.0	8.2	10.4	6.0
Current Account Deficit - % of GDP	1.6	0.8	4.7	1.0
Total Public Debt to GDP Ratio (as of June)	76.6	71.4	73.9	-
Foreign Exchange Reserves – US\$ billion	17.1	17.6	11.4	4.2
Depreciation in Rupee Value against US\$ %	11.51	23.58	28	39
International Credit Rating – Moody's	B3 Stable	B3 Stable	B3 Negative	Caa3 Stable
KSE 100 Index (%)	1.5	37.6	-12.3	-3.7

P = Provisional (various durations)

## GROWTH

• Economy of Pakistan suffered slowdown resulting in dampened GDP growth of only 0.29 percent, against government projected GDP growth of approximately 5.0 percent in FY2023, due to severe macroeconomic imbalances, flood damages, domestic supply shocks. The flood damage is estimated at rupees 3.2 trillion (US\$14.9 billion), the loss to GDP at rupees 3.3 trillion (US\$15.2 billion), and recorded need for rehabilitation of damages at rupees 3.5 trillion (US\$16.3 billion).

• In PKR terms the GDP at current market prices recorded rupees 84,658 billion, showing a 27.10 percent growth over the previous year rupees 66,624 billion (US\$ 341 billion). Per-Capita income decreased from US\$ 1765 to US\$ 1568 in FY2023. This deceleration was attributed to the significant depreciation of PKR and the contraction in economic activity.

• Services Sector accounts for 58.61 percent of GDP. The sector has witnessed a growth of 0.86 percent in current fiscal year, compared to 6.59 percent in last year.

• Agriculture Sector accounts for 22.91 percent of GDP. The sector has witnessed a growth of 1.55 percent in current fiscal year, compared to 4.3 percent in last year.

• Performance of Large-Scale Manufacturing (LSM) suffered significantly with -8.11 percent growth during July-March FY2023 as compared to growth of 10.61 percent same period last year. On year-on-year (Y-o-Y) basis, the growth of LSM contracted by 24.99 percent in March 2023 against 26.29 percent growth in the same month last year.

Description	2019-20 Growth %	2020-21 Growth %	2021-22 Growth %	2022-23 P Growth %
Gross Domestic Product (GDP)	-0.9	5.8	6.10	0.29
Agriculture	3.9	3.5	4.3	1.55
Manufacturing	-7.8	10.5	10.9	-3.9
Commodity Producing Sector	-0.6	5.6	5.4	-0.5
Services Sector	-1.2	5.9	6.6	0.9

P= Provisional

## INVESTMENT & SAVING

- Total investment recorded growth of 13.6 percent in FY2022. Fixed investment as percentage of GDP is recorded at 11.9 percent decreased from 14.0 percent last year, while Private investment as percentage of GDP recorded at 8.8 compared to 10.5 percent last year. Public investment as percentage of GDP has decreased from 3.5 percent to 3.1 percent this year.
- National savings shows a slight increase to 12.6 percent of GDP in this fiscal year against 11.1 percent last year.
- The inflows of FDI declined by 22.5 percent and recorded at US\$ 1.0 billion during Jul-Mar FY2023 as against US\$ 1.4 billion last year.

Description	2019-20	2020-21	2021-22	2022-23 P
Total Investment – (as % of GDP current MP)	14.8	14.5	15.7	13.6
Fixed Investment - (as % of GDP current MP)	13.1	12.8	14.0	11.9
Public Investment - (as % of GDP current MP)	2.8	3.0	3.5	3.1
Private Investment - (as % of GDP current MP)	10.3	9.9	10.5	8.8
National Saving - (as % of GDP current MP)	13.3	13.7	11.1	12.6

P= Provisional

## CAPITAL MARKETS

- During FY2023, the performance of stock markets remained volatile. The KSE-100 index registered a decline from 41,540.8 points to 40,000.8 points from 30 June 2022 to 31st March 2023. The Index closed at its highest point of 43,676.6 on 17th August 2022, whereas its lowest closing point was 38,342.2 on 17 January 2023.
- As of 31st March 2023, the number of listed companies stood at 526, with a market capitalization of rupees 6,108 billion.
- Massive flooding at the start of the current fiscal year which affected almost all sectors of the economy, delay in the Staff Level Agreement with IMF, uncertainty on political and economic front, high policy rate, etc. resultantly dented the investor's confidence. Though authorities assured that reforms and development activities introduced by the SECP will help in restoring the eroded confidence in the market that would allow an increased interest in the equity and debt markets of the country. 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	2019-20	2020-21	2021-22	2022-23 P
KSE – 100 Index Points	34,415.7	47,356	41,540.8	40,000.8
KSE – 100 Index - Growth %	1.5	37.6	-12.3	-3.7
Aggregate Market Capitalization - Growth %	-5.2	27.1	-16.2	-12.2
Turnover of Shares (rupees. billions)	52.8	49.86	37.04	38.48

P= Provisional

## INFLATION

• Average inflation during July-April FY2023 has been recorded at 28.2 percent, as against 11.0 percent during same time last year, this is due to surge in crude oil prices because of global crisis as well as significant exchange rate depreciation.

Description	2019-20	2020-21	2021-22	2022-23 P
CPI (Consumer Price Index)	10.7	8.9	12.9	28.2
Average Food Inflation	15.09	14.1	11.8	37.9
Average Non-food Inflation	8.07	8.07	10.2	24.9
SPI (Sensitive Price Index) (Base Year 2015-16=100)	8.9	13.5	16.9	31.7
WPI (Wholesale Price Index) (Base Year 2015-16=100)	3.2	8.4	22.9	34.0

P= Provisional

## BALANCE OF PAYMENTS & RESERVES

• The trade deficit is recorded an improvement of 29.7 percent which is equal to US\$ 20.4 billion as compared to US\$ 29.0 billion last year.

• The exports growth posted a negative growth of 9.8 percent during Jul-Mar FY2023, recorded at US\$ 21.0 billion as compared to US\$ 23.3 billion same period last year.

• The current account balanced improved by 74.1 percent and recorded a deficit of US\$ 3.4 billion during Jul-Mar FY2023, against a deficit of US\$ 13.0 billion in the same period last year.

• Workers' remittances registered a decrease of 10.8 percent and stood at US\$ 20.5 billion as against US\$ 23.0 billion, same period last year.

• SBP's foreign exchange reserves witnessed a decline mainly on the account of amortization of official loans and liabilities during July-April FY2023 and reached a level of US\$ 4.5 billion by the end of April 2023. Due to the external account pressure on the foreign exchange markets, the average monthly PKR against USD depreciated by 27.8 percent during July-April FY2023.

• Pakistan, net FDI inflows declined by 22.5 percent and recorded at US\$ 1.0 billion during Jul-Mar FY2023 as against US\$ 1.4 billion last year.

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

Description	2019-20 Growth %	2020-21 Growth %	2021-22 Growth %	2022-23 P Growth %
Exports	-7.1	13.7	26.7	-11.0
Imports	-15.9	24.3	31.8	-21.3
Workers' Remittances	6.4	27.3	6.2	-10.8
Net Foreign Direct Investment (Net-FDI)	90.65	-29.91	6.33	-22.5
Total Foreign Exchange Reserves – US\$ in billion	18.88	24.39	15.4	4.2

P= Provisional (Net-FDI & TFER, Source: SBP)



## PUBLIC DEBT

- Total public debt was recorded at rupees 59,247 billion at end-March 2023. Domestic debt was recorded at rupees 35,076 billion, while external public debt was recorded at rupees 24,171 billion (US\$ 85.2 Billion) at end-March 2023.
- Domestic debt was recorded at rupees 35,076 billion at end-March 2023, registering an increase of rupees 7,000 billion during the first nine months of the current fiscal year.
- During first nine month of current fiscal year, external debt stood at rupees 24,171 billion till Mar 2023 vs rupees 18,157 billion in FY2022.

Description	2019-20 Growth %	2020-21 Growth %	2021-22 Growth %	2022-23 P Growth %
Total Public Debt	11.28	9.52	23.52	20.32
Depreciation in Value of Rupee against US\$ - %	11.51	23.58	28	39
International Credit Rating – Moody	B3 Stable	B3 Stable	B3 Negative	Caa3 Stable
New Guarantees issued as a percentage of GDP	0.8	-	0.1	0.2

P= Provisional

## SECTION 3 SALIENT FEATURES

### Income Tax

#### Relief measures

1. Turnover threshold for SMEs for lower rate of taxation increased from Rs. 250M to Rs. 800M.
2. Enacting the exemptions and concessions given vide the Exemption under Foreign Investment (Promotion and Protection) Act, 2022.
3. Tax credit at 10% of tax to individuals for construction of a new house completed during the tax years 2024 to 2026.
4. Tax immunity foreign currency remittance up to USD 100,000 from outside Pakistan through normal banking channels.
5. Reduction in minimum tax under section 113 from existing 1.25% to 1% for companies listed on PSX.
6. Lower rate of 1% to apply to payments by direct exporters covered under the Export Facilitation Scheme, 2021 at par with those exporters covered under DTRE.
7. The condition for filing of sales tax returns not to apply for availing concessional final rate on export of IT and IT Enabled services.
8. NRPs exempted from advance tax on purchase or transfer of immovable property.
9. Extension in period of exemption from tax on the sale of immovable property or shares of SPV to REITs up to the tax year 2024.
10. Tax exemption for new agro based industry SMEs in notified rural areas for a period of 5 tax years.
11. Tax payable by builders registered with Directorate General of Designated Non-Financial Business and Professions on new projects started and completed during tax years 2024 and 2026 to be reduced by lower of 10% or Rs. 5M in the year of building completion.
12. Tax on income from business for youth enterprises formed during tax years 2024 to 2026 to be reduced by lower of 50% or Rs. 2M for individuals and AOPs and by lower of 50% or Rs. 5M for companies.
13. Advance tax u/s 236 not to apply on the amount donated through SMS to the Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities.
14. Reduced rate of 20% taxation to banks up to tax year 2025 on additional advances for Micro,

Small & Medium Enterprises, Low-cost Housing and also for IT & IT-enabled services.

15. Income arising to Non-resident Banking Companies from Federal Government's sovereign debt or a sovereign debt instrument to be exempt from tax.
16. Immunity from higher tax rates for the tax year 2024 to local banks on income attributable to investment in the Federal Government securities.

#### Revenue measures

1. 10% tax on bonus shares.
2. Super tax applicable on higher income thresholds increased w.e.f. tax year 2023.
3. Super tax also to be collected on quarterly basis in advance.
4. Super tax to be computed and collected by NCCPL on the amount of capital gains.
5. Additional tax at 50% on income, profit or gains for preceding five tax years from tax year 2023 and onwards that have arisen due to any economic factors that resulted in unexpected income, profits or gains. This tax not to apply to insurance companies and E&P companies.
6. Increase in rate of minimum tax at imports stage from commercial importers from existing 5.5% to 6% in respect of goods classified in Part III of the Twelfth Schedule.
7. Enhancement in the rates of withholding taxes on payments to PEs of non-residents.
8. Increase in the rates of withholding taxes on payments for goods and services to residents.
9. Final tax at concessional on export of services to discontinue after tax year 2026.
10. Advance tax levied at 0.6% of the cash withdrawal in case of non-filers, where the total daily cash withdrawal exceeds Rs. 50,000.
11. Advance tax at Rs. 200,000 to be collected on issuance/ renewal of domestic aide visa to any foreign nationals.
12. Advance tax on foreign currency transactions through credit/ debit cards enhanced from 1% to 5%.

#### Other/ regulatory measures

1. Two persons to be considered as associates where one person enters into a transaction, directly or indirectly, with the other who is a

resident of jurisdiction with zero taxation regime.

2. Commissioner (Inland Revenue) empowered to recover any outstanding liability under other statutes or laws.
3. An International Centre of Tax Excellence to be established to help contribute to the development of tax policy and assist on related matters.

### **Regulatory measures**

The scope of penalties and confiscation on movement of counterfeited cigarettes extended to goods/ class of goods specified by the Board.

### **Other measure**

Transmission of electricity excluded from the ambit of Sales Tax Act, 1990.

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## **Sales Tax**

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### **Relief measures**

1. Sales tax exemption on local supplies including supply of electricity and imports of plant and machinery to FATA/ PATA extended till June 30, 2024.
2. Imports and supply of contraceptives, bovine semen, saplings, combined harvesters, agricultural dryer, planters, transplanters & others planters exempted from sales tax.
3. Retailers of jewelry & other retailers qualifying as Tier-1 retailer on shop covered area basis excluded from the definition of Tier-1 retailer and thereby from the requirement to integrate with FBR POS system.
4. Zero-rating of imports or supplies made by, for or to a qualified investment under the Foreign Investment (Promotion and Protection) Act, 2022.
5. Grant of Zero-rating to exporters registered under Export Facilitation Scheme 2021.
6. Granting the retrospective concessional sales tax rate at 1% wef July 1, 2022 on supply of medicaments as classified under chapter 30 of the First Schedule of the Customs Act 1969.

### **Revenue measures**

1. Withdrawal of exemption from sales tax on edible products sold in bulk under brand names & trademarks; including Red Chillies, Ginger, Turmeric, Yogurt, Butter, Desi Ghee, Cheese, Processed Cheese not grated or powdered, Products of Meat or Meat Offal, Meat of Bovine Animals and Uncooked Poultry meat, Fish and Crustaceans.
2. Increase in the rate of sales tax from 12% to 15% on retailers of textile & leather integrated with FBR's POS.
3. Reduced rate of 1% available on imports of Active Pharmaceutical Ingredients and raw materials is restricted to such ingredients having CD rate upto 11%.

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## **Federal Excise Duty**

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### **Relief measure**

Imports, supplies and services covered under the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 exempted from FED.

### **Revenue measure**

1. Expanding the scope of excise duty to items specified in the First schedule in addition to certain specified items.
2. Expressly levying FED on royalty & fee for technical services in addition to the existing franchise services.
3. FED at Rs. 2,000 levied on energy inefficient fans & 20% on incandescent bulbs.
4. Inclusion of royalty & fee for technical services under FED dutiable services.

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## **Customs**

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### **Relief Measures**

1. Customs duty exemption for particular papers, art cards, and board used in the printing of the Holy Quran.
2. Relief to pharma sector by way of 0% duty on Dextrose Anhydrous Injectable Grade (Pyrogen Free) USPs, Gefitinib, Caspian (Caspofungin 50 mg and 70 mg injection), Bovine Lipid Extract Surfactant.
3. 0% duty on import of machinery, equipment and inputs for the manufacture of solar panels, inverters and batteries as an incentive for the manufacture of solar panels and allied equipment.
4. Facilitating exporters of IT and IT-enabled services by allowing duty-free imports of IT-related equipment up to 1% of their export proceeds.

5. Exemption from customs duties on raw materials for diapers, sanitary napkins, and adhesive tapes.
6. Customs duty exemption on raw materials and inputs for capacitor manufacturers.
7. Customs duty on non-localized CKD and Heavy Commercial Vehicles (HCVs) to be reduced from 10% to 5%.
8. Exemption from additional customs duty on the import of Hemodialyzer fluid/ powder raw materials.
9. Duty exemption on machinery & equipment imported by former FATA areas to be extended until June 20, 2024.
10. Continuing the concession on the import of flavoring powders for food preparation for snack manufacturers until June 20, 2024.
11. Customs duty exemption for manufacturers of Butyl Acetate and Dibutyl Orthophthalates on Organic Composite Solvents and Thinners.
12. Customs duty reduction on imports of pet scrap for manufacturers of polyester filament yarn.
13. Exemption from customs duty on raw materials used in the manufacturing of moulds and dies.
14. Customs duty exemption on raw materials/ inputs for mining & rice mill.
15. Customs duty exemption on imports of sowing seeds to promote agricultural growth.
16. Customs duty exemption for shrimp/ prawn/ juvenile imports for breeding in commercial fish farms and hatcheries.
17. Exemption of Customs duty on roasted peanuts used in the production of RUSF by World Food Program certified manufacturers.
4. Aligning Part (V) of the Fifth Schedule to the Customs Act with the Auto Industry Development and Export Policy 2021-26.

#### **Legislative measures**

1. Definition of smuggling to be made more effective in order for Customs to conduct anti-smuggling operations within the country's borders.
2. Provincial Levies and the Khasadar Force included in the list of agencies tasked with assisting Customs team in anti-smuggling operations in Khyber Pakhtunkhwa and Balochistan.
3. Penal provisions for the crime of smuggling essential commodities to be strengthened.
4. Warehousing period for perishable items be increased from one month to three months.
5. No penalty on failure to place invoice and packing list inside the import container or consignment.
6. Fixed penalty up to Rs. 50,000 proposed instead of penalty at escalating scales for repeat occurrences for failing to attach or electronically upload mandatory documents.
7. Respondents to have an option of adjudication through Customs computerized system with respect to such goods and offences as may be notified by the FBR.
8. Passengers travelling as a group may file declaration by a representative on behalf of the whole group.

#### **Relief Measures**

1. Omitting serial numbers 4,5 and 6 of SRO 577(I)/2005, thereby abolishing the capping of fixed duties & taxes on import of old and used Asian-made vehicles with engine capacity exceeding 1300cc.
2. Increase in customs duty on calcium carbides from 3% to 11%.

#### **Other measures**

1. Separate PCT Code for Smart Watches, wooden splints for Matches are proposed to be created.
2. Changes in Descriptions of PCT codes of localized auto parts.
3. Conversion of specific duty rate on Caustic Soda to Ad-Valorem rate.

#### **Regulatory Duty**

1. Regulatory burdens on used clothing to be removed.
2. Reduction of RD on various PCT codes related to used sports equipment, fish, and clothing.
3. RD on IT-related equipment to be removed.
4. Removal of RD on import of Polyester Synthetic Filament Yarn.
5. RD on parts for flat panels, monitors and projectors to be abolished.
6. Eliminating RD on Silicon Steel Sheets.
7. Exemption from RD on special steel round bars and rods of non-alloy steel with diameters greater than 50mm.
8. Increase in RD on import of glass.
9. 20% RD to be imposed on Tungsten Filament Incandescent Bulbs and their parts.
10. The export RD on molasses to be raised from 10% to 15%.

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## ICT (Tax on Services)

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### **Relief Measures**

1. Freelance exporters of IT & IT enabled services to be given the status of cottage industry and these exporters exempted from the requirement to file sales tax return.
2. Reduced rate 5% instead of 15% to apply on services of restaurants on payments made through debit/ credit cards, mobile wallets or QR scanning.
3. Reduced rate of sales tax at 15% instead of 16% on services of IT & IT based system development consultants.

### **Revenue measures**

1. Input tax not to be allowed where reduced rate of 5% tax to apply on services of restaurants.
2. Electricity transmission services brought under the ambit of sales tax on services to be subjected to a rate of 15%.
3. IT & IT enabled services chargeable to sales tax at reduce rate of 5% with no input adjustment or admissibility of refund.

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## Petroleum Levy

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Empowering the Federal Government to amend the rate of Petroleum Levy, as it deems fit and at any time, through SROs/ notifications.

## SECTION 4 INCOME TAX

### 1. DEFINITIONS

Proposed amendments to definitions:

- (i) **Income** [Section 2(29)]  
It has been sought to bring bonus shares under the scope of income.
- (ii) **Permanent establishment** [Section 2(41)]  
It has been sought to enhance the scope of place of business to any place of business in Pakistan, whether such place of business is fixed or not. It has also been sought to clarify that the scope of permanent establishment that applies to persons also applies to entities.
- (iii) **Small and medium enterprise** [Section 2(59A)]  
The Bill seeks to broaden the scope of small and medium enterprises by including IT & IT enabled services. It has also been sought to increase the business turnover limit from existing Rs. 250M to Rs. 800M.

### 2. CHARGE OF TAX

**Super tax on high earning persons** [Section 4C | Div IIB Part 1 First Sch.]

The Bill seeks to apply the provisions of advance tax under section 147 to super tax. Moreover, it has been sought to increase the rates for super tax for higher brackets with effect from tax year 2023.

<i>Income under section 4C</i>		<i>Tax Year 2023</i>		<i>Tax Year 2024</i>
From	To	Existing Rates	Proposed Rates	<i>Proposed Rates</i>
Up to Rs. 150M		0%	0%	0%
Above Rs. 150M	Rs. 200M	1%	1%	1%
Above Rs. 200M	Rs. 250M	2%	2%	2%
Above Rs. 250M	Rs. 300M	3%	3%	3%
Above Rs. 300M	Rs. 350M	4%	4%	4%
Above Rs. 350M	Rs. 400M	4%	6%	6%
Above Rs. 400M	Rs. 500M	4%	8%	8%
Above Rs. 500M		4%	10%	10%

### 3. INCOME FROM OTHER SOURCES

**Tax on bonus shares** [Section 39(1)(b)]

It has been sought to bring bonus shares under the scope of income from other sources, to be taxed at 10%.

### 4. EXEMPTIONS & TAX CONCESSIONS

**Exemption under Foreign Investment (Promotion and Protection) Act, 2022 (XXXV of 2022)**  
[Section 44A]

To give effect to the exemptions and concessions given vide the Exemption under Foreign Investment (Promotion and Protection) Act, 2022, the Bill now seeks to insert a new section 44A as under:

- (1) Taxes on income (including capital gains), withholding taxes, minimum and final taxes under the Ordinance shall be exempt to the extent provided in Second and Third Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 (XXXV of 2022) in respect of qualified investment as specified at Sr. No.1 of the First Schedule to the said Act.

- (2) All investors and shareholders of the qualified investment, their associates and companies specified in Second and Third Schedule including third party lenders on account of any loan shall also be exempt from taxes and other provisions of the Ordinance to the extent provided in Second and Third Schedule to the said Act.
- (3) Provisions of the Ordinance relating to Anti-Avoidance to the extent specified in the said Act including sections 106, 106A, 108, 109 and 109A shall not apply to the persons mentioned in subsections (1) and (2).
- (4) Rates of depreciation, initial allowance and pre-commencement expenditure under sections 22, 23 and 25 as on March 20, 2022 shall continue to be applicable for thirty years as provided in Third Schedule to the said Act in respect of persons mentioned in subsections (1) and (2).

## 5. TAX CREDITS

### Tax credit for construction of house

[Section 65]

The Bill seeks to allow tax credit for construction of a new house completed during the tax years 2024 to 2026 to individuals, subject to the following conditions:

- (a) layout plan is approved by the concerned authority on or after of July 1, 2023;
- (b) that completion certificate is furnished along with return.

The amount of tax credit allowed shall be lower of:

- (a) 10% of tax assessed to the person for the tax year; or
- (b) Rs. 1M.

## 6. ASSOCIATES

[Section 85]

Two persons are considered as associates where the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person.

It has now been sought to enhance the scope by also considering two persons as associates where one person sufficiently influences, either alone or together with an associate or associates, the other person. It has also been sought to clarify that two persons shall be treated as sufficiently influencing each other, where one or both persons, directly or indirectly, are economically and financially dependent on each other and, decisions are made in accordance with the directions, instructions or wishes of each other for common economic goal.

It has also been sought to consider two persons as associates where one person enters into a transaction, directly or indirectly, with the other who is a resident of jurisdiction with zero taxation regime. The meaning of jurisdiction with zero taxation regime is to be prescribed.

## 7. ADDITIONAL TAX ON CERTAIN INCOME, PROFITS AND GAINS

[Section 99D]

It has been sought that, for any of the preceding five tax years from tax year 2023 and onwards, in addition to any tax charged, paid or payable under any of the provision of the Ordinance, an additional tax shall be imposed on every person who has any income, profit or gains that have arisen to any person or class of persons due to any economic factor or factors that resulted in unexpected income, profits or gains whether or not disclosed in the financial statements.

It has also been sought to empower the Federal Government, through a notification in the official Gazette, to:

- (a) determine economic factor or factors including but not limited to international price fluctuation having bearing on any commodity price in Pakistan or any sector of the economy or difference in income, profit or gains on account of foreign currency fluctuation;
- (b) provide the rate not exceeding fifty percent of such income, profits or gains;
- (c) provide for the scope, time and payment of tax payable under this section in such manner and with such conditions as may be specified; and
- (d) exempt any person or classes of persons, any income or classes of income from the application of this section, subject to any condition as may be specified.

## 8. ANTI AVOIDANCE

### Unexplained income or assets

[Section 111(4)]

Provisions of section 111 do not apply to foreign exchange remitted from outside Pakistan through normal banking channels up to Rs. 5M in a tax year that is en-cashed into rupees by a scheduled bank against certificate from such bank. It has been sought to enhance this limit rupee equivalent of USD 100,000.

## 9. MINIMUM TAX

### Minimum tax on income of certain persons

[Section 113 | Div IX Part 1 First Sch.]

It has been sought to reduce the rate of minimum tax under section 113 from existing 1.25% to 1% in case of companies listed on Pakistan Stock Exchange.

## 10. COLLECTION & RECOVERY OF TAX

### Recovery of liability outstanding under other laws

[Section 146D]

It has been sought that where any outstanding liability under any other statute or law for the time being in force, in respect of any defaulter is treated as Income Tax arrears in that law required to be recovered or collected by Commissioner (Inland Revenue) or is referred to Commissioner (Inland Revenue) for the recovery, the Commissioner (Inland Revenue) shall recover the said liability and deposit the receipts in the designated account specified in that law.

## 11. ADVANCE TAX

### Advance tax paid by the taxpayer

[Section 147]

It has been sought to provide that tax assessed includes super tax payable for the purposes of calculating advance tax payable.

## 12. IMPORTS

[Section 148 | Pt II First Sch.]

It has been sought to increase the rate for collection of tax at imports stage from commercial importers from existing 5.5% to 6% in respect of goods classified in Part III of the Twelfth Schedule.

## 13. PAYMENTS TO NON-RESIDENTS

[Section 152(2A) | Div II Part III First Sch.]

The Bill seeks to enhance the rates of withholding taxes on payments to permanent establishments (PE) of non-residents as under:

Nature of Payment to PE	Rate of Tax	
	Existing	Proposed
Sale of goods by PE of a non-resident company	4%	5%
Sale of goods by other PEs	4.5%	5.5%
Services specified under para (5) of Div II Part III First Schd.	3%	4%
Other services by PE of a non-resident company	8%	9%
Other services by PE of other non-residents	10%	11%
For contracts other than contracts by sportspersons	7%	8%



#### 14. PAYMENTS FOR GOODS OR SERVICES

[Section 153 | Div III Part III First Schd.]

It has been sought to enhance the rates of withholding taxes on payments for goods and services to residents as under:

Nature of Payment	Rate of Tax	
	Existing	Proposed
Sale of goods including toll manufacturing by companies	4%	5%
Sale of goods including toll manufacturing by others	4.5%	5.5%
Services specified under para (2)(i) of Div III Part III First Schd.	3%	4%
Other services by companies	8%	9%
Other services by individuals & AOPs	10%	11%
Execution of contracts by companies	6.5%	7.5%
Execution of contracts by individuals, other than sportsmen, & AOPs	7%	8%

#### 15. EXPORTS

[Section 154]

Direct exporters and export houses registered under the DTRE Rules, 2001 deduct tax at the rates specified in Division IV of Part III of the First Schedule (i.e., at a lower rate of 1%) while making payment for a firm contract to an indirect exporter. This lower rate of 1% is now proposed to be extended to like payments by direct exporters covered under the Export Facilitation Scheme, 2021.

#### 16. EXPORT OF SERVICES

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

The concessional rate of 0.25% as final tax applies to export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board. However, one of the conditions for final tax at concessional rate was filing of sales tax returns under Federal or Provincial laws. The Bill now seeks to abolish this condition.

Most importantly, the Bill seeks to limit the available concession up to the tax year 2026.

#### 17. COLLECTION OR DEDUCTION OF WITHHOLDING TAX

##### Tax collected on bonus shares

[Section 168 & 169]

While the Bill seeks to bring bonus shares under the purview of income, it has been also sought to collect withholding tax at 10% in the nature of final tax.

##### Advance tax on cash withdrawal

[Section 231AB]

It has been sought to deduct advance tax at 0.6% of the cash withdrawal from non-filers where the total cash withdrawal in a day exceeds Rs. 50,000.

##### Advance tax on foreign domestic workers

[Section 231C]

It has been proposed to collect advance tax at Rs. 200,000 at the time of issuance or renewal of domestic aide visa to any foreign national as a domestic worker. This advance tax is proposed to be collected from the agency, sponsor or the person as the case may be, employing the services of such foreign national.

### **Advance tax on purchase or transfer of immovable property**

**[Section 236K]**

It has been proposed that no tax under section 236K to be collected on purchase of immovable property by non-resident individuals holding a Pakistan Origin Card (POC)/ National ID Card for Overseas Pakistanis (NICOP)/ Computerized National ID Card (CNIC) who have acquired the immovable property through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA) maintained with Pakistani banks upon submission of certificate as may be prescribed. Presently collection under section 236K from these individuals was treated as final tax at 2%.

### **Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards** **[Section 236Y | Div XXVII Part IV First Sch.]**

Banks collect advance tax at the time of remitting funds outside Pakistan on credit card/ debit card or prepaid cards at 1% of the amount remitted. The Bill now seeks to enhance rate of tax from 1% to 5%.

### **Bonus shares issued by companies**

**[Section 236Z]**

The Bill seeks to propose that:

- (1) Every company, issuing bonus shares to the shareholders of the company, shall withhold 10% of the bonus shares to be issued.
- (2) Bonus shares withheld as above shall only be issued to a shareholder, if the company collects from the shareholder, tax equal to 10% of the value of the bonus shares issued to the shareholder including bonus share withheld, determined on the basis of day-end price on the 1<sup>st</sup> day of closure of books in the case of listed company and the value as prescribed in case of other companies.
- (3) This tax, shall be deposited by the company within 15 days of closure of books, whether or not tax has been collected by the company.
- (4) A company liable to deposit this tax shall be entitled to collect and recover the tax deposited from the shareholder, on whose behalf the tax has been deposited, before the issuance of bonus shares.
- (5) If a shareholder neither makes payment of tax to the company nor collects its bonus shares, within 15 days of the date of issuance of bonus shares, the company may proceed to dispose of its bonus shares to the extent it has paid tax on its behalf.
- (6) Issuance of bonus shares shall be deemed to be the income of the shareholder and the tax collected by a company or proceeds of the bonus shares disposed of and paid shall be treated to have been paid on behalf of the shareholder.
- (7) This tax shall be final tax on the income of the shareholder of the company arising from issuing of bonus shares.

## **18. ADMINISTRATION**

### **International Centre of Tax Excellence**

**[Section 230J]**

A new section 230J has been proposed to be inserted as under:

- (1) There shall be established an Institute to be known as International Centre of Tax Excellence.
- (2) The functions of the Institute shall be to help contribute to the development of tax policy, prepare model national tax policy, deliver interdisciplinary research in tax administration and policy, international tax cooperation, revenue forecasting, conduct international seminars, workshops and conferences on the current issues faced by tax authorities in the field of international taxation, capacity building of Inland Revenue Officers, tax analysis, improve the design and delivery of tax administration for maximising revenue within existing provisions to close the tax gap or any other function as directed by the Board or the Federal Government.
- (3) There shall be a Nominating Committee comprising the Minister-in-Charge, Secretary Revenue Division and Secretary Finance which shall be responsible for recommending a panel to the Federal Government for the appointment of an Executive Director and independent members of the Executive Committee.
- (4) There shall an Executive Committee comprising Chairman, Federal Board of Revenue, Member (IR-Policy), Member (IR Operations) and two independent members to be appointed by the Federal Government. Executive Director shall act as Secretary of the Executive Committee.

- (5) The Nominating Committee shall apply the prescribed criteria for making recommendations of the panel for Executive Director and independent members of the Executive Committee.
- (6) Executive Director and independent members of the Executive Committee shall be appointed by the Federal Government.
- (7) Executive Director shall also be the Chief Executive of the Institute and shall work to ensure efficient functioning and day to day administrative functions of the Institute and shall be independent in the discharge of its functions specified under sub-section (8).
- (8) Executive Committee, for every fiscal year, shall assign the requirements of the Board to be undertaken by the Institute, during the year.
- (9) The Executive Committee shall prescribe rules for recruitment of the employees of the Institute and Executive Director shall act in accordance with the rules. At least fifty per cent of the employees shall be serving or retired Inland Revenue officers having at least 5 years of experience of tax policy or tax administration.
- (10) The remuneration and term of employment of the employees of the Institute shall be as prescribed by the Federal Government.
- (11) The Board may establish a committee to monitor the establishment of the Institute including appointment of the Project Director for the purpose.
- (12) The Board may, provide such data to the Institute as is necessary for processing and analysis and for discharging its obligations under subsection (8):  
Provided that such data shall be anonymized before transmission to the Institute and identifying particulars of the taxpayers shall be kept confidential and provisions of sub-section (7) of section 216 shall apply accordingly.
- (13) The Executive Committee may by notification in the official gazette make rules for carrying out the purposes of this section.

## 19. EXEMPTIONS FROM TOTAL INCOME

[Second Schedule Part I]

### Exemptions proposed to be granted

#### *Income derived by institutions, funds, etc.*

[Clause (66)]

It has been proposed to grant exemption to the following funds and institutions:

- a. The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5th August, 2022;
- b. Film and Drama Finance Fund;
- c. Export-Import Bank of Pakistan;
- d. Shaheed Mohtarma Benazir Bhutto Institute of Trauma, Karachi; and
- e. Shaheed Zulfikar Ali Bhutto Institute of Science and Technology.

### Extension in period for exemption

#### *Profits and gains accruing on the sale of immoveable property or shares of SPV to REITs*

[Clause (99A)]

It has been sought to extend the period of exemption from tax on profits and gains accruing to a person on the sale of immoveable property or shares of SPV to REITs up to the tax year 2024.

#### *SMEs setup exclusively as agro based industry in notified rural areas*

[Clause (154)]

The Bill seeks to exempt profits and gains of SMEs setup exclusively as agro based industry in notified rural areas for a period of 5 tax years commencing from tax year 2024 up to tax year 2028. Provided that such enterprise is setup on or after July 1, 2023 and is not formed by the transfer or reconstitution or reconstruction or splitting up of an existing business.

## 20. REDUCTION IN TAX LIABILITY

[Second Schedule Part III]

### Exemptions proposed to be granted

#### ***Builders registered with Directorate General of Designated Non-Financial Business and Professions*** [Clause (21)]

It has sought that tax payable on profits and gains derived from business chargeable to tax under the head "Income from Business" for tax year 2024 to tax year 2026 by a builder registered with Directorate General of Designated Non-Financial Business and Professions from a new building construction project, shall be reduced, not below zero, by lower of 10% or Rs. 5M for the tax year in which the builder furnishes along with return the completion certificate issued by the concerned regulatory authority. New building project means a project for the construction of building excluding a land development project, layout plan of which is approved by the authority concerned on or after July 1, 2023.

#### ***Income from business for youth enterprises*** [Clause (22)]

The Bill seeks that tax payable by a youth enterprise on profit and gains derived from business chargeable to tax under the head "Income from Business" for tax years 2024 to tax year 2026 shall be reduced not below zero:

- (i) in case of an individual or an AOP by lower of 50% or Rs. 2M; and
- (ii) in case of a company, by lower of 50% or Rs. 5M.

This concession is applicable to such youth enterprises which:

- (a) are startups established on or after July 1, 2023 as sole proprietorship concern owned by a youth individual or an AOP all of whose members are youth or a company whose hundred percent shareholding is held or owned by youth individual;
- (b) is not formed by the transfer or reconstitution or reconstruction or splitting up of an existing business; and

Youth individuals mean natural persons up to the age of 30 years as on first day of the commencement of the relevant tax year. Moreover, the proposed concession will not apply to startups benefiting from women enterprise startups tax benefits.

## 21. 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 grant exemption from minimum tax u/s 113 to the Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect from August 5, 2022.

#### ***Exemptions from tax on profit on debt*** [Clause (121)]

It has been sought to grant immunity from collection of tax on profit on debt u/s 151 to the Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect from August 5, 2022.

#### ***Donations through SMS*** [Clause (122)]

It has been proposed that the provisions of section 236 shall not apply on the amount donated through SMS to the Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect from August 5, 2022.

## 22. INSURANCE BUSINESS

[Fourth Schedule]

### Additional tax u/s 99D

[Rule (6DB)]

It has been sought to immune insurance companies from the provisions related to 50% additional tax as per the proposed section 99D.

## 23. EXPLORATION AND EXTRACTION OF MINERAL DEPOSITS

[Fifth Schedule]

### Additional tax u/s 99D

[Rule (4AC)]

It has been sought to immune exploration and production of petroleum businesses from the provisions related to 50% additional tax as per the proposed section 99D.

## 24. BANKING COMPANIES

[Seventh Schedule]

### Additional tax u/s 99D

[Rule 7CB]

It has been sought that the provisions of additional 50% tax as per section 99D also to apply to banking companies.

### Reduced rates of 20% on certain additional advances

[Rule 7D, 7E & 7F]

Reduced rate of 20% taxation is available to banks up the tax year 2023 in the following cases, subject to specified conditions:

- (a) additional advances for Micro, Small & Medium Enterprises;
- (b) additional advances for Low-cost Housing; and
- (c) additional advances as Farm Credit.

The Bill now seeks to extend these benefits up to the tax year 2025.

### Reduced rates of 20% on additional advances for Information Technology Services & Information Technology Enabled Services

[Rule 7G]

Subject to specified conditions, reduced rate of 20% taxation has also been proposed to be applicable to banks on additional advances for Information Technology Services and Information Technology Enabled Services up to the tax year 2025.

### Profit on debt and capital gains on Federal Government's debt derived by any non-resident banking companies

[Rule 8(4)]

The Bill seeks that profit on debt and capital gains from Federal Government's sovereign debt or a sovereign debt instrument shall be exempt from tax chargeable under this Ordinance, derived by any non-resident banking company approved by the Federal Government under a sovereign agreement.

### Enhanced rates on tax on taxable income on Federal Government securities [Rule 6C(6A)]

For tax year 2022 and onwards, the taxable income attributable to investment in the Federal Government securities is 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%.

The Bill now seeks to immune the banking companies from the above enhanced rates for tax year 2024.

## 25. COMPUTATION OF CAPITAL GAINS ON LISTED SECURITIES

[Eight Schedule]

### Computation, collection and payment of super tax

[Rule 4A]

It has been proposed that, in addition to capital gains tax, NCCPL shall also compute and collect super tax at the rates specified in Division IIB of Part I of the First Schedule on the amount of capital gains.

## 26. THIRTEENTH SCHEDULE

It has been sought to introduce the following new entries for allowability of tax credit on donations u/s 61 of the Ordinance:

Entry No. 64 | The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5th August, 2022; and

Entry No. 65 | Film and Drama Finance Fund.

## 27. COMPUTATION OF PROFIT AND GAINS FOR SMEs

[Fourteenth Schedule]

### Registration

[Rule 2]

The Bill seeks to add a new category for registration of SMEs engaged in IT services or IT enabled services. These SMEs are proposed to be registered with and duly certified by the Pakistan Software Export Board, in addition to registration on Small and Medium Enterprises Development Authority Portal.

### Categories and tax rates

[Rule 3]

With the proposed enhancement of turnover threshold from existing Rs. 250M to Rs. 800M, it has also been proposed to tax SMEs having turnover above Rs. 250M and up to Rs. 800M to be taxed at 20% of taxable income.

### Option for Final Tax Regime

[Rule 4]

With the proposed enhancement of turnover threshold from existing Rs. 250M to Rs. 800M, it has also been proposed that SMEs having turnover above Rs. 250M and up to Rs. 800M may opt to be taxed at a final tax rate of 0.75% of the gross turnover.

## SECTION 5 SALES TAX & FEDERAL EXCISE DUTY

### 1. SALES TAX ACT, 1990

#### Definitions

##### Goods and supply

[Section 2(12) & 2(33)(e)]

Transmission of electricity had been included in the definition of 'Goods' and 'Supply' vide the Finance Act, 2022, while including production and distribution since the nature of electricity is of goods in light with the earlier decisions of apex courts. Although, even the inclusion of production and distribution was technically unnecessary, the inclusion of transmission was contestable since this activity falls under the purview of services. The Bill now seeks to do away with this anomaly by omitting the whole supply chain for electricity with the outcome being that transmission effectively gets excluded, whereas electricity being implied as goods viz-a-viz its production and distribution.

Likewise, in line with the outcome of deliberations at National Tax Council, a corresponding amendment in ICT Tax on Services Ordinance, 2001, is also being proposed to include transmission as taxable services. Similar amendments are expected in provincial statutes for sales tax on services.

##### Tier-1 Retailer

[Section 2(43)(e) & (ga)]

It has been proposed to exclude a retailer from the definition of Tier-1 retailer, whose shop measures 1,000 sq. feet in area or more and 2,000 sq. feet in area or more in the case of retailer of furniture. It has, further, been proposed to exclude from the definition of Tier-1 retailer to a person who is engaged in supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.

Consequently, the requirement to integrate outlets with FBR's computerized system for real-time reporting of sales will no longer be applicable to these cases.

##### Directorate General of Digital Initiatives

[Section 30CA]

The Bill seeks to substitute Directorate General of Digital Invoicing and Analysis with new directorate, namely, the Directorate General of Digital Initiatives shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

##### Offences and penalties

[Section 33(23)]

The Bill seeks to broadening the offenses pertaining to selling of cigarette packs with counterfeited tax stamps, banderoles, stickers, labels, or barcodes or without tax stamps, banderoles, stickers, labels, or barcodes by substituting the words "cigarette packs" with goods / class of goods specified by the Board under section 40C(1).

##### Zero rating

[Fifth Schedule]

It has been sought to insert following new item:

Sr.	Description
8A	Imports or supplies made by, for or to a qualified investment as specified at Serial No.1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act.

It has also been proposed to substitute the description of clause (xxv) in column 2 of serial no. 12 to bring it in line with the description of PCT Code 9017.2000 “other drawing, marking out or mathematical calculating instruments (geometry box)”. The Bill further seeks to extend the scope of zero rating for exporter registered under Export Facilitation Scheme, 2021, by adding the term "commodities" to the description in column 2 of serial no. 21.

## Exemptions

## [Sixth Schedule]

- (a) The Bill proposes to withdraw exemption on goods mentioned in Table I – Serial no. 16, 17 and 18, i.e., Red chilies, Ginger, Turmeric sold under a brand name or trademark even sold otherwise than in retail packing. Currently the exemption from sales tax is available to the following goods only in case where such goods are sold otherwise than in retail packing under brand name or trademarks.
- (b) The Bill proposes to substitute the following amendment in Table I - Serial no. 121, by inserting an explanatory note to clarify that blood transfusion sets not packed in aluminum foil imported with blood bags CPDA-1, in corresponding quantity in same consignment are also exempt.
- (c) The Bill proposes to extend the time limit of exemption from June 30, 2023 to June 30, 2024 in Table I – Serial no. 151 which pertains to supplies and imports of plant, machinery, equipment for installation in tribal areas and Serial no. 152 which pertains to supplies of electricity to residential and commercial consumers in tribal areas.

It has been sought to omit following two time-barred entries from Table I:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
159	Import of auto disable Syringes till 31st December, 2021 (i) with needles	9018.3110
160	Import of following raw materials for the manufacturers of auto disable syringes till 31st December, 2021 (i) Tubular metal needles (ii) Rubber Gaskets	9018.3200 4016.9310

It has been proposed to insert following new items in Table I:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
175.	Contraceptive and accessories thereof	3926.9020 and 4014.1000
176.	Bovine semen	0511.1000
177.	Saplings	Respective headings
178.	Combined Harvester – Thresher	8433.5100
179.	Dryer for agricultural products	8419.3400
180.	No-till-direct seeder, planters, trans-planters and other planters	8432.3100 and 8432.3900
181.	Import of goods as mentioned under S. No. 159 of Part III of Fifth Schedule to the Customs Act, 1969 (IV of 1969) chargeable to customs duty at the rate of zero percent, subject to the conditions, restrictions and limitations mentioned therein, by the software exporters registered with the Pakistan Software Export Board.	7471.3010, 8471.3020, 8471.3090, 8471.4110, 8471.6010, 8471.6020, 8471.6090, 8471.7040, 8471.9020, 8471.7020, 8471.5000 and 8517.6270.



The Bill proposes that items mentioned in Table II - Serial no. 32, 34, 35, 36, 37, 39, 41 and 42 i.e. Yogurt, Butter, Desi Ghee, Cheese, Processed cheese not grated or powdered, Products of meat or meat offal, Meat of bovine animals, sheep, goat and uncooked poultry meat, Fish and crustaceans respectively, will remain exempt even if sold in retail packing as long as these are not sold under a brand name or a trademark. Currently, the exemption from sales tax is not available to following goods sold in retail packing under brand name

### Reduced Rate Subject to Conditions and Limitations

[Eight Schedule]

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

Sr.	Description	Existing			Proposed		
		PCT Heading	Rate of Sales Tax	Condition	PCT Heading	Rate of Sales Tax	Condition
66.	Supplies as made from retail outlets as are integrated with Board's computerized system for real time reporting of sales	Respective headings	12%	if supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months"; and	Respective headings	15%	if supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months"; and
81.	Manufacture or import of substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976)	Respective headings	1%	Subject to the conditions that: (i) Tax charged and deposited by the manufacturer or importer, as the case may be, shall be final discharge of tax in the supply chain (ii) No input tax shall be adjusted by the manufacturer or importer	Substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976) and medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act 1969 (IV of 1969) except the following, even if medicated or medicinal in nature, namely:- (a) filled infusion solution bags imported with or without infusion given sets; (b) scrubs, detergents and washing preparations; (c) soft soap or no soap;	1%	Subject to the conditions that: (i) Tax charged and deposited by the manufacturer or importer, as the case may be, shall be final discharge of tax in the supply chain (ii) No input tax shall be adjusted by the manufacturer or importer

Sr.	Description	Existing			Proposed		
		PCT Heading	Rate of Sales Tax	Condition	PCT Heading	Rate of Sales Tax	Condition
					(d) adhesive plaster; (e) surgical tapes; (f) liquid paraffin; (g) disinfectants and (h) cosmetics and toilet preparations. This substitution shall be deemed to have been made from the 1st day of July, 2022.		
82.	Active Pharmaceutical Ingredients, excluding excipients, for manufacture of drugs registered under the Drugs Act, 1976 (XXXI of 1976) or raw materials for the basic manufacture of pharmaceutical active ingredients.	Respective headings	1%	Subject to the conditions that: (i) DRAP shall certify item-wise requirement of manufacturer of drugs and APIs and in case of import shall furnish all relevant information to Pakistan Customs Computerized System; and (ii) No input tax shall be adjusted by the manufacturer or importer	Raw materials for the basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products, provided that in case of import, only such raw materials shall be entitled to exemption which are liable to customs duty not exceeding eleven per cent ad valorem, either under the First Schedule or Fifth Schedule to the Customs Act, 1969 (IV of 1969) or under a notification issued under section 19 thereof. This substitution shall be deemed to have been made from the 1st day of July, 2022.	1%	Subject to the conditions that: (i) DRAP shall certify item-wise requirement of manufacturer of drugs and APIs and in case of import shall furnish all relevant information to Pakistan Customs Computerized System; and (ii) No input tax shall be adjusted by the manufacturer or importer.

## 2. FEDERAL EXCISE ACT, 2005

### Definitions

#### Duties specified in the First Schedule to be levied

[Section 3(1)]

The Bill seeks to add new sub clause (e) expanding scope of levying and collecting excise duty to items specified in the First schedule in addition to:

- (a) goods produced or manufactured in Pakistan;
- (b) goods imported into Pakistan irrespective of their final destination in territories of Pakistan;
- (c) such goods as the Federal Government may, by notification in the official Gazette, specify, as are produced or manufactured in the non-tariff areas and are brought to the tariff areas for sale or consumption therein; and
- (d) services provided in Pakistan including the services originated outside but rendered in Pakistan.

#### Appointment of Federal excise officers and delegation of Powers

[Section 29(2d)]

The Bill seeks to add new directorate, namely the Directorate General of Digital Initiatives, which shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

#### Power of Board to make rules

[Section 40(4)]

It has been proposed to empower the Board to collect, arrange and publish all rules made along with general orders and departmental instructions and rulings, if any, at appropriate intervals and also to sell to the public at reasonable price or placing the same regularly on the official website maintained by the Board.

#### Excisable goods

[First Schedule]

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

Sr.	Description of Goods	Heading Nos. of the First Schedule to the Customs Act, 1969	Rate of Duty
60.	Energy inefficient fans both locally manufactured and imported which do not comply with the MEPS, notified by PSQCA	Respective headings	Rs. 2,000 per fan
61.	Incandescent bulbs both locally manufactured and imported	8539.2200 and 8539.9010	20% ad valorem

#### Excisable services

[First Schedule]

The Bill proposes to expressly include the royalty and fee for technical services in the dutiable service heading, by substituting the existing description of Franchise services in the Table II – Serial no. 11

#### Conditional Exemptions

[Third Schedule]

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

Sr.	Description of Goods	Heading Nos. of the First Schedule to the Customs Act, 1969
26.	Imports or supplies made by, for or to a qualified investment as specified at Serial No.1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act.	Respective headings

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

Sr.	Description of Goods	Heading Nos. of the First Schedule to the Customs Act, 1969
15.	Services provided or rendered by, for or to a qualified investment as specified at Serial No.1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act	Respective headings

## SECTION 6 CUSTOMS DUTY

### 1. DEFINITION

#### Smuggle

[Section 2(s)]

With a view to give legal grounds to the Customs authorities to conduct anti-smuggling operations anywhere within the territorial limits of the country, it has been sought to amend the definition of 'smuggle' accordingly.

### 2. ASSISTANCE TO THE OFFICERS OF CUSTOMS

[Section 7]

The Bill seeks include 'Provincial Levies and Khasadar Force' in the list of Government agencies empowered and obliged to assist customs officers in connection with their duties.

### 3. GENERAL POWER TO EXEMPT FROM CUSTOMS-DUTIES

[Section 19]

It has been sought to extend up to June 30, 2024 the powers of the Federal Government to exempt Customs duties with a view to implement agreements of the Government of Pakistan with an entity.

### 4. POWER TO DETERMINE THE CUSTOMS VALUE

[Section 25A]

Powers for valuation of goods vest with the Director of Customs Valuation who is empowered to incorporate values from internationally acclaimed publications, periodicals, bulletins or official websites of manufacturers of indenters of such goods. It has now been proposed to make a correction that instead of incorporating the values from the given sources, the said Director may consult prices of goods as per the aforesaid sources.

### 5. DECLARATION AND ASSESSMENT FOR HOME CONSUMPTION OR WAREHOUSING OR TRANSSHIPMENT

[Section 79]

The Bill seeks to add a proviso to section 79 regarding the declaration and assessment for home consumption or warehousing or transshipment, whereby it is sought that, in case of land customs station at border, the owner of any imported goods shall file Goods Declaration (GD) for home consumption or warehousing or transshipment or any other approved purpose, within three days of arrival of goods at the border Customs station.

### 6. PERIOD FOR WHICH GOODS MAY REMAIN WAREHOUSED

[Section 98]

The Bill seeks to increase the warehousing period for perishable items at Customs warehouses from the existing period of once month to three months.

### 7. DECLARATION BY PASSENGER OR CREW OF BAGGAGE

[Section 139]

Individual passengers and crew member are presently required to make verbal or written declaration of the contents of the baggage customs officer. It has now been proposed that passengers travelling as a group may file declaration by a representative on behalf of the whole group.

### 8. PUNISHMENT FOR OFFENCES

[Section 156]

The Bill seeks to make the following amendments:

Offence	Penalty
Failure to place invoice and packing list inside the import container or consignment.	Scales of existing penalties up to Rs. 500,000 proposed to be abolished.
Failure to attach or electronically upload mandatory documents required u/s 79 or 131 of the Customs Act	Fixed penalty up to Rs. 50,000 proposed instead of penalty at escalating scales for repeat occurrences.
Smuggling of essential commodities.	Minimum threshold of penalty being proposed at an amount not less than the value of goods.
Contravention of import/export restrictions.	
Possessing, carrying, removing, depositing, harboring, keeping concealing, retailing or in any manner dealing with smuggled goods.	

Offence	Penalty
Dealing with goods which have been unlawfully removed from a warehouse and evasion of duty/taxes thereon.	

## 9. POWER OF ADJUDICATION

[Section 179]

The Bill seeks to provide respondents with an option of adjudication through Customs computerized system with respect to such goods and offences as may be notified by the FBR.

## 10. VESTING OF CONFISCATED PROPERTY IN THE FEDERAL GOVERNMENT

[Section 182]

FBR is empowered to authorize the Customs officials to use the confiscated vehicles for operational purposes. It has now been sought that the FBR may now also similarly authorize the concerned officials to the use of any other useful equipment for operational purposes, including anti-smuggling operations.

## 11. TRANSFER OF CASES

[Section 185D]

It has been sought to empower the Board at any stage of investigation to direct transfer of investigation of criminal case from one field formation to other formation.

## 12. APPEALS TO THE APPELLATE TRIBUNAL

[Section 194A]

The Bill seeks to introduce provisions enabling the filing of appeal against an appellate order or a quasi-judicial order passed by the Chief Collector of Customs, before the Appellate Tribunal. These appeals are proposed to be heard by a special bench consisting of one technical member and one judicial member.

## 13. PERSON TO PRODUCE AUTHORITY IF REQUIRED

[Section 208]

It has been sought to insert a new proviso to empower the Board to make rules regarding eligibility of a person for self-filing of goods declaration.

## 14. ADVANCE RULING

[Section 212B]

Advance ruling may presently be sought in relation to the applicability of notifications issued in respect of duties leviable under the Customs Act or any tax or duty chargeable under any other law for the time being in force. The Bill now seeks to withdraw the option of seeking advance rulings in these cases.

## 15. FIRST SCHEDULE

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

PCT CODE	DESCRIPTION
8503.0020	- - - Of machine of heading 8501.5340, 8501.5390, 8502.1110, 8502.1390 & 8502.2

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

PCT CODE	DESCRIPTION
3206.4100	- - Ultramarine and preparations based thereon
3823.7000	- Industrial fatty alcohols

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

PCT CODE	DESCRIPTION
3920.4910	- - - Polyvinyl Chloride (PVC) Rigid film
3920.9900	- - Of other plastics
4805.2500	- - Weighing more than 150 g/ m <sup>2</sup>
4805.9190	- - - Other
4806.2000	- Greaseproof papers
8421.9990	- - - Other

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

PCT CODE	DESCRIPTION
2710.1995	- - - Liquid paraffin
2815.1200	- - In aqueous solution (soda lye or liquid soda)

5. The Bill seeks to increase customs duty from existing 0% to proposed 35% on the following:

PCT CODE	DESCRIPTION
98.0100	Services provided or rendered by hotels, marriage halls, lawns, clubs and caterers.
9801.1000	Services provided or rendered by hotels
9801.3000	Services provided or rendered by marriage halls and lawns
9801.4000	Services provided or rendered by clubs
9801.6000	Ancillary services provided or rendered by hotels, restaurants, marriage halls, lawns, caterers
9801.7000	Services provided or rendered by hostels
9801.9000	Other

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

PCT CODE	DESCRIPTION
2849.1000	- Of calcium

## 16. FIFTH SCHEDULE

### (1) Part-I (Import of Plant, Machinery, Equipment and Apparatus, including Capital Goods for various industries/sectors) | S. No. 21

(e) after sub-serial 7(a), the following new entry proposed to be added, namely:

DESCRIPTION	PCT CODE	CD%	Conditions
<b>7(aa). Raw materials for the manufacture of PV Modules</b>		0%	If imported by the local assemblers/ manufacturers registered under the Sales Tax Act, 1990, of PV Modules subject to quota determination by the Input Output Co-efficient Organization (IOCO).";
(i). Silicon Adhesive/ Sealant.	3506.9990		
(ii). MC4 Connectors.	8536.9090		
(iii). Back sheet film.	3920.9900		
(iv). Packing boxes/ modules.	4819.1000		
(v). Corner block.	4819.5000		
(vi). Polyethylene compound.	7610.9000		
(vii). Tinned ingot.	3901.9000		

(f) It has been proposed to limit the concessional imports of parts of PV module at 0% CD to such items if imported by the local assemblers/ manufacturers of PV Modules registered under the Sales Tax Act, 1990 subject to quota determination by the Input Output Co-efficient Organization (IOCO).

(g) After sub-serial 7(b) the following entries proposed to be added, namely:

DESCRIPTION	PCT CODE	CD%	Conditions
<b>(c) Parts of Solar Inverters</b>		0%	If imported by the local assemblers/ manufacturers of Solar Inverters registered under the Sales Tax Act, 1990, subject to quota determination by the Input Output Co-efficient Organization (IOCO).
(i). Control board	8504.9090		
(ii). Power board	8534.0000		
(iii). Charge controller board A/C	9032.8990		
(iv). Charge controller board PV	9032.8990		
(v). DCDC board	8504.9090		
(vi). LCD Display	8531.2000		
(vii). Display board	8504.9090		
(viii). AC input & output terminal	8504.9090		
(ix). Battery input terminals	8504.9090		
(x). PV terminals	8504.9090		
(xi). Casings (Plastic or Steel)	8504.9090		
(xii). Circuit Board (CB) for inverters	8534.0000		
<b>(d) Parts of Lithium Batteries</b>		0%	If imported by the local assemblers/ manufacturers of Lithium Batteries registered under the Sales Tax Act, 1990, subject to quota determination by the Input Output Co-efficient Organization (IOCO).
(i). Cells	8507.9000		
(ii). Copper Bar (Cell to Cell Connection)	7407.1010		
(iii). BMS (level 1) Electronic Card	8507.9000		
(iv). Casing	8507.9000		
(v). Harness Set (Cells Monitoring Wires with tags)	8544.4290		
(vi). Output Terminal with screws	8536.9090		
(vii). Power Cables (Battery Internal)	8544.4290		
(viii). DC Fan	8414.5990		
(ix). DC Breaker	8536.2010		
(x). Packing Screws	7318.1590		
(xi). Terminal Covers	3926.9099		
(xii). Acrelic Sheet (Short Circuit Safety Sheet)	3921.9090		
(xiii). Other Accessories	8536.9090		

(h) After sub-serial 8, the following new entries proposed to be added, namely:

DESCRIPTION	PCT CODE	CD%	Conditions
<b>8a. Following machinery and equipment imported by manufacturing units of Solar Panels, Solar Inverters &amp; Solar Batteries:-</b>		0%	1. Ministry of Industries and Production, shall certify in the prescribed manner and format as per Annex-B that the imported goods are bonafide project requirement. The authorized officer of the Ministry shall
<b>1. Solar PV Modules Panels manufacturing machinery and equipment.</b>			
(i). Sun Simulator	9031.8000		
(ii). Glass Lifter	8428.9090		
(iii). Tabber Stringer	8515.1900		
(iv). Hi-Speed Layup Station with ROBOT	8479.5000		
(v). Motorized Visual Inspection	9031.8000		

DESCRIPTION	PCT CODE	CD%	Conditions
(vi). Buffer before Bussing	8479.8990		furnish all relevant information online to Pakistan Customs Computerize d System against a specific user ID and password obtained under section 155D of the Customs Act, 1969. 2. The goods shall not be sold or otherwise disposed of without prior approval of the FBR and payment of customs duties and taxes leviable as prescribed by FBR. 3. Condition (iv) of the preamble.
(vii). Multi-station for Bussing	8479.8990		
(viii). Centering Conveyor with Visual Inspection	8479.8990		
(ix). Fully Automatic or Semi-automatic Laminator with Centering, Loading & Unloading	8479.8990		
(x). Automatic Inline Framing Machine	8479.8990		
(xi). Automatic Silicon Dispenser	8479.8990		
(xii). Direction Changer with 90 Degree Rotator	8479.8990		
(xiii). Centering Conveyor for Sun Simulator	8479.8990		
(xiv). Hi-Pot Test Equipment	9031.8000		
(xv). Electroluminescence (EL) Tester	9031.8000		
(xvi). Motorized Conveyor	8428.3990		
(xvii). EVA/Black sheet Cutting Machine	8441.1000		
(xviii). Ribbon Cutting & Bending Machine	8461.9000		
(xix). Lab Test Equipment	9031.8000		
(xx). Conveyer Belt	8428.3990		
(xxi). Laser cutting machine for cell	8456.1190		
<b>2. Lithium ion batteries manufacturing machinery and equipment.</b>			
(i). Weighting kettles	8423.9000		
(ii). Weighting and conveying systems	8428.3990		
(iii). Storage tanks	7310.1000		
(iv). Glue port	8419.8990		
(v). Transfer tanks	7310.1000		
(vi). Feeder	8479.8990		
(vii). High speed spiral mixer	8479.8290		
(viii). Booster pumps	8413.7090		
(ix). Magnetic filters	8421.3990		
(x). High speed homogenizer	8479.8290		
(xi). Auxiliary equipment and DCS central control system components	9032.8990		
(xii). Pole piece cathode machine	8462.4900		
(xiii). Pole piece rolling machine	8462.3900		
(xiv). CNC nibbling machine	8462.4200		
(xv). CNC bending machine	8462.2600		
(xvi). Sport welding plant	8515.8000		
(xvii). Auxiliary equipment	8479.8990		
(xviii). High temperature circulation thermal tester	9030.8900		
(xix). UL 2054 fire testing equipment	9031.8000		
(xx). Pack rotation simulation	9031.8000		
(xxi). Free fall tester	9031.8000		
(xxii). Battery impact tester IEC 62133	9031.8000		
(xxiii). UL 1642 flame tester	9031.8000		
(xxiv). Electromagnetic vibration tester UN 38.3	9031.8000		
(xxv). Single wing electromagnetic power drop testing equipment	9031.8000		
<b>3. Solar Inverters manufacturing machinery and equipment.</b>			
(i). Solder Paste Screen Machine	8515.1900		
(ii). SMT pick and place machine	8479.5000		
(iii). Wave-soldering machine	8515.1900		
(iv). PCB Conveyer Belt	8428.3990		
(v). SMT Workstation	8479.5000		
(vi). Solder Pot	8419.8990		
(vii). Solder Cleaning Equipment	8419.8990		
(viii). Wire Cutting & Stripping Machine	8461.9000		

### (2) Part-II | Table A (Active Pharmaceutical Ingredients)

(a) Following entry appearing at Sr. No. 312 proposed to be omitted:

DESCRIPTION	PCT CODE	CD%
Moxifloxacin	2933.4990	0%

- (b) After Sr. No. 381, following new entry proposed to be added, namely:

DESCRIPTION	PCT CODE	CD%
382 Dextrose Anhydrous Injectable Grade (Pyrogen Free) USPs	Respective heading	0%

**(3) Part-II | Table C (Drugs)**

- After S. No. 40, the following new entries proposed to be added, namely:

DESCRIPTION	PCT CODE	CD%
41 Gefitinib,	3004.9099	0%
42 Caspian (Caspofungin 50 mg and 70 mg injection)	3004.9099	0%
43 Bovine Lipid Extract Surfactant	3004.3900	0%

**(4) Part-III (Raw Materials/ Inputs for Poultry and Textile Sector; Other Goods) | Table**

- (a) After Sr. No. 9, the following entry proposed to be inserted:

DESCRIPTION	PCT CODE	CD%
9A Other seeds for sowing,	Respective heading	0%

- (b) Following entries proposed to be omitted:

DESCRIPTION	PCT CODE	CD%
44 (i). Adhesives based on polymers or rubbers (ii). Hot melt adhesives	3506.9190	11%
56 Pre-laminated Tape	3919.1090 3920.9900	16%
63 Perforated Poly Film	3920.9900	16%

- (c) CD% proposed to be reduced from 5% to 0% on organic composite solvents and thinners, not elsewhere specified or included; prepared paint or varnish removers (PCT 3814.0000) imported by manufacturers of Butyl Acetate and Dibutyl Orthophthalates registered under the Sales Tax Act, subject to annual quota determination by IOCO.

- (d) Roasted peanuts (PCT 2008.1100) proposed to be imported at 0%, subject to specified conditions.

- (e) PET Scrap (PCT 3915.9000) imported by Registered manufacturers of polyester filament yarn proposed to be subjected to CD at 11%.

- (f) Timeframe for imports of flavouring powders for food preparation (PCT 2106.9030) by specified registered manufacturers at concessional rate of 3% extended up to June 30, 2024.

- (g) After Sr. No. 152, the following entries proposed to be inserted:

SR.	DESCRIPTION	PCT CODE	CD%	CONDITIONS
153	Raw materials/ inputs	3920.2090 3920.4990 4808.9000 7607.1990	0%	If imported by manufacturers of Adhesive Tapes registered under the Sales Tax Act, 1990, subject to quota determination by the Input Output Co-efficient Organization (IOCO)
154	Biaxially oriented polypropylene (BOPP) film, plain	3920.2010	5%	If imported by manufacturers of Capacitors registered under the Sales Tax Act, 1990, subject to quota determination by the Input Output Co-efficient Organization (IOCO) till June 2024
	Biaxially oriented polypropylene (BOPP) film, metallized	3920.2030		
	Rolled but not further worked	7607.1100		

SR.	DESCRIPTION	PCT CODE	CD%	CONDITIONS	
155	Raw materials / inputs	7226.9900 7228.3090 7228.4000	0%	If imported by manufacturers of Moulds and Dies registered under the Sales Tax Act, 1990, subject to quota determination by the Input Output Co-efficient Organization (IOCO)	
156	Raw Materials	Respective Heading	0%	If imported by manufacturers of Mining Machinery and Implements, registered under the Sales Tax Act, 1990, subject to annual quota determination by the Input Output Coefficient Organization (IOCO). and certification by the EDB that the imported goods are not manufactured locally.	
	Shafting material/ Pumps	84.13			
	Electric Motor	85.01			
	Rotor for generator	85.03			
	Power Supply	85.04			
	Sensor etc.	90.25			
	Flow Meter/ Level Gauges/ Pressure Gauges	90.26			
	Pressure Controller	90.32			
157	Raw Materials	Respective Heading	0%		If imported by manufacturers of Machine Tools, registered under the Sales Tax Act, 1990, subject to annual quota determination by the Input Output Coefficient Organization (IOCO). and certification by the EDB that the imported goods are not manufactured locally.
	Components/ Sub-Components	Respective Heading			
158	Gear Motor	8501.5230	0%	If imported by manufacturers of Rice Mill Machinery, registered under the Sales Tax Act, 1990, subject to annual quota determination by the Input Output Coefficient Organization (IOCO). and certification by the EDB that the imported goods are not manufactured locally.	
	Motors	8501.5290			
	Belt	4010.3490			
	Belt	4010.1100			
	Split bearing Block-Bracket, Spherical Roller Bearings, Adapter Sleeve Bearings	8483.2000			
	Pillow Block Brackets	8302.4900			
	Carbon Shaft	8422.9090			
	Mild Steel Polished Shaft	8422.9090			
	Hex head Stainless Steel Nut & Bolt	7318.1690			
	Sprockets	7326.1990			
	Touch Screen	8524.1100			
159	Following IT related Equipment:-		0%		Software exporters registered with Pakistan Software Export Board will have a concession on the assessed value of the imported goods equivalent to 1% of their export proceeds of the previous financial year subject to the conditions that- (i) Pakistan Software Export Board shall certify that the imported goods are bona fide requirements for their own use of the software exporter; and (ii) Export proceeds shall also be certified by the Pakistan Software Export Board (Explanation: Concession equivalent to 1% of the export proceeds of the preceding Financial Year on the assessed value of the imported goods may be availed on one or multiple consignments during the financial year but cumulatively it will not exceed 1% of the export proceeds.)
	i. Laptop computers, notebooks whether or not incorporating multimedia kit	8471.3010			
	ii. Personal computers	8471.3020			
	iii. Other	8471.3090			
	iv. Micro computer	8471.4110			
	v. Key boards	8471.6010			
	vi. Mouse and other pointing devices.	8471.6020			
	vii. Scanner	8471.6030			
	viii. Other	8471.6090			
	ix. CD ROM drive	8471.7040			
	x. Multimedia kits for PCs	8471.9020			
	xi. Hard disk drives	8471.7020			
	xii. Servers	8471.5000			
	xiii. Routers	8517.6270			

**(5) Part-V (Import of Automotive Vehicles (CBUs) Under Automotive Development Policy (ADP) 2016-21**

Entries related to unconditional imports at concessional CD% of agricultural tractors proposed to be transposed to the newly proposed Part VC, whereas all other entries (related to LNG, LPG & CNG Busses in CBU Condition and Hybrid Electric Vehicles & Trailers in CBU Condition) proposed to be omitted.

(6) Part-VB proposed to be substituted as under:

**TABLE-I**  
Import of Hybrid Electric Vehicles (CBUs) Under Auto Industry  
Development and Export Policy (AIDEP) 2021-26

SR.	DESCRIPTION	PCT CODE	CD%	CONDITIONS
1	Hybrid Electric Vehicles (HEV) (CBU)	8702.2090 8702.3090	1%	The concession shall-be admissible to-manufacturers on-import of same variant-to be assembled /-manufactured locally-subject to certification-and quota-determination by the-Engineering-Development Board-(EDB)
2	Hybrid Electric Vehicles (HEV) (CBU)	8704.4100 8704.4200 8704.5100 8704.5200	1%	The concession shall-be admissible to-manufacturers on-import of same variant-to be assembled /-manufactured locally-subject to certification-and quota-determination by the-Engineering-Development Board-(EDB)

**TABLE-II**  
Import of Parts for Hybrid Vehicles Under Auto Industry  
Development and Export Policy (AIDEP) 20121-26

SR.	DESCRIPTION	PCT CODE	CD%	CONDITIONS
1	Following parts for Hybrid Electric Vehicle: - 1.Battery pack and its parts: (i) thermistor (ii) resistor (iii) capacitor (iv) bus bar 2.Cooling system for battery packs including blower, tubes, hoses, pump 3.Sensor hybrid vehicle battery voltage 4.Inverter assembly with converter (Power control unit) 5.Electric motor and generator for Transaxle assembly 6.Battery charging system / inlet connectors 7.Hybrid system control unit / hybrid ECU ECU 8.Junction box	Respective headings	4%	The concession shall be admissible to manufacturers of Hybrid electric vehicles subject to certification and quota determination by the Engineering Development Board (EDB).
2	Following parts for Plug-in-Hybrid Electric Vehicle: - 1.Battery pack and its parts: (i) thermistor (ii) resistor (iii) capacitor (iv) bus bar 2.Cooling system for battery packs including blower, tubes, hoses, pump 3.Sensor hybrid vehicle battery voltage 4.Inverter assembly with converter (Power control unit) 5.Electric motor and generator for Transaxle assembly 6.Battery charging system / inlet connectors 7.Hybrid system control unit / hybrid ECU 8.Junction box 9.Charger 10.Charging port"	Respective headings	3%	The concession shall be admissible to manufacturers of Plug-in Hybrid electric vehicles subject to certification and quota determination by the Engineering Development Board (EDB).

(7) Part-VII (Miscellaneous) | Table A

Juvenile Shrimp or Prawns (PCT 0306.3500 & 0306.3600) for production and breeding in commercial fish farms and hatcheries also proposed to be subjected to CD at 0% on imports.



## SECTION 7 ICT (TAX ON SERVICES) ORDINANCE, 2001

### SCOPE OF TAX

#### [Section 3(2A)(a)]

It has been proposed to give status of cottage industry to freelancer exporter exclusively dealing in export of IT and IT enabled services. However, for this purpose, the turnover threshold of Rs. 8M implies.

Freelance exporter, for the purpose of this clause, has been explained a person who works on per job and on self-employed basis without being attached to or under employment of any other person, having the liberty to work on various tasks simultaneously. Such freelancer exporter will not be required to file sales tax return.

### TABLE-1

**Restaurants** | It has been sought to subject the services provided by restaurants including cafes, food (including ice cream parlors), coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc. to a reduced rate of 5%, in case where payment is made through debit or credit cards, mobile wallets or QR scanning with restriction of input adjustment.

**IT & Allied** | The Bill seeks to subject the services of Software or IT-based System Development Consultants (provided in Table I) to tax at 15% instead of 16%.

**Electricity transmission** | Electric power transmission services are presently treated as goods, being chargeable to tax under the Sales Tax Act, 1990. It has now been sought to tax this transmission services under ICT Sales Tax on Services Ordinance at a rate of 15%.

### TABLE-2

**IT & IT-Enabled Services** | It has been sought to include IT & IT-Enabled Services in Table II at a reduced rate of 5%, subjecting these services to the condition that no input tax adjustment or refund to be admissible in these cases.

The following definitions are also proposed to be added:

**IT Services** IT Services include but not limited to software development, software maintenance, system integration, web design, web development, web hosting and network design.

**IT-Enabled Services** IT-Enabled Services include but not limited to inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, human resources (HR) services, telemedicine centres, data entry operations, cloud computing services, data storage services, locally television programs and insurance claims processing.

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## **SECTION 8      The Petroleum Products (Petroleum Levy) Ordinance, 1961**

### **POWERS TO AMEND SCHEDULES**

**[Section 7]**

The Federal Government is presently empowered to amend the Ordinance as it thinks fit, except the Rates of Petroleum Levy (i.e., Fifth Schedule) through notification in the official Gazette.

The Bill proposed to do-away with this limitation, enabling to amend the rates of this levy at any time through SROs/ notifications.

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## **SECTION 9 RATES FOR WITHHOLDING (INCOME) TAX**

Effective July 01, 2023 | Proposed

LINK TO DOWNLOAD: <https://tagm.co/pdf/WithHoldingRatesTaxYear2024.pdf>

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