

RATES FOR WITHHOLDING (INCOME) TAX | TAX YEAR 2023

Applicable from July 01, 2022 to June 30, 2023 | Updated August 22, 2022

WHAT THIS DOCUMENT AIMS AT?

The purpose of this document is to summarize the tax law on withholding tax and treatment thereof, taking into account significant amendments vide the Finance Act, 2022 and Tax Laws (Second Amendment) Ord. dt. Aug 22, 2022. These tax rates and treatments are effective from July 01, 2022 – i.e., for the Tax Year 2023. The information summarized herein is general and based on our interpretation of law. This information does not constitute any opinion or advice and may also not be acceptable to taxation authorities in a particular case. Tax laws are subject to change from time to time and we do neither warrant at any time the currency of the above details nor accept any responsibility to update the same.

IMPORTS | Sec 148 & Part II First Schedule

Activity	Importer Category	Tax Rate		Nature of Tax
		Filer	Non-Filer	
Imports of Goods as per Part I of the Twelfth Schedule	All	1%	2%	Advance Tax for Industrial Undertaking importing goods other than Edible oil, Packing material, Paper and Paper-board or Plastics
Imports of Goods as per Part II of the Twelfth Schedule	Commercial Importers	3.5%	7%	
	Others	2%	4%	
Imports of Goods as per Part III of the Twelfth Schedule	All	5.5%	11%	Advance Tax for companies and Companies Engaged in Manufacturing
Imports of Goods mentioned in SRO 1125(I)/2011	Manufacturers	1%	2%	
Imports of medicines not manufactured locally as certified by DRAP	All	4%	8%	Minimum Tax for All Other Cases
Imports of CKD Kits for electrical vehicles (small cars/ SUVs with up to 50 kWh battery) and LCVs with up to 150 kWh battery	All	1%	2%	

IMPORT OF MOBILE PHONES | Sec 148 & Part II of First Sch.

C&F Value (USD)	CBU	CKD/ SKD	Nature of Tax
Up to 30, except smartphone	Rs. 70	NIL	Adv. Tax for Industrial Undertaking
From 31 to 100	Rs. 100	NIL	
From 101 to 200	Rs. 930	NIL	Min. Tax for All Other Cases
From 201 to 350	Rs. 970	NIL	
From 351 to 500	Rs. 5,000	Rs. 3,000	
Above 500	Rs. 11,500	Rs. 5,200	

Note: Advance tax is to be increased by 100% for Non-filers

SALARY | Sec 149, Div. I Part I First Schedule

Taxable Income		Rate of Tax	
From	To		
Up to 600,000			0%
600,001	1,200,000		2.5% on amount exceeding Rs.0.6M
1,200,001	2,400,000	15,000	PLUS 12.5% on amount > Rs.1.2M
2,400,001	3,600,000	165,000	
3,600,001	6,000,000	405,000	20% on amount > Rs.2.4M
6,000,001	12,000,000	1,005,000	
Above 12,000,000		2,955,000	35% on amount > Rs.12M

Rate of advance tax deductible is 20% on directorship fee or fee for attending board meetings | For more detailed information on salary taxation please visit: [https://www.tagm.com/pdf/Update-Salary\(TY-2023\).pdf](https://www.tagm.com/pdf/Update-Salary(TY-2023).pdf)

Activity	Tax Rate		Nature of Tax
	Filer	Non-Filer	

DIVIDEND | Sec 150, Div. I Pt. III 1st Sch. & Cl. 11B Pt. IV 2nd Sch.

Dividend paid by IPPs, when it is a pass-through item to be reimbursed by CPPAG	7.5%	15%	Final Tax
Dividend attributable to income from biomass & baggas based power projects			
Dividend received where company is availing exemption or benefiting from c/f business losses & tax credits	25%	50%	Final Tax
Mutual funds, REITs & other cases	15%	30%	
Dividend in specie	15%	30%	
Dividend from: By REIT scheme	0%	0%	
SPV received: By others	35%	70%	
Intercorporate dividend/ group taxation	Not Applicable		

PROFIT ON DEBT | Sec 151, Div. IA Pt. III 1st Sch./ Cl. 5AB Pt. II 2nd Sch.

Received by Company	15%	30%	Advance Tax
Received by AOP/ individual			Final Tax
Received by Resident Pakistanis on Government securities, purchased via FCVA under SBP's Scheme	10%		Final Tax

INVESTMENTS IN SUKUKS | Sec 151, Div. IB Pt. III 1st Schedule

Returns received by Companies	25%	50%	Adv. Tax
Returns rec. by AOPs/ Individuals	Up to Rs. 1M	10%	20%
	Above Rs.1M upto 5M	12.5%	25%
	Above Rs. 5M		
			Min. Tax

PAYMENTS TO NON-RESIDENTS | Sec 152, Div. IV Pt. I, Div. II Pt. III 1st Sch. & Cl. 5A, 5AA, 5AC Pt. II 2nd Schedule

Royalty/ fees for technical services	15%		
Fee for offshore digital services, Money transfer operations, Card network services, Payment gateway services, Interbank financial telecom. Services	10%		Final Tax
Contracts/ subcontract under a construction, assembly/ installation project (including supply of supervisory activities therefor) and Advertisement services by TV Satellite Channels	7%		Minimum Tax
Insurance/ re-insurance premium	5%		
Advertisement services relaying from outside Pakistan	10%		
Foreign produced commercials for TV channel/ other media	20%		
Capital gain to foreign companies on disposal of Debt Instruments & Govt. securities invested via SCRA	10%		Final Tax
Profit on debt from investments exclusively made through a SCRA			
Capital gain to individuals on disposal of debt instruments and Govt. Securities invested via FCVA or NRVA			

Activity	Tax Rate		Nature of Tax
	Filer	Non-Filer	

Individuals receiving profit on Govt. Securities purchased via a foreign bank account, NRVA or FCYAs	10%		Final Tax
Profit on FCYAs or COIs under SBP's FC Account Scheme	0%		Exempt
Profit received by NRPs from PKR accounts on funds exclusively remitted from aboard in FCY	0%		Exempt
Other payments	20%		Adv. Tax

PAYMENTS TO PE OF NON-RESIDENTS | Sec 152, Div. II Pt. III 1st Sch.

For services rendered	By PE of NR company	8%	16%	Minimum Tax
	Other PEs	10%	20%	
Contract by sports persons		10%	20%	
For other contracts		7%	14%	

SUPPLY OF GOODS INCLUDING TOLL MANUFACTURING | Sec 153(1)(a), Div. III Pt. III 1st Sch. Cl. 24A, 24C, 31, 45A Pt. II 2nd Sch.

Sale of rice, cotton seed or edible oil	1.5%	3%	Final Tax
Sale of cigarettes & pharma products by distributors	1%	2%	
Sale by distributors, dealers, sub-dealers, wholesales & Tier-1 retailers integrated & configured with Board (also appearing on Sales Tax ATL) of the following: FMCG Fertilizer Electronics (excluding mobile phones) Sugar Cement Steel Edible oil	0.25%	0.5%	Advance Tax for companies and Companies Engaged in Manufacturing
Sales, supplies & services by taxpayers in the following sectors: Textile & articles thereof Carpets Leather & articles thereof Artificial leather footwear Surgical goods Sports Goods	1%	2%	
Supplies & services to above sectors by Yarn Traders	0.5%	1%	Minimum Tax for other cases
Other supplies/ sales (incl. Toll Manufacturing) By companies	4%	8%	
	By AOPs & Individuals	4.5%	9%
Sale of gold & silver and articles thereof	1%	2%	Adv. Tax

Note | No tax to be withheld in case of:
(a) where aggregate annual payment is below Rs.75,000
(b) purchase of an asset under lease & buy back agreement by Banks and Non-banking Finance Companies.

PAYMENTS FOR SERVICES | Sec 153(1)(b), 153(2), Div. III & Div. IV Pt. III 1st Schedule

Transport Freight forwarding Air cargo services Courier Manpower outsourcing Hotel services Security guard Software development IT & IT enabled services Tracking services Advertising (other than by print/ electronic media) Share registrar services Engineering/ Architectural services Warehousing Services rendered by AMCs Data services Telecom. infrastructure (tower) services Car rentals Building maintenance Services rendered by PSEL & PMEL Inspection, certification & testing Training services Oilfield services Telecom Collateral management Travel & tours REIT management NCCPL services	3%	6%	Minimum Tax
Advertising services electronic/ print media			
Other services	By companies	8%	16%
	By AOPs & Individuals	10%	20%
Stitching, dyeing, printing, embroidery, washing, sizing & weaving to Exporters	1%	2%	

Note | Not applicable if aggregate annual payment is under Rs.30,000

EXECUTION OF CONTRACTS | Sec 153(1)(c), Div III Pt III 1st Sch.

Executed for Listed Companies	6.5%	13%	Adv. Tax
Executed for Other Companies			
Performed by sportspersons	10%	20%	Minimum Tax
Other cases	7%	14%	

EXPORTS | Sec 154 Div. IV Pt. III 1st Sch. Cl. 47C Pt. IV 2nd Schedule

Realization of export proceeds	1%		Final Tax
Goods sold per inland back-to-back LC			
Export of goods by units in EPZ			
Payments under DTRE Rules to indirect exporters by direct exporters			
Cooking oil/ vegetable ghee exported to Afghanistan, if tax u/s 148 is paid	0%		Exempt

EXPORT OF SERVICES | Sec 154A IVA Pt. III 1st Schedule

Software, IT or IT-enabled services by PSEB registered taxpayers	0.25%		Final Tax, subject to specified conditions
Services/ technical services	Rendered abroad		
	Exported from Pakistan		
Royalty/ commission/ franchise fees received by a resident company from a foreign entity for use of intellectual property outside Pakistan	1%		OR/ Optional
Construction contracts executed outside Pakistan			Advance Tax
Foreign indenting commission			

RENT OF IMMOVABLE PROPERTY | Sec 155, Div. V Pt. III 1st Sch.

Company	Annual Rent (Rs.)		Tax
	From	To	
Individual & AOP	Up to 300,000		NIL
	300,001	600,000	5% of rent exceeding Rs.300K
	600,001	2,000,000	Rs.15K + 10% of rent above Rs.600K
	Above 2,000,000		Rs.15K + 25% of rent above Rs.2M
	Note Rates to be increased by 100% for Non-filers		

PRIZES AND WINNINGS | Sec 156, Div. VI Pt. III 1st Schedule

On a prize bond or crossword puzzle	15%	30%	Final Tax
Raffle, lottery, winning quiz & prizes on sales promotion schemes.	20%	40%	

PETROLEUM PRODUCTS | Sec 156A, Div. VIA Pt. III 1st Schedule

Commission amount / discount allowed to a petrol pump operator	12%	24%	Final Tax
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Activity	Tax Rate		Nature of Tax
	Filer	Non-Filer	

TAX ON MOTOR VEHICLES Sec 231B Div. VII Pt. IV 1st Schedule			
Purchase/ registration	Various	Increased by 200%	Advance Tax
Electric Vehicles (EV) value Rs.5M >	3%		
Transfer of registration/ ownership	Various		
Sale/ transfer of EV valuing Rs.5M >	Rs.20K		
Sale of vehicle on Own-Money	Various		
Leasing to a non-filer	N/A	4%	

BROKERAGE & COMMISSION | Sec 233, Div. II Pt. IV 1st Schedule

Advertising agent	10%	20%	Minimum Tax
Life insurance commission <Rs.0.5M pa	8%	16%	
Others	12%	24%	

TAX ON MOTOR VEHICLES | Sec 234, Div. VII & III Pt. IV 1st Schedule

Goods Transport Vehicle Based on laden weight	Rs.2.5/ Kg	Increased by 100%	Advance Tax
Goods Transport Vehicle Laden weight 8,120Kg > after 10 yrs. of registration	Rs.1.2K		
Passenger transport vehicle plying for hire / Based on seating & air- conditioning	Various		
Motor vehicle Based on engine capacity	Various		

COMMERCIAL, INDUSTRIAL ELECTRICITY CONSUMERS | Sec 235, Div. IV Pt. IV 1st Sch., Cl. 66 Pt. IV 2nd Schedule

Gross Monthly Bill	Tax Not applicable to Specified Sectors		For Companies	
	From	To	Nature of Tax	Advance Tax
Up to Rs. 500	NIL			
Rs. 501	Rs. 20,000	10% of amount	Other Taxpayers	
Above Rs. 20,000	Commercial Consumer	Rs.1,950 + 12% above Rs.20,000	Annual Bill (Rs.)	Nature of Tax
	Industrial Consumer	Rs.1,950 + 5% over Rs.20,000	Up to 360K	Minimum Tax
			Above 360K	Advance Tax

Activity	Tax Rate		Nature of Tax
	Filer	Non-Filer	

DOMESTIC ELECTRICITY CONSUMERS | S235, Div. IV, Pt. IV 1st Sch

Monthly bill up to Rs. 25,000	0%	Advance Tax
Monthly bill exceeds Rs. 25,000	7.5%	Tax

TELEPHONE USERS | Sec 236, Div. V Pt. IV 1st Schedule

Landline bills exceeding Rs.1,000	10%	Advance Tax
Internet & Mobile subscriptions	15%	Tax

SALE BY AUCTION | Sec 236A, Div. VIII Pt. IV 1st Schedule

Sale by public auction/ tender	Property/ goods	10%	20%	Advance Tax
	Immoveable Property	5%	10%	
Lease of collection rights	Fee or Other levies	10%	20%	Final Tax

SALE/ TRANSFER/ DISPOSAL OF IMMOVABLE PROPERTY | Sec 236C, Div. X Pt. IV 1st Schedule

By NRPs where the property acquired via FCVA or NRVA	2%	Final Tax (in lieu of CGT)		
All other cases	Acquired in same year	2%	4%	Min. Tax
	Inheritance/ Gift	Not Applicable		N/A
	Other cases	2%	4%	Adv. Tax

ON TV PLAYS & ADVERTISEMENT | S236CA, Div. XA Pt. IV 1st Sch.

Per episode tax on foreign-produced TV drama serial	Rs. 1M	Rs. 2M	Minimum Tax
Tax on foreign-produced single-episode TV play	Rs. 3M	Rs. 6M	
Per second tax on advertisement starring foreign actor	Rs.	Rs.	
	0.1M	0.2M	

TAX ON SALES TO DISTRIBUTORS, DEALERS & WHOLESALE BY MANUFACTURERS & COMMERCIAL IMPORTERS | Sec 236G, Div. XIV Pt. IV 1st Schedule

Fertilizers	ATL Status	I. Tax		S. Tax		Final Tax
		X		X		
Pharmaceuticals Poultry & animal feed Edible oil & ghee Auto-parts Tyres Varnishes Chemicals Cosmetics IT equipment Electronics Sugar Cement Iron & steel products Motorcycles Pesticides Cigarettes Glass Textile Beverages Paint Foam				0.25%		Advance Tax
				0.7%		
				1.4%		
Pharmaceuticals Poultry & animal feed Edible oil & ghee Auto-parts Tyres Varnishes Chemicals Cosmetics IT equipment Electronics Sugar Cement Iron & steel products Motorcycles Pesticides Cigarettes Glass Textile Beverages Paint Foam				0.1%	0.2%	Advance Tax

TAX ON SALES TO RETAILERS & WHOLESALE BY MANUFACTURERS, DISTRIBUTORS, DEALERS, WHOLESALE & COMMERCIAL IMPORTERS | Sec 236H, Div. XV Pt. IV 1st Schedule

Pharmaceuticals Poultry & animal feed Edible oil & ghee Auto-parts Tyres Varnishes Chemicals Cosmetics IT equipment Electronics Sugar Cement Iron & steel products Motorcycles Pesticides Cigarettes Glass Textile Beverages Paint Foam	0.5%	1%	Advance Tax
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PURCHASE OF IMMOVABLE PROPERTY | Sec 236K, Div. XVIII Pt. IV 1st Schedule

By NRPs for property acquired via FCVA or NRVA	2%	Final Tax	
All other cases	Inheritance/ Gift	Not Applicable	N/A
	Normal Purchase	2%	7%

FOREIGN PAYMENTS VIA DEBIT/ PRE-PAID OR CREDIT CARD | Sec 236Y, Div. XVIII Pt. IV 1st Schedule

On gross amount remitted abroad	1%	2%	Adv. Tax
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GLOSSARY OF KEY TERMS

AMC Asset Management Company	NR Non-resident
AOP Association of Persons	NRP Non-resident Pakistani
ATL Active Tax-payer List	NRVA Non-resident Pakistani Rupee Value Ac.
COI Certificate of Investment	PE Permanent Establishment
CPPAG Central Power Purchasing Agency	PMEL Pakistan Mercantile Exchange Ltd.
DTRE Duty & Tax Remission Scheme	PSEL Pakistan Stock Exchange
EPZ Export Processing Zone	REIT Real Estate Investment Trust
FCVA Foreign Currency Value Ac.	S. Tax Sales Tax
FCY Foreign Currency	SBP State Bank of Pakistan
FCYA Foreign Currency Account	Sch. Schedule
I. Tax Income Tax	SCRA Special Convertible Rupee Ac.
IPPs Independent Power Producers	Sec Section
LC Letter of Credit	SPV Special Purpose Vehicle
NCCPL National Clearing Company	

REACH US AT...

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