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CHARTERED ACCOUNTANTS

**BUDGET 2021-22**  
**HIGHLIGHTS &**  
**COMMENTS**



# Foreword



We hope that this document finds you in good health. As we all find ourselves in a bit of uncertain and risky situation, our team really hopes that you are taking proper precautions and staying at home. We still advise as you our moral and social obligation to please stay at your home, avoid large gatherings and take strict measures for your and your family's safety. InshaAllah together we will beat this pandemic.

With this document, we intend to explain main features of Finance Bill 2021-22, best to our understanding. Our hope is to make our readers understand the amendments that came into force with Finance Bill 2021-22, in best and easiest way possible.

This overview consists of brief explanations of the considerable changes in the Income Tax, Sales Tax, Federal Excise and Customs Duty laws presented in the Finance Bill, 2021-22. It also puts light over the economic review and the overall highlights of the fiscal proposals.

The purpose of this overview is to generally guide and provide some guidance with the objective of keeping our clients and staff in line with the changes in purposed laws. We are not responsible for any loss occurring to any person acting or refraining from action as a result of our publications. The users are always advised to solicit professional counsel before exercising any action or interpreting any legal provisions and acting upon. The proposed amendments in the Finance Bill, 2021-22 shall take effect from July, 01, 2021 unless, otherwise, is stated in its approval by the Parliament.

We thank you all on behalf of our team for taking your time.

Your feedback is always welcomed.

Team Parker Russell Pakistan

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# Budget At A Glance

## 2021-22 Budgeted Estimate

Rupees in billion

### Revenue Receipts

|                        |              |
|------------------------|--------------|
| Tax Revenue            | 5,829        |
| Non-Tax Revenue        | 2,080        |
|                        | <b>7,909</b> |
| Less: Provincial Share | 3,412        |
| <b>Net Revenue</b>     | <b>4,497</b> |

### Expenditure

|                          |               |
|--------------------------|---------------|
| Current Expenditure      | 9,124         |
| Development Expenditure  | 1,138         |
| <b>Total Expenditure</b> | <b>10,262</b> |

**Deficit** **5,765**

### Other Receipts

|                         |       |
|-------------------------|-------|
| Capital Receipts        | 1,440 |
| External Receipts       | 2,748 |
| Banking Sector Receipts | 681   |
| Privatization Proceeds  | 252   |
| Public Account Receipts | 74    |
| Receipts from Provinces | 570   |

**Total Deficit Receipts** **5,765**



# Economic Review

## Pakistan Economy 2020-21

Despite myriad of challenges, Pakistan's economy is moving progressively on higher inclusive and sustainable growth path on the back of various measures and achievements during the year. Pakistan was implementing stabilization policy post crisis of 2017-18 and the economy was recovering from macroeconomic imbalances but COVID-19 slowed down the pace which was recovered initially but the advent of 2nd and 3rd wave brought significant challenges which were met by the timely prudent policies. Pandemics like COVID-19 are once-in-a-century event that devastate global economies. Pakistan did much better in coping up with the pandemic compared to many countries. Prior to COVID-19, the working population was 55.74 million. This number declined to 35.04 million which indicates people either lost their jobs or were not able to work. Due to prudent decisions by the government, working population reached 52.56 million till October, 2020.

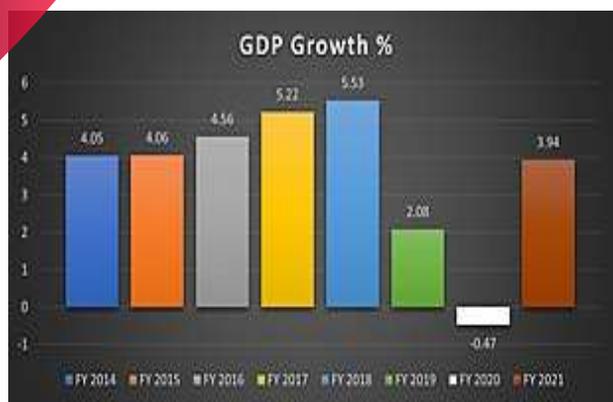
Current account posted a surplus of \$ 0.8 billion, during July-April, FY2021 for the first time in 17 years. Inflows of foreign exchange through the Roshan Digital Account (RDA) crossed the \$1 billion mark. During July-April FY2021, workers' remittances posted historically high growth of 29 percent and reached to \$ 24.2 billion. Pakistan has entered the international capital market after a gap of over three years by successfully raising \$ 2.5 billion through Euro bonds.

During the year, all three major credit rating agencies, Moody's, Fitch and Standard & Poor's, reaffirmed their sovereign credit Ratings for Pakistan. This reaffirmation is reflective of the sound policies of the Government and of the confidence reposed by these leading international institutions in the country's economic outlook.

On the external front, the current account balance remained in surplus during the first ten months of FY2021 due to strong growth in remittances and an ongoing pickup in exports. The provisional GDP growth rate for FY2021 is estimated at 3.94 percent, higher than the targeted growth of 2.1 percent, for the outgoing fiscal year. The GDP growth is based on 2.77, 3.57 and 4.43 percent growth in agriculture, industrial and services sector, respectively.

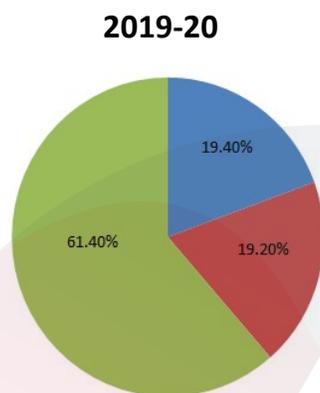
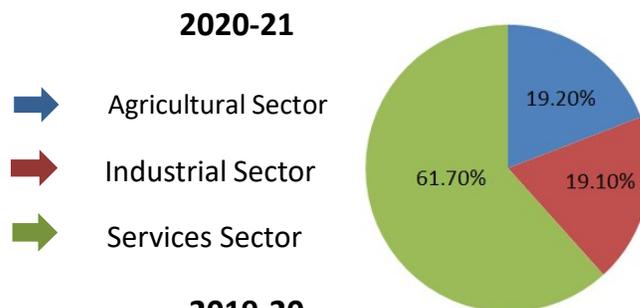


## GDP Growth Rate



Economy of Pakistan rebounded strongly in FY2021 and posted growth of 3.94 percent which is not only substantially higher than the previous two years (-0.47 and 2.08 percent in FY2020 and FY2019 respectively) but also surpassed the target (2.1 percent for FY2021). Despite strict fiscal constraints, timely and appropriate policy measures taken by the government resulted in a V-shaped economic recovery. Pakistan's economy was at a constant rate of growth which has now resulted into a recession for two consecutive years 2019-20 which can be clearly seen in the critical breakdown of economic activities, less exports and lower tax revenue collections. y. On the basis of a rebound in almost all sectors, for FY2021, the provisional GDP growth rate is estimated at 3.9 percent on account of 2.8 percent growth in Agriculture, 3.6 percent in the Industrial sector and 4.4 percent growth in the Services sector. Moreover, GDP at current market prices stood at Rs 47,709 billion, showing a growth of 14.8 percent during FY2021 over last year (Rs 41,556 billion).

## GDP Growth Contributors



Pakistan's economy is now on course towards strong and sustained recovery mainly due to utilization of unused capacities.

In FY2021, share of Agriculture sector in GDP reached to 19.20 percent and posted a growth of 2.8 percent, share of Industrial sector in GDP reached to 19.10 percent and posted a growth of 3.6 percent and share of Services sector in GDP reached to 61.7 percent and posted a growth of 4.4 percent.

The fundamental factors representing the GDP of the country's are following ;

| Pakistan's GDP Growth Contribution |              |         |
|------------------------------------|--------------|---------|
| Sectors                            | Share in GDP |         |
|                                    | 2020-21      | 2019-20 |
| Agriculture                        | 19.20%       | 19.40%  |
| Industrial                         | 19.10%       | 19.20%  |
| Services                           | 61.70%       | 61.40%  |

## Agriculture Sector

Agriculture is the backbone of Pakistan's economy. Agricultural sector is indispensable to the country's economic growth, food security, employment generation and poverty alleviation particularly, at the rural level.

It contributes 19.2 percent to the GDP and provides employment to around 38.5 percent of the labour force. More than 65-70 percent of the population depends on agriculture for its livelihood.



The agriculture sector's performance during 2020-21 broadly stands encouraging as it grows by 2.77 percent against the target of 2.8 percent.

| Agriculture Sector         | Provisional Growth 2020-21 |
|----------------------------|----------------------------|
| <b>1. Crops (i+ii+iii)</b> | 2.47%                      |
| i. Important Crops         | 4.65%                      |
| ii. Other Crops            | 1.41%                      |
| iii. Cotton Ginning        | -15.58%                    |
| <b>2. Livestock</b>        | 3.06%                      |
| <b>3. Forestry</b>         | 1.42%                      |
| <b>4. Fishing</b>          | 0.73%                      |
| <b>Overall Growth</b>      | <b>2.77%</b>               |

Pakistan meets around 84 percent of its fertilizer requirement through local production while the remaining is met through imports. Domestic production of fertilizers during FY2021 (July-March) increased by 5.9 percent over the same period of previous year. This increase was mainly due to the supply of gas to Pak Arab Fertilizer from Mari Petroleum Company Limited.

Completion of 22 on-going projects at a cost of Rs. 124 billion, resulting in bringing about 40 thousand acres area under cultivation especially in Balochistan. Despite the COVID-19 pandemic, all efforts were made to fully protect the on-going water sector development programme during FY2021.

Better performance of Agriculture is attributed to better weather and improved production system spurred by the Prime Minister's Agriculture Package and increase in minimum support prices of wheat and sugarcane.

## Industry Sector

Industrialization plays a vital role in the economic development of countries as it increases employment and ensures better utilization of domestic resources. Government of Pakistan has been cognizant of the importance of industry amid recent health-cum-economic crisis and has taken proactive measures to promote and develop it. Despite the concerns raised by COVID-19,



manufacturing sector remained sound and resilient during FY2021 on the back of well in time government initiatives. Pakistan's industrial sector accounts for about 19% of GDP. Cotton textile production and apparel manufacturing are Pakistan's largest industries, accounting for about 65% of the merchandise exports and almost 40% of the employed labour force.

During July-March FY2021, manufacturing sector bounced back and LSM posted 9.0 percent growth while there was 5.1 percent contraction in the same period last year. In case of Small Scale, the government has provided Rs 6.9 billion to support the SMEs. Further, Prime Minister approved National SME Policy Action Plan 2020 to provide much needed support to SMEs. These efforts made Small Scale sector to grow by 8.3 percent during FY2021.

In National Accounts, growth of Quantum Index of Manufacturing (QIM) has registered a 9.3 percent growth for FY2021 on the standard methodology of Pakistan Bureau of Statistics (PBS). Textile sector has the highest weight of 20.91 in (QIM) thus having a significant impact on overall performance of LSM. Textile production has increased by 5.90 percent during July-March FY2021 against 2.58 percent decline in the same period last year. Food Beverages & Tobacco has the second highest weight of 12.37 in QIM. This sector has bounced back with 11.73 percent increase as compared to 1.69 percent decline last year. Coke and Petroleum industry production expanded by 12.71 percent against double digit contraction of 17.54 percent last year. Automobile sector witnessed a broad-based growth of 23.38 percent against 37.66 contraction last year.

Iron & Steel production inched up by 1.66 percent during July-March FY2021. Fertilizers production grew by 5.69 percent as compared to 5.81 percent growth during last year. This performance is mainly attributed to the Nitrogen Fertilizers which increased by 4.13 percent. The Electronics exhibited lacklustre performance and plunged to 20.77 percent against 15.58 percent slump in corresponding period. Electric motors, bearing the highest weight in this segment, have so far been responsible for overall electronics dip.

During the period under review, electric motors dived by 31.8 percent and dragged down the whole electronics industry. Pharmaceuticals witnessed a double digit growth of 12.57 percent during July-March FY2021 against 5.29 percent contraction last year. Panic buying of medicines and escalated prices contributed to this encouraging situation. Chemicals grew by 11.65 percent as compared to 11.35 percent increase last year.

Non-metallic Mineral Products surged by 24.31 percent as compared to 1.87 percent increase last year. This was mainly driven by 17 percent jump in cement production. Total cement dispatches during July-March FY2021 increased to 43.32 million tonnes (mt) from 37.03 mt last year. Engineering products plunged to 25.53 percent as compared to 7.28 percent decline last year. This drag mainly came from sewing machines and bicycles production which declined by 43 and 59 percent, respectively. Leather products decreased by 38.26 percent during July-March FY2021 as compared to 6.50 percent increase last year. USA and EU are amongst top importers of Pakistani leather. Wood Products declined by 45.77 percent as compared to 20.67 percent decline last year.

The other sector which has shown significant growth was Construction, which recorded a growth of 8.3 percent as Government has announced a special package for construction sector which includes amnesty scheme, tax exemptions and Rs 36 billion subsidy (for 10 years) for construction under Naya Pakistan Housing Scheme.

Mobile Device Manufacturing policy has been approved to promote local manufacturing and assembly of mobile handsets. Despite negative impact of COVID-19 closure and lockdowns, the industrial production of the automobile sector has shown positive trend in all segments, during July-April FY2021.

Nevertheless, a third and more contagious wave of the pandemic has begun spreading in the country, which may smother this economic recovery. Fortunately, vaccination drive has played a significant role in mitigating the virus-uncertainty this time and has given a sigh of relief to business community. Further, well-coordinated fiscal and monetary policies also bode well for future prospects of manufacturing.



## Service Sector

Services sector includes 'Financial, real estate & professional services, Public Administration, defence and other services, trade, hotels, transport, communication and services related to broadcasting. This sector is also known as the tertiary sector of the economy. In FY2021, share of Services sector in GDP reached to 62 percent and posted a growth of 4.4 percent.



Wholesale & Retail Trade is dependent on the output of agriculture, manufacturing and imports. The growth in trade value added relating to agriculture, manufacturing and imports stands at 3.8, 8.2 and 16.1 percent respectively. Based on these, the growth of Wholesale & Retail Trade was recorded at 8.4 percent for FY2021.

In Transport, Storage and Communication, Railways, Water Transport, Air Transport and Pipeline Transport constitute 11 percent share in it. In FY2021, there was almost 24 percent decline as the value recorded at Rs 116.9 billion (Rs 152.8 billion last year) mainly due to lockdown and restriction on travel. Likewise, Communication which includes Postal system including courier services and telecommunication activities having approximately 16 percent share in Transport, Storage and Communication posted a decline of 21.4 percent. However, Road Transport which has 74 percent share posted a growth of 8.4 percent while Storage which has 3 percent share posted 8.7 percent growth during FY2021. Due to these factors, Transport, Storage and Communication posted a decline of 0.6 percent.

During FY2021, Finance and insurance sector showed an overall increase of 7.8 percent due to increase in deposits, loans and insurance. Last Year, in March 2020, Quarter on Quarter (QoQ) growth of Assets was 0.7 percent while in Dec 2020, the YoY growth remained 14.2 percent. Regarding, Housing Services (Ownership of Dwellings), its data is survey based. Thus, keeping the past trend, constant growth rate of almost 4.0 percent was estimated while the provisional growth in General Government Services based on budgeted data stands at 2.2 percent. Regarding Other Private Services, it includes diverse economic activities scattered over many industries. However, it can be categorized into Computer Related Activities, Professional, Scientific and Technical Activities, Education, Health, Recreation, Cultural & Sports Activities and Miscellaneous whereas Professional, Scientific and Technical Activities has almost 61 percent share in Other Private Services.



For FY2021, growth in Professional, Scientific and Technical Activities remained 5.6 percent while due to lockdown measures and closing of recreational places, hotels, etc. a negative growth of 21 percent was observed in Recreation, Cultural and Sports Activities (its share is 0.05 percent in Other Private Services). Thus, provisional growth of Other Private Services for FY2021 remained 4.6 percent.

Key proposed allocations;

| PARTICULARS                        | RUPEES        |
|------------------------------------|---------------|
| Corona Vaccination fund            | 171.5 Billion |
| SMEs Support Program               | 12 Billion    |
| Kamyab Pakistan Program            | 10 Billion    |
| Anti Rape fund                     | 0.1 Billion   |
| HEC fund                           | 66 Billion    |
| Educational Reforms                | 44 Billion    |
| Pakistan Air Lines (PIA) fund      | 20 Billion    |
| Pakistan Steel Mills fund          | 16 Billion    |
| Special grant for Baluchistan      | 10 Billion    |
| Special grant for Gilgit Baltistan | 47 Billion    |
| Special grant for Sindh            | 19 Billion    |
| Special grant for Azad Kashmir     | 60 Billion    |
| Census Fund                        | 5 Billion     |
| Local Government Election fund     | 5 Billion     |
| Covid-19 Emergency fund            | 100 Billion   |



# Key Highlights of Finance Bill 2021-22

## Income Tax

### TAX MEASURES

- Special regime for export of services at par with export of goods to be taxed @ 1% under final tax regime.
- Elimination of block taxation of property income and shift to normal tax regime.
- Reduction of block taxation on capital gain on disposal of immovable properties if gain exceeds Rs. 20 million.
- Reduction in block taxation on interest income, if it exceeds Rs. 5 million.
- Tax on “on” money on vehicles, if vehicle is disposed without registration.
- Expansion of scope of withholding tax collection from supply chain below manufacturers and importers of specified sectors (sections 236G and 236H).
- Reduction in threshold of monthly electricity bill for withholding tax on electricity consumption from 75,000 to 25,000 from domestic users not appearing on Active Taxpayers’ list.
- Removal of requirement of issuance of separate notice in concealment cases.
- Withholding of tax on rental income of sub-lessee.
- Broadening of scope of withholding agents for the purpose of collection of withholding tax on commission income (section 233).
- Streamlining withholding tax collection on sale and purchase of immovable property (section 236C and 236K).
- Rationalization of withholding tax regime for exporters.
- Taxability of profit on debt component of GP fund and other such funds.
- Withdrawal of personal income tax exemptions.
- The provisions of the Tax Laws (Second Amendment) Ordinance, 2021 have been made part of the Finance Bill. Certain tax credits, concessions and exemptions were withdrawn.

# **Key Highlights of Finance Bill 2021-22**

## **DOCUMENTATION MEASURES**

- Tax credit on installation of point of sale machines.
- Notification of business bank accounts made mandatory.
- Measures for the documentation of business of used cars.
- Harmonization of procedure for investigation and prosecution of offences under domestic tax laws.

## **STREAMLINE MEASURES**

- Strengthening mechanism of Alternate dispute resolution.
- Elimination of requirement of filing of application for automated issuance of refund.
- Introduction of time limitation for disposal of show cause notices.
- Recording of e-hearing to be admissible evidence.
- Automated issuance of exemption certificates if application is not disposed by Commissioner within 15 days.
- Removal of requirement of updating tax profile.
- Clarity regarding taxation of income of co-operative societies from sale and services to its own members.
- Delegation of power of Federal Government to Board with the approval of Federal Minister in-charge.
- Extension of time limitation for issuance of notice for filing of return in case of foreign income or foreign assets.
- Time limitation for completion of assessment in pursuance of orders of the Commissioner.
- Streamlining measure for monitoring of withholding taxes requiring taxpayers to file online statement along with reconciliation.
- Establishment of Directorate of compliance Risk Management in FBR.

# Key Highlights of Finance Bill 2021-22

## **RELIEF MEASURES**

- Reduction in generalized rate on Minimum Tax on Turnover basis and increase in threshold for individuals and AOPs for chargeability of minimum tax.
- Broadening of scope of IT services by inclusion of cloud computing and data storage services.
- Exemption to Special Economic Zone Enterprises from payment of minimum tax.
- Ten year tax exemption for Special Technology Zone Authority, Zone Developers and Zone Enterprises.
- Tax exemption on the import of capital goods and dividend income of private funds from investment in special technology zone enterprise.
- Introduction of special tax regime for manufacturing SMEs.
- Exemption from tax on income of deep conversion new refineries and BMR projects of existing refineries for 10 years.
- Reduced rate of withholding tax of 3% on oilfield services, warehousing services, logistic services, collateral management services and telecommunication services.
- Inclusion of telecommunication services in definition of industrial undertaking.
- Exemption to Electronic warehousing receipts traded on Pakistan Mercantile Exchange.
- Allowance of provincial WWF and WPPF as a deductible allowance while calculating income.
- Adjustment of business loss against property income.
- Unconditional grant of exemption from tax to certain organizations.
- Withdrawal of power of Commissioner to reject advance tax estimates presented by taxpayer.
- Non recognition of gain/loss on disposal of assets to non-residents under gift from relative, inheritance and agreement to live apart.

## Key Highlights of Finance Bill 2021-22

- Reduction in tax rate on capital gain tax on disposal of securities from 15% to 12.5%.
- Withdrawal of power of tax authorities to conduct inquiry under section 122(5A).
- Inclusion of live animals, raw hides and unpackaged meat in definition of agriculture produce.
- Reduction in tax liability by 25% for women entrepreneurs.
- Exemption from tax on import of books and agriculture equipment.
- Exemption from tax for bagasse fired power generating units and reduced rate of tax on dividend income from such projects.
- Extension in time limits for availing tax benefits under section 100D and Eleventh Schedule vide Income Tax (Amendment) Ordinance 2021 dated 21.02.2021 made part of the bill.
- Tax exemptions and concessions for Roshan digital accounts and implementation of electric vehicles and mobile phone policy implemented vide Tax Laws (Amendment) Ordinance, 2021 dated 11.02.2021 made part of bill.
- Deletion of following 12 withholding taxes;

| SECTIONS     | SHORT DESCRIPTION   |
|--------------|---|
| <b>153B</b>  | Collection of tax on payment of royalty to residents.   |
| <b>231A</b>  | Collection of tax on cash withdrawal.   |
| <b>231AA</b> | Collection of tax on banking instruments.   |
| <b>236P</b>  | Collection of tax on banking transactions other than through cash.                                |
| <b>236Y</b>  | Collection of tax from persons remitting amounts abroad through credit or debit or prepaid cards. |
| <b>236B</b>  | Collection of tax on domestic air travel.   |



## Key Highlights of Finance Bill 2021-22

| SECTIONS     | SHORT DESCRIPTION  |
|--------------|--|
| <b>236L</b>  | Collection of tax on international air travel.                             |
| <b>236V</b>  | Collection of tax on extraction of minerals.                               |
| <b>233A</b>  | Collection of tax from members by a stock exchange registered in Pakistan. |
| <b>233AA</b> | Collection of tax on marginal financing by NCCPL.                          |
| <b>234A</b>  | Collection of tax from CNG stations.                                       |
| <b>236HA</b> | Collection of tax on certain petroleum products.                           |

- Merging of 3 withholding taxes with other existing provisions;

| SECTIONS    | DESCRIPTION  | MERGED WITH  |
|-------------|--|--|
| <b>150A</b> | Deduction of tax on return on investment in Sukuks.            | Proposed to be merged in section 151 for residents and in section 152 for non-residents which deal with such payments. |
| <b>152A</b> | Deduction of tax on payments for foreign produced commercials. | To be merged with section 152 which deals with payments to non-residents.  |
| <b>236S</b> | Collection of tax on dividend in specie.                       | To be merged with section 150 which deals with dividend.   |



# Key Highlights of Finance Bill 2021-22

## Sales Tax

### TAX MEASURES

- The sale of goods through online market place is proposed to be brought into the sales tax net by deeming the online market place as supplier in respect of third party sales through their platform.
- For specified goods, it is proposed that it may be made mandatory for manufacturers of such goods to obtain brand license for each separate brand or SKU.
- Section 56C provides for prize scheme to promote tax culture. To ensure that the said incentive is not misused, a new sub-section is proposed to be inserted to provide for randomize “mystery shopping”.
- The rate of sales tax on potassium chlorate is proposed to be increased from Rs. 80 per kg to Rs. 90 per kg in addition to 17% standard rate.
- Zero-rating is proposed to be withdrawn from Petroleum Crude Oil, parts/components of zero-rated plant and machinery, import of plant and machinery by petroleum and gas sector and supply, repair and maintenance of ships.
- Sixth Schedule is proposed to be streamlined and exemptions other than relating to basic food items, health and education are proposed to be withdrawn.
- Eighth Schedule is proposed to be streamlined and reduced rates other than relating to basic food items, health and education are proposed to be brought into standard regime.
- Reclaimed lead and used lead batteries is an unorganized sector. Therefore, entire amount of sales tax in respect of sales of such goods is proposed to be withheld at source under Eleventh Schedule.
- To ensure collection of due taxes, sales tax on sugar is proposed to be levied on retail price by including the said product in Third Schedule.



# Key Highlights of Finance Bill 2021-22

## **RELIEF MEASURES**

- The minimum annual threshold of turnover from all supplies for cottage industry is proposed to be increased from Rs. 3 million to Rs. 10 million.
- The threshold of shop area in case of furniture outlet/showrooms is proposed to be increased from 1000 square feet to 2000 square feet for inclusion in tier- 1 retailer.
- Public limited companies are proposed to be excluded from the purview of section 8B.
- A separate section introduced for allowing extension of time for furnishing of return.
- Exemption is proposed to be granted to art and printing paper for publication and printing of Holy Quran.
- Exemption on import of CKD kits for electric vehicles by manufacturers granted by Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.
- To facilitate international athletes, exemption to goods temporarily imported by athletes/sportsmen granted by Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.
- Tax exemption to auto disable syringes granted vide Tax Laws (Second Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.
- To encourage IT industry in the country, import of plant, machinery and raw material by Special Technology Zone is proposed to be exempted from sales tax.
- To facilitate farmers and encourage storage of grain, tax exemption on locally manufactured silos is proposed to be granted till 30.06.2026.
- Reduced rate of sales tax @ 1% on locally supply of electric vehicles granted vide Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.
- In order to address litigation issue, fixed tax on SIM cards is proposed to be deleted with effect from 1st July, 2020.



## **Key Highlights of Finance Bill 2021-22**

- Exemption from value addition tax on import of electric vehicles, CKD kits for small car, 2-3 wheelers, HCVs and all these vehicles in CBU conditions was granted vide Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Twelfth Schedule.
- For facilitation purpose, the concept of constructive payment is proposed to be introduced in section 73.
- To provide relief to the registered persons, the benefit of compensation for delayed payment of refund is also proposed to be extended to those persons in whose case order under section 66 is passed.
- For promoting ease of doing business, the concept of Common Identifier Number is proposed to be introduced.
- For establishment of Border Sustenance Markets, exemption from sales tax is proposed to be granted on food related and other consumable goods.
- In order to introduce umbrella Export Facilitation Scheme by Customs Wing, exemption on import and zero-rating on local supplies in respect of raw materials, components, parts and plant and machinery to authorized exporters is proposed.
- Rising prices of locally manufactured small cars is a major concern for low earning families. Accordingly it is proposed that small cars upto engine capacity of 850cc may be exempted from value added tax besides reducing sales tax rate from 17% to 12.5%.

### **STREAMLINE MEASURES**

- There are various provisions in the Sales Tax Act 1990 which require some corrections or streamlining, while some changes are being proposed for the purpose of Ease of Doing Business for registered persons. At places some drafting errors also need to be corrected. All such measure are listed below:

| SR # | SECTION    | PROPOSED AMENDMENTS WITH RATIONALE                                   |
|------|------------|--|
| 1    | 2(4AA)     | A new definition has been inserted to define Commissioner (Appeals). |
| 2    | 2(37)(iii) | The word “of” is inserted to correct drafting error                  |



## Key Highlights of Finance Bill 2021-22

| SR # | SECTION   | PROPOSED AMENDMENTS WITH RATIONALE  |
|------|-----------|---|
| 3    | 2(43A)(g) | The definition of tier-1 retailer is streamlined through insertion of a new clause whereby a retailer who has acquired point of sale accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan is also included in the definition of tier-1 retailer  |
| 4    | 3(1B)(a)  | The word “on” is substituted to correct drafting error.   |
| 5    | 11(5)     | Under section 11(5), a show-cause notice can be issued for recovery of amounts not paid or short-paid within five years of relevant date. Since sales tax is payable on monthly basis, the time bar also applies on monthly basis. However, audits are undertaken on full-6-year basis. Furthermore, audits for income tax and sales tax for the same financial or tax year are undertaken concurrently, the demand in case of sales tax may get time-barred one to two years earlier as compared to demand for income tax. In order to streamline the said provision, the words “relevant date”, is proposed to be changed with the words “end of the financial year in which the relevant date falls” |
| 6    | 25AA(2)   | A new sub-section is added to provide enabling provision in the Act for prescribing rules for determining transfer pricing of taxable supplies between associates to reflect fair market value in arm’s length transactions.  |
| 7    | 22(1)     | Section 22(1) has been amended to strengthen and streamline the requirement of record keeping.  |
| 8    | 47(7)     | For the word “Collector”, the word “Commissioner” is substituted to correct drafting error.   |



## **Key Highlights of Finance Bill 2021-22**

| SR # | SECTION  | PROPOSED AMENDMENTS WITH RATIONALE   |
|------|--|--|
| 9    | 48(2)  | Enabling provision has been inserted in respect of request from a foreign jurisdiction under a tax treaty, a multilateral convention, and inter-governmental agreement or similar agreement or mechanism.  |
| 10   | 50 (2)   | Procedure for collection, arrangement and publishing of the rules issued under Sales Tax Act, 1990 has been streamlined.   |
| 11   | 56A  | Provisions regarding sharing of data with foreign countries on reciprocal basis were introduced through Tax Laws (Amendment) Ordinance, 2021 which is now being incorporated in Sales Tax Act, 1990. Moreover, mechanism for assistance in recovery of taxes on request from foreign countries on reciprocal basis is also proposed by inserting subsection (3). |
| 12   | 76(2)  | Enabling provision has been inserted for authorizing and prescribing the manner for utilizing the fees and service charges collected under section 76(1)   |
| 13   | S. No. 18 of Table-II of the Sixth Schedule        | S. No. 18 of Table-II of Sixth Schedule to the Sales Tax Act, 1990 which grant exemption to marble and granite manufacturers having annual turnover less than Rs. 5 million, is proposed to be omitted. The said exemption is already available under section 2(5AB) of the Sales Tax Act, 1990.   |
| 14   | S. No. 19 and 20 of Table-II of the Sixth Schedule | Exemption on bricks and crush stones has already expired on 30th June, 2018. Accordingly, these serial numbers are proposed to be omitted being redundant.   |



# Key Highlights of Finance Bill 2021-22

## Islamabad Capital Territory (Tax on Services) Ordinance, 2001

### RELIEF MEASURES

- In order to promote and encourage IT sector, it is proposed that export of services may be zero-rated.

## Federal Excise Act, 2005

### TAX MEASURES

- In order to reap reasonable revenue from this sector, federal excise on mobile phone calls exceeding three minutes @ Re 1 per call, SMS message @ Re. 0.1 per SMS, and internet data usage @ Rs. 5 per GB is being proposed. This will result into mild taxation of a broad spectrum of population.
- Electronically heated tobacco products are also proposed to be brought into the tax net by inserting new S. No. 8c of Table-1 of the First Schedule to the Federal Excise Act, 2005.

### RELIEF MEASURES

- In order to facilitate the people of tribal area and encourage investment and economic growth in these areas, exemption is being given from levy of FED to the industrial units located in FATA and PATA.
- The provision to revise return without prior approval of the Commissioner-IR which is available in Sales Tax Act, 1990 is now proposed to be made available in Federal Excise Act, 2005.
- Exemption from federal excise duty to 4-wheelers granted vide Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Federal Excise Act.
- The rate of federal excise duty on telecommunication is proposed to be reduced from 17% to 16%.
- Payment on account of Merchant Discount Rate (MDR) is proposed to be excluded from the purview of FED.

## **Key Highlights of Finance Bill 2021-22**

- For establishment of Border Sustenance Markets, exemption from federal excise duty is proposed to be granted on food related and other consumable goods.
- Rising prices of locally manufactured small cars is a major concern for low earning families. Accordingly it is proposed that small cars upto engine capacity of 850cc may be exempted from federal excise duty.
- In order to introduce new Export Facilitation Scheme, 2021, exemption on import and zero-rating on local supplies in respect of raw materials, components, parts and plant and machinery to registered persons is proposed.
- Federal excise duty on fruit juices was imposed vide Finance Act, 2019 and resultantly, prices of juices were increased. Moreover due to pandemic, this sector is faced with adverse situation. In order to provide relief to this sector, it is proposed to withdraw federal excise duty on juices.

### **STREAMLINE MEASURES**

- There are various provisions in the Federal Excise Act, 2005 which require some corrections or streamlining, while some changes are being proposed for the purpose of Ease of Doing Business for registered persons. At places some drafting errors also need to be corrected. All such measure are listed below:

| SR # | SECTION | PROPOSED AMENDMENTS WITH RATIONALE   |
|------|---------|--|
| 1    | 14(4)   | Enabling provision has been inserted in respect of request from a foreign jurisdiction under a tax treaty, a multilateral convention, and inter-governmental agreement or similar agreement or mechanism.  |
| 2    | 47A     | Provisions regarding sharing of data with foreign countries on reciprocal basis were introduced through Tax Laws (Amendment) Ordinance, 2021 which is now being incorporated in Federal Excise Act, 2005. Moreover, mechanism for assistance in recovery of taxes on request from foreign countries on reciprocal basis is also proposed by inserting sub-section (3). |
| 3    | 49(2)   | Enabling provision has been inserted for authorizing and prescribing the manner for utilizing the fees and service charges collected under section 49(1)   |



## Key Highlights of Finance Bill 2021-22

| SR # | SECTION  | PROPOSED AMENDMENTS WITH RATIONALE   |
|------|--|--|
| 4    | S. No. 56 of Table-1 of the First Schedule to the Federal Excise Act, 2005             | To correct drafting error, PCT heading for filter rod has been substituted.              |
| 5    | Heading of column (2) of Table-2 of the First Schedule to the Federal Excise Act, 2005 | To correct drafting error, the word “Services” has been substituted for the word “Goods” |



# Key Highlights of Finance Bill 2021-22

## Custom Act 1969

### GUIDING PRINCIPLES

- Exemption from custom duties on import of 61 Covid related items, edible oils  
Remove anomalies in cascading structure of tariff
- Promote and protect domestic industry by introducing targeted interventions
- Enhance import-substitution by rationalizing tariffs on industrial raw materials / intermediate goods
- Facilitate export-oriented manufacturing by reviewing the existing exemption regimes & export schemes

### INDUSTRIAL RELIEF MEASURES

- Reduction / exemption of CD, ACD & RD on import of goods falling under 589 PCT codes to incentivize the textile industry.
- Reduction / exemption of CD, ACD & RD on import of flat rolled products of HRC and stainless steel.
- Reduction / exemption of CD and ACD on raw materials and intermediary goods and point of sale machines falling under 328 tariff lines as a consequent of tariff rationalization.
- To incentivize the pharmaceutical sector and to keep the prices stable in the market,
  - Exemption of CD & ACD on more than 350 APIs
  - Plant, machinery and equipment subject to concessionary rate of 5%
  - Exemption of CD & ACD on raw material of auto-disable syringes and Reduction in tariff on finished auto-disable syringes
- Reduction / exemption on inputs / raw materials of food processing industry.
- Reduction of CD & ACD on uncoated paper and paperboard for printing and graphic arts industry.
- Reduction / exemption of CD & ACD on Vaccines for veterinary medicines and feed additives to incentivize the dairy sector.

# Key Highlights of Finance Bill 2021-22

## Custom Act 1969

### **GUIDING PRINCIPLES**

- Reduction / exemption of CD & ACD on goods falling under more than 100 PCT codes relating to Tourism industry.
- Reduction of duties on raw material/inputs of footwear industry.
- Reduction / exemption of CD & ACD on inputs for poultry industry.
- Reduction / exemption of CD & ACD on raw material for manufacturer of aseptic plastic packaging.
- Exemption of ACD on import of raw materials for cables / optical fiber manufacturers.
- Reduction / Exemption of CD & ACD on raw materials for Paint Industry.
- Reduction / Exemption of CD & ACD on raw materials for Chemical and Artificial Leather Industry. 15. Reduction / Exemption of CD & ACD on inputs for Electronics Manufacturing Industry.
- Reduction / exemption of CD & ACD on raw materials / inputs of furniture, coating, boiler manufacturing industry, bobbins and cops manufacturing industry etc.

### ▪ **RELIEF TO COMMON MAN**

- Reduction of ACD on goods falling under 2436 tariff lines pertaining to 20% customs duty slab from 7% to 6%.
- Extension in exemption from customs duties on import of COVID-19 related items for further six month.
- Exemption of CD & ACD on Inputs of Ready-To-Use Supplementary Foods (RUSF) and Ready-To-Use Therapeutic Food (RUTF).
- Exemption of CD & ACD on 06 life-saving drugs.

- Enhance the value of unsolicited gifts through post or courier from Rs.20,000 to 30,000.

# **Key Highlights of Finance Bill 2021-22**

- Exemption of CD & ACD on import of grain storage hermetic bags and cocoons.
- Rationalization of tariff structure on auto sector.

## **REVIEW OF REGULATORY DUTY (RD) REGIME:**

- Rationalization of RD on import of Mobile Phones to encourage import substitution
- Increase in rates of RD on import of non-essential / luxury items to support local industry.
- Reduction of RD on import of cocoa paste, butter and powder being industrial input goods.

## **EXPORT FACILITATION MEASURES:**

- To ease of doing business, a new Uniform Export Facilitation Scheme is being proposed. The existing schemes shall be phased out in next two years.
- Bond to Bond Transfer of goods through WeBOC without prior approval of the Collector is being proposed to be allowed.
- Reduction of RD on export of molasses, skin and hides to boost positive image of the country with our important trading partners across the world.

## **MISCELLANEOUS:**

- Establishment of Border Sustenance Markets to mitigate the problems faced by the people residing in border areas due to fencing and counter-smuggling measures.

## **LEGISLATIVE CHANGES:**

- Introduction of a concept of Common bonded warehousing to encourage Small and Medium Enterprises.
- Empowering Collector of customs to determine customs value there by facilitating trade.
- Enabling the Director General Valuation to take appropriate decision on appeal and capping the time limit for such proceedings. Facilitation of trade by avoiding time consumed in unnecessary litigations.
- Allowing the importers to amend manifest till berthing event without seeking approval from custom authorities and hence ease of doing business.

## **Key Highlights of Finance Bill 2021-22**

- Enable customs authorities to allow bonafide amendment in into-bonds goods declaration and thus facilitate trade.
- Allowing the Collector to extend warehousing period for six months. Reducing the processing time of the requests and promoting ease of doing business.
- Reducing the time limit allowed for decision of the cases wherein the impugned goods are lying at sea ports, airports or dry-ports and thus decreasing the cost of doing business.
- Enable customs authorities to issue correction / corrigendum certificate in case of genuine / obvious error and facilitate trade.
- Inclusion of other law enforcement agencies for the purpose of reward and increasing their motivation.
- Affording opportunity of being heard to the registered users of WeBOC in accordance with the canons of natural justice.
- Increasing the period of validity of advance ruling from the current one year to three years in accordance with international benchmarks and facilitating trade thereof.
- Provision for the classification committee to avoid unnecessary litigation on account of classification disputes and consequently decreasing the cost of doing business.
- Removal of fine in case of delay in filing of goods declaration and thereby providing ease of doing business.

### **ENFORCEMENT FEATURES:**

- Inclusion of master bill of lading and certificate of origin in the existing definition of document to discourage origin fraud.
- Inclusion of the retailing in definition of smuggling to discourage retailers from selling smuggled goods.
- Making shipping lines responsible for re-export of banned items imported in commercial quantities.
- Increasing the pitch of fine in case of non-placement of invoice and packing list in container to inculcate compliance.

# AMENDMENTS IN INCOME TAX ORDINANCE, 2001

## **2(IB) “ REFERENCE OF COMPANIES ACT 2017”**

In clause 1B of section 2 the reference of repealed Companies Ordinance 1984 has been removed and instead the reference of Companies ACT 2017 has been inserted as the Companies Act 2017 is the current law in force.

## **2(10A) “BUSINESS BANK ACCOUNT”**

A new clause 10A is proposed to be inserted to provide a better definition of business bank account as follow;

““Business Bank Account”, means a bank account utilized by the taxpayer for business transaction declared to the Commissioner through original or modified registration form prescribed under section 181;”

## **2(13AA) “CONCEALMENT OF INCOME”**

The original clause 13AA has been renumber as 13AB and a new clause is proposed to be inserted with the name 13AA to better explain what constitute concealment on income u/s 111.

In relation to section 111 concealment now involves;

- i. Suppression of taxable receipts or failure to disclose taxable income
- ii. Expenses not actually incurred
- iii. The act already defined in section 111

However, disallowance of exempt income claimed or any expenditure claimed will not constitute concealment unless mela fide intention of the taxpayer is proved.

## **2(19) “ REFERENCE OF COMPANIES ACT 2017”**

In clause 19 of section 2 the reference of repealed Companies Ordinance 1984 has also been removed and instead the reference of Companies ACT 2017 has been inserted as the Companies Act 2017 is the current law in force.

## **2(29C) “ TELECOMMUNICATION COMPANIES”**

It has been proposed that Telecommunication Companies operating under the license Pakistan Telecommunication Authority (PTA) shall also be included in the definition of Industrial Undertaking. Therefore, subclause (c) is proposed to be added in clause 29C of section 2.

## Amendments in Income Tax Ordinance, 2001

### **2(30AD) “IT SERVICES”**

To better define the expression “IT services” used in the Ordinance a definition is proposed to be inserted as Clause 30AD in section 2. As per the new definition IT services shall Includes software development, software maintenance, system integration, web design, web development, web hosting and network design.

### **2(30AE) “IT ENABLED SERVICES”**

It has been proposed to insert clause 30AE in section 2 to define “IT enabled services” as follow;

“IT enabled services include inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, Human Resource (HR) services, telemedicine centers, data entry operations, cloud computing services, data storage services, locally produced television programs and insurance claims processing”

### **2(59A) “SMALL AND MEDIUM ENTERPRISE (SME)”**

New provisions has been proposed to be introduced for “Small and Medium Enterprise (SME)” through section 100E and Fourteenth Schedule. So to define SME the original clause 59A is proposed to be renumbered as 59AB and 59A to be inserted to define SME as follow;

“Small and Medium Enterprise” means a person who is engaged in manufacturing as defined in clause (iv) of sub-section (7) of section 153 of the Ordinance and his business turnover in a tax year does not exceed two hundred and fifty million rupees”

However, once the a business is qualified as SME and the annual turnover of the SME exceed two hundred and fifty (250M) million rupees it shall not qualify for the year in which the turnover exceeded or any subsequent tax year.

### **2(59B) “SMALL COMPANY”**

In the original clause 59A which was proposed to be renumbered as 59(AB) sub clause (iv) is proposed to be inserted to exclude Small and Medium Enterprise (SME) from the definition of Small Company.

## **7B.TAX ON PROFIT ON DEBT**

It has been proposed that the limit of Profit on Debt, which shall no be taxed as final income u/s 7B, shall be reduced to Five million (5M) Rupees. Previously the limit was Thirty Six Million (36M) Rupees.

### **12.SALARY**

In sub section 2(c) the explanation for allowance is proposed to be inserted.

## **Amendments in Income Tax Ordinance, 2001**

The “allowance solely expended in the performance of employee’s duty” as referred in clause has been explained as allowance which does not include:

- (i) the allowance which is paid in monthly salary as fixed amount or percentage of salary;
- (ii) the allowance which is not spent exclusively on behalf of employer.

### **15. INCOME FROM PROPERTY**

It has been proposed that Income from Property as defined in section 15 shall be excluded from separate block of income and taxed under Normal Tax Regime (NTR) on rates provided for Salaried Individual, Business Individuals and AOPs. Therefore, subsection 6 and 7 of section 15 are proposed to be Omitted.

### **15A. DEDUCTIONS IN COMPUTING INCOME CHARGEABLE UNDER THE HEAD “INCOME FROM PROPERTY”**

To match the proposal for taxation of Income from Property under NTR it has been proposed to change the section 15A accordingly. Now the deduction in computing Income from Property shall be available to every registered person. Previously the deductions were only available to companies.

### **18. INCOME FROM BUSINESS**

It is proposed that for clarification purpose explanation regarding the income of co-operative societies shall be added. As per the explanation the income of co-operative societies whether it is from sale of good, immovable property or provision of services is and has always been taxable under Income Tax Ordinance under the head Income from Business.

### **22. DEPRECIATION**

It is proposed that gain on disposal of depreciable asset shall be taxed as Capital Gain u/s 37 and clause (d) of subsection 13 shall be changed accordingly. Previously if the disposal value is in excess of cost then disposal value was treated as cost.

### **23A. FIRST YEAR ALLOWANCE**

The provisions of Tax Laws (Second Amendment) Ordinance, 2021 which deals with the omission of First Year Allowance has proposed to be made part of the Income Tax Ordinance, 2001.

### **37. CAPITAL GAIN**

It is proposed that where taxable gain exceeds Five Million (5M) Rupees it shall be taxed under subsection 3A by taking into consideration the benefit of holding period.

## Amendments in Income Tax Ordinance, 2001

Another clarification is proposed that where as person is habitually engaged in sales and purchases of immoveable property or such sales and purchase is in the nature of trade, any gain arising from such transactions shall be chargeable under the head Income from Business.

Furthermore, it is also proposed to add in clause d of subsection 4A of section 37 that wher as person disposes a capital asset acquired through gift within two (2) years

### **56.SET OFF OF LOSSES**

As it is proposed that Income from Property shall be taxed under NTR now the losses can also be adjusted against Income from Property.

### **60A. WORKERS' WELFARE FUND**

It is proposed that deduction in computing annual taxable income shall also be allowed for the amounts paid under Provincial laws relating to Workers' Welfare Fund. However, no deduction shall be allowed in respect of any amount of Workers' Welfare Fund paid to the Provinces by a trans-provincial establishment.

### **60B. WORKERS' PROFIT PARTICIPATION FUND**

It is proposed that deduction in computing annual taxable income shall also be allowed for the amounts paid under Provincial laws relating to Workers' Profit Participation Fund. However, no deduction shall be allowed in respect of any amount of Workers' Profit Participation Fund paid to the Provinces by a trans-provincial establishment.

### **61. CHARITABLE DONATION (TAX CREDIT)**

It is proposed to withdraw tax credit on donation to non profit Organizations eligible for tax credit under section 100C. However, a new schedule namely Thirteenth Schedule is proposed to be added which contains the list of entities, organizations and funds to whom if donation is made tax credit shall be available under section 61.

### **64C. TAX CREDIT FOR PERSONS EMPLOYING FRESH GRADUATES**

The Tax Laws (Second Amendment) Ordinance, 2021 Omitted section 64C which is now proposed to be made part of the Ordinance.

### **64D. TAX CREDIT FOR POINT OF SALE MACHINE**

To motivate taxpayers liable to integrate with FBR's Point of Sales System a tax credit is proposed to be introduced for a tax year in which point of sale machine is installed, integrated and configured with the Board's computerized system.

## Amendments in Income Tax Ordinance, 2001

The tax credit shall be lesser of;

- (a) The amount actually invested in purchase of POS machine
- (b) One hundred and fifty thousand (150,000/-) Rupees per machine

### **65D. TAX CREDIT FOR NEWLY ESTABLISHED INDUSTRIAL UNDERTAKINGS**

The omission of section 65D is proposed to withdraw tax credit for newly established industrial undertakings.

### **65F. TAX CREDIT FOR CERTAIN PERSONS**

It is proposed through this bill that to promote certain industries Section 65F shall be inserted under which tax credit equal to one hundred per cent (100%) of the tax payable including minimum, alternate corporate tax and final taxes for shall be allowed. The tax credit shall only be allowed to followings;

- (a) persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects;
  - (b) a startup as defined in clause (62A) of section 2 for the tax year in which the startup is certified by the Pakistan Software Export Board and the next following two tax years;
- and

(c) Income from exports of computer software or IT services or IT enabled services up to the period ending on the 30th day of June, 2025:

Provided that eighty percent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels.

The above mentioned persons shall be entitled to hundred percent (100%) tax credit if and only if;

- (a) return has been filed ;
- (b) withholding tax statements for the relevant tax year have been filed in respect of those provisions of the Ordinance, where the person is a withholding agent; and
- (c) sales tax returns for the tax periods corresponding to relevant tax year have been filed if the person is required to file Sales Tax Return under any of the Federal or Provincial sales tax laws.

### **65G. TAX CREDIT FOR SPECIFIED INDUSTRIAL UNDERTAKINGS**

It is proposed that to promote capital investment in certain industries a tax credit equal

## **Amendments in Income Tax Ordinance, 2001**

machinery, buildings, equipment, hardware and software, except self-created software and used capital goods shall be allowed against tax payable including minimum and final taxes to the followings;

- a) Green field Industrial undertaking in the meaning of section 2 clause 27A, incorporated between 30-06-2019 to 30-06-2024, engaged in either the manufacture of goods or materials or subjection of goods or materials to any process which substantially changes their original condition, or ship building:
- b) Industrial undertaking set up by 30-06-2023 engaged in the manufacturing of plant and machinery dedicatedly used for generation of renewable energy from solar or wind.

If the tax credit is not fully adjusted in the year of investment it will be carried forward to two subsequent tax years.

### **100C. TAX CREDIT FOR CHARITABLE ORGANIZATIONS**

The section 100C was previously substituted through Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 2021. Now this substitution was made part of the Finance bill.

### **100D. SPECIAL PROVISIONS RELATING TO BUILDERS AND DEVELOPERS**

The amendments made in section 100D through Tax Laws (Amendment) Ordinance, 2021 dated January 21, 2021 were made part of the Finance bill.

### **100E. SPECIAL PROVISIONS RELATING TO SMALL AND MEDIUM ENTERPRISES**

It is proposed to introduce a dedicated section namely 100D for the taxation of Small and Medium Enterprises (SMEs). The tax payable by Small and Medium Enterprises shall be computed and paid in accordance with rules defined in Fourteenth Schedule. It is further proposed to introduce a simplified return for SMEs.

### **111. UNEXPLAINED INCOME OR ASSETS**

It is proposed to omit the requirement of issuance of separate notice under section 111 if a notice under section 122(9), regarding explanation of nature and sources of amount credited or the investment of money, valuable article, or the funds from which expenditure was made, has been issued.

### **113. MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS**

In order to provide relief to Businessman and AOPs it is proposed that the threshold of turnover for the applicability of minimum tax be increased to Hundred Million Rupees. Previously the limit was Ten Million Rupees.

## Amendments in Income Tax Ordinance, 2001

It is also proposed to broaden the definition of turnover to include the receipts from sale of immoveable property chargeable under the head Income from Business.

### **114.RETURN OF INCOME**

It is proposed that clause (ad) of sub section (1) dealing with the requirement to file return of income by welfare institutions, approved under clause (58) of Part I of the Second Schedule, shall be omitted.

It has also been proposed to give Commissioner authority to waive the condition to produce revised accounts or audited accounts under clause (a) of sub section (6) where the Commissioner is satisfied that the same is not necessary for revision of return.

### **114A. TAXPAYER'S PROFILE**

It is proposed to omit section 114A dealing with taxpayer's profile. Previously the due date for the updating of taxpayer's profile was 30<sup>th</sup> June 2021.

### **120. ASSESSMENTS**

The amendments brought through Tax Laws (Amendment) Ordinance 2021 dated January 21, 2021 in section 120 are made part of this Finance Bill.

### **122. AMENDMENT OF ASSESSMENTS**

To provide ease to taxpayers and to revoke the abuse of authority it is proposed to withdraw the power to make inquiries under subsection 5A. To speed up the process of amendment it is also proposed that for show cause notices issued on or after the first day of July, 2021, a time limit of one hundred and twenty (120) days from the issuance of show cause notice may be introduced. Such proposed time limit can be extended to a maximum of ninety days by the Commissioner.

However, the time limit specified will not include any period during which the proceedings are adjourned on account of

- Stay order; or
- Alternative Dispute Resolution proceedings; or
- Agreed assessment proceedings under section 122D; or
- Time taken through adjournment by the taxpayer not exceeding sixty days

### **122A. REVISION BY THE COMMISSIONER.**

A new subsection (5) is proposed to be introduced to provide time limit of one hundred and twenty (120) days to issue the order of directions where a Commissioner remanded back an order to any lower authority for modification, alteration, implementation of

## Amendments in Income Tax Ordinance, 2001

### **130. APPELLATE TRIBUNAL (ACCOUNTANT MEMBER)**

The requirement for a person to be appointed as accountant member Appellate Tribunal has been raised to the officer equivalent in rank of Chief Commissioner Inland Revenue. Previously the requirement was of Regional Commissioner.

### **134A. ALTERNATIVE DISPUTE RESOLUTION (ADR)**

It is proposed to give the authority to Board (FBR) regarding formation of ADR Committee where mixed question of fact and law is involved. Moreover, a person applying for ADRC shall also be required to file initial proposal for resolution of dispute which cannot be withdrawn later.

The time limit for appointment of Committee by the Board and for the Committee giving its decision is also proposed to be reduced to thirty (30) days and Sixty (60) days respectively. Previously, the time limit was sixty (60) days and one hundred and twenty (120) days.

Another amendment is proposed regarding statutory stay on the constitution of Committee till the final decision or dissolution of the committee, whichever is earlier. Previously the stay was incidental to the decision of Committee.

Previously, if the a Committee fails to decide the case within the prescribed time limit, Board should dissolve the Committee and the case shall be decided by appellate authorities. Now it is proposed that on the failure of first Committee a second Committee shall be re-constituted by the Board.

### **146C. ASSISTANCE IN THE RECOVERY AND COLLECTION OF TAXES**

A new section is proposed to be inserted to provide assistance in the recovery of tax where a Foreign Jurisdiction requested so under a tax treaty, a multilateral convention, an inter-governmental agreement or similar arrangement or mechanism.

### **150. DIVIDENDS**

It is proposed to merge the provision of collection of tax on “Dividend in Specie” in section 150. Previously a separate section 236S was available for this which is proposed to be omitted.

### **150A. RETURN ON INVESTMENT IN SUKUKS**

It is proposed to merge withholding tax provision on Return on Investment in Sukuks in section 151 for resident persons and in section 152 for non resident persons and thereby omit section 150A.

### **151. PROFIT ON DEBT**

The Provisions of section 150A relating to resident persons are proposed to be inserted

## Amendments in Income Tax Ordinance, 2001

### **152. PAYMENTS TO NON RESIDENT**

It is proposed merge the provisions of section 152A of Payment for Foreign Produced Commercials in section 152 and thereby omit section 152A.

As per the new amendment proposed now the Every banking company shall deduct tax from Capital Gain on the disposal of debt instruments and government securities and certificates invested through

- Foreign Currency Account or
- non-resident Pakistani Rupee Value Account (NRVA) of a non-resident individual holding Pakistan Origin Card (POC) or
- National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC)

The Provisions of section 150A in relation to non residents are proposed to be inserted as subsection (1DB)

### **153. PAYMENT FOR GOODS AND SERVICES**

It is proposed to provide the opportunity to file application for no tax deduction under section 153 to every Company and after fifteen days of filing the application the application shall be automatically processed and certificate will be issued by IRIS. Previously this facility is only available to Public Companies listed on Registered Stock Exchange in Pakistan.

It is proposed to withdraw the exception regarding the applicability of section 153(1) on payments made to Yarn Traders specified in Zero Rated Regime of Sales Tax. Now the tax shall also be withheld from payments made to Yarn Traders as per the proposed amendment.

### **153B. PAYMENT OF ROYALTY TO RESIDENT PERSONS**

It is proposed to withdraw withholding tax provision on payment of royalty to a resident person and thereby omit section 153B. Previously the rate of WHT on royalty was 15%.

### **154A. EXPORT OF SERVICES**

Presently, only provision for the taxation of Export of Goods and Foreign Indenting Commission are present in section 154. It proposed to insert a new dedicated section for the taxation of Export of Services as 154A. Now every Foreign Exchange dealer shall deduct tax @ 1% at the time of realization of export proceeds on the following;

- Export of computer software or IT services or IT enabled services where tax credit

## **Amendments in Income Tax Ordinance, 2001**

- Services or technical services rendered outside Pakistan or exported from Pakistan
- Royalty, commission or fees derived by a resident company, for any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided a Foreign Enterprise, in consideration for the use outside Pakistan.
- Construction contracts executed outside Pakistan; and
- Any other services notified by the Board from time to time;

The taxation under this section shall be final only subject to the fulfillment of following conditions;

- Return has been filed
- WHT Statements for relevant tax year has been filed
- Sales Tax Returns, if applicable, have been filed
- No tax credit for foreign taxes paid shall be allowed

However a person even after the fulfillment of aforementioned conditions shall have the option to be taxed under Normal Tax Regime (NTR).

It is also proposed that where person takes into account any income subject to final tax under this section for providing explanation under section 111, he shall not be entitled to any tax credit which would otherwise be available in relation of services mentioned above.

### **159. EXEMPTION OR LOW RATE CERTIFICATE**

To facilitate the taxpayer time limit for issuance of certificate is proposed to be defined. Now as per the amendment where a Commissioner does not issue an Exemption certificate within fifteen (15) days, the application shall be automatically processed by IRIS Web Portal and Certificate shall be issued.

However, the Commissioner shall have the authority to change or cancel the Certificate so issued by specifically mentioning the reasons for the same and after providing an opportunity of being heard.

### **165. STATEMENTS.**

Annual Statement of deduction of tax on payments made other than salary is also proposed to be e-filed within thirty (30) days of the end of tax year. Previously Annual

## Amendments in Income Tax Ordinance, 2001

Statement for only payments made on account of salaries was required to be filed.

It is also proposed that taxpayer shall also e-file Annual Reconciliation Statement to match the amounts mentioned in Annual Statements with those declared in the Return, Audited Accounts or financial statements by the due date of filing of return of income.

### **170A. ELECTRONIC PROCESSING AND ELECTRONIC ISSUANCE OF REFUNDS BY THE BOARD**

To speed up the refund process and facilitate the taxpayer, a new section is proposed to be inserted after section 170. It is proposed that from tax year 2021 the refunds will be processed and issued by the Board based on the return of income filed without requiring refund application.

However, only amount of refund to the extent verified by the Board's computerized system shall be issued and electronically be transferred in the notified account of the taxpayer.

### **182. OFFENCES AND PENALTIES**

Following amendment are proposed in this section 182

- Minimum Penalty for not filing of income tax return u/s 114 shall be reduced to five thousand (5,000) Rupees where taxable income does not exceed eight hundred thousand (800,000) Rupees.
- Penalty for not filing of income tax return u/s 114 shall be reduced by 75%, 50% and 25% if the return is filed within one, two and three months respectively after the due date.
- Minimum Penalty for not filing a Null Statement u/s 165 shall be ten thousand (10,000) Rupees.
- Penalty for not filing Taxpayers Profile has been withdrawn.
- Penalty for providing an industrial or commercial connection of Gas or Electricity to unregistered person has been increased from 10,000 to 100,000 Rupees.
- Penalty where a person makes misleading statement to the Board shall be higher of Twenty five thousand (25,000) Rupees or 50% of the amount of tax shortfall. Previously the comparison was between Twenty five thousand (25,000) Rupees or 100% of the amount of tax shortfall

Penalty for obstructing the access of the Commissioner to the premises, place, accounts, documents, computers or stocks shall be higher of One hundred thousand (100,000) Rupees or 100% of the amount of tax involved. Previously the comparison was between of fifty thousand (50,000) Rupees or 50% of the amount of

## Amendments in Income Tax Ordinance, 2001

- Penalty regarding booking or purchase of locally manufactured goods in violation of section 227C on Manufacturer of motor vehicle shall be withdrawn
- Penalty regarding registration of locally manufactured goods in violation of section 227C on Excise and Taxation shall be withdrawn
- Penalty where a person has failed to declare Business Bank Accounts shall be as follow;

| Sr no | Offences   | Penalties  | Section of the Ordinance to which the offence has reference |
|-------|--|--|---|
| 29    | Where any person fails to declare business bank account(s), in his registration application or fails to amend his registration profile to declare existing business bank account(s). | Such person shall pay a penalty of Rs. 10,000 for each day of default since the date of submission of application for registration or date of opening of undeclared business bank account whichever is later:<br><br>Provided that if penalty worked out as aforesaid is less than Rs.100,000 for each undeclared bank account, such person shall pay a penalty of Rs.100,000 for each undeclared business bank account:<br><br>Provided further that this provision shall be applicable from the first day of October, 2021 during which period the taxpayer may update their registration forms. | 181   |

- Explanation regarding the imposition of penalty is also proposed to be added i.e. to impose penalty first proving Criminal Intent of the person is not necessary.

### **182A. RETRUN NOT FILED WITHIN DUE DATE**

As it is proposed to delete the requirement of filing taxpayer's profile u/s 114A relevant subsection (2) in section 182A is also proposed to be omitted.

### **191. PROSECUTION FOR NON-COMPLIANCE WITH CERTAIN STATUTORY OBLIGATIONS**

It is proposed that non declaration of bank accounts in registration form or updated registration form shall be classified as an offence punishable on conviction with fine or imprisonment up to one year or both

## Amendments in Income Tax Ordinance, 2001

### **202. POWER TO COMPOUND OFFENCES.**

It is proposed to omit section 202 and merge the relevant provisions in newly proposed section 203A.

### **203. TRIAL BY SPECIAL JUDGE.**

It is proposed to omit section 203 and insert as 203C, 203D and 203E.

### **203A. POWER TO ARREST AND PROSECUTE**

The previous section 203A which deals with Appeal against the order of a Special Judge is proposed to be substituted by new section 203A.

It is proposed to give powers to the Assistant Commissioner to arrest a person in accordance with the relevant provisions of the Code of Criminal Procedure, 1898 (Act V of 1898) where he has reason to believe on the basis of material evidence that the person has committed offence of concealment of income or any offence warranting prosecution under this Ordinance.

However, in the case of a company every director or officer of that company whom the authorized officer has reason to believe is personally responsible for actions of the company contributing to offence of concealment of income shall be arrested.

The power of Commissioner to Compound Offences is also merged in this section which was previously given as separate section of 202.

### **203B. PROCEDURE TO BE FOLLOWED ON ARREST OF A PERSON**

It is proposed to insert section 203B to provide procedure for the arrest of a person u/s 203A. The proposed section shall be inserted as follow;

- After arresting a person, the authorized Officer of Inland Revenue (OIR) shall intimate the fact of arrest to Special Judge.
- The OIR shall produce the person within Twenty-four hours before the Special Judge or to the nearest Judicial Magistrate, if there is no Special Judge within a reasonable distance.
- The Special Judge may on the request of the arrested person admit him to bail on his executing a bond with or without sureties, or refuse to admit him to bail and direct his detention at such place as he deems fit.

The Special Judge may remand any such person to the custody of an officer of Inland Revenue holding inquiry against that person if such officer makes a request in writing to that effect after hearing such person.

## Amendments in Income Tax Ordinance, 2001

- The OIR shall record the fact of arrest and other relevant particulars in the register and if he completes the inquiry within twenty four hours of his arrest, he may make request for his further detention in his custody.
- The OIR shall hold the inquiry by exercising powers as as are exercisable by an officer in charge of a police station under the Code of Criminal Procedure, 1898 (Act V of 1898).
- The OIR may release a person on his executing a bond, with or without sureties if he is off the opinion that there is no sufficient evidence or reasonable ground for suspicion against such person and shall direct him to appear before Special Judge.
- The OIR shall maintain a register namely “Register of Arrests and Detentions” containing the record of the name and other particulars of the persons along with the time and date of arrest, the details of the information received, the details of things, goods or documents, recovered from his custody, the name of the witnesses and the explanation.
- After completing the inquiry, the OIR shall submit to Special Judge a complaint in the same form and manner in which the officer in-charge of a police station submits a report, before a court.
- Board may authorize any officer working under the Board to exercise the powers and perform the functions of an OIR.

### **203C. SPECIAL JUDGES**

The provisions of section 203A regarding the appointment of Special Judge are proposed to be included as section 203C.

### **203D. COGNIZANCE OF OFFENCES BY SPECIAL JUDGES**

It is proposed to insert section 203D to allow the Special Judge to take notice within the limits of his jurisdiction of any offence punishable under this Ordinance upon;

- A report in writing by OIR or other officer authorized by the Board
- Receiving a complaint , provided that the Special judge holds preliminary inquiry for ascertaining the truth or falsehood before issuing warrant or summon;
- His own knowledge acquired during any proceeding before him, provided that the Special judge holds preliminary inquiry for ascertaining the truth or falsehood before issuing warrant or summon;

### **203E. SPECIAL JUDGE, ETC. TO HAVE EXCLUSIVE JURISDICTION**

It is proposed to provide exclusive jurisdiction to Special Judge through a new section

## Amendments in Income Tax Ordinance, 2001

### **203F. PROVISIONS OF CODE OF CRIMINAL PROCEDURE, 1898, TO APPLY**

It is proposed that the provisions of Code of Criminal Procedure, 1898 (Act V of 1898) shall apply to the extent to which they are not contradictory to the provisions of the Ordinance.

### **203G. TRANSFER OF CASES**

It is proposed to insert new section namely 203G to regulate the transfer of cases from the court of one Special Judge to another. The Federal Government may by order in writing direct such transfer at any stage of Trial.

### **203H. Place of Sittings**

It is proposed to allow a Special Judge to hold sitting at any place other than his headquarters for General Convenience.

### **227E. E-HEARING**

To ease the Correspondence between taxpayer and FBR, the process of E-hearing is introduced as section 227E. The Board shall design and prescribe e-hearing module for the purpose of conducting hearings, granting opportunity of being heard and electronically receiving any information.

The recording of E-Hearing shall also be admissible as evidence before any forum or court of law.

### **230I. DIRECTORATE GENERAL OF COMPLIANCE RISK MANAGEMENT**

Provisions regarding Directorate General Of Compliance Risk Management are proposed to be inserted as section 230I as follows;

(1) The Directorate General of Compliance Risk Management shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette –

(a) specify the functions, jurisdiction and powers of the Directorate General of Compliance Risk Management and its officers; and

(b) confer the powers of authorities specified in section 207 upon the Directorate General and its officers

## Amendments in Income Tax Ordinance, 2001

### **231A. CASH WITHDRAWAL FROM A BANK**

It is proposed to withdraw withholding tax provisions on cash withdrawal from bank thereby, the section 231A shall be omitted.

### **231AA. ADVANCE TAX ON TRANSACTIONS IN BANK**

It is proposed to withdraw advance tax provisions on Demand Draft, Pay order and other related instruments thereby, the section 231AA shall be omitted.

### **231B. ADVANCE TAX ON PRIVATE MOTOR VEHICLES**

The collection of advance tax on locally manufactured motor vehicle sold prior to registration by the person who originally purchased it from the local manufacturer is proposed.

### **233. BROKERAGE AND COMMISSION**

For an AOP to be Withholding Agent for the payment of commission u/s 233 the condition of turnover of hundred million rupees is proposed to be imposed.

### **233A. COLLECTION OF TAX BY A STOCK EXCHANGE REGISTERED IN PAKISTAN**

It is proposed to withdraw advance tax provisions on the payment to members by Stock Exchange and thereby, the section 233A shall be omitted.

### **233AA. COLLECTION OF TAX BY NCCPL**

It is proposed to withdraw provisions governing advance tax collection from Stock Exchange members by NSSPL thereby, the section 233AA shall be omitted.

### **234A. CNG Stations**

The provisions of collection of advance tax through gas bill from CNG Stations is proposed to be omitted.

### **235. Electricity consumption**

The provisions of advance tax collection relating to domestic consumer of electricity as defined in section 235A are proposed to be merged in this section. It is also proposed that not tax shall be collected from domestic consumer of electricity if his name appears on the Active Taxpayers' List.

### **235A. DOMESTIC ELECTRICITY CONSUMPTION**

The section is proposed to be omitted as relevant provisions of advance tax collection relating to domestic consumer of electricity are proposed merged in section 235.

## Amendments in Income Tax Ordinance, 2001

### **236B. ADVANCE TAX ON PURCHASE OF AIR TICKET**

It is proposed to withdraw advance tax provisions on purchase of Air Ticket and thereby, the section 236B shall be omitted.

### **236C. ADVANCE TAX ON SALE OR TRANSFER OF IMMOVABLE PROPERTY**

The tax paid by a non resident person under this section, holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) who had acquired the said immovable property through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan, is proposed to be considered final discharge of liability in respect of Capital Gains taxable under section 37 earned from the disposal of said property.

### **236G. ADVANCE TAX ON SALES TO DISTRIBUTORS, DEALERS AND WHOLESALERS**

It is proposed that manufacturer and commercial importers of pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics, IT equipment shall also be liable to collect Advance tax on making sale to Distributors, dealers and wholesalers.

Previously only the manufacturer and commercial importers of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector were liable to collect the same.

### **236H. ADVANCE TAX ON SALES TO RETAILERS**

It is proposed that manufacturer, distributors, dealer, wholesaler and commercial importers of pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics, IT equipment shall also be liable to collect Advance tax on making sale to Retailers or other wholesalers.

Previously only the manufacturer, distributors, dealer, wholesaler and commercial importers of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector were liable to collect the same.

### **236HA. TAX ON SALE OF CERTAIN PETROLEUM PRODUCTS**

It is proposed to withdraw advance tax provisions on the sales of petroleum products to a petrol pump operator or distributor and thereby, the section 236HA shall be omitted.

### **236K. ADVANCE TAX ON PURCHASE OR TRANSFER OF IMMOVABLE PROPERTY**

It is proposed that tax collected from a Pakistani National non resident person who

## Amendments in Income Tax Ordinance, 2001

It is also proposed that no further tax shall be collected from the buyer at the time of transfer of property where initially tax has been collected in along with installments and it is equal to the tax payable under this section

### **236L. ADVANCE TAX ON PURCHASE OF INTERNATIONAL AIR TICKET**

It is proposed to withdraw advance tax provisions on purchase of International Air Ticket and thereby, the section 236B shall be omitted.

### **236P. ADVANCE TAX ON BANKING TRANSACTIONS OTHERWISE THAN THROUGH CASH**

It is proposed to withdraw collection of advance tax on Banking transactions otherwise than through cash and thereby, the section 236P shall be omitted.

### **236S. DIVIDEND IN SPECIE**

It is proposed that relevant provision of this section shall be merged in section 150 and thereby, the section 236S shall be omitted.

### **236V. ADVANCE TAX ON EXTRACTION OF MINERALS**

It is proposed to withdraw advance tax provisions on the value of minerals extracted, produced, dispatched and carried away from the licensed or leased areas of the mines and thereby, the section 236V shall be omitted.

### **236Y. ADVANCE TAX ON PERSONS REMITTING AMOUNTS ABROAD THROUGH CREDIT**

#### **OR DEBIT OR PREPAID CARDS**

It proposed to withdraw provisions governing advance tax collection on amounts remitted outside through debit card or credit card thereby, the section 233Y shall be omitted.

### **242. BENEFITS OF REPEALED PROVISIONS**

A new section is proposed to be inserted after section 241. As per the new section it is proposed that persons or class of persons enjoying those exemption or concessionary provisions of the Ordinance which expired or expiring on thirtieth day of June,2021or repealed by Tax Laws (Second Amendment) Ordinance, 2021 shall continue to enjoy benefits of the repealed provisions for the periods prescribed therein and subject to conditions and limitations specified therein.

## **FIRST SCHEDULE**

### **RATE FOR PROFIT ON DEBT.**

The rate of tax on profit on debt is proposed to be generalized to 15% of the amount of

## Amendments in Income Tax Ordinance, 2001

| S.No | Profit on Debt  | Rate of tax |
|------|---|-------------|
| 1    | Where profit on debt does not exceed Rs.5,000,000                             | 15%         |
| 2    | Where profit on debt exceeds Rs.5,000,000 but does not exceed Rs.25,000,000   | 17.5%       |
| 3    | Where profit on debt exceeds Rs.25,000,000 but does not exceed Rs. 36,000,000 | 20%         |

### **RATE OF TAX ON INCOME FROM PROPERTY**

The separate rates of income from property are omitted as Income from Property is proposed to be taxed under NTR rather than as separate block of Income. Previously the rates were as follows;

| S.No | Gross amount of Rent  | Rate of tax  |
|------|---|--|
| 1    | Where the gross amount of rent does not exceed Rs.200,000                             | Nil  |
| 2    | Where the gross amount of rent exceeds Rs.200,000 but does not exceed Rs.600,000      | 5 per cent of the gross amount exceeding Rs.200,000                    |
| 3    | Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000    | Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000    |
| 4    | Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000  | Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000  |
| 5    | Where the gross amount of rent exceeds Rs.2,000,000 but does not exceed Rs. 4,000,000 | Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000 |
| 6    | Where the gross amount of rent exceeds Rs. 4,000,000 but does not exceed Rs.6,000,000 | Rs.610,000 plus 25 per cent of the gross amount exceeding Rs.4,000,000 |



## Amendments in Income Tax Ordinance, 2001

| S.No | Gross amount of Rent   | Rate of tax  |
|------|--|--|
| 7    | Where the gross amount of rent exceeds Rs. 6000,000 but does not exceeds Rs. 8,000,000 | Rs.1,110,000 plus 30 per cent of the gross amount exceeding Rs.6,000,000 |
| 8    | Where the gross amount of rent exceeds Rs. 8,000,000                                   | Rs.1,710,000 plus 35 percent of the gross amount exceeding Rs.8,000,000  |

### **RATE OF TAX ON CAPITAL GAIN ON DISPOSAL OF SECURITIES**

Changes in the rates of capital gain on disposal of securities are proposed as follow;

|      |  | For tax year 2018, 2019 and 2020      |                                      | Tax year 2022 and onwards |
|------|--|---------------------------------------|--------------------------------------|---------------------------|
| S.No | Period   | Securities acquired before 01-07-2016 | Securities acquired after 01-07-2016 |                           |
| 1    | Where holding period of a security is less than twelve Months  | 15%                                   |                                      |                           |
| 2    | Where holding period of a security is twelve months or more but less than twenty-four Months                                 | 12.5%                                 | 15%                                  | 12.5%                     |
| 3    | Where holding period of a security is twenty – four months or more but the security was acquired on or after 1st July, 2013. | 7.5%                                  |                                      |                           |



## Amendments in Income Tax Ordinance, 2001

| S.No | Period   | For tax year 2018, 2019 and 2020      |                                      | Tax year 2022 and onwards |
|------|--|---------------------------------------|--------------------------------------|---------------------------|
|      |  | Securities acquired before 01-07-2016 | Securities acquired after 01-07-2016 |                           |
| 4    | Where the security was acquired before 1st July, 2013                              | 0%                                    | 0%                                   | 0%                        |
| 5    | Future commodity contracts entered into by members of Pakistan Mercantile Exchange | 5%                                    | 5%                                   | 5%                        |

### **RATE OF TAX ON CAPITAL GAIN ON DISPOSAL OF IMMOVEABLE PROPERTY**

It is proposed that tax shall be charged @ 5% on Capital gain on disposal of immoveable property. Previously the rates are as follow;

| Sr no. | Amount of Gain   | Rate of tax |
|--------|--|-------------|
| 1      | Where the gain does not exceed Rs. 5 million                             | 2.5%        |
| 2      | Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million  | 5%          |
| 3      | Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million | 7.5%        |
| 4      | Where the gain exceeds Rs. 15 million                                    | 10%         |

### **RATE OF TAX ON CAPITAL GAIN ON DISPOSAL OF IMMOVEABLE PROPERTY**

The rates of minimum tax under section 113 are proposed to be revised. As per the proposed amendment the revised rates under section 113 shall be as follow;

## Amendments in Income Tax Ordinance, 2001

| S.No | Person(s)  | Minimum Tax as percentage of the person's turnover for the year |
|------|--|---|
| 1    | (a) Oil marketing companies, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.)<br>(b) Pakistan International Airlines Corporation; and<br>(c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production;   | 0.75%   |
| 2    | (a) Oil refineries<br>(b) Motorcycle dealers registered under the Sales Tax Act, 1990  | 0.5%  |
| 3    | (a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes;<br>(b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990;<br>(c) Rice mills and dealers;<br>(d) Tier-1 retailers of fast moving consumer goods who are integrated with Board or its computerized system for real time reporting of sales and receipts;<br>(e) Person's turnover from supplies through e-commerce including from running an online marketplace as defined in clause (38B) of section 2.<br>(f) Persons engaged in the sale and purchase of used vehicles | 0.25%   |
| 4    | In all other cases   | 1.25%   |

Previously the rate of minimum tax under section 113 on turnover were as follow;

## Amendments in Income Tax Ordinance, 2001

| S.No | Person(s)   | Minimum Tax as percentage of the person's turnover for the year |
|------|---|---|
| 1.   | (a) Oil marketing companies, Oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.)<br>(b) Pakistani Airlines; and<br>(c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production.<br>(d) Dealers or distributors of fertilizer ; and<br>(e) person running an online marketplace as defined in clause (38B) of section 2. | 0.75%   |
| 2    | (a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes;<br>(b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990;<br>(c) Rice mills and dealers; and<br>(d) Flour mills.   | 0.25%   |
| 3    | Motorcycle dealers registered under the Sales Tax Act, 1990   | 0.3%  |
| 4    | In all other cases  | 1.5%  |

### **WITHHOLDING TAX ON PROFIT ON DEBT**

It is proposed to withdraw withholding tax rate of 10% where profit is up to five hundred thousand rupees and generalized rate of withholding of 15% shall be applicable.

### **WITHHOLDING TAX ON PAYMENT OF GOODS AND SERVICES UNDER SECTION 153**

It is proposed to omit special rate of withholding tax in case of supplies made by distributor of fast moving goods. Previously the rate was 2% in case of companies and 2.5% in other cases.

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It is also proposed to include certain services in the category of reduced rate of withholding tax @ 3% on provision of services. The services proposed to be inserted include oilfield services, telecommunication services, warehousing services, collateral management services, travel and tour services.

However, concessional rate shall only be applicable to any service either newly inserted or previously mentioned which are subjected to withholding tax on gross receipts and the service provider has not agitated taxation of gross receipts before any court of law.

### **TAX ON ROYALTY PAID TO RESIDENT PERSON**

It is proposed to omit section 153B dealing with royalty payments to resident persons so the relevant advance tax rate of 15% is also proposed to be omitted.

### **TAX ON EXPORT OF SERVICES**

It is proposed to charge tax @ 1% on export of services in relation to section 154A.

### **WITHHOLDING TAX ON INCOME FROM PROPERTY**

The rates of WHT on income from property u/s 155 are proposed to be revised as follow:

| Sr. No | Gross amount of rent   | Rate of tax   |
|--------|--|---|
| 1      | Where the gross amount of rent does not exceed Rs. 300,000                           | Nil   |
| 2      | Where the gross amount of rent exceeds Rs. 300,000 but does not exceed Rs. 600,000   | 5 per cent of the gross amount exceeding Rs. 300, 000                     |
| 3      | Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 2,000,000 | Rs. 15,000 plus 10 per cent of the gross amount exceeding Rs. 600, 000    |
| 4      | Where the gross amount of rent exceed Rs. 2,000,000                                  | Rs. 155,000 plus 25 per cent of the gross amount exceeding Rs. 2,000, 000 |

Previously the rates are as under;

| Sr. No | Gross amount of rent   | Rate of tax   |
|--------|--|---|
| 1      | Where the gross amount of rent does not exceed Rs.200,000            | Nil   |
| 2      | Where the gross amount of rent exceed Rs.200,000 but does not exceed | 5 per cent of the gross amount exceeding Rs.200,000 |

## Amendments in Income Tax Ordinance, 2001

| Sr. No | Gross amount of rent   | Rate of tax  |
|--------|--|--|
| 3      | Where the gross amount of rent exceeds Rs.600,000 but does not exceed Rs.1,000,000   | Rs.20,000 plus 10 per cent of the gross amount exceeding Rs.600,000      |
| 4      | Where the gross amount of rent exceeds Rs.1,000,000 but does not exceed Rs.2,000,000 | Rs.60,000 plus 15 per cent of the gross amount exceeding Rs.1,000,000    |
| 5      | Where the gross amount of rent exceeds Rs.2,000,000 but not exceed Rs. 4000,000      | Rs.210,000 plus 20 per cent of the gross amount exceeding Rs.2,000,000   |
| 6      | Where the gross amount of rent exceeds Rs.4,000,000 but does not exceed Rs.6,000,000 | Rs.610,000 plus 25 per cent of the gross amount exceeding Rs.4,000,000   |
| 7      | Where the gross amount of rent exceeds Rs.6,000,000 but does not exceed Rs.8,000,000 | Rs.1,110,000 plus 30 per cent of the gross amount exceeding Rs.6,000,000 |
| 8      | Where the gross amount of rent exceeds Rs.8,000,000                                  | Rs.1,710,000 plus 35 per cent of the gross amount exceeding Rs.8,000,000 |

### **TAX ON CNG STATIONS**

Section 234A is proposed to be omitted so the relevant rate are also proposed to be withdrawn. Previously the rate of tax to be collected under section 234A in the case of a CNG station was 4% of the gas consumption.

### **COLLECTION OF TAX BY A STOCK EXCHANGE REGISTERED IN PAKISTAN**

Section 233A is proposed to be omitted so the relevant rate are also proposed to be withdrawn. Previously the rate of tax to be collected under section 233A was as follow;

| Sr. No | Description  | Rate                    |
|--------|--|-------------------------|
| 1      | in case of purchase of shares as per clause (a) of sub-section (1) of section 233A | 0.02% of purchase value |
| 2      | in case of sale of shares as per clause (b) of sub section (1) of section 233A     | 0.02% of sale value     |

## Amendments in Income Tax Ordinance, 2001

### COLLECTION OF TAX ON ELECTRICITY CONSUMPTION

The rate of collection of tax on electricity bill for industrial commercial and domestic consumers are proposed to be revised as follow;

| S.No | Gross amount of Bill                           | Tax  |
|------|--|--|
| 1    | upto Rs. 500                                   | Rs. 0  |
| 2    | exceeds Rs. 500 but does not exceed Rs. 20,000 | 10% of the amount  |
| 3    | exceeds Rs.20,000                              | Rs. 1950 plus 12% of the amount exceeding Rs. 20,000 for commercial consumers Rs. 1950 plus 5% of the amount exceeding Rs. 20,000 for industrial consumers |

And the rates on domestic electricity consumption shall be;

- zero percent the amount of monthly bill is less than Rs.25,000; and
- 7.5% if the amount of monthly bill is Rs. 25,000 or more;

Previously the rates were as follow;

| S.No | Gross amount of Bill                           | Tax     |
|------|--|---------|
| a    | does not exceed Rs. 400                        | Rs. 0   |
| b    | exceeds Rs. 400 but does not exceed Rs. 600    | Rs. 80  |
| c    | exceeds Rs. 600 but does not exceed Rs. 800    | Rs. 100 |
| d    | exceeds Rs. 800 but does not exceed Rs. 1000   | Rs. 160 |
| e    | exceeds Rs. 1000 but does not exceed Rs. 1500  | Rs. 300 |
| f    | exceeds Rs. 1500 but does not exceed Rs. 3000  | Rs. 350 |
| g    | exceeds Rs. 3000 but does not exceed Rs. 4500  | Rs. 450 |
| h    | exceeds Rs. 4500 but does not exceed Rs. 6000  | Rs. 500 |
| i    | exceeds Rs. 6000 but does not exceed Rs. 10000 | Rs. 650 |

## Amendments in Income Tax Ordinance, 2001

| S.No | Gross amount of Bill                            | Tax  |
|------|---|--|
| j    | exceeds Rs. 10000 but does not exceed Rs. 15000 | Rs. 1000   |
| k    | exceeds Rs. 15000 but does not exceed Rs. 20000 | Rs. 1500   |
| l    | exceeds Rs. 20000                               | (i) at the rate of 12 per cent for commercial consumers;<br>(ii) at the rate of 5 per cent for industrial consumers. |

### **COLLECTION OF TAX ON TELEPHONE BILL**

It is proposed to revise the rate of tax collection in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card to be reduced to 10% for tax year 2022 and 8% onwards. Previously the rate was 12.5%.

### **WHT ON CASH WITHDRAWAL FROM A BANK**

It is proposed to omit section 231A so the relevant WHT tax rate of 0.6% is also proposed to be omitted.

### **ADVANCE TAX ON TRANSACTION IN BANK**

It is proposed to omit section 231AA so the relevant advance tax rate of 0.6% is also proposed to be omitted.

### **ADVANCE TAX ON LOCALLY MANUFACTURED MOTOR VEHICLE SOLD PRIOR TO REGISTRATION**

The collection of advance tax on locally manufactured motor vehicle sold prior to registration by the person who originally purchased it from the local manufacturer under section 231B (2A) is proposed as follow;

| S.No | Engine Capacity  | Tax        |
|------|------------------|------------|
| 1    | Up to 1000cc     | Rs.50,000  |
| 2    | 1001cc to 2000cc | Rs.100,000 |
| 3    | 2001cc and above | Rs.200,000 |

## Amendments in Income Tax Ordinance, 2001

### **ADVANCE TAX ON PURCHASE OF AIR TICKET**

It is proposed to omit section 236B so the relevant advance tax rate of 5% is also proposed to be omitted.

### **ADVANCE TAX ON SALE TO DISTRIBUTORS, DEALERS OR WHOLESALERS**

It is proposed reduce the rate of advance tax on sale to distributors, dealers or wholesalers of fertilizer to 0.25% instead of 0.7% if the persons are already appearing on both the Active Taxpayers' Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001 (XLIX of 2001).

### **ADVANCE TAX ON SALE TO RETAILERS**

It is proposed to generalize the rate of collection of advance tax u/s 236H @ of 5%. Previously the rates are as follow;

| Sr no. | Category of Sale | Rate of Tax |
|--------|------------------|-------------|
| 1      | Electronic       | 1%          |
| 2      | Other            | 0.5%        |

### **ADVANCE TAX SALE OF CERTAIN PETROLEUM PRODUCTS**

It is proposed to omit section 236HA so the relevant advance tax rate of 0.5% is also proposed to be omitted.

### **ADVANCE TAX ON DOMESTIC ELECTRICITY CONSUMPTION**

It is proposed to merge section 235A in section 235 so the relevant advance tax rate of are also proposed to be omitted. Previously the rates are 7.5% if the amount of monthly bill is 75,000/- or more and 0% if bill is less than 75,000/-

### **ADVANCE TAX ON PURCHASE OF INTERNATIONAL AIR TICKET**

It is proposed to omit section 236L so the relevant advance tax rate are also proposed to be omitted. Previously the rates were as follow;

| S.No | Type of Ticket           | Rate                  |
|------|--------------------------|-----------------------|
| 1    | First/Executive Class    | Rs. 16,000 per person |
| 2    | Others excluding Economy | Rs. 12,000 per person |
| 3    | Economy                  | 0                     |

## Amendments in Income Tax Ordinance, 2001

### **ADVANCE TAX ON NON CASH BANKING TRANSACTIONS**

It is proposed to omit section 236P so the relevant advance tax rate of 0.6% is also proposed to be omitted.

### **ADVANCE TAX ON AMOUNT REMITTED ABROAD THROUGH CREDIT, DEBIT OR PREPAID CARDS**

It is proposed to omit section 236Y so the relevant advance tax rate of 1% of the gross amount remitted abroad is also proposed to be omitted.

| S.No | Type of Ticket           | Rate                  |
|------|--------------------------|-----------------------|
| 1    | First/Executive Class    | Rs. 16,000 per person |
| 2    | Others excluding Economy | Rs. 12,000 per person |
| 3    | Economy                  | 0                     |



## Amendments in Income Tax Ordinance, 2001

### “SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### **PART I (EXEMPTIONS FROM TOTAL INCOME)**

**Clause (4):** It is proposed to withdraw exemption available to Pakistani seafarer working on Pakistan flag or foreign vessel.

**Clause (22), (23), (23C):** It is proposed to withdraw exemption to the extent of payments representing profit on debt earned on provident funds contribution exceeding rupees five hundred thousand chargeable to tax @10% as a separate block of income. The bill proposes to restrict exemption on profit on debt upto Rs. 500,000 only and proposes to tax excess amounts of profit on debt earned by Provident funds at the rate of 10% as separate block of income. The person making payment of profit on debt is also required to deduct tax at these rates.

**Clause (39):** It is proposed to withdraw exemption against any special allowance or benefit (not being entertainment or conveyance allowance) or other perquisite within the meaning of section 12 specially granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit.

**Clause (40):** It is proposed to withdraw exemption for any income of a newspaper employee representing Local Travelling Allowance paid in accordance with the decision of the Third Wage Board for Newspaper Employees constituted under the Newspaper Employees (Conditions of Service) Act, 1973, published in Part II of the Gazette of Pakistan, Extraordinary, dated the 28th June, 1980.

**Clause (53A):** It is proposed to withdraw exemption of perquisites received by an employee by virtue of his employment.

**Clause (61):** It is proposed to withdraw exemption of any amount paid as a donation to prescribed foundations, societies, boards, trusts and funds.

**Clause (66):** It is proposed to grant unconditional exemption to different entities.

**Clause (72), (72A), (74):** It is proposed to withdraw exemption for any profit on debt payable to a nonresident person-

(i) in respect of such private loan to be utilized on such project in Pakistan as may be approved by the Federal

(ii) on a loan in foreign exchange against export LC credit

(iii) being a foreign individual, company, firm or association of persons in respect of a foreign loan on or after the first day of February, 199

## Amendments in Income Tax Ordinance, 2001

### “SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### PART I (EXEMPTIONS FROM TOTAL INCOME)

**Clause (75):** It is proposed to substitute new clause through this Finance Bill following shall be substituted, namely:-"Any profit on debt and capital gains derived by any agency of foreign Government or any non-resident person approved by the Federal Government for the purpose of this clause from debt instruments approved by the Federal Government.";

**Clause (78):** for the expression "citizens of Pakistan and foreign nationals residing abroad, foreign association of persons, companies registered and operating abroad and foreign nationals residing in Pakistan", the expression "non- resident individuals, non-resident association of persons and non-resident companies" is proposed to be substituted.

**Clause (79):** Highlighted expression is proposed to be added for the exemption of any profit on debt derived from a rupee account held with a scheduled bank in Pakistan by a “*non-resident individual holding a Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC)*” ,where the deposits in the said account are made exclusively from foreign exchange remitted into the said account.

**Clause (80):** It is proposed to withdraw exemption for any income derived from a private foreign currency account held with an authorized bank in Pakistan, Provided that the exemption under this clause shall not be available in respect of any incremental deposits made in the said accounts on or after the 16th day of December, 1999, or in respect of any accounts opened under the said scheme on or after the said date.

**Clause (90):** Exemption is proposed to be withdrawn for any profit on debt payable by an industrial undertaking in Pakistan-

- (i) on moneys borrowed by it under a loan agreement entered into with any such financial institution in a foreign country; and
- (i) on moneys borrowed or debts incurred by it in a foreign country in respect of the purchase outside Pakistan of capital plant and machinery

**Clause (90A):** Exemption is proposed to be withdrawn for any profit on debt derived by any person on bonds issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market, for a period of five years with effect from the 1st day of July, 2018.]

## Amendments in Income Tax Ordinance, 2001

### **“SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:**

#### **PART I (EXEMPTIONS FROM TOTAL INCOME)**

**Clause (91):** Seeks to withdraw exemption of the income of a text book board of a Province established under any law for the time being in force.

**Clause (98):** Seeks to withdraw exemption of the income derived by any board or other organization established by the Government in Pakistan for the purposes of encouraging major games and sports.

**Clause (99A):** Proposed to extend the exemption on any profit and gains accruing to a person on sale of immovable property to a REIT Scheme upto 30th date of June ,2023.

**Clause (100):** Proposed to withdraw exemption of the income of a modaraba registered under Modarab Companies and Flotation Ordinance ,1980.

**Clause (101):** Proposed to withdraw exemption to any profits and gains derived by a venture capital company and venture capital fund and a private equity and Venture Capital Fund.

**CLAUSE (103):** It is proposed to withdraw exemption to any distribution received from a collective investment scheme including NIT Unit Trust or REIT Scheme.

**CLAUSE (103C):** Proposed to withdraw exemption to any dividend income derived by a company if the recipient of the dividend for the tax year is eligible for group relief under section 59B.

**CLAUSE (103D):** The bill proposes to exempt dividend income and long term capital gains of any venture capital fund from investments in zone enterprises as defined in clause (p) of section 2 of the Special Technology Zones Authority Ordinance, 2020 for a period of ten years.

**Clause (104):** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Any income derived by the Libyan Arab Foreign Investment Company being dividend of the Pak- Libya Holding Company shall be exempt from tax. Through this amendment such exemption is withdrawn as this clause is omitted.

**Clause (105):** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Any income derived by the Government of Kingdom of Saudi Arabia shall be exempt from tax. But through this amendment above clause is omitted resulting in forfeiture of exemption.

## Amendments in Income Tax Ordinance, 2001

### “SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### PART I (EXEMPTIONS FROM TOTAL INCOME)

**Clause (105A):** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Any income derived by Kuwait Foreign Trading Contracting and Investment Company shall be exempt from tax. Through this amendment, such exemption is withdrawn as the clause is omitted.

**Clause (110B):** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Any gain on transfer of a capital asset, having a membership right held by a member of an existing stock exchange, for acquisition of shares and trading such gain shall be exempt from tax. But through this amendment, such exemption is no more provided as the clause is omitted.

**Clause (110C):** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Any gain by a person on transfer of a capital asset, being a bond issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market, during the period from the 1st day of July, 2018 till the 30th day of June, 2023, shall be exempt from tax. But through this amendment above clause is omitted which results in forfeiture of such exemption.

**Clause (114):** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Any income chargeable under the head "capital gains" derived by a person from an industrial undertaking set up in an area declared by the Federal Government to be a "Zone" within the meaning of the Export Processing Zones Authority Ordinance, 1980 (IV of 1980) shall be exempt from tax. But in compliance with this amendment such clause is omitted and no exemption will be provided.

**Clause (114AA):** It state that any income chargeable under the head “capital gains” derived by a resident individual from the sale of constructed residential property will have exemption. But in compliance with this amendment such clause is omitted and no exemption will be provided.

**Clause (117):** It states that Any income derived by a person from plying of any vehicle registered in the territories of Azad Jammu and Kashmir, excluding income arising from the operation of such vehicle in Pakistan to a person who is resident in Pakistan and non-resident in those territories.

## Amendments in Income Tax Ordinance, 2001

### **“SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:**

#### **PART I (EXEMPTIONS FROM TOTAL INCOME)**

**Clause (126B):** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Profit and gains derived by Khalifa Coastal Refinery for a period of twenty years beginning in the month in which the refinery is setup or commercial production is commenced, whichever is the later, shall be exempt from tax. Through this amendment ordinance such clause is to be substituted as follows: Now profits and gains derived by refinery shall be exempt from tax provided:

- i. From new deep conversion refinery of at least 100,000 barrels per day for which approval is given by the Federal Government before the 31st day of December, 2021; or
- ii. For the purpose of upgradation, modernization or expansion project of any refinery existing on the date of commencement of the Income Tax (Second Amendment) Act, 2021 for the purpose that such refinery makes undertaking to the Federal Government in writing before 31st day of December, 2021.

**Clause (126BA):** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Profits and gains derived by a refinery set up between the 1st day of July, 2018 and the 30th day of June, 2023 with minimum 100,000 barrels per day production capacity for a period of twenty years beginning in the month in which the refinery is set up or commercial production is 12 commenced, whichever is later. But with this amendment aforementioned exemption is withdrawn as the above mentioned clause is now omitted.

#### **Clause (126C):**

(1) Profits and gains derived by a taxpayer from an industrial undertaking set up in Larkano Industrial Estate between shall be exempt from tax but Through this amendment, such exemption is not available anymore as this clause is omitted.

**CLAUSE (126EA):** Proposed to exempt dividend income and long term capital gains of any venture capital fund from investments in zone enterprises of the Special Technology Zone Authority Ordinance, 2020 for a period of ten years.



## Amendments in Income Tax Ordinance, 2001

### “SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### **PART I (EXEMPTIONS FROM TOTAL INCOME)**

**Clause (126G):** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Profits and gains derived for a period of five years from the date of start of commercial production by the companies against each that have been declared ‘Pioneer Industry’ by Economic Coordination Committee of the Cabinet:- Through this amendment, such exemption is not available anymore as this clause is omitted.

**Clause(126H):** Profits and gains derived by a taxpayer, from a fruit processing or preservation unit set up in Balochistan Province, Malakand Division, Gilgit-Baltistan and FATA between the first day of July, 2014 to the thirtieth day of June, 2017, both days inclusive, engaged in’ processing of locally grown fruits, for a period of five years beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later.] Through this amendment, such exemption is not available anymore as this clause is omitted.

**Clause (126I)** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Profits and gains derived by a taxpayer, from an industrial undertaking set up by 31st day of December, 2016 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind, Now through this amendment above mentioned clause is omitted which means that no exemption shall be provided.

**Clause (126J):** Profits and gains derived by a taxpayer, from an industrial undertaking set up between 1st day of July, 2015 and 30th day of June, 2016 engaged in operating warehousing or cold chain facilities for storage of agriculture produce for a period of three years beginning with the month in which the industrial undertaking is set up or commercial operations are commenced, whichever is later. Now through this amendment above mentioned clause is omitted which means that no exemption shall be provided.

**Clause(126K)** Profits and gains derived by a taxpayer, from an industrial undertaking set up between the first day of July, 2015 and the 30th day of June, 2017 for establishing and operating a halal meat production unit, for a period of four years beginning with the month in which the industrial undertaking commences commercial production. The exemption under this clause has proposed to be withdrawn through this Finance Bill.

## Amendments in Income Tax Ordinance, 2001

### “SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### **PART I (EXEMPTIONS FROM TOTAL INCOME)**

**Clause(126L)** Profits and gains derived by a taxpayer, from an industrial undertaking set up in the Provinces of Khyber Pukhtunkhwa and Baluchistan between 1st day of July, 2015 and 30th day of June, 2018 for a period of five years beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later. The exemption has now proposed to be drawn via this Finance Bill.

**Clause (126N):** Profit and gains derived by a taxpayer from an industrial undertaking, duly certified by the Pakistan Telecommunication Authority, engaged in the manufacturing of cellular mobile phones, for a period of five years, from the month of commencement of commercial production: But in accordance with this amendment such exemption shall not be provided as this clause is omitted.

**Clause (126O)** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Profits and gains of a company from a green field industrial undertaking for a period of five years, shall be exempt from tax. But in accordance with this amendment such exemption shall not be provided as this clause is omitted.

**Clause (131)** of Part I of Second Schedule of Income Tax Ordinance, 2001 shall be omitted. It deals with the exemption of income derived from the entities as specified in Clause (131) of Income Tax Ordinance, 2001. But now through Tax Laws (Second Amendment) Ordinance, 2021 this clause is not omitted.

**Clause (132)** A new provision is added in the fifth provision of sub-clause (c) of Clause (132) is further extended as follows: “Provided further that no exemption under this clause shall be available to persons, who enter into agreement or to whom letter of intent is issued by Federal or Provincial Government for setting up an electric power generation project in Pakistan after the 30th day of June, 2021.”

**Clause (132A)** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Profit and gains derived by Boscior Oil Pakistan Limited for a period of seven and half years beginning from the day on which the refinery is set up or commercial production is commenced whichever is later, shall be exempt. But in accordance with this amendment such exemption is not provided as the clause is now omitted.

**Clause (132AA),** The bill proposes to exempt profits and gains derived from sale of electricity by National Power Parks Management Company Limited commencing from the date of change of ownership as a result of privatization by the Privatization Commission of Pakistan.

## Amendments in Income Tax Ordinance, 2001

### “SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### PART I (EXEMPTIONS FROM TOTAL INCOME)

**Clause (132B)** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Profits and gains derived by a taxpayer from a coal mining project in Sindh, supplying coal exclusively to power generation projects. But through this amendment ordinance the exemption shall not be provided as the clause is omitted.

**Clause (132C)** The bill proposes to exempt profits and gains derived by a taxpayer from a bagasse/biomassbased cogeneration power project having one or more boilers of not less than 60 bar (kg/CM<sup>3</sup>) pressure each, commissioned after the first day of January 2013.

**Clause (133)** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Income from exports of computer software or IT services or IT enabled services upto the period ending on 30th day of June 2025 “Provided that eighty per cent of the export proceeds are brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels. But in compliance with the amendment such exemption is withdrawn because the clause is omitted.

**Clause (135A)** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Any income derived by a non-resident from investment in OGDCL exchangeable bonds issued by the Federal Government shall be exempt. The exemption shall not be provided under this amendment due to omission of this clause.

**Clause (136)** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Any income of a special purpose vehicle shall be taxable in the hands of the Originator. This clause is now omitted.

**Clause (139):** (a)The benefit represented by free provision to the employee of medical treatment or hospitalization or both by an employer or the reimbursement received by the employee of the medical charges or hospital charges or both paid by him, (b) any medical allowance received by an employee not exceeding ten per cent of the basic salary of the employee if free medical treatment or hospitalization or reimbursement of medical or hospitalization charges is not provided for in the terms of employment. The withdrawal of this exemption needs to be reconsidered.

## Amendments in Income Tax Ordinance, 2001

### “SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### **PART I (EXEMPTIONS FROM TOTAL INCOME)**

**Clause (141)** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Profit and gains derived by LNG Terminal Operators and Terminal Owners for a period of five years beginning from the date when commercial operations are commenced shall be exempt. But through this amendment above clause is omitted which means that exemption will not be provided on above mentioned profits and gains.

**Clause (143)** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Profit and gains derived by a start-up as defined in clause (62A) of section 2 for the tax year in which the start-up is certified by the Pakistan Software Export Board and the following two tax years shall be exempt. But through this amendment above clause is omitted which means that exemption will not be provided on above mentioned profit and gains.

**Clause (146)** of Part I of Second Schedule of Income Tax Ordinance, 2001 states that: Any income which was not chargeable to tax prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, 2023 (both days inclusive). Through this amendment, such exemption is withdrawn as the clause is omitted.

#### **PART II (Exemption from Total Income) of Second Schedule (Exemptions and Tax Concessions)**

**Clause (2)** of Part II of Second Schedule of Income Tax Ordinance, 2001 states that: Any income of persons whose profits or gains from business are computed under the Fifth Schedule to this Ordinance as is derived from letting out to other similar persons any pipeline for the purpose of carriage of petroleum shall be charged to tax at the same rate as is applicable to such persons in accordance with the provisions of the said Schedule. Through this amendment above mentioned clause is omitted.

**Clause (3)** of Part II of Second Schedule of Income Tax Ordinance, 2001 states that: The rates in respect of income from services rendered outside Pakistan shall be 50% of the rates as specified in clause (2) of Division III of Part III of the First Schedule of Income Tax Ordinance, 2001 and the rates in respect of contracts executed outside Pakistan shall be 50% of the rates as specified in clause (3) of Division III of Part III of the First Schedule.” Through this amendment

## Amendments in Income Tax Ordinance, 2001

### “SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### PART II

**Clause (3B)** of Part II of Second Schedule of Income Tax Ordinance, 2001 states that: The income of Pakistan Cricket Board derived from sources outside Pakistan including media rights, gate money, sponsorship fee, in-stadium rights, out stadium rights, payments made by International Cricket Council, Asian Cricket Council or any other Cricket Board shall be taxed at a rate of four per cent of the gross receipts from such sources Provided that Pakistan Cricket Board may opt to pay tax at the rate of four percent of the gross receipts from tax year 2010 and onwards: Provided further that this option shall be available subject to withdrawal of appeals, references and petitions on the issue of tax rate pending before any appellate forum or tax authority, Provided that the outstanding tax liability payable under this clause up to tax year 2015 is paid by 30th June, 2016.” Through this amendment aforementioned clause is omitted which means that no tax will apply.

**Clause (5A)** Seeks to restrict the scope of reduced tax rate on profit on debt to non-resident persons having no permanent establishment in Pakistan.

**Clause (5AB)** Seeks reduce rate of 10% for deduction on profit on debt from debt instruments.

**Clause (5B)** of Part II of Second Schedule of Income Tax Ordinance, 2001 states that: The tax in respect of capital gains derived by a person from the sale of shares or assets by a private limited company to Private Equity and Venture Capital Fund shall be charged at the rate of ten per cent of such gains. Through this amendment above mentioned clause is omitted which means that no tax will apply.

**“(9AA)** In respect of import of white sugar from the 25th day of August, 2020 to the 15th day of November, 2020 both days inclusive, tax under section 148 shall be collected at the rate of 0.25% as per quantity, quality, mode and manner prescribed by Ministry of Commerce during the said period.

**(9AB)** Tax under section 148 on commercial import of the white sugar shall be collected at the rate of 0.25% from the 26th day of January 2021 till the 30th day of June, 2021.

**(9AC)** Subject to quota allotment by Commerce Division, tax under section 148 shall be collected at the rate of 0.25% on import of raw sugar imported by sugar mills from the 26th day of January, 2021 to the 30th day of June, 2021 both days inclusive provided that such imports shall not exceed fifty thousand metric tons per sugar mill and three hundred thousand metric tons in aggregate by the sugar

## Amendments in Income Tax Ordinance, 2001

### “SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### PART II

**Clause (18)** of Part II of Second Schedule of Income Tax Ordinance, 2001 states that: In the case of a modaraba the rate of income tax shall be 25% of total income excluding such part of total income to which Division III of Part I of the First Schedule or section 153 or section 154 applies. Through this amendment, aforementioned clause is omitted which means that no tax will apply.

**Clause (18B)** of Part II of Second Schedule of Income Tax Ordinance, 2001 states that: The rate of tax as specified in Division II of Part I of the First Schedule of Income Tax Ordinance, 2001 shall be reduced by 2% in case of a company whose shares are traded on stock exchange. Through this amendment, the aforementioned clause is omitted which means that rate of tax shall not be reduced by 2% for above mentioned company.

**Clause (18C)** The bill proposes that the rate of tax on dividends shall be reduced to 7.5% in case of dividends declared by a company as are “attributable” to profits and gains derived from a bagasse and biomass-based cogeneration power project qualifying for exemption under clause (132C) of Part-I of this Schedule.

**Clause (24AA)** of Part II of Second Schedule of Income Tax Ordinance, 2001 states that: The rate of tax, under section 152 (Payment to non-residents) in the case of M/S CR-NORINCO JV (Chinese Contractor) as recipient, on payments arising out of commercial contract agreement signed with the Government of Punjab for installation of electrical and mechanical (E&M) equipment for construction of the Lahore Orange Line Metro Train Project, shall be 6% of the gross amount of payment. Through this amendment aforementioned clause is omitted which means that mentioned rate of tax (6%) shall not be applied.

**Clause (24C)** The benefit of reduced rate of deduction at the rate of 0.25% under clause (a) of sub section (1) of section 153 will be available to distributors ,dealers ,sub dealers , wholesalers and retailers of fast moving consumer goods , fertilizers and electronics provided beneficiaries are appearing in ATL list of both Income tax Ordinance, 2001 and Sales tax Act ,1990.

**Clause (24D)** This clause states that the Minimum Tax u/s 113 of Income Tax Ordinance, 2001, at 0.25% is available for dealers and subdealers of sugar, cement and edible oil. However in conformity with Amendment Ordinance, 2021 these facilities were extended to wholesalers and retailers of fast moving consumers goods and fertilizer, who already are or get themselves registered under the Sales Tax Act 1990, Through this amendment such facility is further extended and 0.25%

## Amendments in Income Tax Ordinance, 2001

### **“SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:**

#### **PART II**

**Clause (28A)** This clause states that reduced rates of tax under section 148 of Income Tax Ordinance, 2001, on hybrid cars imported. Through this amendment, aforementioned clause is omitted which means that now the rate of tax on hybrid cars shall not be reduced.

**Clause (28B)** of Part II of Second Schedule of Income Tax Ordinance, 2001 states that: The rate of tax shall be 0.15% under section 231A on cash withdrawal by an exchange company, duly licensed and authorized by the State Bank of Pakistan, exclusively dedicated for its authorized business related transactions, subject to the condition that a certificate has been issued by the concerned Commissioner Inland Revenue for a financial year containing details and particulars of its Bank Account being used entirely for business transactions is provided.” Through this amendment above mentioned clause is omitted which means that now the rate of tax 0.15% shall not be applied.

**Clause (28E)** The rate of minimum tax under section 113 shall be 0.5% in case of trader of yarn being an individual. The expression for “tax year 2020” is proposed to be omitted.

#### **PART III (REDUCTION IN TAX LIABILITY) of Second Schedule**

**Clause (2)** of Part III of Second Schedule of Income Tax Ordinance, 2001 states that:

The amount of tax payable, in a year in which the rupee is revalued or devalued, by a taxpayer whose profits or gains are computed in accordance with the rules contained in the Fifth Schedule to this Ordinance and who had entered with the Government into an agreement which provides for such reduction, shall be reduced to the amount that would be payable in the absence of the revaluation or devaluation of the rupee.

*Through this amendment this clause is omitted which means that the tax payable shall not be reduced.*

**Clause (7)** of Part III of Second Schedule of Income Tax Ordinance, 2001 states that: The amount of tax payable by foreign filmmakers from making films in Pakistan shall be reduced by fifty percent on income from filmmaking in Pakistan. Through this amendment this clause is omitted which means that now foreign filmmakers in Pakistan shall not be provided with any relief.

## Amendments in Income Tax Ordinance, 2001

### “SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### **PART III (REDUCTION IN TAX LIABILITY) of Second Schedule**

**Clause (8)** of Part III of Second Schedule of Income Tax Ordinance, 2001 states that: The amount of tax payable by resident companies deriving income from film making shall be reduced by seventy percent on income from filmmaking. Through this amendment this clause is omitted which means that now film making by resident companies in Pakistan shall not be provided with any relief.

**Clause (9)** of Part III of Second Schedule of Income Tax Ordinance, 2001, tax payable on profits and gains derived by a person from low cost housing projects shall be reduced by fifty percent. The reduction in tax liability under this clause shall apply to projects as specified in clause (2). Now through amendment it is inserted that: "Provided that exemption under this clause shall continue to remain available to such projects which commence on or before 30th day of June, 2024."

**Clause (9B)** of Part III of Second Schedule of Income Tax Ordinance, 2001 states that: The tax payable on the income, profits and gains of projects of ‘low cost housing’ developed or approved by Naya Pakistan Housing and Development Authority (NAPHDA) or under the Ehsaas Programme shall be reduced by 90%. Now through this amendment this clause is further extended as: “Provided that exemption under this clause shall continue to remain available to such projects which commence on or before 30th day of June, 2024.”

**Clause (9B)** It is proposed to be inserted that the tax payable by cotton ginners on their income and profits shall not be more than sum of 1% of their turnover from cotton lint, cotton seed, cotton seed oil and cotton seed cake: Provided that the tax so payable shall be final tax in respect of their cotton ginning and oil milling activities only.

**Clause (18)** The rate of withholding tax on value of offshore supply contract of an Independent Power Producer located wholly or partly in territories of AJ and Kashmir shall be 1%. Such 1% tax shall be full and final liability of the offshore contractor.

**Clause (19)** The tax payable by woman enterprises on profit and gains derived from business chargeable to tax under the head “Income from Business” shall be reduced by 25%. Provided that benefit of this clause shall not be available to a business that is formed by the transfer or reconstitution or reconstruction or splitting up of an existing business.”

## Amendments in Income Tax Ordinance, 2001

### **“SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:**

#### **PART IV (EXEMPTION FROM SPECIFIC PROVISIONS) of Second Schedule**

**Clause (2)** In the case of losses referred in section 57 in respect of an industrial undertaking set up in an area declared by the Federal Government to be a "Zone" within the meaning of Export Processing Zones Authority Ordinance, 1980 (IV of 1980), the period of six tax years specified in the said section shall not apply. Through this amendment above mentioned clause is omitted.

**Clause (4A)** The bill proposes that no provisions of law shall apply for recouping of tax credit already allowed to National Power Parks Management Company Limited for investment in plant and machinery in the eve of privatization merely for the reasons of change in its ownership pattern or debt to equity ratio.

**Clause (11A)** The Bill proposes to withdraw exemption of minimum tax payable under section 113 of the Ordinance of the following persons:

- Non profit Organizations approved under clause (36) of section 2
- Non profit Organizations included in clause 58 or 61 of Part-I of Second Schedule
- Taxpayer qualifying for exemption under clause 133 on account of export of computer software.
- A Modaraba
- A start-up as defined in clause (62A) of section 2.
- Taxpayer qualifying for exemption under clause 132 B on account of receipt from a coal mining project in Sindh.
- The corporatized entities of Pakistan Water and Power Development Authority.

**Clause (12F),(12G),(12H)** Following exemptions are proposed for imports under section 148, made in pursuance of Cabinet decisions;

- Import of 1.5 million of wheats – Cabinet decision in case No. 399/23/2020 dated June 16, 2020
- Import of 300,000 metric tons of white sugar Trading Corporation of Pakistan – Cabinet decision in case No. 541/30/2020 dated August 4, 2020
- Import of 300,000 metric tons of wheat by Trading Corporation of Pakistan – Cabinet decision in case No. 34/02/2021 dated January 12, 2021
- It is also proposed to exempt import of following goods for a period of three months starting from June 23, 2020, including to import where letters of credit were opened or goods declaration forms were filed on or after June 23, 2020;



## Amendments in Income Tax Ordinance, 2001

### “SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### **PART IV (EXEMPTION FROM SPECIFIC PROVISIONS) of Second Schedule**

**Clause (12I)** The provisions of section 148 shall not apply on import of 83 X Micron sprayers for AntiLocust Operation (Respective heading) by National Disaster Management Authority (NDMA).

**Clause (12I)** The provisions of section 148 shall, in pursuance of the Cabinet Decision in case No. 34/02/2021, dated the 12th January, 2021, not apply on import of three hundred thousand metric tons of wheat through tendering process by the Trading Corporation of Pakistan.

**Clause (12K)** The provisions of section 148 shall not apply on import of following goods by the manufacturers of oxygen for a period of three months starting from the 25th day of December, 2020, the concessions given in this clause shall also apply in respect of the letters of credit opened or goods declaration forms filed on or after the 25th day of December, 2020.

**Clause (12L)** The provisions of section 148 and 153 shall not apply on import and subsequent supply of five hundred thousand metric tons of white sugar imported by the Trading Corporation of Pakistan.

**Clause (12M)** The provisions of section 148 shall not apply on import of following goods for a period of one hundred and eighty days starting from the 14th day of May, 2021.

**Clause (12N)** The bill proposes to exempt application of section 148 and 154 on import and export, respectively of specified goods which takes place within the jurisdiction of Border sustenance Markets.

**Clause (43D)** It provides that the provisions of clause (a) of sub-section (1) of section 153 shall not apply in case of an oil tanker contractor with effect from 1st July 2008, provided that such contractor pays tax @ 2.5%, on the payments for rendering or providing of carriage services w.e.f. tax year 2012. The bill proposes to include clause (b) of subsection (1) of section 153 in the exemption. The bill also proposes increase tax rate from 2.5% to 3.5%.

**Clause (43E)** provides that the provisions of clause (a) of sub section (1) of section 153 shall not apply in case of goods transport contractors, provided that such contractors pay tax at the rate of 3% on payments for rendering or providing of carriage services. The bill proposes to include clause (b) of subsection (1) of section

## Amendments in Income Tax Ordinance, 2001

### **“SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:**

#### **PART IV (EXEMPTION FROM SPECIFIC PROVISIONS) of Second Schedule**

**Clause (43G)** The bill proposes that the provisions of section 153 may not apply to commodity futures contracts listed on a Futures Exchange licensed under the Futures Market Act, 2016 (XIV of 2016).

**Clause (45A)** provides for reduced rates of tax deduction under section 153 (1)(a) and (b) with respect to supplies to five specified sectors. The bill proposes to clarify that such benefit of reduced rate will be available only where supplies are made from five specified sectors.

**Clause (45B)** The bill proposes that the provisions of section 153 may not apply on the purchase of used motor vehicles from general public.

The Bill proposes to substitute sub clause (iv) with following:

subject to fulfillment of procedure laid down in clause (12) of Part IV of Second Schedule, persons receiving payments exclusively for the supply of agriculture produce including following:

- (I) fresh milk;
- (II) fish by any person engaged in fish farming;
- (III) live chicken, birds and eggs by any person engaged in poultry farming;
- (IV) live animals by any person engaged in cattle farming;
- (V) unpackaged meat; and
- (VI) raw hides:

Provided that this clause shall not apply to the payments for agriculture produce which has been subjected to any process other than that which is ordinarily performed to render such produce to be fit to be taken to the market”

**Clause (47B)** Under the existing law, the provision of the sections 150, 151, 233 and Part I, Division VII of the First Schedule shall not apply to the Modaraba” and “or a Private Equity and Venture Capital Fund. The Bill proposes to withdraw such exemption.

## Amendments in Income Tax Ordinance, 2001

### “SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### **PART IV (EXEMPTION FROM SPECIFIC PROVISIONS) of Second Schedule**

**Clause (56)** After sub-clause (iii), the following new sub-clause shall be inserted, namely:- Goods temporarily imported into Pakistan by international athletes which would be subsequently taken back by them within one hundred and twenty days of temporary import”

**Clause (57A)** provides for exemption of section 153 and 169 to large import houses. The bill proposes to omit this clause.

**Clause (60DA)** The provisions of section 148 shall not apply to the import of the capital equipment as defined in section 2 of the Special Technology Zones Ordinance 2020 ( XIII of 2020) by –

- (a) zone developers as defined in section 2 of the Special Technology Zones Ordinance 2020 for consumption in the special technology zones for the period of 10 years commencing from the date of signing the development agreement;
- (b) zone enterprises as defined in section 2 of the Special Technology Zones Authority Ordinance, 2020 for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and
- (c) Special Technology Zones Authority established under the Special Technology Zones Ordinance 2020.”

**Clause (72A)** Proposed to withdraw exemption from the application of section 113 and clause (1) of section 21 in the case of Hajj Group Operator.

**Clause (72A)** The provisions of clause (b) of sub-section (1) of section 153 shall not apply to payments received by National Telecommunication Corporation against provision of telecommunication services including ancillary services specified in sub-section (3) of section 41 of the Pakistan Telecommunication (Re-organization) Act, 1996 (XVII of 1996).”;

**Clause (91)** in paragraph (iv), after sub-paragraph (xvi), the following new sub-paragraphs shall be added, namely:- “(xvii) Corn harvester/corn picker and silage maker with their respective PCT heading”;

## Amendments in Income Tax Ordinance, 2001

### **“SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:**

#### **PART IV (EXEMPTION FROM SPECIFIC PROVISIONS) of Second Schedule**

**Clause (95)** The provision 231A and 231AA shall not apply to “The second Pakistan international Sukuk Company Limited” and the Third Pakistan International Sukuk Company Limited, as a payer. This clause has been omitted, due to proposed omission of section 231AA.

**Clause (101)** The provisions of section 231A shall not apply in respect of cash withdrawal made from a “Branchless Banking (BB) Agent Account” utilized to render branchless banking services to customers. This clause has been omitted, due to proposed omission of section 231A.

**Clause (101A)** The provisions of section 231A shall not apply to a Pak Rupee account if the deposits in the account are made solely from foreign remittances credited directly into such account. This clause has been omitted, due to proposed omission of section 231A.

**Clause (101AA)** The provisions of sections 231A, 231AA and 236P shall not apply to a Pak Rupee Account in a tax year to the extent of foreign remittances credited into such account during that tax year. This clause has been omitted, due to proposed omission of sections 231A and 231AA.

**Clause (108)** The provisions of sections 113, 151, 231A, 231AA and 236P shall not apply to the Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams – Fund. The Bills proposes to omit section 231A, 23AA and 236P from said clause, due to proposed omission of section 231A, 231AA and 236P.

**Clause (109)** The provisions of section 236P shall not apply at the time of transfer of any sum to the Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams-Fund.”. This clause has been omitted, due to proposed omission of section 236P.

**Clause (109)** The provisions of section 100BA and rule 1 of the Tenth Schedule shall not apply to non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) maintaining a Foreign Currency Value Account (FCVA) or Non resident Pakistani Rupee Value Account (NRVA) with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan.“

## Amendments in Income Tax Ordinance, 2001

### “SECOND SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### **PART IV (EXEMPTION FROM SPECIFIC PROVISIONS) of Second Schedule**

**Clause (118)** New clause is proposed to be inserted that The provisions of withholding taxes contained in the Income Tax Ordinance, 2001 (XLIX of 2001) shall not apply to Islamic Naya Pakistan Certificates Company Limited (INPCCL) as a recipient.

**Clause (119)** New clause is proposed to be inserted the provisions of section 153(1)(a) shall with effect from the first day of July, 2020 not apply to distributors, dealers, wholesalers and retailers of locally manufactured mobile phone devices as withholding agent”

### “THIRD SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

#### **Part I (Depreciation) of Third Schedule of Income Tax Ordinance, 2001:**

Part I of Third Schedule of Income Tax Ordinance, 2001, states the rate for depreciation. Now through this amendment from the below mentioned serial no. , entry (a) in the second column is omitted.

|     |  |      |
|-----|--|------|
| IV. | In case of mineral oil concerns the income of which is liable to be computed in accordance with the rules in Part-I of the Fifth Schedule. |      |
|     | a) Below ground installations  | 100% |
|     | b) Offshore platform and production installations  | 20%] |

#### **Part II (Initial Allowance [And First Year Allowance]) of Third Schedule of Income Tax Ordinance, 2001:**

In accordance with this amendment expression 23A in the heading and in paragraph (2) respectively shall be omitted as the section 23A is already omitted by this proposed amendment.



## Amendments in Income Tax Ordinance, 2001

### **“FIFTH SCHEDULE” OF INCOME TAX ORDINANCE, 2001:**

Through this Finance Bill, Rule 4 of part II of Fifth Schedule is proposed to be omitted regarding tax exemptions of profits from refining or concentrating Mineral Deposits.

### **“SEVENTH SCHEDULE” OF INCOME TAX ORDINANCE, 2001:**

In rule (7C), -

For tax [years 2015 and onwards], the provisions of section 4B shall apply to banking companies and shall be taxed at the rate specified in Division IIA of Part I of First Schedule. Previously, the provision of Section 4B was applicable till 2021.

### **“EIGHT SCHEDULE” OF INCOME TAX ORDINANCE, 2001:**

It is proposed via this Finance Bill In the eight schedule, in rule (6), for the expression "companies ordinance, 1984 (xlvii of 1984)", the expression "companies act, 2017 (xix of 2017)" shall be substituted;

### **“TENTH SCHEDULE” OF INCOME TAX ORDINANCE, 2001:**

In rule 10, following clauses are proposed to be omitted;

**Clause (d).** Tax deducted under section 155 (income from property);

**Clause (f).** Tax deducted under section 231A (cash withdrawal);

**Clause (g).** Tax deducted under section 231AA (tax collection on banking instruments);

**Clause (h).** Tax deducted under section 233AA (collection of tax by NCCPL);

**Clause (j).** Tax deducted under section 235A (Domestic Electricity Consumption);

**Clause (m).** Tax deducted under section 236B (Advance tax on purchases of Air tickets);

**Clause (r).** Tax deducted under section 236L (Collection of advance tax on payment of royalty to residents); and

**Clause (s).** Tax deducted under section 231P (tax on banking transactions other than through cash).



## **Amendments in Income Tax Ordinance, 2001**

### **“ELEVENTH SCHEDULE” OF INCOME TAX ORDINANCE, 2001:**

The Income Tax (Amendment) Ordinance, 2021 which has already announced is now proposed to be the part of this Finance Bill. The changes that had been incorporated in the Eleventh Schedule were;

#### **In rule 2, in sub-rule (2), in clause (b),—**

- (i) The estimated project life shall not exceed three and half year previously it was two and half years.
- (ii) A new proviso was added namely:- "provided that in case of existing incomplete projects, the estimated project life shall be treated as four years maximum from tax year 2020 through tax year 2023 and the tax payable shall be reduced by the percentage of completion up to the last day of accounting period pertaining to tax year 2019 or tax year 2020 as declared in the registration form."; and

#### **In rule 3, in sub-rule (1),-**

- (i) A builder or developers shall register project on IRIS on or before 31st day of Decemeber 2021 previously it was 31st day of December 2020.
- (ii) A new proviso was added in clause (a) namely: - "provided further that where benefit of sub-section (3) of section 100D is required to be claimed by builder or developer, the project shall be registered latest by 30th day of june, 2021; and";

#### **In rule 8, in clause (c),-**

The additional partners or shareholders after the 30<sup>th</sup> June 2021 may join but additional partners or shareholders shall not be eligible for exemption provided under Sub-section (3) of section 100D. Previously, it was 31<sup>st</sup> December 2020.

#### **In rule 9, in sub-rule (1), in clause (d), in sub-clause (ii),-**

The cut off date of is 31<sup>st</sup> December 2021 for commencement of project. Previously the project shall be commenced before 31<sup>st</sup> December 2020.



## Amendments in Income Tax Ordinance, 2001

### “THIRTEENTH SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

After twelfth schedule of Income Tax Ordinance, 2001, a new schedule named Thirteenth Schedule is inserted through a new clause (d) which is added under section 61 (Charitable Donation) of this Ordinance that states funds given to entities/organisations and funds mentioned in thirteenth schedule shall avail benefit of tax credit.

| S. NO. | NAME   |
|--------|--|
| (1)    | (2)  |
| 1.     | Any Sports Board or institution recognised by the Federal Government for the purposes of promoting, controlling or regulating any sport or game. |
| 2.     | The Citizens Foundation.   |
| 3.     | Fund for Promotion of Science and Technology in Pakistan.  |
| 4.     | Fund for Retarded and Handicapped Children.  |
| 5.     | National Trust Fund for The Disabled.  |
| 6.     | Fund for Development of Mazaar of Hazarat Burn i Imam.   |
| 7.     | Rabita-e-Islami's Project for printing copies of the Holy Quran.   |
| 8.     | Fatimid Foundation, Karachi.   |
| 9.     | Al-Shifa Trust.  |
| 10.    | Society for the Promotion of Engineering Sciences and Technology in Pakistan.  |
| 11.    | Citizens-Police Liaison Committee, Central Reporting Cell, Sindh Governor House, Karachi.  |
| 12.    | ICIC Foundation.   |
| 13.    | National Management Foundation.  |



**Amendments in Income Tax Ordinance, 2001**

| S. NO. | NAME   |
|--------|--|
| (1)    | (2)  |
| 14.    | Endowment Fund of the institutions of the Agha Khan Development Network (Pakistan listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network. |
| 15.    | Shaheed Zulfigar Ali Bhutto Memorial Awards Society.   |
| 16.    | Iqbal Memorial fund.   |
| 17.    | Cancer Research Foundation of Pakistan, Lahore. ,  |
| 18.    | Shaukat Khanum Memorial Trust, Lahore.   |
| 19.    | Christian Memorial Hospital, Sialkot.  |
| 20.    | National Museums, National Libraries and Monuments or institutions declared to be National Heritage by the Federal Government.   |
| 21.    | Mumtaz Bakhtawar Memorial Trust Hospital, Lahore.  |
| 22.    | Kashmir Fund for Rehabilitation of Kashmir Refugees and Freedom Fighters   |
| 23.    | Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network.                      |
| 24.    | Azad Kashmir President's Mujahid Fund, 1972.   |
| 25.    | National Institute of Cardiovascular Diseases, (Pakistan) Karachi.   |
| 26.    | Businessmen Hospital Trust, Lahore.  |
| 27.    | Premier Trust Hospital, Mardan.  |
| 28.    | Faisal Shaheed Memorial Hospital Trust, Gujranwala.  |
| 29.    | Khair-un-Nisa Hospital Foundation, Lahore.   |
| 30.    | Sind and Balochistan Advocates' Benevolent Fund.   |



**Amendments in Income Tax Ordinance, 2001**

| S. NO. | NAME  |
|--------|---|
| (1)    | (2)   |
| 31.    | Rashid Minhas Memorial Hospital Fund.   |
| 32.    | Any relief or welfare fund established by the Federal Government.                               |
| 33.    | Mohatta Palace Gallery Trust.   |
| 34.    | Bagh-e-Quaid-e-Azam project, Karachi.   |
| 35.    | Any amount donated for Tameer-e-Karachi Fund.   |
| 36.    | Pakistan Red Cres-cent Society.   |
| 37.    | Sank of Commerce and Credit International Foundation for Advancement of Science and Technology. |
| 38.    | Federal Board of Revenue Foundation.  |
| 39.    | The Indus Hospital, Karachi.  |
| 40.    | Pakistan Sweet Homes Angels and Fairies Place.  |
| 41.    | Al-Shifa Trust Eye Hospital.  |
| 42.    | Aziz Tabba Foundation.  |
| 43.    | Sindh Institute of Urology and Transplantation,SIUT Trust and Society for the Welfare of SIUT.  |
| 44.    | Sharif Trust.   |
| 45.    | The Kidney Centre Post Graduate Institute.  |
| 46.    | Pakistan Disabled Foundation.   |
| 47.    | Sardar Trust Eye Hospital, Lahore.  |
| 48.    | Supreme Court of Pakistan — Diamer Bhasha & Mohmand Dams — Fund.                                |



**Amendments in Income Tax Ordinance, 2001**

| S. NO. | NAME   |
|--------|--|
| (1)    | (2)  |
| 49.    | Layton Rahmatullah Benevolent Trust (LRBT).  |
| 50.    | Akhuwat.   |
| 51.    | The Prime Minister's COVID-19 Pandemic Relief Fund-2020.   |
| 52.    | Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI).                                   |
| 53.    | Lahore University of Management Sciences.  |
| 54.    | Dawat-e-Hadiya, Karachi.   |
| 55.    | Baitussalam Welfare Trust.   |
| 56.    | Patients' Aid Foundation.  |
| 57.    | Alkhidmat Foundation.  |
| 58.    | Alamqir Welfare Trust International.   |
| 59.    | Prime Minister's Special Fund for victims of terrorism.  |
| 60.    | Chief Ministers(Punjab) Relief Fund for Internally Displaced Persons (IDPs) of KPK.                          |
| 61.    | Prime Ministers Flood Relief Fund 2010 and Provincial Chief Ministers Relief Funds for victims of flood 2010 |
| 62.    | Waqf for Research on Islamic History, Art and Culture, Istanbul.   |



## Amendments in Income Tax Ordinance, 2001

### “FOURTEENTH SCHEDULE” OF INCOME TAX ORDINANCE, 2001:

After Thirteenth schedule of Income Tax Ordinance, 2001, a new schedule named Fourteenth Schedule is inserted through a new section 100E of the Ordinance, 2001 via this proposed amendment. This schedule comprises rules for computation of tax payable by a Small and Medium Enterprises as defined in clause 59(A) of the section 2 of the Ordinance.

**Rule: 1 – Application** This schedule shall be applied on Small and Medium Enterprises as defined in clause 59(A) of Section 2 of the ITO, 2001.

**Rule: 2 – Registration** SME’s shall be required to register in IRIS Portal or SME Registration portal (SMERP).

### Rule: 3 – Category and Tax Rates

| Sr. No. | Category   | Turnover  | Rates                  |
|---------|------------|---|------------------------|
| (1)     | (2)        | (3)   | (4)                    |
| 1.      | Category-1 | Where annual business Turnover does not exceed Rupees 100 million                       | 7.5% of taxable Income |
| 2.      | Category-2 | Where annual turnover Exceeds rupees 100 million But does not exceed rupees 250 million | 15% of taxable Income  |

**Rule: 4 – Option for FTR** SMEs shall have irrevocable option to opt for FTR for three tax years at the time of filing of return. And provision of section 177 and 214C shall not apply who opts for FTR.

| Sr. No. | Category   | Turnover  | Rates                  |
|---------|------------|---|------------------------|
| (1)     | (2)        | (3)   | (4)                    |
| 1.      | Category-1 | Where annual business Turnover does not exceed Rupees 100 million                       | 0.25% of gross         |
| 2.      | Category-2 | Where annual turnover Exceeds rupees 100 million But does not exceed rupees 250 million | 0.5% of gross turnover |

## Amendments in Income Tax Ordinance, 2001

### **“FOURTEENTH SCHEDULE” OF INCOME TAX ORDINANCE, 2001:**

#### **Rule: 5 - Audit**

SMEs who opt for taxation under normal law under rule 3 may be selected for tax audit through risk based parametric computer ballot under section 214C of the ordinance if its tax to turnover ratio is below tax rates given in rule 4 of these rules.

The cases selected under sub-rule (1) of this rule shall not exceed 5% of the total population of smes whose tax to turnover ratio is below tax rates given in rule 4 of these rules.

**Rule: 6 - Provisions of ordinance to apply** the other provisions of the ordinance shall apply mutatis mutandis to the SMEs.



# AMENDMENTS IN SALES TAX ACT, 1990

## **SEC.2(4AA).COMMISSIONER (APPEALS)**

Commissioner (Appeals) definition is proposed to be added as “Commissioner Inland Revenue (Appeals) appointed under Section 30 (Appointment of Authorities).

## **SEC.2(5AB). COTTAGE INDUSTRY**

Finance Act, 2019 defined cottage industry as a manufacturing concern whose annual turnover did not exceed Rs. 10 million among other conditions. This was later reduced to Rs. 3 million. With this Finance Bill, it is proposed to restate this amount to Rs. 10 million.

## **SEC.2(18A). ONLINE MARKET PLACE**

A concept of online market place is proposed to be introduced. It is defined as follows:

**“Online market place includes an electronic interface such as a market place, e-commerce platform, portal or similar means which facilitate sale of goods, including third party sale, in any of the following manner, namely:**

- (a) by controlling the terms and conditions of the sale;**
- (b) authorizing the charge to the customers in respect of the payment for the supply; or**
- (c) ordering or delivering the goods.”**

## **SEC..2(37). TAX FRAUD**

Only editorial correction has been made. There is no amendment or update in this section.

## **SEC.2(43A). TIER-1 RETAILER**

Following conditions are proposed to be added in the definition of Tier-1 Retailer.

- (a) a retailer, whose shop measures two thousand square feet in area or more in the case of retailer of furniture.**
- (b) a retailer operating an online market place supplying goods through e-commerce platform, whether or not the goods are owned by him.**

- (c) a retailer who has acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan**

## Amendments in Sales Tax Act, 1990

### **SEC.2(44).TIME OF SUPPLY**

Previously, time of supply of a product were to be considered earlier of the time when goods are delivered or made available to recipient; or, when any payment is received by supplier in respect of said supply.

With this bill, it is proposed that time of supply shall be considered as earlier of when goods are delivered or made available to recipient.

### **SEC.3(1B)(a)**

Editorial correction has been made.

### **SEC.3(3)(a)**

Editorial correction has been made.

### **SEC.3(3)(c) TAX LIABILITY**

Under this sub-section the tax liability is proposed to be charged if supply of goods through online market place, whether or not the goods are owned by him.

### **SEC.3(9A). SALES TAX PAYABLE FOR TIER-1 RETAILERS**

Under sub-section (9A), retailers as described as Tier-1 in Section 2 were entitled to receive cash back equal to 5% of tax from date and manner described by FBR, this clause is proposed to be removed which withdraws any such right.

### **SEC.8B. ADJUSTABLE INCOME TAX**

Section 8B states that any person shall not be allowed to adjust input tax above 90% of output tax. Presently, this bill has proposed to exclude **Public Companies listed on Pakistan Stock Exchange** from the provisions of this section.

### **SEC.11(5). ASSESSMENT OF TAX & RECOVERY OF TAX NOT LEVIED OR SHORT LEVIED OR ERRONEOUSLY REFUNDED**

Previously, sub-section 5 stated that no order shall be made unless a notice of show cause within 5 years of relevant date, which has now been proposed to extend to end of financial year in which relevant date falls.



## Amendments in Sales Tax Act, 1990

### **SEC.21B. COMMON IDENTIFIER NUMBER**

A new section 21B has been proposed under which person's CNIC for individuals and NTN for association of persons and companies shall be their common identifier number in addition to Sales Tax Registration Number (STRN).

### **SEC.22. RECORDS**

This section pertains to records that are to be kept by a registered person making taxable supplies at his business premises or registered office.

Clause (e) states that “invoices, credit notes, debit notes, bank statements, banking instruments, inventory records, utility bills, salary and labour bills, rental agreements, sale purchase agreements and lease agreements” should be kept. With this bill, it is proposed that cash books are also to be maintained in addition to aforementioned data.

Further a new clause (eb) is proposed that advises the registered persons to maintain electronic version of all data instructed to be kept under this section.

### **SEC.25AA. TRANSACTION BETWEEN ASSOCIATES**

This section states Commissioner or an office of Inland Revenue, has the authority to determine price between associate persons in order to ensure that transaction has been made at fair market value and at arm's length. This bill proposes to empower FBR to prescribe rules for such activity in order to rationalize the process and resolve conflicts.

### **SEC.26AB. EXTENSION OF TIME OF FURNISHING RETURNS**

This section allows registered person to apply for extension in writing for furnishing the return with respect to following conditions.

1. Application should be made by due date for furnishing the return.
2. Application should mention appropriate reasons for inability of furnishing of return such as absence from Pakistan, sickness or other misadventure or any other reasonable reason. Upon which the Commission may or may not grant extension.
3. The extension shall not exceed 15 days from due date, however, the Commissioner possess the right grant extension for extension for more than 15 days under exceptional circumstances.
4. If such extension is not granted by Commissioner, the Chief Commissioner may grant exemption of 15 days or more based on exceptional circumstances on application by the registered person.
5. Such extension shall only be granted for filing of return and shall not be

## Amendments in Sales Tax Act, 1990

### **SEC.40D. PROVISIONS RELATING TO GOODS SUPPLIED FROM TAX-EXEMPT AREAS**

The bill proposes that goods supplied from “Border Sustenance Market” are to be added to Tax Exempt areas in addition to Azad Jammu and Kashmir, Gilgit Baltistan and Tribal Areas as described by section 246 of Constitution.

### **SEC.40E. LICENSING OF BRAND NAME**

It is proposed in this budget that all manufacturers of specified goods shall be required to obtain brand license for each brand or stock keeping unit in manner prescribed by FBR. Any brand or stock keeping unit sold without it will result in counterfeit goods and shall result in outright confiscation and destruction without any prior notice or any other action shall be taken under this Act. The same provision has been introduced in Federal Excise Act, 2005.

### **SEC.48. RECOVERY OF ARREARS OF TAX**

Under this section, the officer of Inland Revenue possess same powers as Civil Court to recover the amount of tax, penalty or any other demand. With this finance bill, it is proposed that such powers shall also be applicable for recovery of tax in response to request from foreign jurisdiction under tax treaty, bilateral or a multilateral convention, and inter-governmental agreement or similar agreement or mechanism. The same clause has been introduced in Federal Excise Act, 2005.

### **SEC.50. POWER TO MAKE RULES**

Under this bill, it is proposed that all rules and provisions that are published with general orders and departmental instructions and rulings, if any, at appropriate intervals and sold to the public at reasonable price, shall also uploaded on official website of FBR.

### **SEC.56. AGREEMENT FOR THE EXCHANGE OF INFORMATION**

1. The title of this section is proposed to be updated by addition of words “or assistance in recovery of taxes” to enhance the applicability of this section.
2. This Act empowers Federal Government to share information with provincial governments or governments of foreign countries. Now under this bill it is proposed to empower FBR to share data videos and images with any other Ministry or Division of Federal Government and Provincial Governments.
3. The authority is proposed to be allotted to Federal Government that it may enter in bilateral or multilateral convention, and inter-governmental agreement or similar agreement or mechanism for assistance in the recovery of taxes.

The same proposition has been made under Federal Excise Act 2005.

## Amendments in Sales Tax Act, 1990

### **SEC.56C. PRIZE SCHEMES TO PROMOTE TAX CULTURE**

It is proposed to add the mechanism of identifying mystery shopping in respect of invoices issued by tier-1 retailers integrated with FBR system online and if any discrepancy is found, action shall be taken under the provisions of Sales Tax Act, 1990.

### **SEC.67. DELAYED REFUND**

Under this section, if the refund is not cleared in specified time after the refund claim is submitted claimant shall be, in addition to the amount of the refund due to him, a further sum equal to KIBOR per annum of the amount of refund, due from the date of the refund order, now, the bill proposes to specify days of refund clearance to 45 days.

### **SEC.73. CERTAIN TRANSACTIONS NOT ADMISSIBLE**

This section states that if sales tax payable amount is above Rs. 50,000, then the payment shall be made through a cross channel showing complete transfer from one business account to another. However, if sales tax is payable to and receivable from same party, then this bill proposes that only in following circumstances adjustments of both amounts shall be considered valid.

1. Sales tax is duly charged and paid by both parties under this Act, and
2. Registered person has obtained prior approval of the Commissioner.

### **SEC.76. FEE AND SERVICE CHARGES**

This section deals with power of FBR to impose of levy any fee that it deems necessary, with approval of Federal Minister in charge. This bill proposed to empower FBR to prescribe rules regarding expensing out of such fee and charges.

The same proposal has been made under Federal Excise Act, 2005.

### **THIRD SCHEDULE (RETAIL GOODS)**

Following goods are added to retail goods under this proposed Finance Bill 2021-22.

| Sr. No. | Description of Goods  | Headings No.         |
|---------|---|----------------------|
| 50.     | Sugar except where it is supplied as an industrial raw material to pharmaceutical, beverage and confectionery | Respective heading”; |

## Amendments in Sales Tax Act, 1990

### **FIFTH SCHEDULE (ZERO RATED GOODS)**

Following goods are omitted from 0% tax ambit.

| Sr. No. | Description   |
|---------|---|
| 1       | <p>(i) Supply, repair or maintenance of any ship which is neither;<br/>           (a) a ship of gross tonnage of less than 15 LDT; nor<br/>           (b) a ship designed or adapted for use for recreation or pleasure.</p> <p>(ii) Supply, repair or maintenance of any aircraft which is neither;<br/>           (a) an aircraft of weight-less than 8000 kilograms; nor<br/>           (b) an aircraft designed or adapted for use for recreation or pleasure.</p> <p>(iii) Supply of spare parts and equipment for ships and aircraft falling under (i) and (ii) above.</p> <p>(iv) Supply of equipment and machinery for pilot age, salvage or towage services.</p> <p>(v) Supply of equipment and machinery for air navigation services.</p> <p>(vi) Supply of equipment and machinery for other services provided for the handling of ships or aircraft in a port or Customs Airport.</p> |
| 6       | Supplies of such locally manufactured plant and machinery to petroleum and gas sector Exploration and Production companies, their contractors and sub-contractors as may be specified by the Federal Government, by notification in the official Gazette, subject to such conditions and restrictions as may be specified in such notification.   |
| 10      | Petroleum Crude Oil (PCT heading 2709.0000).  |
| 11      | Raw materials, components, sub-components and parts, if imported or purchased locally for use in the manufacturing of such plants and machinery as is chargeable to sales tax at the rate of zero percent, subject to the condition that the importer or purchaser of such goods holds a valid sales tax registration showing his registration category as “manufacturer”; and in case of import , all the conditions, restrictions, limitations and procedures as are imposed by notification under section 19 of the Customs Act,1969(IV of 1969), shall apply.   |



## Amendments in Sales Tax Act, 1990

Following goods are added to 0% tax rate after Sr. No. 14 of Fifth Schedule.

|     |  |
|-----|--|
| 15. | Local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions.”; |
|-----|--|

### **SIXTH SCHEDULE (EXEMPT SUPPLIES)**

Following items are removed from exempt supplies mentioned in Table-1 which deals with imports or suppliers; therefore; goods mentioned below other than those specified in Table-2 shall be taxable now under the relevant provisions of this Act. Further to rectify the situation, federal excise duty on these items has been withdrawn.

| Sr. No. | Description   | Heading Nos.  |
|---------|---|---|
| 11      | Eggs including eggs for hatching  | 6 [0407.1100, 0407.1900] and 7 [0407.2100, 0407.2900]   |
| 19      | Cereals and products of milling industry excluding the products of milling industry, other than wheat and meslin flour, as sold in retail packing bearing brand name or a trademark                                       | 1001.1000, 1001.9000, 1002.0000, 1003.0000, 1004.0000, 1005.1000, 1005.9000, 1006.1090, 1006.2000, 1006.3010, 1006.3090, 1006.4000, 1007.0000, 1008.1000, 1008.2000, 1008.3000, 1008.9000, 1101.0010, 1101.0020, , 1102.2000, , 1102.9000, 1103.1100, 1103.1300, 1103.1900, 91104.2200, 1104.2300, 1104.2900 and 1104.3000] |
| 22      | Sugar beet  | 1212.9100   |
| 24      | Edible oils and vegetable ghee, including cooking oil, on which Federal Excise Duty is charged, levied and collected 4 [by a registered manufacturer or importer] as if it were a tax payable under section 3 of the Act. | 1507.9000, 1508.9000, 1509.1000, 1509.9000, 1510.0000, 1511.1000, 1511.9020, 1511.9030, 1512.1900, 1513.1900, 1513.2900, 1514.1900, 1514.9900, 1515.2900, 1515.5000, 1516.2010, 1516.2020 9 [, 1517.1000, 1517.9000 and 1518.0000   |

**Amendments in Sales Tax Act, 1990**

| Sr. No. | Description   | Heading Nos.   |
|---------|---|--|
| 26      | Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged.                                 | 2009.1100,<br>2009.1200,<br>2009.1900,<br>2009.2100,<br>2009.2900,<br>2009.3100,<br>2009.3900,<br>2009.4100,<br>2009.4900,<br>2009.5000,<br>2009.6100,<br>2009.6900,<br>2009.7100, 2009.7900, and<br>2009.9000 |
| 27      | Ice and waters excluding those for sale under brand names or trademarks.  | 2201.1010  |
| 29      | Table salt including iodized salt excluding salt sold in retail packing bearing brand names and trademarks.                                 | 2501.0010  |
| 29C     | Glass bangles   | 7020.0090]   |
| 73A     | Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name | 04.02  |
| 74      | Flavored milk, excluding that sold in retail packing under a brand name   | 0402.9900  |
| 75      | Yogurt, excluding that sold in retail packing under a brand name  | 0403.1000  |
| 76      | Whey, excluding that sold in retail packing under a brand name  | 04.04  |
| 77      | Butter, excluding that sold in retail packing under a brand name  | 0405.1000  |
| 78      | Desi ghee, excluding that sold in retail packing under a brand name   | 0405.9000  |
| 79      | Cheese, excluding that sold in retail packing under a brand name  | 0406.1010  |



**Amendments in Sales Tax Act, 1990**

| Sr. No. | Description  | Heading Nos.  |
|---------|--|---|
| 80      | Processed cheese not grated or powdered, excluding that sold in retail packing under a brand name  | 0406.3000   |
| 82      | Frozen prepared or preserved sausages and similar products of poultry meat or meat offal, excluding those sold in retail packing under a brand name or a trademark   | 1601.0000   |
| 83      | Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish ,excluding those sold in retail packing under a brand name or a trademark   | 1602.3200,1602.3900,160 2.5000, 1604.1100,1604.1200,160 4.1300, 1604.1400,1604.1500,160 4.1600, 1604.1900,1604.2010.160 4.2020, 1604.2090 |
| 84      | Preparations suitable for infants, put up for retail sale  | 1901.1000   |
| 85      | Fat filled milk excluding that sold in retail packing under a brand name or a trademark  | 1901.9090   |
| 91      | Energy saver lamps   | 8539.3110   |
| 93      | Bicycles   | 87.12   |
| 101     | Raw and pickled hides and skins, wet blue hides and skins, finished leather, and accessories, components and trimmings, if imported by a registered leather goods manufacturer, for the manufacture of goods wholly for export, provided that conditions, procedures and restrictions laid down in rules 264 to 278 of the Customs Rules, 2001 are duly fulfilled and complied with. | Respective headings   |



**Amendments in Sales Tax Act, 1990**

| Sr. No. | Description  | Heading Nos.   |
|---------|--|--|
| 103     | Import and supply thereof, up to the year 2030, of ships and all floating crafts including tugs, dredgers, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity and flying the Pakistan flag, except ships or crafts acquired for demolition purposes or are designed or adapted for use for recreation or pleasure purposes, subject to the condition that such ships or crafts are used only for the purpose for which they were procured and in case such ships or crafts are used only for the purpose for which they were procured, and in case such ships or crafts are used for demolition purposes within a period of five years of their acquisition, sales tax applicable to such ships purchased for demolition purposes shall be chargeable | Respective headings  |
| 106     | Import of Halal edible offal of bovine animals   | 0206.1000,0206.8000 and 0206.9000  |
| 108     | Components or sub-components of energy saver lamps, namely:-<br>(a) Electronic Circuit<br>(b) Plastic Caps (upper and lower)<br>(c) Base Caps B22 and E27<br>(d) Tungsten Filaments<br>(e) Lead-in-wire<br>(f) Fluorescent powder (Tri Band Phosphor)<br>(g) Adhesive Additive<br>(h) Al-oxide Suspension<br>(i) Capping Cement<br>(j) Stamp Pad Ink   | 8539.9040<br>8539.9040<br>8539.9040<br>8539.9040<br>8539.9040<br>3206.5010<br>3824.9099<br>3824.8400<br>3214.1050<br>3215.9010 |
| 115     | Plant, machinery and equipment imported for setting up fruit processing and preservation units in Gilgit-Baltistan, Balochistan Province and Malakand Division upto the 30th June, 2019 subject to the same conditions and procedure as are applicable for import of such plant, machinery and equipment under the Customs Act, 1969 (IV of 1969).   | Respective Headings  |



## Amendments in Sales Tax Act, 1990

| Sr. No. | Description  | Heading Nos.        |
|---------|--|---------------------|
| 123     | Aircraft, whether imported or acquired on wet or dry lease Provided that in case of import or acquisition on wet or dry lease by Pakistan International Airlines Corporation, this exemption shall be available with effect from 19th March, 2015. | 8802.4000           |
| 124     | Maintenance kits for use in trainer aircrafts of PCT headings 8802.2000 and 8802.3000  | Respective headings |
| 125     | Spare parts for use in aircrafts, trainer aircrafts or simulators  | Respective headings |
| 128     | Aviation simulators imported by airline company recognized by Aviation Division  | Respective headings |
| 153     | Steel billets, ingots, ship plates, bars and other long re-rolled profiles, on such imports and supplies by the manufacturer on which federal excise duty is payable in sales tax mode   | Respective headings |

**In Serial No. 137** following amendments have been proposed.

|     |  |  |
|-----|--|--|
| 137 | Paper weighing 60 g/m <sup>2</sup> , <i>art paper and printing paper</i> for printing of Holy Quran imported by Federal or Provincial Governments and Nashiran-e-Quran as per quota determined by IOCO | 4802.5510, <del>4810.1990, 4810.1910 and 4802.6990</del> |
|-----|--|--|

**After Serial No. 156** following new goods are proposed to be added.

|     |  |                     |
|-----|--|---------------------|
| 157 | Import of CKD (in kit form) of following electric vehicles (4 wheelers) by local manufacturers till 30th June, 2026:<br>(i) Small cars/SUVs with 50 Kwh battery or below; and<br>(ii) Light commercial vehicles (LCVs) with 150 kwh battery or below | Respective Headings |
|-----|--|---------------------|



## Amendments in Sales Tax Act, 1990

|     |  |                        |
|-----|--|------------------------|
| 158 | Goods temporarily imported into Pakistan by International Athletes which shall be subsequently taken by them within 120 days of temporary import   | Respective headings    |
| 159 | Import of auto disable Syringes till 30th June, 2021<br>(i) with needles<br>(ii) without needles   | 9018.3110<br>9018.3120 |
| 160 | Import of following raw materials for the manufacturers of auto disable syringes till 30th June, 2021<br>(i) Tubular metal needles<br>(ii) Rubber Gaskets  | 9018.3200<br>4016.9310 |
| 161 | Import of plant, machinery, equipment and raw materials for consumption of these items within Special Technology Zone by the Special Technology Zone Authority, zone developers and zone enterprises                 | Respective headings    |
| 162 | Import of raw materials, components, parts and plant and machinery by registered persons authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions. | Respective headings    |

**In Table-2**, of Sixth Schedule which deals with local supplies only, following goods are proposed to be excluded.

| Sr. No. | Description  | Heading Nos.   |
|---------|--|--|
| 17      | Raw and pickled hides and skins, wet blue hides and skins    | 41.01, 41.02, 41.02, 4104.1000, 4105.1000, 4106.2100, 4106.3000, 4106.9000 |
| 19      | Bricks (up to 30th June, 2018)                               | 6901.1000  |
| 24      | LED or SMD lights and bulbs meant for conservation of energy | 8539.5010, 8539.5020, 9405.1030 and 9405.4020                              |
| 25      | Cottonseed oil   | 1512.2100 and 1512.2900  |



**Amendments in Sales Tax Act, 1990**

In Table-2, after serial no. 25, following new serial numbers are proposed to be added.

| Sr. No. | Description   | Heading Nos.   |
|---------|---|--|
| 26      | Supply of locally produced silos till 30.06.2026  | Respective headings  |
| 27      | Eggs including eggs for hatching  | 0407.1100, 0407.1900<br>0407.2100 and 0407.2900  |
| 28      | Cereals and products of milling industry excluding the products of milling industry, other than wheat and meslin flour, as sold in retail packing bearing brand name or a trademark | 1001.1000, 1001.9000,<br>1002.0000, 1003.0000,<br>1004.0000, 1005.1000,<br>1005.9000, 1006.1090,<br>1006.2000, 1006.3010,<br>1006.3090, 1006.4000,<br>1007.0000, 1008.1000,<br>1008.2000, 1008.3000,<br>1008.9000, 1101.0010,<br>1101.0020, 1102.2000,<br>1102.9000, 1103.1100,<br>1103.1300, 1103.1900,<br>1104.2200, 1104.2300,<br>1104.2900 and 1104.3000 |
| 29      | Sugar beet  | 1212.9100  |
| 30      | Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged.   | 2009.1100, 2009.1200,<br>2009.1900, 2009.2100,<br>2009.2900, 2009.3100,<br>2009.3900, 2009.4100,<br>2009.4900, 2009.5000,<br>2009.6100, 2009.6900,<br>2009.7100, 2009.7900, and<br>2009.9000   |
| 31      | Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name   | 04.02  |
| 32      | Flavored milk, excluding that sold in retail packing under a brand name   | 0402.9900  |
| 33      | Yogurt, excluding that sold in retail packing under a brand name  | 0403.1000  |

**Amendments in Sales Tax Act, 1990**

| Sr. No. | Description  | Heading Nos.   |
|---------|--|--|
| 34      | Whey, excluding that sold in retail packing under a brand name   | 04.04  |
| 35      | Butter, excluding that sold in retail packing under a brand name   | 0405.1000  |
| 36      | Desi ghee, excluding that sold in retail packing under a brand name  | 0405.9000  |
| 37      | Cheese, excluding that sold in retail packing under a brand name   | 0406.1010  |
| 38      | Processed cheese not grated or powdered, excluding that sold in retail packing under a brand name                            | 0406.3000  |
| 39      | Sausages and similar products of poultry meat or meat offal excluding sold in retail packing under a brand name or trademark | 1601.0000  |
| 40      | Products of meat or meat offal excluding sold in retail packing under a brand name or trademark                              | 1602.3200, 1602.3900, 1602.5000, 1604.1100, 1604.1200, 1604.1300, 1604.1400, 1604.1500, 1604.1600, 1604.1900, 1604.2010, 1604.2020 and 1604.2090 |
| 41      | Preparations suitable for infants, put up for retail sale  | 1901.1000  |
| 42      | Fat filled milk excluding that sold in retail packing under a brand name or a trademark                                      | 1901.9090  |



## Amendments in Sales Tax Act, 1990

After Table-3, a new **Table-4** is to be inserted in Sixth Schedule.

The following goods when supplied within the limits of the Border Sustenance Markets, established in cooperation with Iran and Afghanistan, shall be exempted from the whole of the sales tax.

| Sr. No. | Description  | Heading Nos.         |
|---------|--|----------------------|
| 1       | Seed (Potatoes)  | 0701.1000            |
| 2       | Tomatoes, fresh or chilled   | 0702.0000            |
| 3       | Onions and shallots  | 0703.1000            |
| 4       | Garlic   | 0703.2000            |
| 5       | Cauliflowers cabbage   | 0704.9000            |
| 6       | Carrots and turnips  | 0706.1000            |
| 7       | Cucumbers and gherkins fresh or chilled                                    | 0707.0000            |
| 8       | Peas (pisum sativum)   | 0708.1000            |
| 9       | Beans (vigna spp., phaseolus spp.)   | 0708.2000            |
| 10      | other leguminous vegetables  | 0708.9000            |
| 11      | Peas (Pisum sativum)   | 0713.1000            |
| 12      | Grams (Dry/Whole)  | 0713.2010            |
| 13      | Dried leguminous vegetables  | 0713.2090, 0713.9090 |
| 14      | Beans of the species Vigna mungo (L.) Hepper or Vigna radiata (L.) Wilczek | 0713.3100            |
| 15      | Small red (Adzuki) beans (Phaseolus or Vigna angularis)                    | 0713.3200            |
| 16      | Kidney beans including white beans   | 0713.3300            |
| 17      | Bambara – vigna subteranea or vaahdzeia subterrea                          | 0713.3400            |
| 18      | Beans vigna unguiculata  | 0713.3500            |
|         | Other  | 0713.3990            |

**Amendments in Sales Tax Act, 1990**

| Sr. No. | Description  | Heading Nos. |
|---------|--|--------------|
| 20      | Lentils (Dry/Whole)  | 0713.4010    |
| 21      | Broad beans ( <i>Vicia faba</i> var. <i>major</i> ) and horse beans ( <i>Vicia faba</i> var. <i>equina</i> , <i>Vicia faba</i> var. <i>minor</i> ) | 0713.5000    |
| 22      | Pigeon peas ( <i>cajanus cajan</i> )   | 0713.6000    |
| 23      | Vanilla (Neither crushed nor ground)   | 0905.1000    |
| 24      | Cinnamon   | 0906.1100    |
| 25      | Other (Cinnamon And Cinnamon Tree Flowers)   | 0906.1900    |
| 26      | Neither crushed nor ground (Cloves)  | 0907.1000    |
| 27      | Crushed or ground (Cloves)   | 0907.2000    |
| 28      | Neither Crushed nor ground (Nutmeg)  | 0908.1100    |
| 29      | Crushed or ground (Nutmeg)   | 0908.1200    |
| 30      | Neither crushed nor ground (Maze)  | 0908.2100    |
| 31      | Crushed or ground (Maze)   | 0908.2200    |
| 32      | Large (Cardammoms)   | 0908.3110    |
| 33      | Small (Cardammoms)   | 0908.3120    |
| 34      | Crushed or ground (Cardammoms)   | 0908.3200    |
| 35      | Neither crushed nor ground (Coriander)   | 0909.2100    |
| 36      | Crushed or ground (Coriander)  | 0909.2200    |
| 37      | Neither crushed nor ground (Seeds of Cumins)   | 0909.3100    |
| 38      | Crushed or ground (Seeds of Cumins)  | 0909.3200    |
| 39      | Neither crushed nor ground (Seeds of Anise, Badian, Caraway, Fennel etc)   | 0909.6100    |
| 40      | Crushed or ground (Seeds of Anise, Badian, Caraway, Fennel etc)  | 0909.6200    |
| 41      | Thyme; bay leaves  | 0910.9910    |

**Amendments in Sales Tax Act, 1990**

| Sr. No. | Description   | Heading Nos.            |
|---------|---|-------------------------|
| 42      | Barley (Seeds)  | 1003.1000,<br>1003.9000 |
| 43      | Sunflower seeds ,whether or not broken  | 1206.0000               |
| 44      | Locust beans  | 1212.9200               |
| 45      | Cereal straws and husks   | 1213.0000               |
| 46      | Knives and cutting blades for paper and paper board                               | 8208.9010               |
| 47      | Of a fat content, by weight, not exceeding 1 % (milk and cream)                   | 0401.1000               |
| 48      | Of a fat content, by weight, exceeding 1 % but not exceeding 6 % (milk and cream) | 0401.2000               |
| 49      | Of a fat content, by weight, exceeding 6 % but not exceeding 10% (Milk and Cream) | 0401.4000               |
| 50      | Of a fat content, by weight, exceeding 10 % (Milk and Cream)                      | 0401.5000               |
| 51      | Leeks and other alliaceous vegetables   | 0703.9000               |
| 52      | Cauliflowers and headed broccoli  | 0704.1000               |
| 53      | Brussels sprouts  | 0704.2000               |
| 54      | Cabbage lettuce (head lettuce)  | 0705.1100               |
| 55      | Lettuce   | 0705.1900               |
| 56      | Chicory   | 0705.2100,<br>0705.2900 |
| 57      | Fruits of the genus Capsicum or of the genus Pimenta                              | 0709.6000               |
| 58      | Figs  | 0804.2000               |
| 59      | Fresh (grapes)  | 0806.1000               |
| 60      | Dried (Grapes)  | 0806.2000               |
| 61      | Melons  | 0807.1100,<br>0807.1900 |
| 62      | Apples  | 0808.1000               |

**Amendments in Sales Tax Act, 1990**

| Sr. No. | Description   | Heading Nos. |
|---------|---|--------------|
| 63      | Green Tea   | 0902.1000    |
| 64      | Other Green Tea   | 0902.2000    |
| 65      | Crushed or ground (Ginger)  | 0910.1200    |
| 66      | Turmeric (curcuma)  | 0910.3000    |
| 67      | Other (spice)   | 0910.9990    |
| 68      | Lactose (Sugar)   | 1702.1110    |
| 69      | Sugar Syrup   | 1702.1120    |
| 70      | Sugar Other   | 1702.1900    |
| 71      | Caramel   | 1702.9020    |
| 72      | Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya bean oil. | 2304.0000    |
| 73      | Other (animal feed)   | 2309.9000    |
| 74      | For Sewing (Thread)   | 5204.2010    |
| 75      | For embroidery (Thread)   | 5204.2020    |
| 76      | Spades and shovels  | 8201.1000    |
| 77      | Tools for masons, watchmakers, miners and hand tools nes  | 8205.5900    |
| 78      | For kitchen appliances or for machines used by the food industry  | 8208.3000    |
| 79      | Other kitchen appliances  | 8208.9090    |
| 80      | Yogurt  | 0403.1000    |
| 81      | Other (Potatoes)  | 0701.9000    |
| 82      | Sweet corn  | 0710.4000    |

**Amendments in Sales Tax Act, 1990**

| Sr. No. | Description                         | Heading Nos. |
|---------|-------------------------------------|--------------|
| 83      | Mixtures of vegetables              | 0710.9000    |
| 84      | Fresh (Dates)                       | 0804.1010    |
| 85      | Dried (Dates)                       | 0804.1020    |
| 86      | Apricots                            | 0809.1000    |
| 87      | Sour cherries (Prunus cerasus)      | 0809.2100    |
| 88      | Other (Apricots)                    | 0809.2900    |
| 89      | Peaches, including nectarines       | 0809.3000    |
| 90      | Plums and sloes                     | 0809.4000    |
| 91      | Strawberries                        | 0810.1000    |
| 92      | Kiwi Fruit                          | 0810.5000    |
| 93      | Neither crushed nor ground (Ginger) | 0910.1100    |
| 94      | Wheat and Meslin (Other)            | 1001.1900    |
| 95      | Wheat and Meslin (Other )           | 1001.9900    |
| 96      | Of Wheat (Flour)                    | 1101.0010    |
| 97      | Of Meslin                           | 1101.0020    |
| 98      | Vermacelli                          | 1902.1920    |
| 99      | Other (Packed Cake)                 | 1905.9000    |
| 100     | Homogenised perparations            | 2007.1000    |
| 101     | Citrus Fruit                        | 2007.9100    |
| 102     | Other (jams)                        | 2007.9900    |



## Amendments in Sales Tax Act, 1990

| Sr. No. | Description  | Heading Nos. |
|---------|--|--------------|
| 103     | Organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for retail sale, whether or not containing soap | 3401.3000    |
| 104     | Preparations put up for retail sale  | 3402.2000    |
| 105     | Other (washing preparations)   | 3402.2000    |
| 106     | Tableware and kitchenware of porcelain or china  | 6911.1090    |
| 107     | Household articles nes & toilet articles of porcelain or china   | 6911.9000    |
| 108     | Glassware for table or kitchen purposes (excl. glass having a linear   | 7013.4900    |
| 109     | Glassware nes (other than that of 70.10 or 70.18)  | 7013.9900    |
| 110     | Spoons   | 8215.9910    |
| 111     | Tableware articles not in sets and not plated with precious metal  | 8215.9990    |
| 112     | Bicycles and other cycles (including delivery tricycles), not motorized  | 8712.0000    |
| 113     | Vacuum flasks  | 9617.0010    |
| 114     | Vacuum flasks/vacuum vessels complete w/cases; parts o/t glass inners (others)   | 9617.0020    |

However, this exemption is subject to following conditions:

1. These goods shall be supplied within the limits specified for Border Sustenance Markets established in cooperation with Iran and Afghanistan.
2. If any aforementioned goods, are brought outside the limits of such markets, sales tax shall be charged on the value assessed on the goods declaration import or the fair market value, whichever is higher.
3. When imported, these goods shall be allowed clearance by the Customs Authorities subject to furnishing of bank guarantee equal to the amount of sales tax involved and the same shall be released after presentation of consumption certificate issued by the Commissioner Inland Revenue having jurisdiction.
4. The exemption shall be available only when person furnishes proof of having a functional business premises located within limits of the Border Sustenance Markets.
5. Breach of any of the conditions specified herein shall attract relevant legal provisions of this Act, besides recovery of the amount of sales tax along with default surcharge and

## Amendments in Sales Tax Act, 1990

### **EIGHT SCHEDULE (REDUCED RATES)**

Following goods are proposed to be omitted under this Schedule, as a result of which they shall be taxed under normal sales tax regulations.

| Sr. No. | Description   | Rate % |
|---------|---|--------|
| 1       | Soyabean meal   | 10%    |
| 5       | Raw cotton and ginned cotton  | 10%    |
| 6       | Plant and machinery not manufactured locally and having no compatible local substitutes   | 10%    |
| 7       | Flavored milk   | 10%    |
| 8       | Yogurt  | 10%    |
| 9       | Cheese  | 10%    |
| 10      | Butter  | 10%    |
| 11      | Cream   | 10%    |
| 14      | Milk and cream, concentrated or containing added sugar or other sweetening matter   | 10%    |
| 15      | Ingredients of poultry feed, cattle feed, except soya bean meal of PCT heading 2304.0000 and oilcake of cotton-seed falling under PCT heading 2306.1000 | 10%    |
| 19      | Waste paper   | 5%     |
| 20      | Plant, machinery, and equipment used in production of biodiesel   | 5%     |
| 22      | Soya bean seed  | 10%    |



**Amendments in Sales Tax Act, 1990**

| Sr. No. | Description  | Rate %  |
|---------|--|---|
| 29      | (i) Harvesting, threshing and storage equipment:<br>(ii) Wheat thresher<br>(iii) Maize or groundnut thresher or sheller<br>(iv) Potato digger or harvester<br>(v) Groundnut digger<br>(vi) Sunflower thresher<br>(vii) Post hole digger<br>(viii) Straw balers<br>(ix) Fodder rake<br>(x) Wheat or rice reaper<br>(xi) Chaff or fodder cutter<br>(xii) Cotton picker<br>(xiii) Onion or garlic harvester<br>(xiv) Sugar harvester<br>(xv) Tractor trolley or forage wagon<br>(xvi) Reaping machines<br>(xvii) Combined harvesters<br>(xviii) Pruner/shears | 5%  |
| 45      | Following machinery for poultry sector :<br>(i) Machinery for preparing feeding stuff<br>(ii) Incubators, brooders and other poultry equipment<br>(iii) Insulated sandwich panels<br>(iv) Poultry sheds<br>(v) Evaporative air cooling system<br>(vi) Evaporative cooling pad  | 7%  |
| 50      | LNG/RLNG   | 12%   |
| 51      | LNG/RLNG   | 12%   |
| 60      | Fat filled milk  | 10%   |
| 61      | Silver, in unworked condition  | 1%  |
| 62      | Gold, in unworked condition  | 1%  |
| 63      | Articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal.   | 1.5% of value of gold, plus 0.5% of value of diamond, used therein, plus 3% of making charges |



**Amendments in Sales Tax Act, 1990**

| Sr. No. | Description  | Rate % |
|---------|--|--------|
| 65      | Ginned cotton  | 10%    |
| 67      | LNG imported for servicing CNG sector and local supplies thereof | 5%     |

**In Serial 56** of Eighth Schedule following amendments are proposed:

1. Rate of Pottasium Chlorate (KCLO3) is proposed to be changed from 17% along with Rs. 80/kg to 17% along with Rs. 90/kg.
2. Import and supply thereof. Provided that rate of rupees 70 per kilogram shall not apply on imports made by and supplies made to organizations under the control of Ministry of Defense Production; to Rs. 90/kg.

**After Serial 70**, following new clauses are proposed to be added.

| Sr. No. | Description   | Heading Nos.       | Rate %         | Conditions  |
|---------|---|--------------------|----------------|---|
| 71      | Following locally manufactured or assembled electric vehicles (4 wheelers) till 30th June, 2026:<br>(i) Small cars/ SUVs with 50 Kwh battery or below; and<br>(ii) Light commercial vehicles (LCVs) with 150 kwh battery or below | Respective heading | 1%             | If supplied locally   |
| 72      | Motorcars   | 87.03              | 12.5%          | Locally manufactured or assembled motorcars of cylinder capacity upto 850cc |
| 73      | Import and local supply of Hybrid Electric Vehicles:<br>(a) Upto 1800 cc<br>(b) From 1801 cc to 2500 cc   | 87.03<br>87.03     | 8.5%<br>12.75% | Nil   |

## Amendments in Sales Tax Act, 1990

### **NINTH SCHEDULE (FIXED RATES)**

This schedule deals with sales tax of Rs. 250 on SIM cards. Under this bill, this schedule is proposed to be omitted from July 2020 onwards.

### **ELEVENTH SCHEDULE (WITHHOLDING OF SALES TAX)**

Under this schedule, goods include on which fixed rate of sales tax is charged. Following new goods are proposed to be added to this schedule.

| Sr. No. | Withholding Agent                               | Supplier Category                                       | Rate or extent of deduction       |
|---------|---|---|-----------------------------------|
| 7       | Registered persons manufacturing lead batteries | Persons supplying reclaimed lead or used lead batteries | Whole of the sales tax applicable |

### **TWELFTH SCHEDULE (VALUE ADDITION TAX)**

Clause (x) of Sub-section 2 previously only covered plant, machinery and equipment falling in Chapters 84 and 85 of the First Schedule to the Customs Act, 1969 (IV of 1969), as are imported by a manufacturer for in-house installation or use.

This bill proposes to add following clauses on which value addition tax shall be charged.

1. Electric vehicles (4 wheelers) CKD kits for small cars/SUVs, with 50 kwh battery or below and LCVs with 150 kwh battery of below till 30th June, 2026;
2. Electric vehicles (4 wheelers) small cars/SUVs, with 50 kwh battery or below and LCVs with 150 kwh battery of below in CBU condition till 30th June, 2026.
3. Electric vehicles (2-3 wheelers and heavy commercial vehicles) in CBU condition till 30th June, 2025; and
4. motor cars of cylinder capacity up to 850cc.



# AMENDMENTS IN CUSTOMS ACT, 1969

## **Sec 2(kka): Documents**

Section 2(kka) defines the scope of documents under this Act. Previously, only **bill of lading and airway bill** were included in the definition. With this bill, master bill of lading and certificate of origin are proposed to be added in this definition.

A **Master Bill of Lading** is issued by the carrier (ship owner or operator) and represents the contract of carriage between the shipper and the carrier.

## **Sec 2(kkc): Electronic Assessment**

A new clause is proposed to be introduced under this Bill to define Electronic Assessment. It is defined as:

“Electronic Assessment means assessment of the goods declaration in Customs Computerized Systems by an officer of Customs or by the computerized system according to selectivity criteria.”

## **Sec 2(lc): Vessel Intimation Report (VIR)**

A new clause has been proposed under this Finance Bill to provide definition of Vessel Intimation Report, which was previously not part of this Act. It is defined as:

“Vessel Intimation Report means an intimation regarding impending arrival of a vessel at a customs sea port, where the customs computerized system is operational, to the customs authorities in the form and manner, by the carrier or his agent, as may be prescribed by rules.”

## **Sec 2(oo): Owner**

Owner is defined under new clause proposed to be added by this Finance Bill:

“Owner of goods includes any person who is for the time-being entitled, either as owner or agent for the owner, to the position of goods”

## **Sec 2(s): Smuggle**

The bill proposes to add “retailing” to the definition of smuggle. This amendment shall render retail sale of any smuggled goods shall also be considered as smuggling.

## AMENDMENTS IN CUSTOMS ACT, 1969

### **Sec 3CCB: Director General of National Nuclear Detection Architecture:**

This proposed section has defined the domain of Director General of National Nuclear Detection Architecture.

It includes Director General, Deputy Director Generals, Directors, Additional Directors, Deputy Directors, Assistant Directors and other officers specified by FBR.

### **Sec 3CCC: Director General of Marine:**

This proposed section has defined the domain of Director General of Marine.

It includes Director General, Deputy Director Generals, Directors, Additional Directors, Deputy Directors, Assistant Directors and other officers specified by FBR.

### **Sec 12, 12A and 13: Power to appoint or license public warehouses, common warehouses and private warehouses:**

These sections deal with power of Collector of Customs to accept or revoke license. With this bill, it is proposed to restrict his powers his own jurisdiction.

### **Sec 18E: Pakistan customs tariff:**

This clause deals with powers of FBR to make amendments Pakistan customs tariff subject to any conditions or limitations deems fit by it. A new provision has been proposed under this amendment, which empowers FBR to constitute a committee or a center and prescribe rules and procedures for any settlement of dispute regarding classification of goods.

### **Sec 19: General powers to exempt from custom duties:**

This section deals with exemption of custom duties due to any unrest (natural or economical). Under this section all notifications issued regarding these circumstances after July 2016 and placed before National Assembly shall remain effective till 30<sup>th</sup> day of June 2021. Now this date is proposed to be extended till 30<sup>th</sup> day of June 2022.

### **Sec 25: Value of imported and exported goods:**

Under this bill, it is proposed that reasonable means can be used to determine custom value if there is no guidance available in this Act.

### **Sec 25A: Powers to determine the customs value:**

Previously, this Act authorized Director of Customs to determine value of goods exported or imported by Pakistan. This bill has proposed to extend this authority to Collector of Customs. He may determine any such value on his own motion.

## AMENDMENTS IN CUSTOMS ACT, 1969

A new provision has also been introduced under which Director/Collector can use publications, periodicals, bulletins and official websites of manufacturers or indenters of such goods for determination of value of imports and exports.

A new sub-section has been introduced which authorizes Director General of Valuation to determine custom value of goods in case of any conflict.

### **Sec 25C: Power to takeover the imported goods:**

This section discusses power of Collector of customs to take action against importer who has declared false value after approval of FBR. Now power to approve such action is proposed to be transferred to Chief Collector.

### **Sec 25D: Review of value determined:**

Previously, any petition against the value determined for goods exported or imported were to be filed with Director General of Valuation within 30 days of the activity. However, this bill proposes to extend his authority to pursue any such on his own motion in addition to filed petitions.

It also specifies the period for completion of the case to 60 days of filing of the said petition.

### **Sec 27A: Allowing mutilation of scraping of goods:**

This section discusses that goods can mutilated only when owner requests to scrap such goods. With this bill, it is proposed that such request can only be entertained before filing of goods declaration.

### **Sec 30: Date of determination of import duty:**

Under this bill, it is proposed that if any advance declaration is booked on goods imported and the rate of custom duties is later amended. Then new rate shall only apply in the scenario if goods are crossed-over or berthed after the said change.

### **Sec 32: False statement error etc.:**

If tax is levied in excess or in shortfall or refund is wrongly paid than action can be taken against the person after prior show cause notice within 5 years of the relevant date. However, if amount recoverable is less than 100, than no action is required. Under this bill, this amount is proposed to be altered to Rs. 20,000.



## AMENDMENTS IN CUSTOMS ACT, 1969

### **Sec 32C: Misrepresentation of value for illegal transfer of funds into or out of Pakistan:**

If any goods imported or exported are over-priced to illegally transfer funds from or into Pakistan by any person, in such case, FBR is empowered to issue a show cause notice within 2 years of detection of the same.

FBR shall construct a team including Additional Collector and expert in the relevant field and officer of SBP to furnish a report to FBR and SBP. This is proposed to be amended to extend the authority of FBR to specify any means it deems necessary.

### **Sec 44: Delivery of import manifest in respect of a conveyance other than a vessel:**

The person-in-charge is required to file electronically import manifest to Custom officer regarding goods received in conveyance other than vessel within 24 hours of their arrival. Now following timelines are proposed for land and customs airport:

1. For customs airport: Within 3 hours of landing.
2. Land customs station: at the time of entry into the country.

### **Sec 45: Signature and consent of import manifest and amendment thereof:**

Previously, this section allowed changes in any import manifest by person-in-charge after obtaining prior permission of relevant officer.

Under this bill, it is proposed that person-in-charge or his agent is duly authorized to make such amendments on his own before goods are entered into country by vessel or berthed.

### **Sec 79: Declaration and assessment for home consumption or warehousing or transshipment:**

This section previously allowed documents pertaining to goods were to be filed manually only. However under this bill, a new clause has been introduced which proposes that such documents can be filed electronically.

### **Sec 80: Checking of goods declaration by customs:**

This section discusses that all clearance shall be examined on sample basis selected by a computerized system. However, this bills proposes that such persons falling under green channel cannot be examined if selected by the system.

## AMENDMENTS IN CUSTOMS ACT, 1969

### **Sec 82: Procedure in case of goods not cleared or warehoused or transshipped or exported or removed from the port within 15 days after uploading or filing of declaration:**

This section deals with any goods regarding whom any appeal or adjudication is pending, then such goods shall only be delivered to owner after deduction of duties and taxes after the said adjudication is complete.

With this bill, it is proposed that if the importer is not traced, then such goods shall be re-exported, banned or restricted, however, if time period exceeds 60 days, such goods shall be auctioned.

### **Sec 83B: Provisional release of imported goods:**

This section states that if goods are not to be confiscated or required as evidence for future reference, Collector of customs may release the said goods after deduction of duties and taxes on the request of owner.

However, with this bill, it is proposed that such release can only be performed if complete or outright confiscation of goods is not required.

### **Sec 88: Proceeds of goods at warehouse:**

This section allowed to correct any mistake of value or quantity of goods declaration document before the said goods are warehoused.

With this bill, it is proposed that if Collector of customs allows in writing, only then any such mistake can be corrected before or after warehousing of goods.

### **Sec 98: Periods for which goods may remain warehoused:**

Previously, period of warehousing for perishable or non-perishable goods could not exceed 1 month. Period of non-perishable could be extended after the owner has provided sufficient cause.

With this bill, this said period for both goods has been proposed to be extended to six months.

### **Sec 131: Clearance for exportation:**

Under this bill, it is proposed that examination of goods and classes of goods that was only available on manual basis shall be available to both computerized systems and manual.



## AMENDMENTS IN CUSTOMS ACT, 1969

### **Sec 155F: Cancellation of registration of registered user:**

This section stated that Collector of customs received any complaint or information about violation of any provision of this Act, he could suspend the unique user identifier of the person.

However, under this bill, it is proposed that such suspension can only be made after giving prior notice and opportunity of being heard.

### **Sec 155R: Correction of clerical errors:**

This section discusses the correction of clerical or typographical errors in goods declaration.

Under this bill, it is proposed that such amendments can be made after applying to relevant officer below the rank of Assistant collector except for persons identified in Section 29, which deals with persons removed from custom-area, and said officer shall issue a corrigendum certificate.

### **Sec 156: Punishment for offences:**

1. Where any person is non-compliant with any provisions of this Act or any rule, he shall be required to pay a certain amount of penalty.

Penalties under Serial No. 1 of this section for offences proposed under this bill are as follows:

| Time                 | Penalty (Rs.)   |
|----------------------|---|
| 1 <sup>st</sup> time | 100,000   |
| 2 <sup>nd</sup> time | 500,000   |
| 3 <sup>rd</sup> time | 1,000,000   |
| 4 <sup>th</sup> time | Outright confiscation of goods and blockage of WeBOC user ID for 1 year |

2. A new Serial No. 3 is introduced.



# AMENDMENTS IN CUSTOMS ACT, 1969

| Description  | Penalty (Rs.)                              |
|--|--|
| If any person fails to attach or electronically upload mandatory documents required under section 79 or 131 of Customs Act, 1969 | 1 <sup>st</sup> time = 50,000              |
|  | 2 <sup>nd</sup> time = 100,000             |
|  | 3 <sup>rd</sup> time = 150,000             |
|  | 4 <sup>th</sup> time = 200,000             |
|  | 5 <sup>th</sup> time and onwards = 250,000 |

3. Serial No. 47A is proposed to be omitted which results in withdrawal of action against the person if he fails to file goods declaration in ten days.

4. In serial no. 89 and 90 which deals with smuggled goods, “retailing” has been proposed to be added to comply with its amended definition.

### **Sec 157: Extent of confiscation:**

Section 157 stated that if owner provides bank guarantee from scheduled bank for due production of the conveyance, confiscated goods may be released to him at any time.

However, with this bill, it is proposed that if goods are confiscated for third time, no such option will be available to owner.

### **Sec 179: Power of adjudication:**

This section stated that any cases regarding smuggled goods as defined in section 2(s) shall be decided within period of 90 days including extension period of 60 days..

With this bill, it is proposed that such period shall be restricted to 45 days including 15 days of extension.

### **Sec 195: Power of Board or Chief Collector or Collector to pass certain orders:**

No change has been proposed in this section. Only correction in the sequence of authorities has been made.

### **Sec 196: Reference to High Court:**

Under this bill, the authority to refer application of aggrieved person to High Court is proposed to be transferred to Deputy Collector from Additional Collector.

## AMENDMENTS IN CUSTOMS ACT, 1969

### **Sec 202B: Reward to custom officers and officials:**

Previously, the cash rewards were being issued to officers and informers for invasion of custom duties, other taxes or goods confiscation for their best performance after the part or whole job has been completed.

With this bill, it is proposed that such cash rewards should be paid to official of other law enforcement agencies in addition to aforementioned persons.

### **Sec 212B: Advance ruling**

This section states that any advance ruling regarding goods shall be effective for one year.

With this bill, such period is proposed to be extended to three years.

### **Sub Chapter V of First Schedule:**

It includes imports made by the units located in exports processing zones, gawadar and free zone area.

With this bill, it is proposed that Special Technology Zones or Authorized Under Export Facilitation schemes shall be added to the category on which custom duties is 0%.



# AMENDMENTS IN FEDERAL EXCISE ACT, 2005

## **Sec 4:Filing of Return and Payment of Duty :**

The new provision is proposed to be added after section 4 (4) in regards to revision of FED return. FED return can be revised within 60 days without any approval from relevant officer in case that duty payable is more than the duty already paid or refund claim is less than the amount claimed.

## **Sec 14: Recovery of unpaid duty or of erroneously refunded duty or arrears duty:**

A new sub-section (4) is proposed to be added regarding assistance to be provided in collection and recovery of duties in pursuance of a request from a foreign jurisdiction under a tax treaty, a multilateral convention, and inter- governmental agreement or similar agreement or mechanism. The same has been introduced in Sales Tax Act, 1990.

## **Sec 45AA : Licensing of Brand Name:-**

Following proposition has been made by Finance Bill under this section.

Manufactures of the specified goods shall be required to obtain brand license for each brand or stock keeping unit(SKU) in manner prescribed by board. Any goods sold without obtaining license shall be deemed counterfeit goods liable to outright confiscation and destruction. The same provision has been introduced under Sales Tax Act, 1990.

## **Section 47A: Agreements for exchange of Information**

In the title of this section, the word “or assistance in recovery of duties” is added which means that Authorities can now assist foreign jurisdiction under tax treaty or similar agreements for collection, recoveries and FED payable as discussed in above section 14.

A new sub section (1A) is added regarding the power of the board to share the data with relevant data including real time data videos, images with other Ministry or Division of Federal Government or provincial government.

A new sub-section (3) is proposed to be added regarding assistance in collection and recovery of duties in pursuance of a request from a foreign jurisdiction under a tax treaty.

The same proposition has been made under Sales Tax Act, 1990.

## **Section 49: Fee and Service Charges**

A new sub section is added giving power to board to authorize and prescribe the manner in which fee and service charges collected shall be expensed.

The same proposal has been made in Sales Tax Act, 1990.

# AMENDMENTS IN FEDERAL EXCISE ACT, 2005

## First Schedule (Excisable Goods):

**Table I**

- i. Following serial numbers in Table 1 of First Schedule (Excisable Goods) are proposed to be omitted so these items are now proposed to be exempt from FED.

| S.No. | Description of Goods  | Heading/ sub-heading Number   | Rate of Duty                  |
|-------|---|---|-------------------------------|
| 1     | Edible oils excluding deoxidized soybean  | 15.07, 15.08, 15.09, 15.10, 15.11, 15.12, 15.13, 15.14, 15.15, 15.16 1517, and 15.18, | Sixteen percent ad val.       |
| 2     | Vegetable ghee and cooking oil  | Respective heading  | Sixteen per cent ad val.      |
| 57    | Fruit juices, syrups and squashes, waters containing added sugar or sweetening matter etc. excluding mineral and aerated waters | Respective headings   | Five percent of retail price. |
| 58    | Steel Billets, ingots, ship plates, bars and other long rerolled products   | Respective headings   | Seventeen percent ad val.     |



# AMENDMENTS IN FEDERAL EXCISE ACT, 2005

- i. A new serial no 8c. is proposed to be added in the First Schedule on which FED is proposed to be charged.

| S.No. | Description of Good  | Heading / sub-heading Number | Rate of Duty                             |
|-------|--|------------------------------|--|
| 8c    | Tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without combustion | 2403.999<br>0                | Rupees five thousand two hundred per kg” |



# AMENDMENTS IN FEDERAL EXCISE ACT, 2005

Following are the proposed amendments to be made in Table I of First Schedule.

| S.No. | Description of Good   | Heading/ sub-heading Number  | Rate of Duty   |
|-------|---|--|--|
| 55    | Imported motor cars, SUVs and other motor vehicles, excluding auto rickshaws, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars<br>(a) of cylinder capacity up to 1000cc<br>(b) of cylinder capacity from 1001cc to 1799cc<br>(c) of cylinder capacity 1800cc to 3000cc<br>(d) of cylinder capacity exceeding 3001cc                                 | 87.03<br>Following expression is proposed to be added<br><b>“and till the 30th day of June, 2026 electric vehicles (4 wheelers)”</b> | 2.5% ad val<br>5% ad val.<br>25% ad val.<br>30% ad val.] |
| 55B   | Locally manufactured or assembled motor cars, SUVs and other motor vehicles, excluding auto rickshaws principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars:<br>(a) of cylinder capacity up to 1000cc is now proposed changed to <b>“851cc to 1000cc”</b><br>(b) of cylinder capacity from 1001cc to 2000cc<br>(c) of cylinder capacity 2001cc and above | 87.03<br>Following expression is proposed to be added<br><b>“and till the 30th day of June, 2026 electric vehicles (4 wheelers)”</b> | 2.5% ad val.<br>5% ad val.<br>7.5% ad val.               |
| 56    | Filter rod for cigarettes   | 5502.0090 is now proposed to be changed to <b>5502.9090”</b>   | Rupee 3 [one] per filter rod                             |

# AMENDMENTS IN FEDERAL EXCISE ACT, 2005

## Table II Excisable Services:

- i. Through this bill the heading of the column 2 of Table II Excisable Services is proposed to be changed to “**Description of Services**” from “description of Goods” which is correction of lacuna.
- ii. In column 4 of serial number 6 of Table II Excisable Services rate of duty is proposed to reduced to 16% from 17%.

| S.No. | Description of Good   | Heading/ sub-heading Number | Rate of Duty   |
|-------|---|-----------------------------|--|
| 6     | Telecommunication services 3 [, excluding such services in the area of a Province where such Province has imposed Provincial sales tax and has started collecting the same through its own Board or Authority, as the case may be.] | 98.12 (All sub headings)    | seventeen per cent of charge<br>The word seventeen is proposed to be substituted with “sixteen”. |

- i. A new serial numbers is proposed to be added in Table II Excisable Services. FED shall be charged on these services.



# AMENDMENTS IN FEDERAL EXCISE ACT, 2005

| S.No | Description of Good  | Heading/ sub-heading Number     | Rate of Duty  |
|------|--|---------------------------------|---|
| 6A   | Following telecommunication services:                          |                                 | One rupee per call in addition to the rates of duty specified under Serial No.6 |
|      | (a) Mobile phone call, if call duration exceeds three minutes; | Respective sub-heading of 98.12 |   |
|      | (b) Internet services;   | 9812.6000                       | Five rupees per GB in addition to the rates of duty specified under Serial No.6 |
|      | (c) Sms services   | 9812.1710                       | Ten paise per sms in addition to the rates of duty specified under serial no.6  |



# AMENDMENTS IN FEDERAL EXCISE ACT, 2005

**Table II Excisable Services:**

In column II of serial number 8 of Table II Excisable Services the word “excluding Merchant Discount Rate (MDR) for accepting digital payment” is proposed to be inserted after the word “Companies”. This states that no duty shall be charged to aforementioned merchants.

| Sr.No. | Description of Good   | Heading/<br>sub-heading<br>Number | Rate of Duty                     |
|--------|---|-----------------------------------|----------------------------------|
| 8      | Services provided or rendered by banking companies “ <b>excluding Merchant Discount Rate (MDR) for accepting digital payment</b> ”, insurance companies, cooperative financing societies, modarabas, musharikas, leasing companies, foreign exchange dealers, nonbanking financial institutions, Assets Management Companies and other persons dealing in any such services | 98.13                             | Sixteen percent of the charges.] |

**Second Schedule (Goods on which duty is collectible under sales tax mode with entitlement for adjustment with sales tax and vice versa)**

Following serial numbers are to be omitted and now shall be charged tax under Sales Tax Act, 1990.

| Sr. No. | Description of Goods   | Heading/Sub-heading  |
|---------|--|--|
| 1       | Edible oil excluding epoxidized soyabean oil falling under heading 15.18   | 15.07, 15.08, 15.09, 15.10, 15.11, 15.12, 15.13, 15.14 15.15, 15.16, 15.17 & 15.18 |
| 2       | Vegetable ghee and cooking oil   | Respective headings  |
| 4       | Steel Billets, ingots, ship plates, bars and other long re-rolled products | Respective headings  |

# AMENDMENTS IN FEDERAL EXCISE ACT, 2005

## THIRD SCHEDULE (CONDITIONAL EXEMPTIONS)

Following exemptions are proposed to be added in this Act.

| Sr. No. | Description of Goods  | Headings/subheadings                         |
|---------|---|--|
| 24      | <p>The following goods, when supplied within the limits of the Border Sustenance Markets, established in cooperation with Iran and Afghanistan</p> <p>(i) Animal Fats and Oil and their fractions<br/>(ii) Vegetable Fats and their fractions<br/>(iii) Vegetable Oils and their fractions</p> <p>Provided that, such items in case of import, shall be allowed clearance by the Customs Authorities subject to furnishing of bank guarantee equal to the amount of duty involved and the same shall be released after presentation of consumption certificate issued by the Commissioner Inland Revenue having jurisdiction.</p> <p>Provided further that, the said exemption shall only be available to a person upon furnishing proof of having a functional business premises located within limits of the Border Sustenance Markets.</p> | <p>1516.1000<br/>1516.2010<br/>1516.2020</p> |
| 25      | <p>Import and supply of raw materials, components, parts and plant and machinery by registered persons authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions.</p>  | <p>Respective headings</p>                   |



**AMENDMENTS IN**  
**ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES)**  
**ORDINANCE, 2001**

The bill proposes to exempt all export of sales from Islamabad Capital Territory from charge of sales tax.

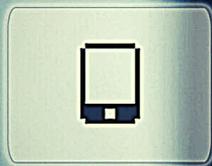




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