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Brief on Federal and Provincial Finance Acts, 2022

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Preamble

The National Assembly approved the Finance Bill 2022 with certain amendments proposed therein and after the assent of the President of Pakistan, Finance Act, 2022 has been enacted on 30 June 2022. Similarly, the Provincial Assemblies of Punjab, and KPK approved the respective Finance Bills 2022 with certain amendments proposed therein and after the assent of the Governor of respective Provinces, the Finance Acts, 2022 have been enacted.

This publication contains a review of changes made in Income Tax Ordinance, 2001, Sales Tax Act, 1990, Federal Excise Act, 2005 The Customs Act, 1969, Capital Value Tax 2022 and Mobile Handset Levy 2018 through the Finance Act, 2022 and a review of changes made in various indirect taxation laws of Punjab and KPK through respective Finance Acts, 2022.

This document contains the comments, which represent our interpretation of the legislations. We recommend that while considering their application to any particular case reference be made to the specific wordings of the relevant statute.

This publication is also available on our website.

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Income Tax Ordinance, 2001

Beneficial owner defined

The Act has defined the term 'beneficial owner' as a natural person who:

- a) ultimately owns or controls a company or AOP, whether directly or indirectly, through at least 25% [as against 10% proposed in the bill] shares or voting rights; or
- b) exercise ultimate effective control, through direct or indirect means, over the company or AOP including control over the finances or decisions or other affairs of the company or AOP.

You can find more details about relevant provisions relating to 'beneficial owner' below under the heading '*furnishing of record of beneficial owners*'.

Distributor defined

The Act has defined the term 'Distributor' for the purpose of Ordinance whereby the Distributor means a person appointed by manufacturer, importer or any other person for a specified area to purchase goods from him for further supply.

This insertion shall define scope and provide clarity to the term 'Distributor' used in various provisions of the Ordinance as to their applicability or otherwise especially sections 236G and 236H.

Scope of IT and IT enabled services extended

The current definitions of 'IT services' and 'IT enabled services' specifies prescribed activities but starts with the word 'include'. These definitions are currently 'inclusive' i.e. can be extended to akin activities hence making this a liberalized regime.

The Act has further clarified this as the word 'include' has been replaced with the words 'include but not limited to'.

Fair market value defined

The Act has defined the term 'Fair Market Value' [FMV] to mean the value as provided under section 68 of the Ordinance.

Super Tax on high earning persons

As per policy measure conveyed, the Government has introduced a revenue measure to tax the high earning persons.

The Act has levied tax on high earning persons under section 4C by simply reintroducing the concept of super tax that was applicable on banking companies @ 4% on the income as defined under section 4B.

This tax is levied from tax year 2022 onwards on every person. The salient features of the said levy are as follows:

- It is applicable at prescribed rates on every person in prescribed manner.
- The income for the purpose of this section is the same as provided under section 4B whilst the noticeable exclusion is the income earned under Eighth Schedule apparently as a policy measure to provide relief to the capital market.
- Tax is required to be paid along with the return of income.
- The Commissioner has been empowered to recover the tax if not paid by a person liable to pay said tax in the manner as provided for recovery of tax due.
- The Board is empowered to make rules for carrying out the purposes of this section.

Following significant amendments have been made in the Act as compared to Bill.

- The nomenclature of the levy has been changed from 'Tax on high earning persons for poverty alleviation' to 'Super tax on high earning persons' apparently to preclude litigation by taking support from the judgements of the High Courts validating constitutionality of super tax.
- As against the proposed flat rate of two percent on income exceeding Rs 300 million, the Act has provided progressive slab rates as per following table:

S. No	Income slab	Rate
1.	Not exceeding Rs.150 Million	0%
2.	Exceeding Rs. 150 million but not exceeding to Rs. 200 million	1%
3.	Exceeding Rs. 200 million but not exceeding Rs. 250 million	2%
4.	Exceeding Rs. 250 million but not exceeding Rs. 300 million	3%
5.	Where income exceeds Rs. 300 million	4%

- Said tax shall not be applicable on banking companies for tax year 2022 and will be applicable at ten percent for tax year 2023 if income exceeds 300 million.

An anomaly appears as proviso to sub-section (1) of section 4C specifically excludes application of Super tax on banking companies for tax year 2022 whereas (7CA) of Seventh Schedule to the Ordinance specifically requires application of Super tax on banking companies from tax year 2022 onwards.

The Board should now issue necessary clarification to avoid any litigation.

- For the sectors mentioned below this tax will be payable at ten percent for tax year 2022 if the income exceeds Rs 300 million:

- airlines,
- automobiles,
- beverages,
- cement,
- chemicals,
- cigarette and tobacco,
- fertilizer,
- iron and steel,
- LNG terminal,
- oil marketing,
- oil refining,
- petroleum and gas exploration and production,

- pharmaceuticals,
- sugar,
- textiles

Scope of taxability of payments to non-residents extended

The Act has expanded the scope of services covered under section 6 to include 'fee for money transfer operations', 'card network services', 'payment gateway services', 'interbank financial telecommunication services' in its scope of taxability for non-resident persons.

This amendment is aimed to enhance the scope and taxability of digital services.

Special withholding tax provisions have also been introduced for such receipts.

Tax on deemed rental income

In the wake of Government initiative to tax highly privileged persons, the Act has levied tax on deemed rental income of a resident person. Such deemed rental income will be taken at 5% of fair market value (FMV) of the capital asset situated in Pakistan whether such property has actually been rented out for any consideration or not.

Following significant amendments have been made in the Act as compared to Bill.

- Immovable property has been replaced with capital asset.
- Definition of 'capital assets' for the purpose of this section has also been provided whereby effectively this section is applicable only on immovable properties.
- A resident person shall be treated to have derived income equal to 5% of FMV of the capital assets situated in Pakistan held on the last day of tax year.

This section however shall not be applicable on the following:

- One capital asset owned by the resident person;
- Self-owned business premises from where the business is carried out by the persons

appearing on ATL at any time during the year;

- Self-owned agriculture land where agriculture activity is carried out by person excluding farmhouse and land annexed thereto;
- Capital asset allotted to:
 - Shaheed or dependents of a shaheed belonging to Pakistan Armed Forces;
 - a person or dependents of the person who dies while in the service of Pakistan armed forces or Federal or provincial government;
 - a war wounded person while in service of Pakistan armed forces or Federal or provincial government; and
 - an ex-serviceman and serving personal of armed forces or ex-employees or serving personnel of Federal and provincial governments, being original allottees of the capital asset duly certified by the allotment authority;
- Any property from which income is chargeable to tax under the Ordinance and tax leviable is paid thereon;
- Capital asset in the first tax year of acquisition where tax under section 236K has been paid;
- Where the fair market value of the capital assets, in aggregate, excluding capital assets mentioned above does not exceed twenty-five million Rupees;
- Capital assets owned by a provincial Government or a Local Government; or
- Capital assets owned by a local authority, a development authority, builders and developers for land development and construction, subject to the condition that such persons are registered with Directorate General of Designated Non-Financial Businesses and Professions.

Contribution to approved Gratuity, Pension and Superannuation Funds

Contribution by an employer to approved gratuity, pension or superannuation fund is

admissible as deductible allowance for the purposes of business expenses.

The Act has restricted such contributions up-to 50% of the total contribution made by the employer to such funds.

The amendment defeats the established concept that contributions to these approved funds are allowable expenditure.

Certain business expenditure payments through digital means made mandatory for claiming deductibility in case of companies

Previously, any expenditure for a transaction under a single account head which in aggregate exceeded Rs. 250,000, made other than through banking channels, including credit card, was not tax admissible. However, there were certain exceptions to this rule whereby cash payments could be considered as admissible deduction with respect to the following payments:

- Expenditure not exceeding Rs. 25,000.
- Payment of utility bills, freight charges, travel fare, postage and taxes, duties fee, fine or any other statutory obligations.

The Tax Laws Third Amendment Ordinance, 2021 dated 15 September 2021 has restricted the above provision of law to non-corporate taxpayers only. For companies, insertion of a new sub-section (1a) in section 21 has been proposed whereby it has been made mandatory to make payments through 'digital means' from the 'business bank account notified to FBR under section 114A and not just through banking channels.

The term "digital means" has also been defined vide the Finance Supplementary Act 2022 dated 15 January 2022.

This provision shall be applicable from the date to be notified by the Board.

The Act has ratified the above referred amendments earlier inserted on 15 September 2021 and 15 January 2022.

The limit of expenditure requiring payment through this mean was proposed to be enhanced from Rs 250,000 to Rupees 1,000,000 however the Finance Act has not enacted this change.

Till the effective date of clause (la) is prescribed, the provision of clause (l) requiring payments through prescribed banking channel shall remain applicable to companies.

Option provided for Salary payments by all persons through digital means

Salary payments exceeding Rs. 25,000 per month were required to be paid through cross cheque or direct transfer to the employees' bank account in order to be considered as tax admissible.

The Tax Laws Third Amendment Ordinance, 2021 dated 15 September 2021 had inserted the term "digital means" in section 21(m) to align the said section with section 21(la) and providing additional option to all persons for making salary payment through digital means apart from cross cheque or direct transfer as stated above.

The Act has ratified these amendments.

Disallowance of expenses for businesses required to be integrated with FBR

In order to enforce integration of business with FBR as required under the Sales Tax Act 1990, the Act has inserted a provision to disallow any expenditure attributable to sales claimed by the person who is required to integrate his business with FBR through approved electronic device and software but fails to do so.

The Act has provided that such disallowance shall not exceed 8% [as against 10 percent proposed by the bill] of the allowable deductions.

Depreciation allowance

The Finance Act 2020 restricted the depreciation claim on the assets put to use in business for the first time in a tax year commencing from 1 July 2020 to 50% of the allowable depreciation deduction.

The Act has removed aforesaid restriction thereby allowing depreciation allowance without such restriction. Accordingly, the consequential relief for depreciation deduction equal to 50% allowed in the year of disposal through Finance Act 2020 has also been removed to provide for parity between the provisions.

Vehicle cost restriction relaxed

The restriction on the cost of passenger transport vehicles not plying for hire for claim of depreciation was last reset in Finance Act 2012 at Rs 2.5 million.

Due to persistent inflation and devaluation of the currency the stakeholders were for long making representation to increase this amount.

The Act has partly addressed this impact by enhancing the allowable cost for vehicles not plying for hire for the purpose of depreciation up to Rs. 7.5 million.

Eligible depreciable asset

The Act has specifically excluded immovable property and any structural improvements thereon from the definition of eligible depreciable assets for the purpose of initial allowance.

Accordingly, the ambiguity with respect to claim of initial allowance on immovable property and structural improvements thereon has now been removed and therefore initial allowance on such assets may not be claimable anymore for tax year 2023 and onwards.

Taxation of Capital gains

The amendments in capital gain taxation under section 37 are as follows.

Immovable property

Presently, capital gain on disposal of immovable property is reduced based on holding period and such capital gain is subject to progressive tax rates as provided under Division VIII of the Part I of the First Schedule.

The Act has taken away such reduction in amount of capital gain on disposal of immovable property as provided under section 37(3A) and has taxed the entire amount of capital gain arising on disposal of immovable property on the basis of holding period at difference rates for open plots, constructed property and flats.

Capital Assets

Currently, gain on capital assets, other than shares of public companies including the vouchers of Pakistan Telecommunication Corporation, modaraba certificates or any

instrument of redeemable capital as defined in the Companies Act, 2017, held for more than 1 year is reduced by 25%.

The Act has removed the aforesaid relief of reduction in gain.

The Act has also omitted sub-section (4A) thereby recognizing the cost of capital asset that become property of the person under the transactions referred to in sub-section (4A) i.e. under a gift, by succession/ inheritance/ devolution, distribution of assets on dissolution of an AOP or on liquidation of a company, to be the same cost as in the hands of the person disposing off the said asset.

Exemption in multilateral agreement

Section 44 provides certain exemptions under international agreements. The Act has extended the scope of exemption on any income received by the person, not being citizen of Pakistan, engaged as a contractor, consultant, or expert on a project in Pakistan to the extent provided for in any bilateral or multilateral agreement which is currently restricted to the extent provided for in any bilateral or multilateral "technical assistance" agreement.

The Act has also replaced the words 'a person not being citizen of Pakistan' with the words 'any person'. This amendment has enhanced the scope of benefit of bilateral or multilateral agreements to any person irrespective of person being Pakistani citizen or not.

The Act has also empowered the Federal Government to exempt income of any person in respect of an official development assistance financed loans and grants-in-aids subject to such conditions as it may specify through a notification in official gazette.

Powers of granting exemptions

The Act has sanctified the power of amendment in Second Schedule for the purposes specified in section 53(2) to the Federal Government in addition to the Board as was inserted by Tax Laws (Third Amendment) Ordinance 2021 dated 15 September 2021.

Sick industrial units

The Income Tax Amendment Ordinance, 2022 allowed the acquiring company to adjust carry

forward business losses of sick industrial units in the manner as specified under section 59C.

The Act has omitted this relief by deleting section 59C with effect from the date of its introduction i.e. 02 March 2022.

Deductible allowances and tax credits

The Bill proposed to delete the deductible allowance for any profit or share in rent and share in appreciation for value of house loan by the individual under section 60C, tax credit for investment in shares and insurance under section 62, tax credit for investment in health insurance under section 62A and tax credit on contribution to an approved pension fund under section 63.

The Act has confirmed deletion of above tax credits except 'tax credit on contribution to an approved pension fund' under sections 63.

Tax credit on IT and IT enabled services

The Finance Act, 2021 introduced 100% tax credit on income from export of computer software or IT services or IT enabled services as defined under the Ordinance 2001 upto 30 June 2025 subject to fulfillment of specified conditions.

The Act has deleted the aforesaid tax credit and has taxed such income at the rate of 0.25% being the final tax.

Tax credit for industrial promotion

The Income Tax Amendment Ordinance, 2022 allowed tax credit for foreign investment for industrial promotion in the manner as provided under section 65H.

The Act has omitted such tax credit by deleting section 65H with effect from the date of its introduction i.e. 02 March 2022.

Resident individual

The Bill proposed to extend the scope of resident individual by treating the citizen of Pakistan who is not a tax resident of any other country to be the resident individual in Pakistan.

The Act has adopted this proposed amendment. However, it has excluded a citizen of Pakistan present in any other country for more than 182

days during the tax year from the definition of resident individual.

This amendment is apparently aimed to cater abuse of the tax treaties.

Exemption on income of member of AOP

The Act has explained that the share received by the member out of the income of the association shall also be exempt if the income of such association of person is exempt and no tax is payable under the Ordinance due to such exemption.

Final Tax on Retailers other than Tier -1

Previously section 99A read with Ninth Schedule provided special scheme of taxation for traders. This scheme of taxation was prescribed for tax years up till 2018.

The Act has substituted this scheme and brought it with reference to taxation of retailers as per the Section 3(9) of the Sales Tax Act 1990 whereby tax is be charged from retailers other than those falling in Tier-1 and specified service providers through their monthly electricity bills. The electricity supplier is required to deposit the amount so collected directly without adjusting against his input tax.

Tax will be collected through electricity Bill from retailers other than Tier-1 as defined under Sales Tax Act 1990 and specified service providers on commercial electricity connections. The tax is to be collected at the rates tabulated below:

Gross amount of monthly bill	Tax
Where the amount does not exceed Rs. 30,000	Rs. 3,000
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 5,000
Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	Rs. 10,000
Specified retailers and service providers through Income Tax General Order	Rs. 200,000 [as against Rs 50,000 as per the bill].

A retailer who has paid sales tax under section 3(9) of the Act 1990 shall be treated to have discharged its liability for the purpose of this section.

The tax collected or paid under this section shall be final tax on the income of persons covered under this section in respect of business being carried out from the premises where the electricity connection is installed.

The manner of payment and mechanism of collection including recovery shall be provided by the Board with approval of Minister in-charge through Income Tax General Order.

The Board may exempt any person or classes of person from the application of this section in such manner and with such conditions as may be specified.

Tax collected under this section is in addition to the advance tax collectible on electricity consumption.

Relaxation in time for specified 'Non-Profit Organization [NPOs]'

Section 100C relating to hundred percent tax credit for NPOs was substituted vide Finance Act 2021 and reconfigured.

One of the preconditions to obtain hundred percent tax credit was to obtain approval as NPO from Commissioner under section 2(36).

This requirement was made applicable from 1 July 2022 for entities listed in Table II of clause 66 of the Part I of the Second Schedule.

Through the Act aforesaid date has been extended to 1 July 2023 [as against 1 July 2024 as per the bill].

Tax credit for promotion of industrial investment

The Income Tax Amendment Ordinance, 2022 allowed tax credit for promotion of industrial investment in the manner as provided under section 100F.

The Act has omitted such tax credit by deleting section 100F with effect from the date of its introduction i.e. 02 March 2022.

Commissioner empowered to recharacterize arrangement to establish Permanent Establishment (PE)

Section 109 empowers a Commissioner to recharacterize a transaction.

The Act has introduced an enabling provision for empowering Commissioner to treat place of business in Pakistan as PE from tax year 2018 and onwards if it fulfills the conditions specified in section 2(41)(g) as inserted vide Finance Act 2018.

It is important to note that the Finance Act 2018 amended the definition of PE of a non-resident person in Pakistan to bring it in line with Base Erosion & Profit Shifting Action Plan 7 namely "Preventing the Artificial Avoidance of Permanent Establishment Status".

As per this clause PE includes a fixed place of business that is used or maintained by a person if the person or an associate of a person carries on business at that place or at another place in Pakistan and:

- that place or other place constitutes a permanent establishment of the person or an associate of the person; or
- business carried on by the person or an associate of the person at the same place or at more than one place constitute complementary functions that are part of a cohesive business operation.

Un explained income or assets

Inward remittance through official means other than normal banking channel immune from probing

The Tax Laws Third Amendment Ordinance, 2021 dated 15 September 2021 inserted an explanation that remittance through money service bureaus, exchange companies or money transfer operators shall be deemed to constitute foreign exchange remitted from outside Pakistan through normal banking channels to keep them out of ambit of proceedings under section 111. This was in line with Board's circular No. 5 of 2022 dated 30 August 2021.

The Act has ratified this amendment.

Taking account of income under Final tax regime

A new sub-section has been added in section 111 to the effect that while explaining the nature and source of any amount the taxpayer will not be able to take credit on account of income under FTR in excess of 'imputable income' unless the same has nexus to the business activities and supported by the financial statements duly audited by a chartered accountant.

Requirement to issue separate notice dispensed with

By virtue of the nature of section 111 and considering various Courts judgements, it was previously an established law that non-issuance of separate notice under section 111 renders the proceedings initiated on account of addition under section 111 invalid. The Finance Act 2021 however inserted an explanation in this regard to counter the effect of superior court judgments that the explanation regarding income, expenditure or assets as has been confronted under section 122(9) of the Ordinance, shall be treated as notice being properly served upon the taxpayer.

This explanation has been made comprehensive by the Act to cover all eventualities mentioned in section 111.

Applicability of Minimum tax

The super tax levied under section 4C has been excluded for the purpose of determining the applicability of minimum tax under section 113.

Entitlement to carry forward minimum tax reduced

Section 113 levies minimum tax on turnover at prescribed rates in stipulated circumstances.

Previously as per sub-section 2(c) any amount paid in excess of tax liability payable at corporate rate of tax can be carried forward for adjustment against the tax liability for the succeeding five tax years.

The Finance Act 2021 brought a positive amendment and inserted a proviso whereby if the turnover tax is paid since no tax is payable or paid for the year, the entire amount of turnover tax paid shall be carried forward for adjustment against the tax liability of the subsequent tax

year. This amendment was brought as a curative measure in law to counter the judgment of Sindh High Court whereby the court held that to avail the carried forward of minimum tax on turnover, there should be normal tax liability.

Though the bill proposed to completely do away with this right of carry forward, the Act kept this carry forward right intact but has limited it to three years instead of five years.

Powers to enforce filing of returns

A new section 114B has been inserted through the Act to enforce filing of income tax return with following provisions.

The Board will have the powers to issue Income Tax General Orders (ITGOs) in respect of persons not appearing on active taxpayers' list and liable to file return that may entail any or all of the following consequences such as:

- Disabling of mobile phones or mobile SIMS;
- Discontinuance of electricity connection;
- Discontinuance of gas connection.

The Board or the Commissioner having jurisdiction may order restoration of mobile phones, SIMS, gas and electricity connection in case the Commissioner having jurisdiction is satisfied that;

- The return has been filed; or
- Person was not liable to file return.

To include the person under ITGO following conditions are required to be fulfilled:

- Notice has been issued under section 114(4);
- Date of compliance mentioned in the notice under section 114(4) has elapsed; and
- The person has not filed the return.

These stringent measures can be an effective tool to enhance tax base yet being clawing back of basic human rights enshrined in the Constitution, these should be implemented with due care and due diligence only to be initiated against such segments that are liable to be registered but have failed to do so to escape taxation.

Best judgement assessment

As per section 121, the Commissioner is empowered to make best judgement assessment of taxable income and tax liability based on available information in case of persons who have not filed return of income or are not complying with the tax audit notices.

Such assessment has to be carried out within five years after the end of the tax year or the income year to which it relates.

The Act has now enhanced this time period for making best judgement assessment from five years to six years.

Enhancement of time limit to pass an order after issuance of show cause notice.

Finance Act 2021 prescribed a time limit to pass an order under section 122 within one hundred and twenty days after the issuance of show cause notice. The Commissioner was though empowered to extend such period by further period of ninety days.

The Act has enhanced the time period of one hundred and twenty days to one hundred and eighty days.

With this amendment the tax authorities will effectively have two hundred and seventy days from the issuance of show cause notice to complete the proceedings.

Further amendment of Alternate Dispute Resolution Committee [ADRC] provisions

The provisions of ADRC as per section 134A have remained a subject matter of amendments to bring it in line with stakeholders' representations in order to devise an effective alternative settlement mechanism. Major amendments were made vide Finance Acts 2018, 2020 and 2021.

Following further amendments have been made by the Act:

Entitled cases

The Act has limited the eligibility of cases to be dealt by ADRC to those cases where tax liability of rupees One hundred million or above [previously no such limit] was involved.

The Act has reinstated the provision omitted by the Finance Act 2021 whereby cases involving criminal proceedings were not entitled to ADRC.

The previous bar on cases involving question of law having effect on other cases is omitted and hence such cases involving question of law or mixed question of law and facts will equally remain eligible for ADRC. Specific bar has been placed on citing the ADRC decisions or taking as precedence in other cases or in different tax year.

Finance Act 2021 introduced the concept where application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute.

The Act has allowed the applicant to include an offer of tax payment in that initial proposition, which applicant would not be entitled to retract.

Time limit to appoint committee extended

The Act has extended the time limit in which the Board was required to appoint committee from previous 30 days to 45 days.

Mechanism to constitute a Committee

The constitution of committee to be appointed by the Board has been amended.

- Previously, the Chief Commissioner Inland Revenue having jurisdiction over the case used to remain part of committee.
- Previously two persons from a panel notified by the Board comprising of Chartered Accountants, Cost and Management Accountants, Advocates, having minimum of ten years' experience in the field of taxation and reputable businessmen were appointed by the Board.

The Act has made the following amendments:

The list of eligible persons in the panel to be extended to include [amongst above]:

- an officer of the Inland Revenue Service who retired in BS 21 or above; or
- a reputable businessman as nominated by Chambers of Commerce and Industry.

The entitlement of taxpayer to nominate from the panel omitted by Finance Act 2020 has been restored.

Previously since the Board used to appoint persons from the panel, the auditor or authorized representative of the taxpayers could be nominated as committee member, if appearing in panel notified by the Board.

Taxpayer is now given entitlement to nominate one panel member who is or has not been auditor or authorized representative of the taxpayer.

The third committee member is to be nominated, through consensus by the Chief Commissioner Inland Revenue and person nominated by the taxpayer, from the panel as notified by the Board. In case of no consensus, the Board may nominate a member proposed by the taxpayer from the panel notified by the Board.

Status of pending appeals

Previously the taxpayer was not required to withdraw the appeal pending before the court of law or any appellate authority for availing ADRC. However, the decision of ADRC was only binding when taxpayer was satisfied with the decision and had withdrawn such appeal and had communicated the order of withdrawal to the Commissioner within 60 days of the service of the decision to the taxpayer.

Previously the Board used to communicate the order of appointment of committee to the court of law or the appellate authority where the dispute was pending and the Commissioner. This mechanism is revamped.

The Act now provides that the aggrieved person or the Commissioner or both should withdraw the appeal pending before any court of law or an Appellate Authority in the absence of which the committee shall not commence the proceedings. Further that an order to this effect shall be communicated to the Board within 75 days of the appointment of the committee else the committee shall be dissolved.

However, withdrawal of appeal from court of law or an Appellate Authority shall be revoked if committee fails to decide within 120 days from its appointment and the appeal process will be reinstated.

Time limit for passing an order

The Act has made amendment that the committee shall decide the dispute through consensus within 120 days of its appointment.

Previously in case where committee failed to make decision within the period 120 days, the Board used to dissolve the committee by an order in writing and would re-constitute another committee. The Act omitted the Board's power to re-constitute another committee. Hence either the committee should make the decision in 120 days or else the appeal process will reinstate.

Stay against the recovery of tax

Previously recovery of tax stood stayed on the constitution of committee till the final decision or dissolution of the committee, whichever was earlier.

The Act has provided that recovery of tax payable in connection with dispute shall be deemed to be stayed on withdrawal of appeal from Court of law or an Appellant Authority by the taxpayer.

Reinstatement of minimum tax on income from imports of certain goods

Prior to Finance Act, 2020 the income of every person arising from import of certain specified goods was subject to minimum tax under sub-section (8) of section 148. This sub-section was omitted vide Finance Act, 2020.

The Act has reintroduced minimum tax regime for the following goods by inserting sub-section (7A) in section 148:

- edible oil;
- packaging material;
- paper and paper board; or
- plastics

Adjustability of tax paid on import of goods by Industrial Undertaking for own use

Through Finance Act, 2020 amendment was made to sub-section (7) of section 148, whereby, taxes collected at import stage by industrial undertaking were made adjustable only in cases where the goods were subject to withholding tax at 1% or 2%.

The Act has now provided that taxes collected at import stage will be adjustable in all cases if such imports are made by industrial undertakings for its own use.

Tax credits no longer adjustable against deduction of tax from salary

Previously, employees who have made investment in shares or insurance or approved pension fund were eligible to claim credit against tax payable on salary by furnishing the requisite documents to the employer.

The Act has amended section 149 to omit references to these tax credits except tax credit under section 63 on approved pension fund.

The only tax credits that will remain adjustable against tax deductible at source under section 149 are the tax credits on charitable donations and contributions to approved pension funds.

Withholding tax on payments to non-resident by exchange and banking companies

The Act has introduced withholding tax of 10% on payment of service charges, commission, transaction fee or licensing fee, by whatever name called, under sub-section (1DC) and (1DD) of section 152 to the following, by exchange companies licensed by the State Bank or by banking companies:

- Global money transfer operator
- International money transfer operator
- Other persons engaged in international money transfer
- Card network company
- Payment gateway

Where such service fee, commission, transaction fee or licensing fee by whatever name called, is retained by such persons from amount payable to exchange or banking companies, the payment shall be deemed to have been made to such persons and the tax shall have to be collected.

The tax collected under this section is to be treated as final tax.

Clarity regarding withholding tax on export of IT and IT enabled services

The Act has withdrawn the 100% tax credit available on export of IT and IT enabled services under section 65F due to which corresponding changes have also been made to section 154A and reference to tax credit under section 65F has been removed.

Further, the Act has imposed a reduced rate of 0.25% as opposed to the current rate of 1% on all proceeds of export of IT and IT enabled services provided that the exporter is registered with and duly certified by the Pakistan Software Export Board.

Foreign commission due to an indenting commission agent

Foreign commission due to an indenting commission agent has been included in section 154A regarding Export of Services whereby withholding tax @ 1% will apply on such commission.

Introduction of Synchronized Withholding Administration and Payments System (SWAPS) and SWAPS agents

The Act has introduced a concept of SWAPS agents through insertion of sub-section (62B) in section 2 and section 164A whereby, upon notification by the Board, persons who are required to deduct or collect tax will have to integrate with the system designed by the Board for the purposes of making payment of taxes within the time frame to be prescribed.

The tax collected/deducted or purported to be collected/deducted by a notified SWAPS agent and credited to the Commissioner through digital mode will be treated to have been paid under the Ordinance.

Where a SWAPS agent fails to integrate with the Board, it will not be entitled to claim any tax credit specified under the Ordinance.

Removal of time limit for maintaining record for certain transactions

Accounts and documents required to be maintained under section 174 of the Ordinance are to be maintained for a period of six years from the end of the year to which they pertain.

The Act has made inserted a proviso in section 174 whereby, the above time limitation shall not apply to record related to concealed foreign source income or to investment, money, valuable article or expenditure which is situated or incurred outside Pakistan.

Broadening of tax base through exchange of information by NADRA

The Act has inserted section 175B whereby, NADRA shall on its own motion or upon receipt of application by the Board share record and any information available or held by it for the purposes of broadening the tax base or affecting the purposes of the Ordinance. This was previously proposed through the Tax Laws (Third Amendment) Ordinance, 2021 which lapsed due to not having attained assent from the Parliament.

Through the new section, NADRA may:

- Submit proposals and information to the Board with a view of broadening the tax base;
- Identify in relation to a person, whether a taxpayer or not:
 - Income, receipts, assets, properties, liabilities, expenditures or transactions that have escaped assessment or are under-assessed or have been subject to excessive relief or refund or have been misdeclared or misclassified under a head of income or otherwise;
 - The value of anything specified above, if such value is at variance with the value notified by the Board or the district authorities, or if no value has been notified or its market value.
- Enter into an MOU with the Board for the secure exchange and utilization of a person's information.

The information shared with the Board may be used or utilized by the Board or forwarded to the concerned jurisdiction where the subject matter regarding the information is located.

NADRA may also compute indicative income and tax liability of anyone by use of AI, mathematical or statistical modeling or any other modern device or calculation method.

The indicative income and tax liability so computed shall be notified by the Board to the concerned person and he would have an option to pay the determined amount on such terms and conditions or reprieves related to penalty or default surcharge and time limit as may be prescribed by the Board.

Where such amount is paid by the person, the payment made shall be construed to be an assessment order or an amended assessment order, as the case may be.

Furnishing of record of beneficial owners

The Act has introduced a new section 181E under which every company and association of persons shall electronically furnish particulars of its beneficial owners on the form to be prescribed and to update the same as and when there is a change in such particulars.

Beneficial owners have been defined through insertion of subsection (7A) in section 2 as natural persons who:

- Ultimately own or control a company or association of persons, whether directly or indirectly, through at least ten percent shares or voting rights, or
- Exercise ultimate effective control, through direct or indirect means, over the company or association of persons including finances or other decisions.

Non-disclosure of information of beneficial owners is proposed to attract a penalty of Rs. 1 million under section 182.

Proposed additions/changes in penalties for non-compliances of various provisions

The following existing penalty provisions have been substituted:

Description	Existing Provision	Amendment
Serial 1 related to non-compliance with sections 114 or 118	Penalty equal to 0.1% of tax payable for each day of default subject to a maximum of 50% and a minimum of Rs.	The person shall pay penalty equal to higher of – (a) 0.1% of the tax payable for each day of default or (b) Rs. 1,000 for

Description	Existing Provision	Amendment
	40,000. The minimum shall be Rs. 5,000 if the income derived from salary is seventy five percent of income and the income is less than Rs. 5,000,000. Provided that the minimum shall be Rs. 5,000 if taxable income is up to Rs. 800,000/- Provided further that the amount of penalty shall be reduced by 75%, 50% and 25% if return is filed within one, two or three months respectively.	each day of default Minimum penalty shall be – Rs. 10,000 in case of individual having seventy five percent or more income from salary; or Rs. 50,000 in other cases The maximum shall not exceed two hundred percent of tax payable. Provided further that the amount of penalty shall be reduced by 75%, 50% and 25% if return is filed within one, two or three months respectively.

The salient features of the additions are as follows:

Sr. No.	Description	Penalty	Relevant section
30	Contravention of section 181E	Penalty of Rs. 1,000,000 for each default	181E
31	Notified SWAPS agent fails to integrate or perform duties	Penalty of Rs. 50,000 for first seven days of default Rs. 100,000 for next seven days of default Rs. 50,000 for	164A

Sr. No.	Description	Penalty	Relevant section
		each week after second consecutive week of default	
32	Conducting transactions in a manner so as to avoid monitoring, tracking, reporting or recording for which a person is required to monitor, track report or record the transaction.	Rs. 500,000 or two hundred percent of the amount of tax involved wherever in higher.	237A
33	Non-integration of business for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized software or does not register as required under the Ordinance	Up to Rs. 1,000,000 and if non-compliance persists, his business premises shall be sealed till such time he integrates his business as stipulated.	237A
34	A person fails to register his business as required or having registered does not integrate his business as required.	Such person shall pay – Rs. 500,000 for first default Rs. 1,000,000 for second default Rs. 2,000,000 for third default after fifteen days of	237A

Sr. No.	Description	Penalty	Relevant section
		order of second default Rs. 3,000,000 for fourth default after fifteen days of order of third default Provided that after the fourth default, his business premises shall be sealed. Provided further that if person integrates before imposition of second penalty, the first penalty shall be waived.	

Prosecution for non-integration with the Board and not issuing tax verifiable invoices

The Act has inserted clauses (h) and (i) to sub-section (1) of section 191 of the Ordinance through which non-integration with the Board's computerized system, where required, and non-issuance of tax invoice verifiable by the Board's system will result in an offence punishable with imprisonment of one year or fine or both.

Public servants not to be compelled to provide any return, accounts or documents in proceedings before court or other authorities

The Act has substituted sub-section (2) of section 216 under which no public servant is to be compelled to provide any return, accounts or documents contained in or forming a part of records relating to any proceedings under the Ordinance or declarations made under the Voluntary Declaration of Domestic Assets Act, 2018, the Foreign Assets (Declaration and

Repatriation) Act, 2018 or the Assets Declaration Act, 2019 or any records of the Income Tax Department generally, or any part thereof, or to give evidence before it in respect thereof notwithstanding provisions of any other law in force.

In order to enhance monitoring of compliance with requirement to issue fiscal invoices, the Board may prescribe procedure for mystery shopping randomly and where discrepancies are observed, all the relevant penal provisions of the Ordinance will become applicable.

Proceedings against the authority and persons

Provisions of section 216A were introduced in 2019 to initiate criminal proceedings against any authority who willfully and deliberately commits or omits an act which results in undue benefits or advantage to the authority or the officer or official or to any other person.

The Act has omitted this provision which was specifically introduced to bring harmony and deterrence against the authorities.

Income tax to be collected from retailers and service providers through electricity bill

The Act has inserted sub-section (1A) to section 235 whereby, tax is to be collected through electricity bills in order to give effect to newly inserted section 99A as per the rates specified in Division IV of Part IV of First Schedule.

Advance tax on payments abroad through credit or debit or prepaid cards

The Act has inserted section 236Y under which banking companies are required to collect "adjustable" advance tax at the time of transfer of sums remitted outside Pakistan on behalf of every person who completes a credit card or debit card or prepaid card transaction with a person outside Pakistan at the rates specified in Division XXVII of Part IV of the First Schedule.

Promotion of tax culture through purchases from integrated enterprises

The Act has inserted sub-section (3) to section 237A through which it has been mandated that integrated enterprises will not make any sale or render service without issuance of fiscal invoices.

To promote purchases through integrated enterprises the Act has introduced section 237B under which the Board may prescribe prize scheme for the general public to make purchases or avail services only from integrated enterprises.

Withholding Tax Collection / Deduction Rate Card

FIRST SCHEDULE

Note: Persons whose name do not appear in the Active Taxpayers List are subject to hundred percent increased withholding tax rates as prescribed in the First Schedule except for specified exclusions given in the Tenth Schedule.

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
148	Collection of tax at Imports					
I.	Persons importing goods classified in Part I of the Twelfth Schedule	1 / *2		Minimum / not minimum in the hands of industrial undertaking	Minimum / not minimum in the hands of industrial undertaking	Advance Tax Collection by Collector of Customs
II.	Persons importing goods classified in Part II of the Twelfth Schedule	2 / *4 other than commercial importer		Minimum / not minimum in the hands of industrial undertaking for its own use	Minimum / not minimum in the hands of industrial undertaking for its own use	Advance Tax Collection by Collector of Customs
III.	Persons importing goods classified in Part III of the Twelfth Schedule	5.5 / *11		Minimum / not minimum in the hands of industrial undertaking for its own use	Minimum/ not minimum in the hands of industrial undertaking for its own use	Advance Tax Collection by Collector of Customs
IV.	Import by manufacturers covered under rescinded SRO. 1125(I)2011 dated 31 December 2011	1 / *2		Adjustable	Adjustable	Advance Tax Collection by Collector of Customs
V.	Persons importing finished pharmaceutical products that are not manufactured in Pakistan as certified by DRAP.	4 / *8		Minimum	Minimum	Advance Tax Collection by Collector of Customs
VI.	Import of Mobile phones	Varying rates		Minimum	Minimum	Advance Tax Collection by Collector of Customs
VII.	Import of CKD kits of electric vehicles for small cars or SUVs with battery upto 50 kwh and LCVs with battery upto 150kwh	1 / *2		Minimum	Minimum	Advance Tax Collection by Collector of Customs
VIII.	Import by commercial importer	3.5/7		Minimum	Minimum	Advance Tax Collection by Collector of Customs
IX.	Import by every person of edible oil, packaging material, paper and paper board; or plastics	2,3,5,5.5/*4,7,11		Minimum	Minimum	Advance Tax Collection by Collector of Customs

Section	Type of Payment	Rate %	Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active /In-Active			
149	Salary				
I.	Where the taxable income does not exceed Rs. 600,000	0%	Adjustable	N/A	
II.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	2.5% of amount exceeding Rs. 600,000	Adjustable	N/A	
III.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 15,000 plus 12.5% of the amount exceeding Rs. 1,200,000	Adjustable	N/A	
IV.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 165,000 plus 20% of the amount exceeding Rs. 2,400,000	Adjustable	N/A	
V.	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 405,000 plus 25% of the amount exceeding Rs. 3,600,000	Adjustable	N/A	
VI.	Where taxable income exceeds Rs. 6,000,000 but does not exceed Rs. 12,000,000	Rs. 1,005,000+32.5% of the amount exceeding Rs. 6,000,000	Adjustable	N/A	
VII.	Where taxable income exceeds Rs. 12,000,000	Rs. 2,955,000 plus 35% of the amount exceeding Rs. 12,000,000	Adjustable	N/A	
VIII.	Director fee	20	Adjustable	N/A	
150	Dividend payment or dividend in specie				
I.	Independent Power Producers where such dividend tax is a pass-through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be reimbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity.	7.5 / *15	Final	Final	Tax Deduction by the payer of dividend
II.	Company where no tax is payable due to exemption of income or carry forward business losses or claim of tax credit	25 / *50	Final	Final	Tax Deduction by the payer of dividend
III.	Mutual fund or real estate investment trust	15 / *30	Final	Final	Tax Deduction by the payer of dividend
IV.	Any other case	15 / *30	Final	Final	Tax Deduction by the payer of dividend

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
151	Profit on debt					
I.	Yield on an account, deposit or a certificate under the National Savings Scheme or Post office saving account	15 / *30		Minimum / Adjustable	Adjustable	Tax Deduction by the payer of the profit
II.	Profit on a debt, being on an account or deposit maintained with a banking company or a financial institution	15 / *30		Minimum / Adjustable	Adjustable	Tax Deduction by the payer of the profit
III.	Profit on any security issued by Federal Government, a Provincial Government or a local Government other than profit on National Saving Scheme or Post Office Saving account to any person	15 / *30		Minimum / Adjustable	Adjustable	Tax Deduction by the payer of the profit
IV.	Profit on any bond, certificate, debenture, security or instrument of any kind (excluding loan agreement between a borrower and a banking company or a development finance institution) issued by a banking company, a financial institution, company or a finance society, to any person other than a financial institution.	15 / *30		Minimum / Adjustable	Adjustable	Tax Deduction by the payer of the profit
151 (1A)	Return on investment in sukuk , (excluding "The Second Pakistan Sukuk Company" and "The Third Pakistan Sukuk Company"). In case, sukuk holder is:					
I.	<ul style="list-style-type: none"> Company 	25 / *50		N/A	Adjustable	Tax Deduction by every SPV or Company at the time of making payment
II.	<ul style="list-style-type: none"> Ind & AOP (where the return is more than one million) 	12.5 / *25		Minimum / Adjustable	N/A	Tax Deduction by every SPV or Company at the time of making payment
III.	<ul style="list-style-type: none"> Ind & AOP (where the return is less than one million). 	10 / *20		Minimum / Adjustable	N/A	Tax Deduction by every SPV or Company at the time of making payment
152	Payments to non-residents					
I.	Royalty and technical fee	15		Final	Final	Tax Deduction by every person paying an amount
II.	Execution of a contract or sub-contract under a construction, assembly or	7		Minimum	Minimum	Tax Deduction by every person paying an

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
	installation project in Pakistan including a contract for the supply of supervisory activities in relation to such projects or any other contract for construction or services rendered relating thereto					amount
III.	Contract for advertisement services rendered by TV Satellite channel	7		Minimum	Minimum	Tax Deduction by every person paying an amount
IV.	Insurance premium or re-insurance premium	5		Minimum	Minimum	Tax Deduction by every person paying an amount
V.	Advertisement services relaying from outside Pakistan	10		Minimum	Minimum	Tax Deduction by every person paying an amount
VI.	Foreign produced commercial for advertisement on any television channel or any other media	20		Final	Final	Tax Deduction by every person responsible for making payment
VII.	Capital gain arising to a PE of non-resident company on the disposal of debt instrument and government securities including T-Bills and PIBs invested through special convertible rupee account	10		N/A	Final	Tax deduction by every banking company or a financial institution maintaining special convertible rupee account
VIII.	Capital gain arising on the disposal of debt instruments and government securities and certificates invested through Foreign Currency Value Account or non-resident Pakistani Rupee Value Account by a non-resident individual holding CNIC, NICOP or POC.	10		Final	N/A	Tax deduction by every banking company or financial institution maintaining Foreign Currency Value Account or non-resident Pakistan Rupee Value Account
IX.	Return on investment in sukuk (excluding "The Second Pakistan Sukuk Company" and "The Third Pakistan Sukuk Company"). In case, sukuk holder is:					Tax deduction by every special purpose vehicle or a company
X.	- Company	- 25		- N/A	- Final	-
-	- Ind & AOP (where the return is more than one million)	- 12.5		- Final	- N/A	-
-	- Ind & AOP (where the return is less than one million)	10		Final	N/A	
XI.	Profit on debt to non-resident person not having a	10		N/A	Adjustable/ Final in specified situations	Tax deduction by the person responsible for

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
	PE in Pakistan					making of payment
XII.	Payments to an individual, on account of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident repatriable rupee account or a foreign currency account maintained with a banking company in Pakistan	10		Final	N/A	Tax deduction by the person responsible for making of payment
XIII.	Fee for offshore digital services	10		Final	Final	
XIV.	Payment of service charges or commission or fee to the global money transfer operators, international money transfer operators or such other persons engaged in international money transfer operations or such other persons engaged in international money transfer or cross-border remittance for facilitating outward remittances by exchange companies licensed by State Bank of Pakistan	10		Final	Final	Every exchange company licensed by State Bank of Pakistan making payment
XV.	Payment by banking company to card network company or payment gateway or any other person, of any transaction fee or licensing fee or service charges or commission or fee by whatever name called or inter-bank financial telecommunication services	10		Final	Final	Every banking company making payment
XVI.	Other payments	20		Adjustable	Adjustable	Every person payment an amount
152 (2A)	Payments to PE of a non-resident					
I.	Sale of goods					Tax Deduction by every prescribed person making a payment
	- Company	4 / *8		-	Minimum / not minimum subject to conditions	Tax Deduction by every prescribed person making a payment
	- Other than company	4.5/ *9		Minimum	-	Tax Deduction by every prescribed

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
						person making a payment
II.	<ul style="list-style-type: none"> - Transport services - Freight forwarding services - Air cargo services - Courier services - Manpower outsourcing services - Hotel services - Security guard services - Software development services - IT services and IT enabled services as defined in section 2 - Tracking services - Advertising services (other than by print or electronic media) - Share registrar services - Engineering services - car rental services - Building maintenance services - Services rendered by Pakistan Stock Exchange Ltd and Pakistan Mercantile Exchange Ltd inspection and certification - Testing and training services - Oil field services 	3 / *6		Minimum	Minimum	Tax Deduction by every prescribed person making a payment
III.	<ul style="list-style-type: none"> - Services not covered above 					
	<ul style="list-style-type: none"> - Company 	8 / *16		N/A	Minimum	Tax Deduction by every prescribed person making a payment
	<ul style="list-style-type: none"> - Other than company 	10 / *20		Minimum	N/A	Tax Deduction by every prescribed person making a payment
IV.	Execution of a contract	7 / *14		Minimum	Minimum	Tax Deduction by every prescribed person making a payment
V.	Sports Person	10 / * 20		Minimum	N/A	Tax Deduction by every prescribed person making a payment

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
153	Goods, services and execution of a contract					
I.	Sales of rice, cotton seed oil or edible oil	1.5	*3	Minimum	Minimum / adjustable for manufacturer / listed company	Tax Deduction by every prescribed person making a payment
II.	Distributors of cigerrates and pharmaceutical products (and for large distribution houses qualifying to be large import house)	1	*2	Minimum	Minimum	Tax Deduction by every prescribed person making a payment
III.	Distributors, dealers, sub-dealers, wholesalers and retailers of fast-moving consumer goods, fertilizers, electronics excluding mobile phones, sugar, cement, steel and edible oil, if they are appearing in ATL of income tax and sales tax.	0.25		Minimum	Minimum	Tax Deduction by every prescribed person making a payment
IV.	On supplies of gold, silver and articles thereof	1	*2	Adjustable	Adjustable	Tax Deduction by every prescribed person making a payment
V.	Sale of any other goods (including toll manufacturing) in the case of:					Tax Deduction by the prescribed person making payment
	- Company	4	*8	N/A	Minimum / adjustable for manufacturer / listed company	Tax Deduction by the prescribed person making payment
	- Other taxpayers	4.5	*9	Minimum	N/A	Tax Deduction by the prescribed person making payment
VI.	<ul style="list-style-type: none"> - Transport services - Freight forwarding services - Air cargo services - Courier services - Manpower outsourcing services - Hotel services - Security guard services - Software development services - IT services and IT enabled services as defined in section 2 - Tracking services - Advertising services (other than by print or electronic media) - Share registrar services - Engineering services including architectural services 	3	*6	Minimum	Minimum	Tax Deduction by the prescribed person making payment

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
	<ul style="list-style-type: none"> - Warehousing services - Services rendered by asset management companies - Data services provided under license issued by the Pakistan Telecommunication Authority - Telecommunication infrastructure (tower) services, car rental services - Building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited - Inspection, certification - Testing and training services - Oilfield services - Telecommunication services - Collateral management services - Travel and tour services. 					
VII.	Oil tanker contractor services	2 / *4		Minimum	Minimum	Tax Deduction by the prescribed person making payment
VIII.	Other services in the case of:					
	- Company	8 / *16		N/A	Minimum	Tax Deduction by the prescribed person making payment
	- Other taxpayers	10 / *20		Minimum	N/A	Tax Deduction by the prescribed person making payment
IX.	Electronic and print media for advertisement services	1.5 / *3		Minimum	Minimum	Tax Deduction by the prescribed person making payment
X.	Execution of a contract in the case of:					
	- Company	6.5 / *13		-	Minimum/ adjustable for listed company / subject to conditions	Tax Deduction by the prescribed person making payment
	- Other taxpayers	7 / *14		Minimum	N/A	Tax Deduction by the prescribed person making payment
	- Sports person	10 / *20		Minimum	N/A	Tax Deduction by the prescribed

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
						person making payment
XI.	Deduction by exporter or an export house on payment for rendering of certain services	1	*2	Minimum	Minimum	Tax Deduction by the prescribed person making payment
154	Exports					
I.	At the time of realization of foreign exchange proceeds on account of the export of goods by an exporter	1		Final	Final	Tax Deduction by every authorized dealer in foreign exchange
II.	At the time of realization of the proceeds on account of a sale of goods to an exporter under an inland back-to-back letter of credit or any other arrangement	1		Final	Final	Tax Deduction by every banking company
III.	At the time of export of goods by an industrial undertaking located in the areas declared by the Federal Government to be a Zone	1		Final	Final	Tax Collection by EPZA (the Export Processing Zone Authority)
IV.	At the time of making payment for a firm contract to an indirect exporter	1		Final	Final	Tax Deduction by every direct exporter and an export house
V.	At the time of clearing of goods exported	1		Final	Final	Tax Collection by the Collector of Customs
154A	Export of Services					
I.	Exports of computer software or IT services or IT enabled services persons registered with Pakistan Software Export Board	0.25		Final subject to conditions	Final subject to conditions	Tax Deduction by every authorized dealer in foreign exchange.
II.	a) services or technical services rendered outside Pakistan or exported from Pakistan; b) royalty, commission or fees derived by a resident company from a foreign enterprise in consideration for the use outside Pakistan of 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 to such enterprise; c) construction contracts executed outside	1		Final subject to conditions	Final subject to conditions	Tax Deduction by every authorized dealer in foreign exchange.

Section	Type of Payment	Rate %	Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active /In-Active			
	Pakistan; (d) foreign commission due to an indenting commission agent; and (e) other services rendered outside Pakistan as notified by the Board from time to time;				
155	Income from Property				
	Annual rent of immovable property including rent of furniture and fixtures and amount of service relating to such property				Tax Deduction by every prescribed person making a payment in full/ part
	- In case of company	15 / *30	N/A	Adjustable	Tax Deduction by every prescribed person making a payment in full/ part
	- In case of other taxpayers	Progressive rates	Adjustable	N/A	Tax Deduction by every prescribed person making a payment in full/ part
156	Prizes and winnings				
I.	Gross amount of prize bond winning.	15 / *30	Final	Final	Tax Deduction by every person paying prize on prize bond, winnings from raffle/lottery.
II.	Gross amount of Prize on crossword puzzle.	15 / *30	Final	Final	Tax Deduction by every person paying prize on prize bond, winnings from raffle/lottery.
III.	Gross amount of raffle/lottery winning, prize on winning a quiz, prize offered by a company for promotion of sales.	20 / *40	Final	Final	Tax Deduction by every person paying prize on prize bond, winnings from raffle/lottery.
156A	Petroleum products				
	Commission or discount allowed to petrol pump operators	12 / *24	Final	Final	Tax Deduction by every person selling petroleum product to petrol pump operator
231B	Advance tax on motor vehicles				
	At the time of registration of a motor vehicle	Varying slabs on the basis of engine capacity Provided that in cases where the engine capacity is not applicable and	Adjustable	Adjustable	Advance Tax Collection subject to conditions, by every motor vehicle registration authority of

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
			<p>the value of vehicle is Rs. 5.00 million or more, the rate of tax collectible shall be 3% of the import value as increased by custom duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles</p> <p>Provided that tax required to be collected shall be increased by 200% for persons not appearing in active taxpayers list</p>			excise and taxation department
	At the time of leasing of a motor vehicle to a person not appearing in ATL	4		Adjustable	Adjustable	Advance Tax Collection by every leasing company or a scheduled bank or a NBFC Or an investment bank or a modaraba or a DFI
	At the time of transfer of registration or ownership of a motor vehicle		<p>Varying slabs on the basis of engine capacity</p> <p>Provided that in cases where the engine capacity is not applicable and the value of vehicle is Rs. 5.00 million or more, the rate of tax shall be Rs. twenty thousand</p> <p>Provided further that the rate of tax to be collected under this clause shall be reduced by ten percent each year from the date of first registration in Pakistan.</p> <p>Provided that tax required to be collected shall be increased by 200% for persons not appearing in</p>	Adjustable	Adjustable	Advance Tax Collection by every motor vehicle registration authority of excise and taxation department

Section	Type of Payment	Rate %	Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active /In-Active			
		active taxpayers list			
	At the time of sale of a motor vehicle by the manufacturer	<p>Varying slabs</p> <p>Provided that in cases where the engine capacity is not applicable and the value of vehicle is Rs. 5.00 million or more, the rate of tax collectible shall be 3% of the import value as increased by custom duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles</p> <p>Provided that tax required to be collected shall be increased by 200% for persons not appearing in active taxpayers list</p>	Adjustable	Adjustable	Advance Tax Collection by every manufacturer of a motor car or jeep
	Collection of Advance tax at the time of registration if the locally manufactured motor vehicle is sold prior to registration by the original purchaser				Advance Tax Collection every motor vehicle registration authority of excise and taxation department
	- Upto 1000cc	50,000	Adjustable	Adjustable	
	- 1001cc to 2000cc	100,000	Adjustable	Adjustable	
	- 2001cc and above	200,000	Adjustable	Adjustable	
233	Brokerage & Commission				
I.	Advertisement agent	10 / *20	Minimum	Minimum	Tax Deduction by the principle
II.	Life Insurance Agent where commission is less than Rs. 0.5 million per annum	8 / *16	Minimum	Minimum	Tax Deduction by the principle
III.	Others	12 / *24	Minimum	Minimum	Tax Deduction by the principle
234	Tax on "motor vehicle tax"				
	Registered laden weight/Seating capacity/Engine capacity and life of vehicle used	Varying rates	Adjustable	Adjustable	Advance Tax Collection by any person collecting motor vehicle tax

Section	Type of Payment	Rate %		Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active	In-Active			
235	Electricity consumption					
I.	Industrial or Commercial consumers with monthly electricity bill					Advance Tax Collection by a person preparing electricity consumption bill
	- Upto Rs 500	Nil	-	-		
	- Exceeds Rs 500 but does not exceed Rs 20,000	10	Minimum	Adjustable		
	- Exceeds Rs. 20,000	Rs 1,950 plus 12% of the amount exceeding 20,000 for commercial consumers	Minimum/ Adjustable subject to conditions	Adjustable		
		Rs 1,950 plus 5% of the amount exceeding 20,000 for industrial consumers	Minimum/ Adjustable subject to conditions	Adjustable		
II.	Domestic consumers, if not included in ATL	7.5% if the monthly bill exceeds Rs. 25,000	Minimum/ Adjustable subject to conditions	N/A		Advance Tax Collection by a person preparing electricity consumption bill
III	In case of retailers and service providers as referred under section 99A of the Ordinance where no tax has already been collected under sub-section (9) of the Section 3 of the Sales Tax Act, 1990 as provided under the general order issued under section 99A of the Ordinance, further tax will be collected as under:					Advance Tax Collection by a person preparing electricity consumption bill
	- Where the amount does not exceed Rs. 30,000	Rs. 3,000	Final	Final		
	- Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 5,000	Final	Final		
	- Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	Rs. 10,000	Final	Final		
	- Retailers and service providers as notified by the Board in the income tax general order	Upto Rs. 200,000	Final	Final		
236	Telephone & internet bill					
I.	Telephone bill exceeding Rs 1,000	10	Adjustable	Adjustable		Tax Deduction by the person preparing telephone or internet bill

Section	Type of Payment	Rate %	Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active /In-Active			
II.	Subscriber of internet and prepaid internet card or sale of units through any electronic medium or whatever form	8	Adjustable	Adjustable	Tax Deduction by the person issuing or selling prepaid card for telephones
III.	Mobile telephone and prepaid card for telephones or sale of units through any electronic medium or whatever form.	8	Adjustable	Adjustable	Advance Tax Collection by the person issuing or selling units
236A	Sale by auction / tender				
I.	Sale of goods or property (excluding immovable property)	10 / *20	Adjustable	Adjustable	Tax Deduction by any person making sale by public auction
II.	Sale of immovable property	5 / *10	Adjustable	Adjustable	Tax Deduction by any person making sale by public auction
III.	Lease of right to collect toll	10 / *20	Final	Final	Tax Deduction by any person making sale by public auction
236C	Sale or transfer of immovable property				
	On gross amount of consideration received	2 / *4	Adjustable/ minimum/ final subject to conditions	Adjustable/ minimum subject to conditions	Tax Deduction by every person responsible for registering or attesting transfer
236CA	Advance tax on tv plays and advertisements				
	Foreign-produced TV drama serial or play	Rs. 1,000,000 per episode/*Rs. 2,000,000 per episode	N/A	Minimum	Any licensing authority certifying any foreign TV drama serial or play
	Foreign-produced TV play (single episode)	Rs.3,000,000/*Rs. 6,000,000	N/A	Minimum	Any licensing authority certifying any foreign TV drama serial or play
	Advertisement starring foreign actor	Rs. 100,000 per second/Rs. 200,000 per second	N/A	Minimum	Any licensing authority certifying any commercial for advertisement starring foreign actor
236G	Advance tax on sales of specified goods to distributors, dealers and wholesalers				
	- Fertilizer	0.7 / *1.4 / 0.25, if appearing in the ATL of income and sales tax	Adjustable	Adjustable	Tax Deduction by every manufacturer or commercial importer

Section	Type of Payment	Rate %	Ind. & AOP	Company	Status of Tax Collected / Deducted
		Active /In-Active			
	- Other than fertilizer	0.1 / *0.2	Adjustable	Adjustable	Tax Deduction by every manufacturer or commercial importer
236H	Advance tax on sales of specified goods to retailers or wholesaler	0.5 / *1	Adjustable	Adjustable	Tax Collection by every manufacturer, wholesaler, distributor, dealer or commercial importer
236K	Advance tax on purchase of immovable property	2 (of the FMV) In case of persons not appearing in active taxpayers list, the tax shall be increased by two hundred and fifty percent	Adjustable/ Final subject to conditions	Adjustable	Tax Deduction by every person responsible for registering or attesting transfer
236Y	Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards	1/*2	Adjustable	Adjustable	Tax deduction by every banking company

SECOND SCHEDULE

Part I - Exemptions from total income

New exemptions proposed in Second Schedule

The Act has inserted the following new exemptions:

- Income derived by Siahkalem Engineering Construction Industry and Trade Company Limited from contract dated 23 May 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by the Saudi Fund for Development with effect from tax year 2017 (Clause 150).
- The Bill proposed tax exemption for any income derived by a person from cinema operations in a tehsil or town where there is no cinema, for five years from the commencement of cinema operations. Provided that these exemptions shall only be available to those persons who start cinema construction on or before 31st December 2023 (Clause 151). The Act has removed all the conditions and has provided this

exemption to income derived by a person from cinema operations for 5 years from the commencement of cinema operations.

- Profits and gains derived by venture capital companies and venture capital funds which are registered under relevant Venture Capital and Funds Management Rules issued by SECP have been exempted from levy of tax between 01 July 2022 and 30 June 2025. (Clause 152)
- Profits and gains derived by a resident producer or production house from production of feature films have been exempted from tax between 01 July 2022 and 30 June 2027. (Clause 153)

Amendment in certain exemptions

- The Bill proposed to substitute clause (23A) whereby receipt of accumulated balance from voluntary pension system offered by a pension fund manager under VPS Rules was proposed to be exempted without any condition. However, this amendment has not been made in the Act.

- Under clause (99) any income derived by a Collective Investment Scheme or a REIT Scheme is exempt if not less than ninety per cent of its accounting income of that year, as reduced by capital gains whether realized or unrealized is distributed amongst the unit or certificate holders or shareholders, as the case may be. The Act has amended this clause to allow reduction of accumulated losses from accounting income for the purpose of computing “distributable income”.
- The Act has shifted the following entries from Table 2 of clause (66) to Table 1 of clause (66):

S. No.	Description
1	Pakistan Mortgage Refinance Company Limited
2	Pakistan Sweet Homes Angles and Fairies Place
3	Dawat-e-Islami Trust

- The Act has added the following entries in Table 1 of clause (66):

S. No.	Description
1	The Pakistan Global Sukuk Programme Company Limited
2	Karandaaz Pakistan from tax year 2015 onwards
3	Public Private Partnership Authority for tax year 2022 and subsequent four tax years
4	Hamdard Laboratories (Waqf) Pakistan

- The Act has added the following new entries in Table 2 of clause (66):

S. No.	Description
1	Burhani Qarzan Hasnan Trust
2	Saifee Hospital Karachi
3	Saifyah Girls Taalim Trust

Amendment in exemption on electricity generation projects

The Bill proposed to add explanation after the sixth proviso in clause (132) clarifying that the exemption available under this clause shall continue to remain available to those persons to whom such exemption was available on or before 30 June 2021 before insertion of sixth proviso.

The Bill also proposed to restrict exemption under this clause upto the life cycle of the project or 25 years from the date of commencement of commercial production, whichever is earlier.

However, both these proposed amendments have not been carried in the Act.

Exemptions withdrawn

The Act has withdrawn the following exemptions:

- Clause (5) providing exemption to any allowance / perquisite paid or allowed outside Pakistan by Government to a Pakistani citizen for rendering services outside Pakistan.
- Clause (23B) providing exemption to amounts received as monthly installments from an income payment plan invested out of accumulated balance of an individual pension accounts with a pension fund manager or an approved annuity plan or another individual pension account of eligible person or survivors pension account maintained with any other pension fund manager as specified in VPS Rules if accumulated balance is invested for 10 years.
- Clause (102A) providing exemption in respect of a subsidy granted by the Federal Government for the purpose of implementation of any orders of the Federal Government in this behalf.

The purpose of this exemption is to facilitate the privatization process of government owned organizations by granting subsidy to such organizations which may inter alia include cash disbursements for settlement of their obligations or waiver of their liabilities towards Federal Government.

The Bill proposed to omit the above clause, however, the Act did not carry the said omission. Therefore, the exemption provided in this clause will continue to apply.

Part II - Reduction in tax rates

Reduced tax rates extended to distributors of 'Steel' sector

The Act has ratified the amendments made through Tax Laws (Third Amendment) Ordinance, 2021 dated 15 September 2021 whereby 'Steel' sector was included in Clauses (24C) and (24D) pursuant to which withholding tax rate under section 153(1)(a) and minimum tax rate under section 113 of Ordinance 2001 of 0.25% will apply on distributors, dealers, sub-dealers, wholesalers and retailers of 'Steel' also.

Reduced withholding tax rate prescribed for sale of gold and silver

In respect of sale of gold and silver, a reduced rate of withholding tax under section 153 i.e. 1% has been prescribed under clause (31) which is 'adjustable'.

Part III - Reduction in tax liability

Exemptions withdrawn

- The Act has omitted clause (1) which provided reduced tax rate of 2.5% in respect of any amount received as flying allowance by flight engineers, navigators of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Junior Commissioned Officers or other ranks of Pakistan Armed Forces and submarine allowance by the officers of the Pakistan Navy.
- The Act has omitted clause (1AA) which provided reduced tax rate of 7.5% for total allowances received by pilots of any Pakistani airlines.

The Bill proposed to omit clause (9A) which provided for tax payable on the reduced amount of 'Capital Gains' on disposal of immovable property on the first sale of immovable property acquired or allotted to ex-servicemen and serving personnel of Armed Forces or ex-employees or serving personnel of Federal and Provincial Governments, being original allottees of the immovable property, duly certified by the allotment authority. However, the Act has

not carried this omission, therefore, the reduction in tax liability as provided in this clause will continue to apply.

- The Act has omitted clause (20) which provided that tax payable by a person other than a banking or an insurance company in respect of profit on debt from investment in Federal Government securities is 15 percent which was considered as final tax.

Reduction in tax rate on Income from Bahbood Savings Certificate

- The Act has amended clause (6) to further reduce tax rate from 10% to 5% on the income earned from investment in Bahbood Savings Certificate or Pensioners Benefit Account and Shuhada Family Welfare Account.

Part IV - Exemptions from specific provisions

- The Act has extended the date of exemption upto 31 December 2021 from application of section 148 of Ordinance 2001 on certain items as mentioned in Clause (12B).
- The Act has substituted clause (95) to provide exemption to the Second Pakistan International Sukuk Company Limited and the Third Pakistan Sukuk Company Limited from application of advance tax payment, profit on debt, payment to non-residents, on sale by auction and purchase / transfer of immovable property. Further, these exemptions have also been made applicable on Global Sukuk Programme Company Limited as a payer.
- The Act has substituted clause (96) to provide exemption to the Second Pakistan International Sukuk Company Limited and the Third Pakistan Sukuk Company Limited from application of tax withholding on profit on debt, payments for goods & services, rent of immovable property and sale / transfer of immovable property. Further, these exemptions have also been made applicable on Global Sukuk Programme Company Limited as a recipient.

New exemptions

- The Act has ratified the amendment made in clause (11A) through Tax Laws (Third Amendment) Ordinance, 2021 dated 15 September 2021 whereby minimum tax

under section 113 was exempted for mobile phone manufacturers engaged in the local manufacturing of mobile phone devices.

- The Act has ratified the amendment made through Tax Laws (Third Amendment) Ordinance, 2021 dated 15 September 2021 by inserting clause (12BA) whereby imports of thirty million adult 3xPly Knit face masks received as humanitarian assistance from M/s HANES Brands Inc. North Carolina, USA for distribution within the population of Lahore Division, Government of the Punjab was exempted from the application of section 148 of the Ordinance.
- Clause (12O) inserted by the Act to exempt application of section 148 on import of drones donated by Ministry of Agriculture and Rural Affairs (MARA), Government of China to Pakistan through Sea Route.
- Clause (12P) inserted by the Act to exempt application of section 148 on import of machinery and equipment as listed in S. No. 32, Part I of Fifth Schedule to the Customs Act, 1969 subject to the same conditions as specified in the said entry.
- The Act has inserted Clause (43H) to exempt application of section 153(1)(b) to an exhibitor or a distributor of a feature film, as a payer, on payment made to a distributor, producer or an importer of a feature film.
- Clause (97A) has been inserted through the Act to provide exemption from sections dealing with taxing of 'capital gains' on immovable property, tax collection on sale / transfer or purchase / transfer of immovable property to National Highway Authority in respect of transfer of immovable property to the Pakistan Global Sukuk Programme Company Limited and in respect of transfer of immovable property to National Highway Authority from the Second Pakistan International Sukuk Company Limited or the Pakistan Global Sukuk Programme Company Limited.

Immunity from tax audit

- The Act has inserted clause (105A) to provide that a taxpayer shall not be selected for tax audit whose income tax affairs have been audited in any of the preceding four tax years. However, Commissioner may select a

person for tax audit with the approval of Federal Board of Revenue.

- The Act has inserted clause (111AC) whereby collection of tax under section 236C and 236K at increased rate of 100 percent and 250 percent respectively of the tax required to be collected, shall not apply to non-resident individuals holding Pakistan Origin Card (POC) or NICOP in respect of sale and purchase transactions of immovable property.
- Clause (120) inserted to provide that the provisions of advance tax paid to collection agents at import stage and deduction of tax at source as required in Divisions II and III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax shall not apply to the persons mentioned in Table 1 of clause (66) of Part I of the Second Schedule as recipients of payment. However, they shall continue to act as withholding and collecting agent.

Exemptions withdrawn

Minimum tax on Special Economic Zones

The Act has omitted sub-clause (xlii) of clause (11A) which provided exemption from applicability of provisions of section 113 to Zone Enterprise as defined in the Special Economic Zones Act, 2012.

Exemptions in respect of unexplained income or assets

The Act has omitted clause (86) which provided exemption from applicability of provisions of section 111 to certain persons.

FOURTH & FIFTH SCHEDULES

Super tax on insurance business, petroleum exploration & production business

Consequent upon insertion of new section 4C "Super tax on high earning persons" through the Act, super tax has been levied on insurance business and petroleum exploration and production business from tax year 2022 onwards as per the rates mentioned below:

S. No.	Income under section 4C	Rate
1.	Where income does not exceed Rs.150 million	0 % of the income
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1 % of the income
3.	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2 % of the income
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3 % of the income
5.	Where income exceeds Rs. 300 million	4 % of the income

SEVENTH SCHEDULE

Taxation of Banking Companies

Super tax under section 4C is applicable from tax year 2022 except for banking companies as according to charging provisions, banking companies are not liable to pay super tax for tax year 2022; however, the Seventh Schedule provides for such tax to be applicable for tax year 2022 as well. Federal Board of Revenue (FBR) is expected to clarify this ambiguity through explanatory circular

The Act has enhanced the rate of tax for taxable income attributable to investment in the Federal Government securities earned by banking companies. Through Finance Act, 2021 the additional income earned from additional investment in Federal Government securities was restricted at the rate of 37.5 percent for tax years 2020 and 2021 and for tax year 2022 onwards the rates were prescribed under sub-Rule 6A. The newly enhanced rates on such income as per substituted sub-rule (6A) as per the Act are as follows:

S. No.	Condition	Existing	Proposed
1	if the gross advances to	40%	55%

S. No.	Condition	Existing	Proposed
	deposit ratio as on last day of the tax year is up to 40%		
2	if the gross advances to deposit ratio as on last day of the tax year exceeds 40% but does not exceed 50%	37.5%	49%
3	if the gross advances to deposit ratio as on last day of the tax year exceeds 50%.	35%	35% (for tax year 2022) 39% (for tax year 2023 onwards)

Further, by way of inserting an Explanation, it has been clarified that the tax rate under this sub-rule is applicable to total income attributable to total investment in Federal Government securities.

TENTH SCHEDULE

Rate of deduction or collection of tax for persons not appearing in Active Taxpayers' List [ATL]

The Act has increased collection of tax as follows in case of persons not appearing in ATL:

- tax required to be collected by motor vehicle registering authority or manufacturer of motor cars and jeep by 200% of the rate specified in First Schedule; and
- the tax required to be collected by a person responsible for recording purchase or transfer of immoveable property by 250% of the rate specified in First Schedule.

As per the Act the provisions of Tenth Schedule shall not apply in case of tax collection from proceeds from export of services.

Consequential / editorial changes have been made for non-application of Tenth Schedule in respect of following tax withholding provisions due to their omission:

S. No.	Tax deduction / collection under section	Description
1	156B	Withdrawal of balance under pension fund
2	236I	Fee payment to educational institution
3	236Q	Payment to residents for use of machinery and equipment

TWELFTH SCHEDULE

Advance tax on imports

Shifting from Part I to Part II

The Act has moved the following item from Part I to Part II of Twelfth Schedule whereby the tax Collection at import stage will increase from 1% to 2% (3.5% for commercial importers):

S. No	PCT Code	Description
1	72.04	Ferrous waste and scrap; re-melting scrap ingots of iron or steel

Shifting from Part II to Part I

The Act has moved the following item from Part II to Part I of Twelfth Schedule whereby the tax Collection at import stage will reduce from 2% (3.5% for commercial importers) to 1%:

S. No	PCT Code	Description
1	07.01	Potatoes, fresh or chilled
2	0702.0000	Tomatoes, fresh or chilled
3	07.03	Onions, shallots, garlic, leeks and other alliaceous

S. No	PCT Code	Description
		vegetables, fresh or chilled
4	1006.1010	Seed for sowing
5	27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal

Insertion of items in Part II

The Act has inserted the following new items in Part II which attracts reduced tax collection at import stage at the rate of 2% (3.5% for commercial importers):

S. No.	PCT Code	Description
1	3919.9020	PVC electric insulation tapes in logs exceeding 100 cm
2	8504.3100	SMD Inductors for LED bulb and lights
3	8504.4090	Constant Current Power Supply of LED lights and bulbs
4	8532.2200	Electrical Capacitors Aluminum Electrolytic for LED bulbs and lights
5	8539.9020	Base Cap for all kinds of LED bulbs
6	8539.9090	Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED bulbs
7	8539.9090	Housing / Shell, Shell Cover and Base Cap for all kinds of LED Bulbs
8	9001.9000	Lenses for LED Bulbs and Lights
9	9405.1090	Housing / Shell, Shell Cover and Base Cap for all kinds of LED lights

S. No.	PCT Code	Description
10	9405.9900	Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED lights

THIRTEENTH SCHEDULE

Tax credit allowed to donors for donation to specified entities

The Act has ratified the amendment made through the Tax Laws (Third Amendment) Ordinance, 2021 whereby all the entities appearing in Table – I of Clause (66), Part I of the Second Schedule to Ordinance 2001 are now part of Thirteenth Schedule for the purpose of Section 61 of the Ordinance enabling the donor to claim tax credit on donation to these entities as well.

Sales Tax Act, 1990

Definition of goods & supply enhanced

The Act has included production, transmission, and distribution of electricity in the definition of goods. Similar corresponding amendment has also made in definition of supply.

Definition of sales tax revised

The Act has revised the definition of sales tax whereby fee and services charges imposed and collected under section 76 of Act, 1990 are excluded from the ambit of sales tax.

Scope of Tier-1 retailer definition enhanced

Section 2(43A) provides threshold limit and qualification criteria for tier-1 retailers. The Bill has proposed to enhance the scope of definition through inclusion of person engaged in supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal in the ambit of definition of Tier-I retailer.

The Act has enacted the above proposal by excluding a person whose shop measures 300 square feet in area or less.

Value of supply of electric power & gas

Sub clause (i) of section 2(46) specify the meaning of value of supply in case of supply of electric power and gas by a distribution company, the total amount billed including price of electricity and natural gas, charges, rents, commissions and all duties and taxes local, Provincial and Federal but excluding the amount of late payment surcharge and the amount of sales tax.

The Act has inserted the explanation to above sub-clause whereby it is clarified that the value of supply does not include the amount of subsidy provided by the Federal Government or Provincial Governments to the electricity consumers and has never been chargeable to tax under the Act, 1990.

Scope of tax enhanced

Section 3 of the Act, 1990 deals with the scope of tax. The Act has made following amendments in the aforesaid section;

- Further tax is charged at the rate of three percent [3%] on taxable supply made to person who do not hold registration number.
- Now in addition to the requirement of obtaining registration number the person also needs to have an active taxpayer status to avoid levy of further tax.
- Section 3(7) provides for withholding tax on purchase of goods or services as per Eleventh Schedule of Act, 1990. The Act has clarified that "Services" does not include services provided under the Provincial laws.

Online marketplace facilitating sale of third-party goods was obliged to withhold tax at the rates specified in Sr. No. 8 of the Eleventh Schedule of the Act, 1990 through proviso in sub section 7 which was previously introduced through Tax Laws (Third Amendment) Ordinance, 2021.

Upon lapse of the above Ordinance, the Act has introduced the same proviso in sub-section 7, which states that in case of online market place facilitating sales of third party goods, it is the responsibility of online market place operator to withhold the sales tax at the rates specified in Sr. No. 8 of the Eleventh Schedule of the Act, 1990.

- Tax charged from retailers other than those falling in Tier – I has amended by the Act as follows under section 3 of the Act, 1990.

Old Rate		New Rate	
Rate %	Monthly bill of electricity (Rs.)	Rate Rs.	Monthly bill of electricity Rs.
5%	Where monthly bill of electricity does not exceed 20,000	Rs. 3,000 per month	Where monthly bill of electricity does not exceed 30,000
7.5%	Where monthly bill of electricity exceeds 20,000	Rs. 5,000 per month	Where monthly bill of electricity exceeds 30,000 but does not

Old Rate		New Rate	
Rate %	Monthly bill of electricity (Rs.)	Rate Rs.	Monthly bill of electricity Rs.
			exceed 50,000
		Rs. 10,000 per month	Where monthly bill of electricity exceeds 50,000

- The Act has further provided that above tax rates shall be increased by 100% if the name of the person is not appearing in Active Taxpayers List.
- Enhanced the powers of the Board by adding proviso to section 3(9) regarding inclusion of any persons through general orders to pay rupees two hundred thousand [200,000] per month through their monthly electricity bill.
- To enhance the powers of the Board by inserting a new sub-section 11 after the repealed sub-section 10 of Section 3 which authorizes the Board to require any person or class of persons to integrate their invoice issuing machines with the Board's computerized system for real time reporting of sales.

Time and manner of payment

Section 6 of Act, 1990 deals with the time and manner of payment of sales tax. The Act has provided relaxation in payment of sales tax on installment basis. This relaxation is restricted to Federal government or Provincial government or Public sector organization in respect of import or supply of goods subject to such conditions as it may impose in notification.

Input tax credit

The Finance Act 2019 inserted clause (m) in section 8(1) whereby input tax attributable to the supplies and services made to unregistered persons shall not be allowed on proportionate basis out of total supplies, where the sale invoices do not bear the NIC numbers or NTN of the unregistered persons.

The Act has replaced the expression "Person" with "Distributor" in aforesaid clause (m). Consequently, input tax on supplies and services made to distributor will be disallowed on proportionate basis if NIC numbers or NTN of the distributor is not mentioned on the invoice.

Relief earlier allowed to listed companies withdrawn

Section 8B deals with input tax adjustment and inter-alia provides that registered person shall not be allowed to adjust the input tax in excess of 90% of the output on supply of goods for a tax period. However, such restriction of adjustment of input tax does not apply to public limited companies listed on Pakistan Stock Exchange.

The Act has done away with the above relaxation meaning thereby to treat the listed companies at par with non-listed companies with regard to adjustment of input tax in excess of the 90% of the output.

Discontinuance of gas and electricity connections reintroduced

The Board was given power through section 14A which was previously introduced through Tax Laws (Third Amendment) Ordinance, 2021 to direct the gas and electricity distribution companies for discontinuing the gas and electricity connections of any person who fall in the following categories:

- Any person, including tier-1 retailers, who fail to register for sales tax purposes; or
- Notified tier-1 retailers registered but not integrated with the Board's computerized Computer system.

Subsequent to registration or integration of the above persons, the Board shall notify the restoration of their gas or electricity connections.

Upon Repeal of the above Ordinance, the Act has introduced section 14AB which contains the similar provisions as were introduced through Section 14A previously.

Requirement of CNIC and NTN on invoice

Under clause (b) of section 23(1) of Act, 1990, tax invoice shall inter alia bear the CNIC number or NTN in case of supplies made to unregistered

persons, excluding supplies made by a retailer where transaction value inclusive of sales tax does not exceed Rs. 100,000.

The Bill has omitted the requirement of stating CNIC number and NTN on the invoice.

The Act has enacted the above change and further provided that in case of supplies by manufacturer or importer to unregistered distributor, the NIC or NTN of such unregistered distributors, as the case may should be mentioned on the invoice.

Offence and penalties

The Act has introduced following amendments in section 33 dealing with offences and penalties.

- The Act has substituted Serial No. 25A dealing offence of non-integration of business with reference to section 3(9A). As per the substituted entry penalty would be levied in the following manner:

Entry No.	Penalty
25A	
First Default	Five hundred thousand rupees
Second Default	One million rupees after fifteen days of order for first default;
Third Default	Two million rupees after fifteen days of order for second default;
Fourth Default	Three million rupees after fifteen days of order for third default:
	Notwithstanding above, the business premises of such person shall be liable to be sealed by an officer of Inland Revenue in the manner prescribed: Provided that if the retailer integrates his business with the Board's Computerized System before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner.

- The scope of penalty relating to avoidance of monitoring, tracking, reporting or recording of transactions is proposed to be extended

to mentioning of QR codes in addition to invoice number or bar codes.

Proceedings against authority and person

The Finance Act, 2019 introduced section 33A whereby the Board shall prescribe rules for initiating criminal proceedings against any authority including any officer or official who willfully and deliberately commits or omits an act which results in undue benefit or advantage to the authority or the officer or official or to any other person.

The Act has omitted the aforesaid section. Earlier no such proposal was made through Bill.

Alternative dispute resolution

The concept of alternative dispute resolution was first introduced by the Finance Ordinance, 2002 to provide an avenue for the expeditious settlement of disputes between the Board and taxpayers and to reduce the high pendency of cases at various appellate forums.

These provisions were revised from time to time in order to make the mechanism more effective. The Act has again substituted the provisions relating to alternative dispute resolution under section 47A of the Act, 1990. Following are the salient features of the new scheme:

- The aggrieved person may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated.
- The dispute should be in relation to:
 - the liability of tax of one hundred million and above against the aggrieved person or admissibility of refund, as the case may be;
 - the extent of waiver of default surcharge and penalty; or
 - any other specific relief required to resolve the dispute
- The application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute, including an offer

of tax payment, from which, the applicant would not be entitled to retract.

- The Board after examining the application shall appoint a Committee within 45 days of receipt of application consisting of Chief Commissioner Inland Revenue having jurisdiction over the case, and person to be nominated by the aggrieved person from a panel comprising of Chartered Accountants, Cost and Management Accountants, Advocates, having minimum of ten years' experience in the field of taxation, officer of Inland Revenue who have retired in BS 21 or above and reputable businessmen.
- The aggrieved person shall not nominate a Chartered Accountant or an advocate if the said Chartered Accountant or the advocate is or has been an auditor or an authorized representative of the registered person.
- The aggrieved person, or the Commissioner, or both, as the case may be, shall withdraw the appeal pending before any court of law or an Appellate Authority and communicated the withdrawal order to the Board within 75 days of the appointment of committee. In case of failure to communicate the withdrawal order the committee shall be dissolved.
- The committee will be required to pass the order within 120 days of its appointment.
- The decision of the committee shall not be cited or taken as precedent in any other case or in the same case for different tax year.
- The recovery of tax payable shall be deemed to have been stayed on withdrawal of appeal to the decision of the committee or the dissolution of the committee whichever is earlier.
- The decision of the committee shall be binding on the Commissioner and the aggrieved person.
- If the committee fails to decide the dispute within the period of 120 days, the Board shall dissolve the committee and the matter shall be decided by the appellate authority and the withdrawn appeal of the taxpayer shall stand reinstated.
- The aggrieved person shall communicate the order of dissolution to appellate authority

which shall decide the appeal within six months of the communication of the order.

Third Schedule

The Act has substituted the expression "3402.2000" with words "Respective heading" in serial number 7 for detergents.

The Act has also omitted serial number 32 with description as "Fertilizers" from Third Schedule.

Fifth Schedule

Zero Rating Withdrawn

The Act has omitted entry no. 19 from Fifth Schedule of Act, 1990. The above entry provides zero rating on Drugs registered under the Drugs Act, 1976), or medicaments as classified under chapter 30 of the First Schedule to the Customs Act, 1969 except PCT heading 3005.0000

Zero Rating Introduced

The Act has inserted entry No. 21 in Fifth Schedule of Act, 1990. This entry provides zero rating on local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions as specified therein

Amendment in Schedule

Zero rating has been provided on import & supply of fat filled milk excluding that sold in retail packing under a brand name or trademark.

The Act has amended serial no. 17 to provide zero rating on import & supply of fat filled milk.

Sixth schedule

Exemptions Introduced Table I

The Act has introduced exemption on following items in Table-I of Sixth Schedule of Act, 1990:

Entry No.	Description of goods
163	Goods imported by various agencies of the United Nations, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under

Entry No.	Description of goods
	<p>various Acts and, Orders, rules and regulations made thereunder; and agreements by the Federal Government:</p> <p>Provided that such goods are charged to zero-rate of customs duty under the Customs Act, 1969 (IV of 1969), and the conditions laid therein.</p> <p>Provided further that exemption under this serial shall be available with effect from the 15th day of January 2022.</p>
164.	Photovoltaic cells whether or not assembled in modules or made up into panels
165.	Goods imported by or donated to hospitals run by the non-profit making institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969, (IV of 1969).
166.	Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.
167.	Goods temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate of customs duty subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969 (IV of 1969).
168.	Fertilizers
169.	Oil cake and other solid residues
170.	Tractor
171.	Seeds for sowing
172.	Machinery, equipment and materials imported either for exclusive use within the limits of Export Processing Zone or for making exports therefrom, and goods imported for warehousing purpose in Export Processing Zone, subject to the conditions that such machinery, equipment, materials and goods are imported by investors of

Entry No.	Description of goods
	Export Processing Zones, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (IV of 1969) and rules made thereunder shall mutatis mutandis, apply.
173.	Goods produced or manufactured in and exported from Pakistan which are subsequently imported in Pakistan within one year of their exportation, provided conditions of section 22 of the Customs Act, 1969 (IV of 1969), are complied with.
174.	Machinery and equipment as listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969 (IV of 1969), subject to the conditions, limitations and restrictions specified thereunder.

Table II

The Act has inserted exemption on following items in Table-II of Sixth Schedule of Act, 1990:

Entry No.	Description of goods
52.	Raw hides and skins
53.	Prepared food or foodstuff supplied by Restaurants and caterers
54.	All types of breads, nans and chapattis.

Table III

The Act has inserted exemption on following items in Table-III of Sixth Schedule of Act, 1990:

Entry No.	Description of goods
22	1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through hydel, oil, gas, coal, nuclear and renewable energy sources including under construction projects entered into an implementation agreement with the Government of Pakistan

Entry No.	Description of goods
	<p>prior to 15th day of January 2022.</p> <p>2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.</p> <p>Conditions:</p> <p>This concession shall also be available to primary contractors of the project upon fulfilment of the following conditions, namely:-</p> <p>(a) the contractor shall submit a copy of the contract or agreement under which he intends to import the goods for the project;</p> <p>(b) the Chief Executive or head of the contracting company shall certify in the prescribed manner and format as per Annex-A that the imported goods are the projects bona fide requirement; and</p> <p>(c) the goods shall not be sold or otherwise disposed of without prior approval of the FBR on payment of sales tax leviable at the time of import;</p> <p>(ii) temporarily imported goods shall be cleared against a security in the form of a post-dated cheque for the differential amount between the statutory rate of sales tax and the amount payable along with an undertaking to pay the sales tax at the statutory rates in case such goods are not re-exported on conclusion of the project.</p>

Exemption withdrawn

Table I

The Act has withdrawn exemption currently available on following items in Table-I of Sixth Schedule.

Following Tariff Heading in Serial no. 13 of the Table 1 of Sixth Schedule are withdrawn:

Tariff heading withdrawn	Description of goods
0709.5910	Globe artichokes

Tariff heading withdrawn	Description of goods
0709.5990	Mushrooms, Shiitake, Matsutake, Truffles (others)

Table II

The Act has withdrawn exemption currently available on following items in Table-II of Sixth Schedule:

Tariff Heading withdrawn	Description of goods
Respective headings	"Breads", and "nans, chapattis", and "restaurants, food chains".
0701.9000	Supply of ware potato and
0703.1000	onions

Exemption substituted

Table I

The Act has substituted following items through Table-I of Sixth Schedule as following:

Entry No.	Previous description of good	New description of goods
32.	Newsprint and educational textbooks but excluding brochures, leaflets and directories.	Newsprint and books but excluding brochures, leaflets and directories.

The Act has added following description in the following entries of Table-I of Sixth Schedule:

Entry No.	Previous description of good	New description of goods
137	Paper weighing 60 g/m ² , art paper and printing paper for printing of Holy Quran imported by Federal or Provincial Governments and Nashiran-e-Quran as per quota determined by IOCO	Paper weighing 60 g/m ² , art paper, printing paper and art card for printing of Holy Quran imported by Federal or Provincial Governments and Nashiran-e-Quran as per quota determined by IOCO

A new tariff heading has been added in serial no. 137 of Table-I of Sixth Schedule:

Tariff heading added	Description of goods
4810.2900	Other Papers

Following description of the tariff headings are substituted in Table-I of Sixth Schedule:

Entry No.	Previous Tariff heading	Description of good	New heading of goods
45	9027.8000	Other Instruments and Apparatus	Respective headings
120	3822.0000	Diagnostic kits or equipment etc..	Respective headings
133	2930.9090 2931.0010 2931.0090 2932.2920 2933.3930 2941.9050 3402.1110 3402.1190 3402.1290 3402.1300 3402.1990	Pesticides and their active ingredients etc.	Respective headings

Table II

The Act has added description in the following entries of Table-II of Sixth Schedule:

Entry no	Previous description of good	New description of goods
45	Edible vegetables including roots and tubers, except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned	Edible vegetables including roots and tubers whether fresh, frozen or otherwise reserved (e.g. in cold storage) but excluding those bottled or canned.

The following tariff headings are substituted in Table-II of Sixth Schedule:

Entry no	Previous Tariff heading	Description of goods	New heading of goods
32	0403.1000	Yogurt	Respective heading

Table IV

The following tariff headings are substituted in serial no. 80 of Table-IV of Sixth Schedule:

Entry no	Description	Previous tariff heading	New tariff heading
80	Yogurt	0403.1000	0403.2000

Eight Schedule – Table I Reduced rate withdrawn

The Act has withdrawn reduced rate of sales tax currently available on following items under Table-I of Eighth Schedule:

Entry no.	Description of goods	Rate of sales tax
25.	Agricultural tractors.	5%
52.	Fertilizers (all types)	2%
60.	Fat filled milk	10%
75	Import of electric vehicles in CBU conditions	12.5%

Eight Schedule – Table – I Reduced rate introduced

The Act has inserted following items in Table-I of Eighth Schedule for application of reduced rate of sales tax:

Entry no.	Description of goods	Rate	Condition
78.	Supply of locally manufactured articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.	3%	No input tax shall be adjusted.
79.	Electricity vehicle in CBU condition of 50 kwh battery or below.	12.5%	
80.	EV transport buses of 25 seats or more in CBU condition.	1%	
81.	Manufacture or import of	1%	Subject to the conditions

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

Eight Schedule – Table – I

Amendments

The Act has amended following entries in Table-I of Eighth Schedule:

- Under Serial No. 47, locally produced coal, is subject to sales tax at Rs. 425 per metric tonne or 17% ad valorem, whichever is higher. The Act has enhanced the sales tax rate to Rs. 700 per metric tonne or 17% ad valorem, whichever is higher.
- In serial number 53, the Act has substituted the expression “9405,4090” with words “Respective headings”.
- Under Serial No. 56, presently import and supply of Potassium Chlorate (KCLO3) is chargeable to sales tax at the rate of 17% along with rupees 90 per kilogram. The Act has now reduced the rate to 17% along with rupees 60 per kilogram.

Eleventh Schedule

Amendment

- The Act has omitted application of withholding tax exemptions on following goods and supplies;
 - (i) Electrical energy; (ii) Natural Gas; (iii) Petroleum Products as supplied by petroleum production and exploration companies, oil refineries, oil marketing companies and dealers of motor spirit and high speed diesel; (iv) Vegetable ghee and cooking oil; (v) Telecommunication services; (vi) Goods specified in the Third Schedule to the Sales Tax Act, 1990; (vii) Supplies made by importers who paid value addition tax on such goods at the time of import; (viii) Supplies made by an Active Taxpayer as defined in the Sales Tax Act, 1990 to another registered persons with exception of advertisement services.
- The Act has excluded companies exporting surgical instruments from ambit of withholding agent by making substitution under serial no. 4.
- Under serial no. 7 in column (3), the expression “8548.1010” and “8548.1090”

the words “Respective headings” shall be substituted.

- Under serial no. 8, online marketplace is currently withholding sales tax at 2%. The Act has reduced the rate to 1%.

Twelfth Schedule

Amendment

Twelfth Schedule prescribes minimum value addition tax levied and collected on imports of taxable goods at the rate of 3% subject to certain exclusions such as raw materials and intermediary goods imported by a manufacturer for in house consumption.

Now the Act has mentioned to collect minimum value addition tax on compressor scrap (PCT heading 7204.4940), motor scrap (PCT heading 7204.4990) and copper cable cutting scrap (PCT heading 7404.0090) on imports by manufacturer for in house consumption.

Federal Excise Act, 2005

Table – 1 of First Schedule

The Act has enhanced FED rates on locally produced cigarettes with revision in threshold of printed on-pack retail price as follows:

S. No.	Description of Goods	Existing rate	Enacted FED rate
9	Locally produced cigarettes if their on- pack printed retail price exceeds Rs.6,660 per thousand cigarettes	Rs. 5,200 per thousand cigarettes	Rs. 5,900 per thousand cigarettes
10	Locally produced cigarettes if their on- pack printed retail price does not exceed Rs.6,660 per thousand cigarettes	Rs. 1,650 per thousand cigarettes	Rs. 1,850 per thousand cigarettes

The Act has rationalized FED rates on certain goods as follows:

S. No.	Description of services	Existing		Enacted	
		Tariff Heading	FED rate	Tariff Heading	FED rate
8a	E-liquids by whatsoever name called, for electric cigarette kits	Respective heading	Rs. 10 per ml	Respective heading	Rs. 10,000 per Kg
8c	Tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without	2403.9990	Rs. 5,200 per Kg	Respective heading	Rs. 5,200 per Kg

S. No.	Description of services	Existing		Enacted	
		Tariff Heading	FED rate	Tariff Heading	FED rate
	combustion.				
35	Other liquified petroleum gases and gaseous hydrocarbons	2711.1900	Rs. 17.18 per hundred cubic meters	2711.1900	Rs. 60 per hundred metric tonne
56	Filter rod for cigarettes	5502.9090	Re.1 per filter rod	Respective heading	Rs.1,500 per Kg

Table -II of First Schedule

The Act has enhanced FED rates on certain excisable services as follows:

S. No.	Description of services	Existing rate	Enacted FED rate
3 (b) (ii)	Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan in Club, business and first class.	Rs.10,000	Rs. 50,000
6	Telecommunication services, excluding such services in the area of a Province where such Province has imposed Provincial sales tax and has started collecting the same through its own Board or Authority, as the case may be	16%	19.5%

Exclusion of fees and service charges from definition of duty

Through Finance Act 2019, section 49 was inserted which empowers the Board to levy fee and service charges for valuation etc.

The Act excludes aforesaid fee and service charges from the definition of the term “duty” for the purpose of FE Act, 2005.

Proceedings against authority

Section 19A empowered the Board to prescribe rules for initiating criminal proceedings against specified authority for willful and deliberate commission and omission of an act resulting in benefiting the authority or any person. This section has been omitted through the Act.

Alternate Dispute Resolution [ADRC]

The Act has substituted the provisions relating to ADRC in line with similar amendments made in provisions for ADRC in Income Tax Ordinance, 2001 and Sales Tax Act, 1990.

Condonation of time limit

Under Section 43, the Board is empowered to extend the time limit for any act to be done. The Courts have interpreted that the said power conferred on the Board is not blanket and must be exercised before the expiry of time period prescribed for any act.

Through the Act, the power of the Board to condone the time limit has been broadened whereby this power can be exercised by the Board even after expiry of prescribed time period.

The Customs Act, 1969

Fifth Schedule (Reduced Rate)

New insertions in the Schedule

Part I

Description	H.S Code	Duty rate
Aluminum Electrolytic capacitor	8532.2200	0%
SMT Electrical Transformer	8504.3100	0%
Aluminum sheet	7606.1200 7606.9190	0%
Tantalum capacitors (DIP/SMD)	8532.2100	0%
Other inductors, small transformer, coil (DIP/SMD)	8504.4090 8504.5000	0%

Part II (Table A)

Description	H.S Code	Duty rate
Active Pharmaceutical Ingredients		
Acetone	2914.1100	0%
Anti-Foam	3824.9999	0%
Acetic Anhydride	2915.2400	0%
(+) - (1S,2S)-2-Methylamino-1-Phenylpropan-1-OL Base	2939.4900	0%
4-(N-Acetyl) Amino-N1-(5-Methyl-3-Isoxazolyl) Benzenesulfonamide	2935.9090	0%
Add (1RS,2RS)-2-(dimethylamino) methyl)-1-(3-methoxyphenyl) cyclohexanol	2942.0000	0%
5-(2,4,5-trimethoxyphenyl) methyl) pyrimidine-2, 4-diamine (TMP Technical)	2933.5920	0%

Description	H.S Code	Duty rate
Para-Amino-Phenol	2922.2900	0%
Add 2-(4-Isobutylphenyl) Propionic Acid Crude	2916.3990	0%
Racemic-2-(4(4-chlorophenyl)phenyl methyl)-1 piperazin Ethanol (Crude)	2933.5990	0%
1-[1-[[[(1 R)-1-(3-(1 E)-2-(7-chloro-2 quinoliyl)phenyl]-3-[2(1-hydro xylmethyl)ethyl)phenyl]propyl]t hiomethyl cyclopropane acetic acid (montelukast acid pure)	2933.4990	0%
1-cyclopropyl- 6-fluro-4 oxo-7 piperazine-ylquinoline - 3 carboxylic acid - hydrochloric acid (crude)	2933.5990	0%
1-Cyclopropyl- 6-fluoro-1,4dihydro-8-methoxy-7((4as,7as)-octahydro-6H-pyrrolo(3,4-b)pyridine 6-yl)-4-oxo-3-quinolinecarboxylic acid	2933.4920	0%
9,10-Difloro-2,3-dihydro-3 methyl-7-oxo-7Hpyrido[1,2,3-de]-1,4-benzoxazine-6 carboxylic acid crude	2934.9990	0%
(S)-(-)-9 floro-2,3 Dihydro-3-Methyl-10-14Methyl-1-piperaziny)-7-oxo-7H- pyrido (1,2,3 de)1,4-Benzoxzine-6-Carboxylic acid hemihydrates Crude	2933.4990	0%
Sitagliptin Free Base	2933.5990	0%
2-(2-chlorophenyl)-2-(methylamino cyclohexanone (Ketamine Base)	2922.3900	0%
Glacial Acetic Acid	2915.1100	0%
Activated carbon	3802.1000	0%
Sodium Hydro-Sulfite	2831.1010	0%
Methanol	2905.1100	0%

Description	H.S Code	Duty rate
Potassium Hydroxide	2815.2000	0%
Dimethylformamide	2924.1990	0%
n-heptane	2901.1090	0%
Ethylene diamine tetra acetic acid	2921.2100	0%
Iso Propyl Alcohol	2905.1220	0%

Part III

Description	H.S Code	Duty rate
Raw materials/inputs for poultry and textile sector; other goods		
Stamping foils	3212.1000	0%
Dyed	5407.9200	5%
Of yarns of different colours	5407.9300	5%
Printed	5407.9400	5%
Of other materials	6702.9000	5%
Poly-butylene terephthalate	3907.7000	0%
Membrane for filtering or purifying water	8421.2100	0%
Carbon Fiber Composite Core	8545.9090	0%
Flavouring powders for food preparation	2106.9030	3%
Following Raw Materials for the manufacturing of Filters other than automotive: -		
Adhesive	3506.9190	5%
Epoxide resins	3907.3000	
Filter media/paper	4811.5990 4811.9000	
Non-woven fabric media	5603.9200 5603.9300 5603.9400	
Steel plates/sheets of prime quality	Respective heading	
Smartphones	8517.1390	0%

Description	H.S Code	Duty rate
Smartphones in CKD / SKD conditions	8517.1310	0%

Part-VII (Table-B)

Description	H.S Code	Duty rate
Miscellaneous		
Glycerol, crude; glycerol waters and glycerol lyes.	1520.0000	7%

Omission from the Schedule

Part-II (Table-A)

Description	H.S Code	Duty rate
Active Pharmaceutical Ingredients		
Sitagliptin Phosphate Monohydrate	2933.5990	0%
Trimethoprim	2933.5990	0%
Protacine (Proglumet, Dimaleate)	2933.5990	0%

Part-III

Description	H.S Code	Duty rate
Raw materials/inputs for poultry and textile sector; other goods		
Unsaturated Polyester Resin (UPR)	3907.9100	5%
Petroleum oils and oils obtained from bituminous minerals, crude	2709.0000	2.5%

Part-VII (Table-B)

Description	H.S Code	Duty rate
Miscellaneous		
Motor spirit	2710.1210	10%
Polymers of ethylene, in primary forms	3901.0000`	3%
Polymers of propylene or of other olefins, in primary forms	3902.0000	3%

Change in rate from the Schedule**Part-I**

Description	H.S Code	Existing rate	Enacted rate
1. Agricultural Machinery			
Tractor mounted trencher	8701.9220 8701.9320	2%	0%
1(C). Irrigation, Drainage and Agro-Chemical Application Equipment			
Tubewells filters or strainers.	8421.2100	2%	0%
1(D). Harvesting, Threshing and Storage Equipment			
Fodder/forage wagon.	8716.8090	5%	0%
1(E). Fertilizer and Plant Protection Equipment.			
Spray pumps (diaphragm type).	8413.8100	5%	0%
All types of mist blowers.	8414.5990	5%	0%
1(G). Post-harvest Handling and Processing and Miscellaneous Machinery.			
Prefabricated CO2 Controlled Stores.	9406.1090 9406.9090	2%	0%
1(H). Green House Farming and Other Green House Equipment.			
Geo-synthetic liners (PP/PE Geo synthetic films of more than 500 microns).	3921.9010 3921.9090	3%	0%

Description	H.S Code	Existing rate	Enacted rate
Greenhouses (prefabricated).	9406.1010 9406.9010	5%	0%
1(I). Machinery, Equipment and Other Capital Goods for Miscellaneous Agro-Based Industries like Milk Processing, Fruit, Vegetable or Flowers Grading, Picking or Processing etc.			
Evaporators for juice concentrate	8419.8990	5%	0%
Machinery used for dehydration and freezing.	8418.6990	5%	0%
Heat exchange unit.	8419.5000	5%	0%
Machinery used for filtering and refining of pulps/juices.	8421.2200	5%	0%
1(J). Horticulture and Floriculture			
Machines for making cartons, boxes, cases, tubes, drums or similar containers, other than by moulding	8441.3000	5%	0%
PU panels (Insulation).	Respective headings	5%	0%
Generator sets 10 to 25 KVA.	8502.1120 8502.1130	5%	0%
Refrigerating machines with engine fitted on common base for refrigerated containers.	8418.6920	5%	0%
Other refrigerating or freezing chests, cabinets.	8418.5000	5%	0%
Tubes, pipes and hollow profiles of iron and steel.	7304.3100 7304.3900	5%	0%
1(K). Fish or shrimp farming and seafood processing machinery and equipment.			
Compressor	8414.8090	5%	0%
Generator	8502.1130 8502.1190	5%	0%
Condenser	8502.1200	5%	0%
Boast freezer	8418.3090	5%	0%

Description	H.S Code	Existing rate	Enacted rate
Fiber glass tubs	8418.4090	5%	0%
Insulated plants	7019.9090	5%	0%
Flake ice plants	8418.6990	5%	0%
Water aerators	8414.8090	2%	0%
2. Machinery and equipment for development of grain handling and storage facilities including silos.	Respective Headings	0%, 3%, 5%	0%
3. Cool chain machinery, equipment including Capital goods.	Respective Headings	0%, 3%, 5%	0%
32. Cinematographic equipment imported during the period commencing on the 01 July 2018 and ending on the 30 June 2023.			
Projector	9007.2000	3%	0%
Parts and accessories for projector	9007.9200	3%	0%
Other instruments and apparatus for cinema	9032.8990	3%	0%
Screen	9010.6000	3%	0%
Cinematographic parts and accessories	9010.9000	3%	0%
3D Glasses	9004.9000	3%	0%
Digital Loudspeakers	8518.2200	3%	0%
Digital Processor	8519.8190	3%	0%
Sub-woofer and Surround Speakers	8518.2990	3%	0%
Amplifiers	8518.5000	3%	0%
Audio rack and termination board	7326.9090 8537.1090	3%	0%
Music Distribution System	8519.8990	3%	0%
Seats	9401.7100	3%	0%
Recliners	9401.7900	3%	0%

Description	H.S Code	Existing rate	Enacted rate
Wall Panels and metal profiles	7308.9090	3%	0%
Step Lights	9405.4990	3%	0%
Illuminated Signs	9405.6100 9405.6900	3%	0%
Dry Walls	6809.1100	3%	0%
Ready Gips	3214.9090	3%	0%

Part-II (Table-A)

Description	H.S Code	Existing rate	Enacted rate
Active Pharmaceutical Ingredients			
Ossein Mineral Complex	2106.9090	20%	0%

Part-II (Table B)

Description	H.S Code	Existing rate	Enacted rate
Excipients / Chemicals			
Other vegetable saps and extracts (Pharmaceutical grade)	1302.1900	5%	10%

Part-III

Description	H.S Code	Existing rate	Enacted rate
Raw Materials/Inputs for Poultry and Textile Sector; Other Goods			
Other	3005.9090	5%	0%
Other	3920.2090	5%	0%
Other woven fabrics (Dyed)	5407.5200	5%	0%

Part-VII (Table-B)

Description	H.S Code	Existing rate	Enacted rate
Miscellaneous			
Containing by weight more than 50 % of graphite or other carbon or of a mixture of these products	6903.10 00	15%	3%

Definitions

- In order to curb the menace of smuggling of essential commodities out of Pakistan, a new definition namely “bordering and coastal areas” was proposed to be inserted through the Bill under section 2(bbc) to mean all districts located along international borders including coastal areas of Pakistan, as notified by Provincial Governments.

However, the Act has restricted the aforesaid definition to mean areas along international borders, as notified by the Board.

- “Standardized information and documents lodged with a single-entry point through Pakistan Single Window” have been included in the definition of “documents” under section 2(kka) in order to align with Pakistan Single Window Act, 2021
- “Essential commodities” which are prone to smuggling out of the country through international borders due to price differential in the international market have been defined under section 2(kkd) which means those items, availability of which are considered vital for domestic use or consumption, as notified by the Board, from time to time, in consultation with ministries concerned.
- “Other government agencies” have been defined under section 2(oa) in line with clause (n) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021.
- “Pakistan Single Window” has been defined under section 2(pb) in line with clause (m) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021.

- In order to align with Pakistan Single Window Act, 2021, words “Trade Controls” have been included in the definition of “Risk Management System” under section 2(qb).
- “Essential commodities, as notified by the Board” have been included in the definition of “smuggle” under section 2(s).
- “Trade controls” have been defined under section 2(sa) in line with clause (x) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021
- “Un-authorized access” has been defined under section 2(sb) in line with clause (y) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021.

General power of Federal Government to exempt customs duties

The Act has extended the general power of Federal Government to allow exemption from customs duties from 30 June 2022 to 30 June 2023 through amendment in the second proviso of sub-section 5 of section 19.

Provisional determination of liability

Under section 81(1) where it is not possible to assess goods under section 79 or under section 131 due to chemical testing or any inquiry, the goods may be cleared on the basis of provisional determination of liability.

The Act has inserted a proviso in section 81(1) which shall be deemed to be added on and from 12 May, 2022 restricting applicability of the provisional determination of liability in those cases where a Valuation Ruling has been issued under section 25A irrespective of the fact whether a review or revision against such Valuation Ruling is pending under section 25D or relevant rules.

Presently, six months are provided to finalize the provisional assessment which may further extend to three months in exceptional circumstances under sub-section (2) of section 81. The Act has reduced the said timelines from six months to three months and from three months to one month respectively.

Power to allow warehousing

Presently, under section 98, the Collector of Customs and the Chief Collector of Customs are

empowered to allow warehousing facility. In order to facilitate trade, the Act has revised the power of allowing warehousing facility as under:

1. The Additional Collector of Customs, for a period not exceeding one month
2. The Collector of Customs, for a period not exceeding six months

Frustrated cargo

Presently under section 138(1), goods which are brought into a customs-station by reason of inadvertence or consignee has dishonored his commitments or otherwise, the goods are allowed to be exported without payment of duties. The Act has now provided an option to any other person to clear the goods by changing the consignee name for clearance under section 79.

Offences and penalties

The Act has amended / inserted the following entries in the Table of Offences and Penalties:

S. No.	Offences	Penalties
8(i)	Where any goods including essential commodities as notified by Board is smuggled	Such goods shall be liable to confiscation and any person concerned in offence shall be liable to penalties already specified therein
105(i),(ii), (iii), (iv), (v), (vi), (vii), (viii)	<p>Offences in relation to Pakistan Single Window</p> <ul style="list-style-type: none"> • Un-authorized access to information, data, etc. • Un-authorized copy, transmission, etc. • Un-authorized interference or damage, etc. • Use of any information system, data or intent to commit fraud by any input, alteration, etc. • Use, make, supply, retain, obtain device or software for offences under section 13 of the Pakistan Single Window Act, 2021. • Obtain, sell, 	Imprisonment for specified period or with specified fine or both

S. No.	Offences	Penalties
	<p>process, use or transmit another person's Unique User Identifier or attempt to it</p> <ul style="list-style-type: none"> • Tamper with or attempt, alter or re-program of the system • Write, offer, make available, distribute, or transmit a malicious code with the intent to cause harm to Pakistan Single Window system 	

Power to stop and search conveyance

Under section 164, appropriate officer of customs is empowered to stop any conveyance or aircraft for the purpose of search, etc. However, in case of essential commodities it has been decided through amendment in the Act that the power of search shall only be exercised within bordering and coastal areas, as notified by the Board.

Procedure in case of seizure of essential commodities

A new section 170A has been inserted for explaining procedure in case of seizure of essential commodities, as notified by the Board. The section illustrates that such seized goods shall be deposited in the nearest custom house or the nearest place appointed by the Collector of customs.

Power of adjudication

The Act has enhanced the pecuniary jurisdiction of Additional and Deputy Collector in section 179 in order to rationalize the workload of adjudicating authorities and quick disposal of cases as under:

Adjudicating authorities	Adjudication amount in million	
	Existing	Proposed
Additional Collector	Three	Five
Deputy Collector	One	Two

Wharfage or storage fees and port charges

Presently, under section 203, the Collector of Customs may from time to time fix the period after which goods lying in any customs area or custom-house premises shall be subject to payment of fees as prescribed by the Board.

The Bill proposed to empower Collector of Customs to also fix the port charges on import and export of goods for services rendered by terminal operators, as prescribed by the Board. The Collector of Customs would also be empowered to fix charges for storing seized and confiscated goods, vehicles, etc. in declared State warehouse.

However, the Act has omitted the aforesaid proposal.

Protection of action taken under the Customs Act

Section 217 provides that no suit, prosecution, or other legal proceeding shall lie against the Federal Government or any public servant for anything which is done or intended to be done in good faith in pursuance of the Customs Act.

The Bill proposed to include Provincial Government in this section in order to extend the protection provided in this section to the actions taken in good faith by the officers of Provincial government.

The Act has omitted the aforesaid proposal.

Islamabad Capital Territory

(Tax on Services) Ordinance, 2001

Sales tax on hospitality industry

The services of farmhouses, restaurants and suppliers of food and drinks have also been brought into sales tax net at the rate of 15%.

Reduction in general rate of sales tax

The general rate of sales tax on services has been reduced from 16% to 15%.

Reduced tax rate on services of software or IT-based system development consultants

The rate of sales tax has been reduced to 5% for the services of software or IT-based system development consultants, which can be availed without adhering to any condition.

Reduction in tax rate for call centres

Earlier, the services of call centres were subject to charge of sales tax at 17%. In line with the reduction of general rate of sales tax to 15%, the rate of sales tax for call centres has also been reduced to 15%.

Withdrawal of sales tax on IT and IT enabled services

Earlier, the IT and IT enabled services were chargeable to sales tax at 5%. Sales tax on IT and IT enabled services has now been abolished.

Capital Value Tax, 2022

The concept of Capital Value Tax [CVT] is not new as it was first introduced through Finance Act 1989 whereby CVT was levied on transfer of immovable properties, shares of listed entities, motor vehicles and modaraba certificates. However, through Tax Laws (Amendment) Ordinance 2020, CVT levied through Finance Act 1989 ceased to apply with effect from 17 April 2020.

The Act has now imposed a Capital Value Tax [CVT] on the value of certain assets to be called Capital Value Tax, 2022.

The capital value tax would be levied, charged, collected and paid as follows:

S. No.	Assets / description	Rate
1	Motor vehicle held in Pakistan: (i) where engine capacity exceeds 1300cc (ii) in case of electric vehicles, the battery power capacity exceeds 50kwh	1% of the value
2	Foreign assets of a resident individual where the value of such assets on the last day of the tax year in aggregate exceeds Rupees 100 million	1% of the value
3	Such assets or class of assets as specified by the Federal Government through a notification in the official Gazette	As specified by the Federal Government, not exceeding 5% of the value

Determination of the value

Value of the asset for imposing CVT shall be determined in the manner provided below:

- in case of motor vehicle:

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

- the value of the motor vehicle mentioned in clause (a) shall be reduced by 10 percent for each year from the end of financial year in which the motor vehicle is acquired.

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

- In case of a foreign asset of a resident individual, the value shall be:
 - the **total cost** of the foreign assets on the last day of the tax year, in relevant foreign currency converted into Rupees as per exchange rates notified by State Bank of Pakistan for the said day.
 - where the cost of foreign asset as provided in paragraph (i) cannot be determined with reasonable accuracy, the **fair market value** of the asset on the last day of the tax year, in relevant foreign currency converted into Rupees as per exchange rates notified by State Bank of Pakistan for the said day.
 - in case of assets notified by Federal Government, the value shall be as specified in such notification

Collection or payment of CVT

The CVT shall be collected or paid in the following manner:

- For imported vehicles, to be collected at the time of import of motor vehicle by Collector of Customs. The provisions of the Customs

Act, 1969 shall apply to the collection and payment of such tax.

- For locally manufactured or assembled vehicle, local manufacturer or assembler shall collect tax from the buyer of the motor vehicle.
- any person making sale by public auction or auction by a tender of motor vehicle shall collect tax from the person to whom such motor vehicle is sold.
- In case of above clause (b) and (c) above, the tax shall be collected at the time of sale or where the payment is made in installments at the time of payment of first installment and the tax collected shall be paid to the credit of the Federal Government through remittance to the Government Treasury or deposit in an authorized branch of the State Bank of Pakistan or the National Bank of Pakistan within seven days of the date of collection.
- Every motor vehicle registering authority of Excise and Taxation Department at the time of registration or transfer of registration of motor vehicle (though in the Bill it was stated that it will be at the time of collecting motor vehicle tax) shall also collect tax:

Provided that tax under this clause shall not be collected from the person in the financial year in which tax has been paid or collected from the said person under this section at the time of-

- import;
- purchase from local manufacturer or assembler; or
- auction.
- in case of foreign assets of a resident individual, the person holding the assets shall be liable to pay tax at the time income tax return for the tax year is due in the manner prescribed; and
- in case of assets notified by Federal Government, the tax shall be collected or paid in the manner as specified in such notification.

Proceed to be credited

The collection of CVT shall be credited to the Federal Consolidated Fund under the head specified by the Federal Government.

Penalty for non-payment and collection of CVT

If a person fails to:

- pay tax;
- collect tax; or
- pay to the credit of the Federal Government after having collected the tax,

the person shall be personally liable to pay—

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

Passing of an order by an officer

The Act has given powers to the Officer of Inland Revenue who may pass an order after giving the person an opportunity of being heard, and proceed to recover the tax under the provisions of the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002 as if the tax were an arrear of income tax.

Revision of order

The Commissioner has the power to revise any order on the application of the person.

Application of the provision of Income Tax Ordinance and Income Tax Rules

The provisions of the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002 shall apply to the collection, payment, recovery or refund of tax under this section.

Right to appeal

Any person aggrieved with any order passed by the Commissioner or an Officer of Inland Revenue under this section, may prefer an

appeal before the Commissioner (Appeals) against the order as provided in section 127 of the Income Tax Ordinance, 2001.

Rules to be prescribed

The Board may prescribe rules relating to collection, recovery, refund or any other matter relating to CVT.

Exemption

The Federal Government reserves power to exempt any asset or class of asset from CVT upon notification in official Gazette subject to such conditions as may be specified.

Definition

For the purpose of this levy, "Commissioner", "Commissioner (Appeals)", "Officer of Inland Revenue", "person", "resident individual" and "tax year" shall have the meanings as defined in the Income Ordinance, 2001.

"Foreign assets" has been defined to mean any movable or immovable assets held outside Pakistan, whether directly or indirectly, and includes but not limited to real estate, mortgaged assets, stock and shares, bank accounts, bullion, cash, jewels, jewelry, paintings, accounts and loan receivables, assets held in dependents' name, beneficial ownership or beneficial interests or contribution in offshore entities or trusts.

"Tax" has been defined to mean tax under this section and includes any default surcharge, penalty, fee, any amount or sum leviable or payable under this section or the rules prescribed under this section.

Mobile Handset Levy, 2018

Revision of rates

Mobile Handset Levy was introduced through Finance Act 2018. The Act has enhanced the rates of this levy as follows:

S. No.	Mobile Phones having C&F Value (US Dollars)	Rate of levy per set in Pak Rupees	
		Previous	Newly Enacted
1.	Up to 30	Nil	100
2.	Above 30 and up to 100	Nil	200
3.	Above 101 and up to 200	500	600
4.	Above 201 and up to 350	1500	1800
5.	Above 351 and up to 500	3500	4000
6.	Above 501 and up to 700	7000	8000
7.	Above 701		16000

Punjab Sales Tax on Services Act, 2012

Significant amendments

Certain transactions not admissible

Currently payment of tax amount for a transactions exceeding value of Rs. 50,000 should be made through crossed cheque or crossed bank draft or crossed pay order or any other crossed banking instrument.

The Act has made amendments in section 16A(1) of PSTA, 2012 to provide that aggregate payments exceeding Rs. 50,000 in one tax period to the same person shall be made through crossed cheque or crossed bank draft or crossed pay order or any other crossed banking instrument.

The Act has further clarified that the threshold of Rs. 50,000 shall include amount of sales tax but shall exclude any payments made on account of utilities payments.

Limit of adjustment of input tax enhanced

Currently, section 16C(1) of PSTA, 2012 restricts the adjustment of input tax to the extent of 80% of the output tax in relation to a tax period

The Act has enhanced the threshold of adjustment of input tax from 80% to 90% of the output tax in relation to a tax period.

Assessment of tax

Issuance of period of show cause rationalized

Presently, time limitation for issuance of notice for making an assessment of sales tax is 8 years from the conclusion of the tax period to which the assessment relates.

The Act has changed the period for issuance of notice in the following manner.

- issuance of notice for assessment of sales tax within 8 years for tax period ending before 01 July 2022.

- issuance of notice for assessment of sales tax within 5 years from the end of the financial year in which the tax period to which the assessment relates falls for tax period ending on or after 01 July 2022.

Issuance of period of order rationalized

Currently, time limitation for the assessment of sales tax order is 120 days of issuance of show cause or within an extended time which shall not exceed 60 days. However, for determination of above threshold period, proceeding adjourned due to stay or proceeding under section 69 or time taken for adjournment is excluded.

The Act has substituted section 24(3) of PSTA, 2012 whereby order of assessment of sales tax shall be made within one year from the end of the financial year in which the show cause notice is issued.

The Act has further clarified that time taken for adjournment by the person shall not be excluded while determining the aforesaid threshold of passing an order.

Compulsory registration

The Authority may, by notification in the official Gazette, authorize any other officer to perform any of the function relating to compulsory registration.

The Act has shifted the above powers from Authority to Commissioner.

Retention and production of records and documents – Threshold for maintaining records revised

A person shall retain record and documents for a period of 8 years after the end of the tax period to which such record or documents relate or till the final decision in any proceedings including proceedings for assessment, appeal, revision, reference or petition, whichever is later.

Akin to amendments in section 24 [Assessment of tax] the Act has made following amendments in section 32(1) relating to maintaining of record.

- A person shall retain the record for a period of 8 years for tax period ending before 01 July 2022.
- A person shall retain the record for a period of 6 years from the end of the financial year to which record relates for tax period ending on after 01 July 2022.

Offences and penalties revised

Section 48 prescribe penalties for various offences mentioned in the said section.

Substitution of existing penalty

The Act has amended the following penalties.

Description of offence	Existing Penalty	Proposed Penalty
Serial no. 3 related to any person fails to deposit the amount of the tax due or any part thereof in the prescribed time or manner.	<p>(a) Such person shall be liable to pay a penalty of ten thousand rupees or five percent of the tax payable for that period, whichever is higher.</p> <p>(b) If the amount of the tax due is not paid even after the expiry of a period of sixty days of issuance of the notice for such payment by an officer, not below the rank of Assistant Commissioner, the person shall be further liable, upon conviction by a Special Judge, to imprisonment for a term</p>	<p>(a) Such person shall be liable to pay a penalty of ten thousand rupees or five percent of the tax payable for that period, whichever is higher;</p> <p><u>Provided that if the amount of tax or any part thereof is paid within ten days from the due date, the defaulter shall pay a penalty of five hundred rupees for each day of default.</u></p> <p>(b) If the amount of the tax due is not paid even after the expiry of a period of sixty days of issuance of the notice for such payment by an officer, not below the rank of Assistant Commissioner, the person shall be further</p>

Description of offence	Existing Penalty	Proposed Penalty
	<p>which may extend to three years, or with fine which may extend to the amount of the unpaid tax, or with both.</p> <p>(c) No penalty shall be levied if any miscalculation is made for the first time during a year</p>	<p>liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to the amount of the unpaid tax, or with both.</p> <p>(c) No penalty shall be levied if any miscalculation is made for the first time during a year</p>
Serial no. 4 regarding offence to maintain records.	Such person shall pay a penalty of ten thousand rupees or five percent of the total tax payable for the tax period for which he has failed to maintain the required record, whichever is higher	Such person <u>shall be liable to pay a penalty which may range from ten thousand rupees to one hundred thousand rupees or five percent of the total tax payable for the period for which he has failed to maintain the required record, whichever is higher.</u>
Serial no. 9 regarding violation of any embargo placed on providing of service or tempers a seal placed by an officer.	Such person shall be liable to pay a penalty of twenty-five thousand rupees or ten percent of the amount of the tax sought to be recovered, whichever is higher. Such person shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to one year, or with fine which may extend to amount equal to the amount of the tax sought to be recovered, or with both.	Such person shall be liable to pay a penalty of <u>one hundred thousand rupees or equal to the amount of the tax sought to be recovered</u> , whichever is higher. Such person shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to one year, or with fine which may extend to amount equal to the amount of the tax sought to be recovered, or with both.

Description of offence	Existing Penalty	Proposed Penalty
Serial no. 11 relating to offence to fulfill any of the conditions, limitations or restrictions prescribed in a notification.	Such person shall be liable to pay a penalty of five thousand rupees or three percent of the tax payable for the tax period to which the offence relates, whichever is higher.	Such person shall be liable to pay a penalty of <u>ten thousand rupees or five percent of the amount of tax involved</u> whichever is higher.
Serial no. 12 regarding contravention of any provision of law for which no penalty has specifically been provided.	Such person shall be liable to pay a penalty of ten thousand rupees or three percent of the tax payable for the tax period to which the offence relates, whichever is higher.	Such person shall be liable to pay a penalty of ten thousand rupees or <u>five percent of the tax payable for the tax period to which the offence relates, whichever is higher.</u>
Serial no. 21 relates to offence on charging sales tax in excess to the rate provided in Act.	Such person shall be liable to pay a penalty of rupees ten thousand per invoice or ten percent of the invoice amount, whichever is higher.	Such person shall <u>be liable to pay a penalty of twenty thousand rupees on first default and fifty thousand rupees for each subsequent default:</u> <u>Provided that in case of three defaults, the business premises of such person may be liable to sealing for a period which may extend to one month.</u>

Substitution on existing offences along with penalty

The following existing offences with penalties have been substituted:

Serial No.	Existing law	Proposed Amendments
5	Offence: Where a person, without any reasonable cause, fails to produce the record or information despite receipt of a notice from the Authority or any officer of the Authority directing him to produce such record or	Offence: Where a person, without any reasonable cause, fails to produce the record or information despite receipt of a notice from the Authority or any officer of the Authority directing him to

Serial No.	Existing law	Proposed Amendments
	information. Penalty: Such person shall pay a penalty of twenty-five thousand rupees for the first default and fifty thousand rupees for each subsequent default.	produce such record or information; <u>Provided that if the record is not produced despite issuance of three notices, it shall be considered as sufficient evidence that the person has failed to maintain the record.</u> Penalty: <u>Such person shall pay a penalty of twenty-five thousand rupees for the first default and one hundred thousand rupees for each subsequent default.</u>
6	Offence: Any person who knowingly or fraudulently— (a) submits a false or forged document to any officer of the Authority; or (b) destroys, alters, mutilates or falsifies the records; or (c) makes a false statement, false declaration, false representation, false personification, or gives any false information. Penalty: Such person shall be liable to pay a penalty of twenty-five thousand rupees or one hundred percent of the tax payable for the tax period to which the offence relates, whichever is higher. Such person shall further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years or with fine which may extend to an amount equal to the tax payable	Offence: Any person who knowingly or fraudulently— (a) submits a false or forged document to any officer of the Authority; or (b) destroys, alters, mutilates or falsifies the records; or (c) makes a false statement, false declaration, false representation, false personification, or gives any false information; <u>or</u> (d) <u>fails to pay, recover, or deposit the actual amount of tax, or claims inadmissible tax credit or adjustment or deduction or refund.</u> Penalty: Such person shall be liable to pay a penalty of <u>fifty</u> thousand rupees or one hundred

Serial No.	Existing law	Proposed Amendments
	for the tax period to which the offence relates, or with both.	percent of the tax payable for the tax period to which the offence relates, whichever is higher. Such person shall further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years or with fine which may extend to an amount equal to the tax payable for the tax period to which the offence relates, or with both.
18.	<p>Offence:</p> <p>Where any person fails to intimate any change in particulars of registration including the particulars relating to business address, branches etc. within fourteen days.</p> <p>Penalty:</p> <p>Such person shall be liable to pay a minimum penalty of fifty thousand rupees.</p>	<p>Offence:</p> <p>Where any person fails to intimate any change in particulars of registration including the particulars relating to business address, <u>business bank account, changes in taxable / economic activity etc. in accordance with the requirements prescribed under this Act and rules made thereunder within fourteen days of such change.</u></p> <p>Penalty:</p> <p><u>Such person shall be liable to a penalty which may range from fifty thousand rupees to one hundred thousand rupees.</u></p>

Introduction of new offences and penalties.

Sr. No.	Description of offence	Penalty	Relevant section
22	Where any person unauthorizedly issues an invoice in which an amount of tax is specified.	Such person shall be liable to pay a penalty of ten thousand rupees per invoice or five percent of the amount of tax involved, whichever is	30

Sr. No.	Description of offence	Penalty	Relevant section
		higher.	
23	Where a bank fails to attach, or delays in attaching the bank account of a person, specified in the notice issued by an officer of the Authority, from whom tax is sought to be recovered, or fails to pay or delays payment of such amount.	Such bank shall be liable to pay a penalty of one hundred thousand rupees or one hundred percent of the tax sought to be recovered, whichever is higher. The concerned manager or officer in-charge of such bank shall further be liable, upon conviction by a Special Judge, to imprisonment, which may extend to one year or with fine, which may extend to an amount equal to the amount of tax sought to be recovered or with both.	70
24	Where any person refuses to receive any notice or order issued by an officer of the Authority.	Such person shall be liable to pay a penalty of fifty thousand rupees or one hundred percent of the tax payable for the tax period to which the offence relates, whichever is higher.	78

Recovery of tax not levied or short-levied

Issuance of period of show cause rationalized

Presently notice for recovery of any tax or charge that has not been levied or has been short levied, a notice shall be issued within eight years of the relevant tax period.

The Act has changed the period for issuance of notice in the following manner:

- issuance of notice for recovery of tax not levied or short levied shall be issued within 8 years of the relevant tax period for tax period ending before 01 July 2022.

- issuance of notice for recovery of tax not levied or short levied shall be issued within 5 years from the end of the financial year in which the relevant tax period falls for tax period after 01 July 2022.

The Act has made similar changes in clause (a) of section 52(2) which relates to issuance of notice whereby reason of some collusion, abetment, deliberate attempt, mis-statement, fraud, forgery, false or fake documents tax was not levied or short levied.

Further, Act has changed period for issuance of notice in case of issuance of refund not due from 8 years to 5 years from the end of the financial year in which the refund was received.

Issuance of period of order rationalized

Currently, time limitation for passing order under section 52(3) shall be 120 days from issuance of show cause or within an extended time which shall not exceed 60 days. However, for determination of above threshold period, proceeding adjourned due to stay or proceeding under section 69 or time taken for adjournment shall be excluded.

The Act has substituted section 52(4) of PSTA, 2012 to provide that order shall be made within one year from the end of the financial year in which the show cause notice is issued.

The Act has further clarified that time taken for adjournment by the petitioner not exceeding 30 days shall not be excluded while determining the aforesaid threshold of passing an order.

Amendments in Second Schedule

- Currently, telecommunication services are taxable under S. No 6 of the Second Schedule with exception of internet services, whether dialup or broadband including email services, data communication network services (DCNS) and value-added data services when the charges do not exceed Rs.1500 per month per student.

The Act has omitted the above exception.

- The Act has inserted explanation in S. No 22 and S. No. 69 to bring real estate aggregators under the ambit of S.No 22 and cab aggregators within the ambit of S.No 69. These explanations provide that the real estate aggregators & cab aggregators shall

be deemed to have always included in the above respective S.No.

Punjab Motor Vehicle Taxation Act, 1958

- The Act has added the basis of calculation of tax in section 3 for the purpose of Electric vehicles by specifying that 1KW shall be equal to 18.77 cc. The reason behind the insertion is that the tax is levied under the schedule based on units of "cc".
- The Act has withdrawn reduction by 75% in motor vehicle tax in respect of electric motor vehicles which was introduced through Punjab Finance Act, 2021 and was available till 30 June 2022.

Levy and Payment of Tax

The Act has provided discount to the tune of 5% upon making payment of tax through e-payment system.

For the financial year 2022-23, the tax shall be collected as follows:

Payment Quarter	Amount of Rebate / Penalty
First Quarter	10% Rebate
Second Quarter	No Rebate
Third and Fourth Quarter	With penalty

The above relaxation shall remain in force till 30 June 2023.

Punjab Finance Act, 2014

Luxury house Tax

- The Act has clarified the term rating areas of divisional headquarters districts (DHD) by excluding Lahore.
- The Act has further introduced tax on residential houses with completion of construction from 01.07.2022 onwards.

Stamp Act, 1899

The Act has changed rates of stamp duty for certain categories of instruments in the following manner:

S No.	Description	Old rate	New rate
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S No.	Description	Old rate	New rate
18.	CERTIFICATE OF SALE (in respect of each property put up as a separate lot and sold) granted to the purchaser of any property sold by public auction by a Civil or Revenue Court, or Collector or other Revenue Officer:		
	a) in case of immovable property in an urban area; and	One percent of the value of the property.	Two percent of the value of the property.
	b) in any other case	Three percent of the value of the property	Three percent of the value of the property
		NOTE: In case of registration of the instrument, an additional stamp duty shall be charged as under:	NOTE: In case of registration of the instrument, an additional stamp duty shall be charged as under:
		(a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and	(a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and
		(b) Rs.1000/-, if the consideration exceeds Rs.500,000/.]	(b) Rs.1000/-, if the consideration exceeds Rs.500,000/.]
23.	[CONVEYANCE as defined by section 2(10) not being a TRANSFER charged or exempted under Article 62:	One percent of the value of property.	Two percent of the value of property.
	(a) In case of immovable property in an urban area; and	Three percent of the value of the property.	Three percent of the value of the property.
	(b) in any other case	Note: In case of registration of the instrument, an additional stamp duty shall be charged as under:	Note: In case of registration of the instrument, an additional stamp duty shall be charged as under:
		(a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and	(a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-;

S No.	Description	Old rate	New rate
		(b) Rs.1000/-, if the amount of consideration exceeds Rs.500,000/-.	and (b) Rs.1000/-, if the amount of consideration exceeds Rs.500,000/-
27-A	[DECREE, RULE OF A COURT OR AN ORDER OF A COURT based on mutual consent of the parties in cases involving transfer of an immovable property including sale, exchange, gift or mortgage, declaring or conferring a right in, or title to, an immovable property:		
	a) in case of immovable property in an urban area; and	One percent of the value of the property.	Two percent of the value of the property.
	b) in any other case	Three percent of the value of the property.	Three percent of the value of the property.
		NOTE: In case of registration of the instrument, an additional stamp duty shall be charged as under:	NOTE: In case of registration of the instrument, an additional stamp duty shall be charged as under:
		(a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and	(a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and
		(b) Rs. 1000/-, if the consideration exceeds Rs.500,000/-.]	(b) Rs. 1000/-, if the consideration exceeds Rs.500,000/-.]
	EXPLANATION.- Value, in this Article, means the value of the property in accordance with the valuation table as notified by the Collector or where valuation table is not available, the average sale price of a property of similar nature in the same revenue estate or locality in the preceding year as may be determined by the Collector.		
31.	EXCHANGE of immovable property:	One percent of the value of each immovable property	Two percent of the value of each immovable property
	(a) in case of immovable property in an urban area;	Three percent of the value of each immovable	Three percent of the value of each immovable

S No.	Description	Old rate	New rate
	(b) in case of immovable property in rural area; (c) in case of exchange between urban and rural property.	property One percent of the value of urban immovable property and three percent of the value of rural immovable property Note: In case of registration of the instrument, an additional stamp duty shall be charged as under: (a) five hundred rupees if the amount of consideration does not exceed five hundred thousand rupees; and (b) one thousand rupees if the amount of consideration exceeds five hundred thousand rupees.]	property Two percent of the value of urban immovable property and three percent of the value of rural immovable property Note: In case of registration of the instrument, an additional stamp duty shall be charged as under: (a) five hundred rupees if the amount of consideration does not exceed five hundred thousand rupees; and (b) one thousand rupees if the amount of consideration exceeds five hundred thousand rupees.]
33.	[GIFT – Instrument of, including a memorandum of oral gift of an immovable property, not being a SETTLEMENT (Article 58) or WILL or TRANSFER (Article 62) – when executed in respect of an immovable property: a) in case of immovable property in an urban area; and	One percent of the value of the property: provided that if the gift deed is executed between spouses, father, mother, son, daughter, grandparent, sibling or from one wife or widow to another wife or widow of the same husband, the rate of stamp duty shall be One percent of the value of the	Two percent of the value of the property: provided that if the gift deed is executed between spouses, father, mother, son, daughter, grandparent, sibling or from one wife or widow to another wife or widow of the same husband, the rate

S No.	Description	Old rate	New rate
	b) in any other case	property. Three percent of the value of the property. Note: In case of registration of the instrument, an additional stamp duty shall be charged as under: a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and (b) Rs.1000/-, if the amount of consideration exceeds Rs.500,000/-.]	of stamp duty shall be Two percent of the value of the property. Three percent of the value of the property. Note: In case of registration of the instrument, an additional stamp duty shall be charged as under: a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and (b) Rs.1000/-, if the amount of consideration exceeds Rs.500,000/-.]
55.	RELEASE, that is to say any instrument not being such a release as is provided for by section 23A whereby a person renounces a claim on another person or against any specified property. (a) When executed between spouses or between one wife or widow of the same husband or between father, mother, son, daughter, grandparents, grandchildren, or sibling. (i) In case of	1 percent of the value of the share of the immovable property over which the claim is renounced. 3 percent of the value of the share of the immovable property over which the claim is renounced. 1 percent of the	2 percent of the value of the share of the immovable property over which the claim is renounced. 3 percent of the value of the share of the immovable property over which the claim is

S No.	Description	Old rate	New rate
	immovable property in an urban area.	value of the share of the immovable property over which the claim is renounced.	renounced.
	(ii) In case of immovable property in rural area	3 percent of the value of the share of the immovable property over which the claim is renounced.	2 percent of the value of the share of the immovable property over which the claim is renounced.
	(b) In any other case.	3 percent of the value of the share of the immovable property over which the claim is renounced.	3 percent of the value of the share of the immovable property over which the claim is renounced.
	(i) In case of immovable property in an urban area.	Note: In case of registration of the instrument:	Note: In case of registration of the instrument:
	(ii) In case of immovable property in rural area	(a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and (b) Rs.1000/-, if the amount of consideration exceeds Rs.500,000/-.	(a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and (b) Rs.1000/-, if the amount of consideration exceeds Rs.500,000/-.
63	[Transfer of Lease by way of assignment and not by way of under-lease: (i) in case of immovable property in an urban area; and (ii) in any other case. Exemption: Transfer of any lease exempt from duty.	[One] percent of the amount of consideration for the transfer. Three percent of the amount of consideration for the transfer. Note: In case of registration of the instrument, an additional stamp duty shall be charged as under: (a) Rs. 500/-, if the amount of	[Two] percent of the amount of consideration for the transfer. Three percent of the amount of consideration for the transfer. Note: In case of registration of the instrument, an additional stamp duty shall be charged as under: (a) Rs. 500/-, if the amount

S No.	Description	Old rate	New rate
		consideration does not exceed Rs.500,000/-; and (b) Rs.1000/-, if the amount of consideration exceeds Rs.500,000/-	of consideration does not exceed Rs.500,000/-; and (b) Rs.1000/-, if the amount of consideration exceeds Rs.500,000/-
63-A	Transfer of a Right or Interest Reslating to an Immovable property, that is to say: (i) An instrument of transfer of a right or interest relating to an immovable property or an acknowledge ment of such transfer, by a development authority, housing authority or a statutory body. Explanation-I.- In cases where allotment is to be made consequent upon payment of the installments or transfer of a right or interest is made by original allottee before the payment of the last installment, stamp duty shall be charged at the time of transfer whichever is earlier. Explanation-II.- Transfer or allotment made through auction by a development authority is not entitled to an exemption from the payment of	One percent of the value of the property.	Two percent of the value of the property.

S No.	Description	Old rate	New rate
	stamp duty. (ii) An instrument of transfer of right or interest relating to an immovable property or an acknowledgment of such transfer by a cooperative housing society. Explanation-I.- First time allotment is exempted from the payment of stamp duty. However, transfer/ allotment made through open auction is not entitled to the exemption from the payment of stamp duty. Explanation-II.- Transfer of a right or interest includes transfer made through electronic form and open transfer letter.]		

Punjab Urban Immovable Property Tax Act, 1958

Levy and Payment of Tax

The Act has provided discount of 5% upon making payment of tax through e-payment system. The said tax shall be paid on yearly or half-yearly basis subject to notification by the Government.

For the financial year 2022-23, the tax shall be collected as follows:

Payment Quarter	Amount of Rebate / Surcharge
First Quarter	5% Rebate
Second Quarter	No Rebate
Third and Fourth Quarter	1% Surcharge per month

The above relaxation shall remain in force till 30 June 2023.

Khyber Pakhtunkhwa Sales Tax on Services Act, 2022

Significant amendments

This document lays out changes in “Khyber Pakhtunkhwa Sales Tax on Services Act, 2022” [the KP Act, 2022] through “Khyber Pakhtunkhwa Finance Act, 2022 enacted by the Provincial Assembly of Khyber Pakhtunkhwa [KP] through Bill No. 234 dated 23 April 2022 [the Bill].

The KP Act, 2022 has been enacted to replace the earlier Khyber Pakhtunkhwa Finance Act, 2013 [the KP Act, 2013] which stands repealed as discussed in the relevant section below. Significant changes have been made including re-arrangement of sections and changes in section numbers. Whereas some of the sections contained in the KP Act, 2013 stands omitted.

The comparison of section headings and number under KP Act, 2022 and the KP Act, 2013 is tabulated below for ease of reference:

Description	Section number as per KP Act 2022	Section number as per KP Act 2013
Short title, extent and commencement	1	1
Definitions	2	2
Taxable Service	3	19
Application of principles of origin and reverse charge in certain situations	4	20
Economic activity	5	22
Value of a taxable service	6	23
Open market price	7	24
Provision of services over a period of time	8	25
Scope of tax and allied matters	9	26
Person liable to pay tax	10	27
Exemptions	11	28

Description	Section number as per KP Act 2022	Section number as per KP Act 2013
Power to amend the Second Schedule	12	21
Effect of change in rate of tax	13	29
Special procedure and tax withholding provisions	14	30
Delegation of power to collect, administer and enforce sales tax on certain services	15	31
Adjustments	16	32
Input tax credit not allowed	17	-
Standard or general tax rate application choice	18	26A
Refund	19	-
Collection of excess tax	20	33
Time, manner and mode of payment	21	34
Joint and several liability of persons where tax remained unpaid	22	35
Sale or transfer of ownership of a business as an ongoing concern	23	36
Estate of deceased person	24	37
Estate in bankruptcy	25	38
Liability for payment of tax in the case of private companies or business enterprise	26	39
Assessment of tax and recovery of tax not levied or short-levied	27	40 & 68
Assessment giving effect to an order	28	-
Registration and application for registration	29	41 & 44
Voluntary registration	30	42
Compulsory registration	31	43

Description	Section number as per KP Act 2022	Section number as per KP Act 2013
Suspension of registration	32	45
De-registration	33	46
Issuance of tax invoices	34	47
Records	35	48
Retention and production of records and documents	36	49
Audit proceedings	37	50
Special audit	38	51
Return	39	52
Special returns	40	53
Final returns	41	54
Return deemed to have been made	42	55
Appointments of authorities	43	56
Distribution of powers	44	56A
Powers of adjudication	45	76
Special Judges	46	57
Cognizance of offence	47	58
Application of the Code	48	59
Exclusive jurisdiction of Special Judge	49	60
Place of sitting	50	61
Person who may conduct prosecutions	51	62
Appeal to the High Court	52	63
Offences and penalties	53	64
Default surcharge	54	65
Exemption from penalty and default surcharge	55	66
Compounding of offences	56	67
Power to summon persons to give evidence and produce documents	57	69
Power to arrest and prosecute	58	70
Procedure to be followed on arrest of a person	59	71

Description	Section number as per KP Act 2022	Section number as per KP Act 2013
Officers to have access to premises, stocks, accounts and records	60	72
Obligation to produce documents and provide information	61	73
Searches under warrant	62	74
Posting of an officer of the Authority to business premises	63	75
Monitoring or tracking by electronic or other means	64	-
Revision	65	77 & 78
Appeals	66	79
Procedure in appeal	67	80
Decision in appeal	68	81
Appeal to the Appellate Tribunal	69	84
Disposal of appeals by the Appellate Tribunal	70	85
Reference to the High Court	71	86
Deposit of the tax demand while appeal is pending	72	88
Alternative dispute resolution	73	89
Recovery of arrears of tax	74	87
Short paid amounts recoverable without notice	75	-
Agent	76	90
Liability and obligations of agents	77	91
Liability of the registered person for the acts of his agent	78	-
Appearance by authorized representative	79	92
E-intermediaries	80	93
Power to make rules and regulation	81	113 & 114
Power to restrain certain authorities	82	-
Computerized system	83	95

Description	Section number as per KP Act 2022	Section number as per KP Act 2013
Service of orders and decisions	84	96
Correction of clerical errors	85	100
Issuance of duplicate the tax documents	86	97
Power to issue orders, instructions and direction	87	109
Officers of the Authority to follow orders	88	104
Computation of limitation period	89	98
Condonation of time limit	90	99
Bar of suits, prosecution and other legal proceedings	91	111
Removal of difficulties	92	115
Repeal and savings	93	117

The KP Act, 2022 has retained most of the definitions provided in the KP Act, 2013 or the Regulations made thereunder. However, following new important definitions are introduced in the KP Act, 2022 to bring them in line with other Provincial sales tax on services laws:

Accountant is defined to mean:

- chartered accountant, as defined in the Chartered Accountants Ordinance, 1961 (Ordinance No. X of 1961), and includes the associates and fellow members thereof;
- cost and management accountant, as defined in the Cost and Management Accountants Act, 1966 (Act No. XIV of 1966), and includes the associates and fellow members thereof;
- a firm or an association of chartered accountants or cost and managements accountants; and
- other accountants or association of accountants notified, in this behalf, by the Management Committee.

Active taxpayer is defined mean a registered person who is regularly filing return and paying tax and whose name is appearing in the active taxpayer's list, as displayed by the Management Committee and updated from time to time on official website of the Authority; provided that the Management Committee may allow any taxpayer, not appearing in the said list, to be treated as an active taxpayer, for the purpose of the KP Act, 2022 and nothing shall bar the Management Committee to declare any taxpayer as inactive, despite being included in the list.

Business bank account is defined to mean the bank account of a person, used for business transactions, subject to the condition that such account is declared in the prescribed application, for registration submitted for obtaining a registration number or change the particulars thereof.

Management Committee means a committee, constituted under the Khyber Pakhtunkhwa Revenue Authority Act, 2022.

Policy Board means a policy board established under the Khyber Pakhtunkhwa Revenue Authority Act, 2022.

Output tax is a tax levied on the services provided or rendered by a registered person under the KP Act, 2022.

'Provision of service' or 'providing of service'

includes the rendering, supply, initiation, origination, consumption, execution, reception or termination of a service, whether in whole or in part, including making availability of a service, not availed and e-services where the context so requires.

Taxpayer any person, who is required or is liable to pay or is paying tax, or any sum under the KP Act, 2022 and the rules, and includes any person, other than a Government employee, who is assigned any duty or responsibility to withhold, deduct, collect or deposit tax under this Act and the rules.

Tax fraction formula has been introduced and is to be worked out as below:

$$a \div (100 + a)$$

'a' is the rate of tax applicable to taxable services in terms of section 9 of the KP Act, 2022.

Definitions

Slight amendments are made in the definitions earlier available under the repealed KP Act, 2013; some of the important changes are summarized as under:

Definition of Company has been expanded to include banking company, a non-banking finance company, the specified entities notified in section 434 of the Companies Act, 2017 read with Non-banking Finance Company (Establishment and Regulation) Rules 2003, Modaraba as defined in the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. An insurance companies as incorporated in the Insurance Ordinance 2000 and financial institutions as defined in the Financial Institutions (Recovery of Finances) Ordinance, 2001, including a microfinance institution, licensed under the Microfinance Institutions Ordinance, 2001 and an Islamic financial Institution.

Due date of filing of return has now been extended to 18th day of the month following the end of the tax period from the earlier date of 15th. However the payment date of tax remains unchanged, i.e. 15th day of the month following the end of the tax period. The due date for filing of return or payment date may be extended to any date by the Management Committee through notification in official gazette.

Input tax has been restricted not to include sales tax paid under Islamabad Capital Territory (Tax on Services) Ordinance, 2001. Accordingly, the registered persons are not entitled to claim sales tax paid on services in ICT.

Place of business definition is broadened to include:

- a. a liaison office which was specifically excluded from the earlier definition.
- b. a person who is rendering services in KP whether domiciled, resident, stationed in KP or not. This means a person may be classified as having place of business in KP if he renders services in KP without having physical presence.

Service definition has been enhanced to include facilities, amenities, utilities or advantages by whatever name called and are liable to sales tax on services in terms of the First Schedule.

Tax fraud is defined to cater following situations:

- issuing invoice or bill of taxable services without the provision of that taxable service;
- failing to pay an amount of tax collected under section 20 of the KP Act, 2022, and failing to pay the amount of tax withheld under section 14 of the KP Act, 2022 or the rules;
- under-stating or under-paying the tax liability or over-stating the entitlement of tax credit or adjustment or claiming or obtaining in-admissible tax credit, refund or adjustment;
- not filing the tax return or the statement for four consecutive months or more.

Taxable Service

The scope of 'taxable service' has been broadened to include a service listed in the Second Schedule if rendered by non-resident to resident person whether the said resident person is end consumer or not.

The list of services in the First Schedule shall not to be considered exhaustive and all services which are specified in the Second Schedule shall remain taxable services even if it is not included in the First Schedule.

Reverse Charge Mechanism

A proviso has been added in section 4(5) whereby the telecommunication companies in Pakistan are now required to pay tax on reverse charge basis to the extent of their share of call charges received from abroad, either through local representative or otherwise for transmission and delivery of such calls in the Province. In all situations, the telecommunication companies including their local representatives shall be deemed and treated as recipient of such calls.

Economic Activity

The expression 'economic activity' has been broadened to include provision of immovable property by way of lease, rent, license or other similar arrangement.

An explanation is added to define the 'commencement' which includes origination of a service by its provider and 'termination' which includes the consumption or enjoyment of a service by its recipient.

Economic activity does not include a sovereign or core function of the State, performed by the Federal Government or any other public authority. However, such person shall enjoying a monopoly in the performance of a State sovereign function and a person performing a commercial activity shall not be entitled to claim any benefit or immunity to the disadvantage of its competitors. It is clarified that such person is to be wholly owned and controlled by the Federal Government or KP Government.

Value of Taxable Supply

In the cases, where the services are provided for no consideration or at a consideration that is lower than the one provided under normal circumstances, the value of services shall be an open market price of such services.

Further where open market price of a service cannot be determined, it may be worked out using any method or formula to be specified by the Management Committee. Any discount rate, the amount of discount and discounted price should be shown on the sales tax invoices to work out value of taxable services. The Management Committee may fix the value of any services or class of services if deemed necessary through notification in the official gazette.

Scope of Tax and allied Matters

The KP Government is empowered to issue notifications for charging, levying and collection of tax on services on higher, lower, fixed or special rate on its own motion or on the recommendation of the Policy Board.

Further, the Policy Board is also empowered, subject to approval of the KP Government, to impose such conditions, restrictions, limitations or otherwise, fix the limit or threshold of annual turnover of any service or class of services, provided by any person or class of persons or such other criteria as may be notified, below which such person or class of persons shall be exempt from payment of tax.

Exemptions

The Policy Board instead of KP Authority is now empowered to exempt any taxable service, service or class of persons, recipient of recipients of services.

Further, concerning the exemption matters involving commitment of Federal Government or KP Government either under any international convention, protocol, treaty or agreement or under any arrangement for foreign grant-in-aid

Assistance including free technical assistance to the Province or elsewhere, the Management Committee may, after concurrence from the Finance Department of the KP Government, issue notification for such exemption with such condition, restrictions or limitations mentioned in the said notification. The exemption may be allowed from any previous sate specified in the notification.

Power to amend the Second Schedule

The KP Government may, on its own or on the recommendation of the Policy Board, notify to add, delete or amend any entry in the Second Schedule. Such addition or deletion or modification may include any service, change in the classification or description or in the tax rates of any service, amongst other things.

Special procedure and tax withholding provisions

The power to prescribe special procedures for withholding of tax, payment of tax, book-keeping, registration, invoicing or billing requirements, returns, statements and other matters in respect of any service or class of services along with the power to require any person or class of persons to act as withholding agent are conferred to the Policy Board, which were earlier exercised by the KP Authority.

Where an individual is making payment on behalf of a withholding agent, he shall be personally responsible to withhold and deposit the due tax, failure of which would lead to imposition of penalty and default surcharge.

Input Tax Credit Not Allowed

Earlier, inadmissible input tax was listed under the regulation 44 of the KPRA Sales Tax on Services (Registration) Regulations, 2017. Now the KP Act, 2022 has included the provision relating to restriction on input tax adjustment. Following further restrictions have been added:

- the services, provided by a person, are chargeable to a rate of tax entitled to input tax adjustment, the input tax adjustment shall be admissible in respect of the tax paid on

the inputs, otherwise taxed on higher rate, only to the extent, not exceeding standard rate of the tax regime to which the input relates;

- the services or goods for which the amount of consideration is not paid from the business bank account of the recipient in the business bank account of the service provider or supplier of goods, as the case may be; and
- such goods or services as are notified by the Management committee to be inadmissible for input tax claim or reclaim or credit or adjustment or deduction.

Refund

The mechanism to claim refund of tax paid or excess tax paid through inadvertence, error, misconstruction or refund on account of input tax adjustment, not claimed within relevant tax period shall be allowed within one year from the date of payment.

The Collector may further specify the period in which the input tax which was not claimed in the relevant tax period, may be so claimed in the tax period as specified by the Collector.

Further, the refund which has become due on account of any decision or judgment of any officer of the KP Authority, Appellate Tribunal or

Court, the one-year time shall commence from the date of decision or judgment.

Sale or Transfer of ownership of business as an ongoing concern

The scope is further widened where in case of sale or transfer of business providing taxable services as an ongoing concern by a registered person to a non-registered person, the registered person is required to pay tax on the services provided by him. However, if tax on such arrangement by the registered person is not paid the amount of unpaid tax shall be first charge on the assets of the business and payable by the transferee of business.

In case of sale or transfer of ownership of a business, providing taxable services to another registered person as an ongoing concern, the liability to pay sales tax, chargeable thereon, shall be accounted for and paid by the registered person to whom such business is transferred.

Assessment of tax or recovery of short/non-levied tax

To calculate time limitation for passing of an order after the date of issuance of show cause notice, exclusion on account of adjournments has now been restricted to forty-five days.

Assessment giving effect to an order

To harmonize the provision of assessment giving effect to an order with other tax laws, a new section has been added.

Accordingly, in the matters of giving effect to, any finding or direction in any order made by the Collector (Appeals), Appellate Tribunal, High Court or Supreme Court on the assessment order, the concerned Collector or an officer of the KP Authority empowered in this behalf shall pass the appeal effect order within one year from the end of the financial year in which the order of the Collector (Appeals), Appellate Tribunal, High Court or Supreme Court, as the case may be, was served on the Collector or officer of the KP Authority.

Where, by an order made by Appellate Tribunal, High Court or Supreme Court, an assessment order is remanded back, wholly or partly, the Collector, Collector (Appeals) or officer of the KP Authority, as the case may be, shall pass new order within one year from the end of financial year, in which the Collector, Collector (Appeals) or officer of the KP Authority, is served with the order. However, one-year restriction would not apply in case of remand back proceedings if an appeal or reference has been preferred against the order passed by Appellate Tribunal or a High Court.

Records

Following additional records are required to be maintained by a registered person:

- record of taxable services received indicating specified particulars.
- record of purchases, including imports of goods and services, containing import documents, if any, purchase invoices and proof of payment for the purchase thereof.
- details of bank account(s), intended to be used for the purposes of business involving providing or rendering services, including

purchases of goods and services used as inputs.

Audit Proceedings

The audit proceedings, by an authorized officer or Collector, may be conducted electronically through video link or any other facility as prescribed by the Policy Board through regulations.

Special Audit

The KP Government or the Management Committee are empowered to conduct audit including special forensic and investigation etc. of any registered person or class of registered persons, any taxable service or class of taxable services, jointly in collaboration and association with other tax authorities or boards whether Federal or Provincial, in the Country.

Offences and penalties

Following changes are made in the table of offences with punishment or penalty:

Sr. No.	Offence	Earlier Provision	Amended Provision
1.	Where a person who is required to apply for registration under this Act fails to make an application for registration before providing any taxable service.	Rs.10,000 or five percent of the amount of the tax he would have been liable to pay had he been registered whichever is higher and in case of non-compliance of compulsory registration, the minimum penalty shall be Rs.10,000.	Rs.100,000 and in case of non-compliance of compulsory registration, the minimum penalty shall be Rs.200,000
2.	Where a person fails to furnish the return within due date	Rs. 5,000 and if return is filed within 10 days of the due date, the penalty is Rs.100 per day	Rs. 9,000 and if return is filed within 10 days of the due date, the penalty is Rs.300 per day

Sr. No.	Offence	Earlier Provision	Amended Provision
3.	Where a person fails to issue tax invoice	Higher of Rs.100,000 or 3% of the tax involved	Higher of Rs.100,000 or 5% of the tax involved
4.	Any person who knowingly deliberately, intentionally or fraudulently: (a) submits a false fake untrue or forged documents; or (b) destroys, alter, mutilates or falsifies the records including a tax invoice ; (c) makes a false statement, false declaration, false representation, or false personification, or gives any false data or information; or (d) commits, causes to commit or attempts to commit tax fraud, or abets or connives in the commission of tax fraud equals to one hundred thousand rupees or more.	Higher of Rs.25,000 or 100% of the amount equal to the loss caused to the tax revenue.	Higher of Rs.100,000 or 100% of the tax payable for the tax period or periods.
5.	Where a person violates any embargo placed on providing of service or services in connection with recovery of tax	Higher of Rs.25,000 or 10% of the tax sought to be recovered.	Higher of Rs.50,000 or 10% of the tax sought to be recovered.
6.	Where a person obstructs any officer of the authority in performance of his official duties under the law	Higher of Rs.25,000 or 100% of the tax payable for the tax period	Higher of Rs.50,000 or 100% of the tax payable for the tax period
7.	Where a person fails to fulfil any of the conditions, limitations, or restrictions prescribed in a	Higher of Rs.5,000 or 3% of the tax payable for the tax	Higher of Rs.25,000 or 3% of the tax payable for the tax period

Sr. No.	Offence	Earlier Provision	Amended Provision
	notification issued under any of the provisions of this act or the rules made thereunder, or where a person contrivance any provision of this act or rules made thereunder for which no penalty has specifically been provided in this section	period	

Following new penalty provisions have been added under the KP Act, 2022

Sr. No.	Offence	Penalty introduced
1.	Where an individual who during the course of business making the payment on behalf of withholding agent but fails to withhold or deposit the due tax	Higher of Rs.25,000 or 5% of the amount of tax involved
2.	Where any person intentionally, deliberately or fraudulently intervenes, alters or damages any electronically filed invoices mechanism or system prescribed or specified for the purpose of avoiding correct payment of due tax	Higher of Rs.100,000 or 100% of the loss caused or believed to be caused to the tax revenue. Further imprisonment for a maximum period of three years or with fine equal to loss caused to the tax revenue or both.
3.	Where any person; (a) Fails to make the payment of consideration for goods and services from the business bank account to the service provider or the supplier of the goods, as the case may be; or (b) Fails to receive the payment of consideration for services in business bank account of service provider, as the case may be	(i) Higher of Rs.50,000 or 10% of the amount of consideration or transaction involved (ii) Conviction by the Special Judge, imprisonment for maximum period of 6 months or with fine not exceeding Rs 20,000 or both

Default Surcharge

Default surcharge rate has been revised as under:

- 12% per annum instead of interbank rate plus 3% per annum of the amount of tax or charge or amount of refund erroneously made
- 24% per annum instead of 2% per month in case, the default is on account of tax fraud

For calculation of default surcharge in the case of inadmissible input tax credit or refund, the period of default is reckoned from the date of adjustment of such credit or the date refund is received, as the case may be.

Period of default less than a month is to be considered as a full month default.

Power to summon persons to give evidence and produce documents

An officer of the Authority, not below the rank of Assistant Collector, has been authorized to summon any person whose attendance is necessary either to tender evidence or to produce documents as require by such officer.

Searches under warrant

The power of the Collector to issue warrant is no more available only Magistrate has power to issue warrant to enter that place to search to be made at any time.

An officer of the KP Authority, not below the rank of Collector is empowered, by an order, in writing to seal the business premises of the person who has failed to comply with his obligations under the KP Act, 2022 or the rules for a period up to the one month upon giving a notice in writing to such effect.

Monitoring or tracking by electronic or other means

A new section has been introduced whereby monitoring or tracking of the receipts of services of registered persons is implemented through electronic or other means as specified by the Management Committee.

The Policy Board may devise and implement electronic system for monitoring and capturing the transactions recorded or invoices issued and

transferring the information obtained to the computer systems of the KP Authority on real time basis.

The persons, providing or rendering taxable service, shall compulsorily use electronic means or systems, including fiscal cash registers, for issuance of tax invoice under the e-invoicing system from the date as may be specified by the Management Committee.

Applying for revision of decision or order by collector

The time limit to file an application for revision of any decision or order passed by an officer of the KP Authority is enhanced to 180 days (earlier 90 days) of the date on which such order was served on the person.

Appeals before Collector (Appeals)

As per KP Act, 2022 appeal can be made against the following orders passed by an officer of the KP Authority, other than the Collector:

- assessment of tax and recovery of tax not levied or short-levied
- rejection of an application for registration
- compulsory registration

The Collector (Appeals) is no longer required to provide an opportunity of being heard to the appellant against the increase in tax liability.

Recovery of short paid amounts without notice

A new section has been introduced whereby recovery, of short paid amount along-with default surcharge, may be made through attachment of bank account without giving show cause notice, in case of the registered person who has made short payment of due tax with return.

However, to impose a penalty, prior show cause notice is to be served to the registered person.

Power to restrain certain authorities

The Management Committee may require regulatory or any other authority not to issue or renew licenses of persons engaged in taxable services unless the person submits the evidence

Repealed

By enactment of the KP Act, 2022, the KP Act, 2013 stands repealed, except for its sections 82, 83, 103, 105, 106, 107, 108, 110 and 114.

Second Schedule

The rate of KP sales tax for “services provided by laboratories including technical services relating to X-rays, CT Scan, M.R. Imaging (MRI), ultrasound, echo etc. or other such laboratories” (tariff heading 9817.000 and its sub-headings) has been increased from 5% to 10%.

All other services remain taxable at the rates already provide under the KP Act, 2013.



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