

TAX MEMORANDUM 2021



IJAZ TABUSSUM & CO.
CHARTERED ACCOUNTANTS

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HLB IJAZ TABUSSUM & CO.

Chartered Accountants

Islamabad.

June 12, 2021

The information presented in this Memorandum has been sifted from the Federal Budget and Finance Bill, 2021, as presented in the National Assembly. It contains proposed amendments, which will become operative only after adoption by the legislative. Views expressed herein should not be acted upon without first obtaining professional advice, as the interpretation may differ in different circumstances.



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FROM SENIOR PARTNER'S DESK

Pakistan's economy performed beyond presumptions with major macroeconomic indicators exhibiting positive trends amid the Covid-19 pandemic, resulting in a 3.94 % economic growth rate in the Fiscal Year 2020 – 2021 (FY 21).

In early FY 20, which runs from July 2019 to June 2020, following one such episode of external and fiscal imbalances, the country entered into a 39-month IMF-Extended Fund Facility. The associated adjustment measures, including fiscal consolidation, contributed to a reduction of the imbalances over the year and improved macroeconomic stability.

However, the containment measures adopted in response to the COVID-19 pandemic led to a severe contraction in economic activity during the final quarter of FY 20. As a result, GDP growth is estimated to have contracted by 1.5 % in FY 20. Half of the working population saw either job or income losses, with informal and low-skilled workers employed in elementary occupations facing the strongest loss in employment. As a result, poverty incidence is estimated to have increased in FY 20 from 4.4 % to 5.4 %, using the international poverty line of \$1.90 PPP 2011 per day, with more than two million people falling below this poverty line. Moreover, 40% of households suffered from moderate to severe food insecurity. The Government, therefore, focused on mitigating the adverse socioeconomic effects of the pandemic through a stimulus package equivalent to approximately 2.9 % of GDP and deferment of some of the fiscal adjustment measures.

Although headline inflation fell over July-February FY21 (year-on-year), it is still high at 8.3 % on average, mostly on account of high food inflation. Since July 2020, the State Bank of Pakistan (SBP) has maintained the policy rate at 7.0 % to support the economy. The capital adequacy ratio at end-December 2020 remained well above the minimum regulatory requirement, indicating banking sector resilience over the first half of the fiscal year.

Compared to a deficit of US\$2.0 billion for June-December 2019, the current account recorded a surplus of US\$1.1 billion for June-December 2020, the first half-yearly surplus in almost a decade, as strong official remittance inflows more than offset a wider trade deficit. Both foreign direct investment and portfolio investment inflows decreased during this period, but the improved current account supported a balance of payments surplus. The Pakistani rupee appreciated by 5.4 % against the U.S. dollar, from end-June 2020 to end-December 2020, and official foreign exchange reserves increased to US\$ 14.9 Billion at end-December 2020, equivalent to 3.3 months of imports of goods and services.

The present Government on 12th June, 2021 announced the budget with an expansionary and progressive approach, significantly increasing subsidies and incentives



for large businesses, manufacturing, corporate market and agriculture sectors aiming to generate industrial growth.

The budget more than doubles (226 %) subsidy allocations and significantly hikes surcharges and levies on oil and gas, including a 36 % increase in petroleum levy, however the revenue collection plan is based on massive reliance on indirect form of taxation.

The projected expenditure of the Federal Government would be around Rs. 7.5 Trillion next year, an increase of 14 % over the elapsed year's Rs. 6.56 Trillion. The interest payments are projected at Rs. 3.06 Trillion as compared to Rs. 2.85 Trillion last year, an increase of 7 %. The pension bill, excluding the latest 10 % increase, is estimated at Rs. 480 Billion. The running of the entire civil government would cost Rs. 479 Billion, down from Rs. 487 Billion last year, while defense expenditure would go up to Rs. 1.37 Trillion against Rs. 1.29 Trillion last year, showing an increase of approximately 6%. The Public Sector Development Programme (PSDP) is projected at Rs. 900 Billion next year against Rs. 650 Billion last year.

This Budget is being termed as a Friendly Budget, which is aimed at generating growth, strengthening the economy in the long run and providing respite to businesses and citizens.

This Tax Memorandum provides an in-depth analysis of the changes brought about in tax laws of the country by the budget. We hope our clients and other users will find this document useful. This document is simultaneously being made available at our website www.hlbtc.com. Clients are encouraged to access this and other useful material made available by the firm.

We at HLB Ijaz Tabussum & Co., pray for your safety and health.

The Partners of HLB Ijaz Tabussum & Co. Chartered Accountants acknowledge the tireless efforts of its Islamabad office in producing this document.

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Senior Partner and International Contact Person

BUDGET 2021-2022 AT A GLANCE

RECEIPTS:		Budget Estimates
S. No.	SOURCES OF FUNDS (ESTIMATED)	(Rs. In billion)
1.	Tax Revenue	5,829
2.	Non-Tax Revenue	2,080
	a)Gross Revenue Receipts	7,909
	b)Less: Provincial Share	3,412
I.	Net Revenue Receipts (a-b)	4,497
II.	Non-Bank Borrowing (NSSs & Other)	1,241
III.	External Receipts (net)	1,246
IV.	Estimated Provincial Surplus	570
V.	Bank Borrowing (T-Bills, PIBs, Sukuk)	681
VI.	Privatization Proceeds	252
TOTAL RESOURCES (I To VI)		8,487
EXPENDITURES:		Budget Estimates
S. No.	APPLICATION OF FUNDS (ESTIMATED)	(Rs. In billion)
	(A) Current: (1 To 9)	7,523
1.	Interest Payments	3,060
2.	Pension	480
3.	Defense Services	1,370
4.	Grants and Transfers to Provinces & Others	1,168
5.	Subsidies	682
6.	Running of Civil Government	479
7.	Provision for Contingencies & Fund	25
8.	Provision for Disaster / Emergency / Covid	100
9.	Provision for Pay & Pension	160
	(B) Development: (I to II)	964
I.	Federal PSDP	900
II.	Net Lending	64
TOTAL APPLICATION (A+B)		8,487

SALIENT FEATURES FOR BUDGET 2021-2022**INCOME TAX****REVENUE MEASURES**

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

RELIEF MEASURES

- Deletion of 12 withholding taxes

Provision	Description
153B	Collection of tax on payment of royalty to residents.
231A	Collection of tax on cash withdrawal.
231AA	Collection of tax on banking instruments.
236P	Collection of tax on banking transactions other than through cash.
236Y	Collection of tax from persons remitting amounts abroad through credit or debit or prepaid cards.
236B	Collection of tax on domestic air travel.
236L	Collection of tax on international air travel.
236V	Collection of tax on extraction of minerals.
233A	Collection of tax from members by a stock exchange registered in Pakistan.
233AA	Collection of tax on marginal financing by NCCPL.
234A	Collection of tax from CNG stations.
236HA	Collection of tax on certain petroleum products.

- Merging of 3 withholding taxes with other existing provisions

Provision	Description	Merged with
150A	Deduction of tax on return on investment in Sukuks.	Proposed to be merged in section 151 for residents and in section 152 for non-residents which deal with such payments.
152A	Deduction of tax on payments for foreign produced commercials.	To be merged with section 152 which deals with payments to non-residents.
236S	Collection of tax on dividend in specie.	To be merged with section 150 which deals with dividend.

- Reduction in generalized rate on Minimum Tax on Turnover basis and increase in threshold for individuals and AOPs for chargeability of minimum tax.
- Broadening of scope of IT services by inclusion of cloud computing and data storage services.
- Exemption to Special Economic Zone Enterprises from payment of minimum tax.
- Ten year tax exemption for Special Technology Zone Authority, Zone Developers and Zone Enterprises.
- Tax exemption on the import of capital goods and dividend income of private funds from investment in special technology zone enterprise.
- Introduction of special tax regime for manufacturing SMEs.
- Exemption from tax on income of deep conversion new refineries and BMR projects of existing refineries for 10 years.
- Reduced rate of withholding tax of 3% on oilfield services, warehousing services, logistic services, collateral management services and telecommunication services.
- Inclusion of telecommunication services in definition of industrial undertaking.



- Exemption to Electronic warehousing receipts traded on Pakistan Mercantile Exchange.
- Allowance of provincial WWF and WPPF as a deductible allowance while calculating income.
- Adjustment of business loss against property income.
- Unconditional grant of exemption from tax to certain organizations.
- Withdrawal of power of Commissioner to reject advance tax estimates presented by taxpayer.
- Non recognition of gain/loss on disposal of assets to non-residents under gift from relative, inheritance and agreement to live apart.
- Reduction in tax rate on capital gain tax on disposal of securities from 15% to 12.5%.
- Withdrawal of power of tax authorities to conduct inquiry under section 122(5A).
- Inclusion of live animals, raw hides and unpackaged meat in definition of agriculture produce.
- Reduction in tax liability by 25% for women entrepreneurs.
- Exemption from tax on import of books and agriculture equipment.
- Exemption from tax for bagasse fired power generating units and reduced rate of tax on dividend income from such projects.
- Extension in time limits for availing tax benefits under section 100D and Eleventh Schedule vide Income Tax (Amendment) Ordinance 2021 dated 21.02.2021 made part of the bill.
- Tax exemptions and concessions for Roshan digital accounts and implementation of electric vehicles and mobile phone policy implemented vide Tax Laws (Amendment) Ordinance, 2021 dated 11.02.2021 made part of bill

STREAMILING MEASURES

- Strengthening mechanism of Alternate dispute resolution.
- Elimination of requirement of filing of application for automated issuance of refund.
- Introduction of time limitation for disposal of show cause notices.
- Recording of e-hearing to be admissible evidence.



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

DOCUMENTATION MEASURES

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

SALES TAX SALIENT FEATURES

The proposed budgetary measures pertaining to Sales Tax for FY 2021-22 are:

REVENUE MEASURES

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

RELIEF MEASURES

- The minimum annual threshold of turnover from all supplies for cottage industry is proposed to be increased from Rs. 3 million to Rs. 10 million.

- The threshold of shop area in case of furniture outlet/showrooms is proposed to be increased from 1000 square feet to 2000 square feet for inclusion in tier- 1 retailer.
- Public limited companies are proposed to be excluded from the purview of section 8B.
- A separate section introduced for allowing extension of time for furnishing of return.
- Exemption is proposed to be granted to art and printing paper for publication and printing of Holy Quran.
- Exemption on import of CKD kits for electric vehicles by manufacturers granted by Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.
- To facilitate international athletes, exemption to goods temporarily imported by athletes/sportsmen granted by Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.
- Tax exemption to auto disable syringes granted vide Tax Laws (Second Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.
- To encourage IT industry in the country, import of plant, machinery and raw material by Special Technology Zone is proposed to be exempted from sales tax.
- To facilitate farmers and encourage storage of grain, tax exemption on locally manufactured silos is proposed to be granted till 30.06.2026.
- Reduced rate of sales tax @ 1% on locally supply of electric vehicles granted vide Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.
- In order to address litigation issue, fixed tax on SIM cards is proposed to be deleted with effect from 1st July, 2020.
- Exemption from value addition tax on import of electric vehicles, CKD kits for small car, 2-3 wheelers, HCVs and all these vehicles in CBU conditions was granted vide Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Twelfth Schedule.
- For facilitation purpose, the concept of constructive payment is proposed to be introduced in section 73.
- To provide relief to the registered persons, the benefit of compensation for delayed payment of refund is also proposed to be extended to those persons in whose case order under section 66 is passed.

- For promoting ease of doing business, the concept of Common Identifier Number is proposed to be introduced.
- For establishment of Border Sustenance Markets, exemption from sales tax is proposed to be granted on food related and other consumable goods.
- In order to introduce umbrella Export Facilitation Scheme by Customs Wing, exemption on import and zero-rating on local supplies in respect of raw materials, components, parts and plant and machinery to authorized exporters is proposed.
- Rising prices of locally manufactured small cars is a major concern for low earning families. Accordingly it is proposed that small cars upto engine capacity of 850cc may be exempted from value added tax besides reducing sales tax rate from 17% to 12.5%

STREAMLINING MEASURES

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

S. No.	Section	Amendments proposed with Rationale
1	2(4AA)	A new definition has been inserted to define Commissioner (Appeals).
2.	2(37)(iii)	The word "of" is inserted to correct drafting error.
3.	2(43A)(g)	The definition of tier-1 retailer is streamlined through insertion of a new clause whereby a retailer who has acquired point of sale accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan is also included in the definition of tier-1 retailer.
4.	3(1B)(a)	The word "on" is substituted to correct drafting error.
5.	11(5)	Under section 11(5), a show-cause notice can be issued for recovery of amounts not paid or short-paid within five years of relevant date. Since sales tax is payable on monthly basis, the time bar also applies on monthly basis. However, audits are undertaken on full-6.year basis. Furthermore, audits for income tax and sales tax for the same financial or tax year are undertaken concurrently, the demand in case of sales tax may get time-barred one to two years earlier as compared to demand for income tax. In order to streamline the said

		provision, the words "relevant date", is proposed to be changed with the words "end of the financial year in which the relevant date falls".
6.	25AA(2)	A new sub-section is added to provide enabling provision in the Act for prescribing rules for determining transfer pricing of taxable supplies between associates to reflect fair market value in arm's length transactions.
7.	22(1)	Section 22(1) has been amended to strengthen and streamline the requirement of record keeping.
8.	47(7)	For the word "Collector", the word "Commissioner" is substituted to correct drafting error.
9.	48(2)	Enabling provision has been inserted in respect of request from a foreign jurisdiction under a tax treaty, a multilateral convention, and inter-governmental agreement or similar agreement or mechanism.
10.	50 (2)	Procedure for collection, arrangement and publishing of the rules issued under Sales Tax Act, 1990 has been streamlined.
11.	56A	Provisions regarding sharing of data with foreign countries on reciprocal basis were introduced through Tax Laws (Amendment) Ordinance, 2021 which is now being incorporated in Sales Tax Act, 1990. Moreover, mechanism for assistance in recovery of taxes on request from foreign countries on reciprocal basis is also proposed by inserting sub- section (3).
12.	76(2)	Enabling provision has been inserted for authorizing and prescribing the manner for utilizing the fees and service charges collected under section 76(1)
13.	S. No. 18 of Table-II of the Sixth Schedule	S. No. 18 of Table-II of Sixth Schedule to the Sales Tax Act, 1990 which grant exemption to marble and granite manufacturers having annual turnover less than Rs. 5 million, is proposed to be omitted. The said exemption is already available under section 2(5AB) of the Sales Tax Act, 1990.
14.	S. No. 19 and 20 of Table-II of the Sixth Schedule	Exemption on bricks and crush stones has already expired on 30th June, 2018. Accordingly, these serial numbers are proposed to be omitted being redundant.



ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

SALIENT FEATURES

RELIEF MEASURES

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

FEDERAL EXCISE SALIENT FEATURES

The proposed budgetary measures pertaining to Federal Excise Duty (FED) for FY 2021-22 are:

REVENUE MEASURES

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

RELIEF MEASURES

- In order to facilitate the people of tribal area and encourage investment and economic growth in these areas, exemption is being given from levy of FED to the industrial units located in FATA and PATA.
- The provision to revise return without prior approval of the Commissioner-IR which is available in Sales Tax Act, 1990 is now proposed to be made available in Federal Excise Act, 2005.
- Exemption from federal excise duty to 4-wheelers granted vide granted vide Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Federal Excise Act.
- The rate of federal excise duty on telecommunication is proposed to be reduced from 17% to 16%.
- Payment on account of Merchant Discount Rate (MDR) is proposed to be excluded from the purview of FED.
- For establishment of Border Sustenance Markets, exemption from federal excise duty is proposed to be granted on food related and other consumable goods.
- Rising prices of locally manufactured small cars is a major concern for low earning families. Accordingly it is proposed that small cars upto engine capacity of 850cc may be exempted from federal excise duty.
- In order to introduce new Export Facilitation Scheme, 2021, exemption on import and zero-rating on local supplies in respect of raw materials, components, parts and plant and machinery to registered persons is proposed.

- Federal excise duty on fruit juices was imposed vide Finance Act, 2019 and resultant, prices of juices were increased. Moreover due to pandemic, this sector is faced with adverse situation. In order to provide relief to this sector, it is proposed to withdraw federal excise duty on juices.

STREAMLINING MEASURES

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

S. No.	Section	Amendments proposed with Rationale
1.	14(4)	Enabling provision has been inserted in respect of request from a foreign jurisdiction under a tax treaty, a multilateral convention, and inter-governmental agreement or similar agreement or mechanism.
2.	47A	Provisions regarding sharing of data with foreign countries on reciprocal basis were introduced through Tax Laws (Amendment) Ordinance, 2021 which is now being incorporated in Federal Excise Act, 2005. Moreover, mechanism for assistance in recovery of taxes on request from foreign countries on reciprocal basis is also proposed by inserting sub-section (3).
3.	49(2)	Enabling provision has been inserted for authorizing and prescribing the manner for utilizing the fees and service charges collected under section 49(1)
4.	S. No. 56 of Table-1 of the First Schedule to the Federal Excise Act, 2005	To correct drafting error, PCT heading for filter rod has been substituted.
5.	Heading of column (2) of Table-2 of the First Schedule to the Federal Excise Act, 2005	To correct drafting error, the word "Services" has been substituted for the word "Goods"



CUSTOMS SALIENT FEATURES

INDUSTRIAL RELIEF MEASURES

- Reduction / exemption of CD, ACD & RD on import of goods falling under 589 PCT codes to incentivize the textile industry.
- Reduction / exemption of CD, ACD & RD on import of flat rolled products of HRC and stainless steel.
- Reduction / exemption of CD and ACD on raw materials and intermediary goods and point of sale machines falling under 328 tariff lines as a consequent of tariff rationalization.
- To incentivize the pharmaceutical sector and to keep the prices stable in the market,-
 - Exemption of CD & ACD on more than 350 APIs
 - Plant, machinery and equipment subject to concessionary rate of 5%
 - Exemption of CD & ACD on raw material of auto-disable syringes and Reduction in tariff on finished auto-disable syringes
- Reduction / exemption on inputs / raw materials of food processing industry.
- Reduction of CD & ACD on uncoated paper and paperboard for printing and graphic arts industry.
- Reduction / exemption of CD & ACD on Vaccines for veterinary medicines and feed additives to incentivize the dairy sector.
- Reduction / exemption of CD & ACD on goods falling under more than 100 PCT codes relating to Tourism industry.
- Reduction of duties on raw material/inputs of footwear industry.
- Reduction / exemption of CD & ACD on inputs for poultry industry.
- Reduction / exemption of CD & ACD on raw material for manufacturer of aseptic plastic packaging.
- Exemption of ACD on import of raw materials for cables / optical fiber manufacturers.
- Reduction / Exemption of CD & ACD on raw materials for Paint Industry.
- Reduction / Exemption of CD & ACD on raw materials for Chemical and Artificial Leather Industry.



- Reduction / Exemption of CD & ACD on inputs for Electronics Manufacturing Industry.
- Reduction / exemption of CD & ACD on raw materials / inputs of furniture, coating, boiler manufacturing industry, bobbins and cops manufacturing industry etc

RELIEF TO COMMON MAN

- Reduction of ACD on goods falling under 2436 tariff lines pertaining to 20% customs duty slab from 7% to 6%.
- Extension in exemption from customs duties on import of COVID-19 related items for further six month.
- Exemption of CD & ACD on Inputs of Ready-To-Use Supplementary Foods (RUSF) and Ready-To-Use Therapeutic Food (RUTF).
- Exemption of CD & ACD on 06 life-saving drugs.
- Enhance the value of unsolicited gifts through post or courier from Rs.20,000 to 30,000.
- Exemption of CD & ACD on import of grain storage hermetic bags and cocoons.
- Rationalization of tariff structure on auto sector.

REVIEW OF REGULATORY DUTY (RD) REGIME:

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

EXPORT FACILITATION MEASURES:

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



MISCELLANEOUS:

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

LEGISLATIVE CHANGES:

- Introduction of a concept of Common bonded warehousing to encourage Small and Medium Enterprises.
- Empowering Collector of customs to determine customs value there by facilitating trade.
- Enabling the Director General Valuation to take appropriate decision on appeal and capping the time limit for such proceedings. Facilitation of trade by avoiding time consumed in unnecessary litigations.
- Allowing the importers to amend manifest till berthing event without seeking approval from custom authorities and hence ease of doing business.
- Enable customs authorities to allow bonafide amendment in into-bonds goods declaration and thus facilitate trade.
- Allowing the Collector to extend warehousing period for six months. Reducing the processing time of the requests and promoting ease of doing business.
- Reducing the time limit allowed for decision of the cases wherein the impugned goods are lying at sea ports, airports or dry-ports and thus decreasing the cost of doing business.
- Enable customs authorities to issue correction / corrigendum certificate in case of genuine / obvious error and facilitate trade.
- Inclusion of other law enforcement agencies for the purpose of reward and increasing their motivation.
- Affording opportunity of being heard to the registered users of WeBOC in accordance with the canons of natural justice.
- Increasing the period of validity of advance ruling from the current one year to three years in accordance with international benchmarks and facilitating trade thereof.
- Provision for the classification committee to avoid unnecessary litigation on account of classification disputes and consequently decreasing the cost of doing business.
- Removal of fine in case of delay in filing of goods declaration and thereby providing ease of doing business.



ENFORCEMENT FEATURES:

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

INCOME TAX ORDINANCE 2001
AMENDMENTS PROPOSED BY THE FINANCE BILL, 2021

Through Finance Bill 2021, following further amendments are proposed to be incorporated in the Income Tax Ordinance, 2001 (XLIX of 2001):

BUSINESS BANK ACCOUNT	SECTION 2(10A)
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The bill proposes to introduce definition of business bank account to be a bank account utilized by the taxpayer for business transaction declared to the Commissioner through original or modified registration form prescribed under section 18.

CONCEALMENT OF INCOME	SECTION 2(13A)
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The bill proposes to introduce the term 'concealment of Income' which is defined to include following:

- The suppression of any item of receipt liable to tax in whole or in part, or failure to disclose income chargeable to tax;
- Claiming any deduction or any expenditure not actually incurred; and
- Any act referred to in sub-section (1) of section 111

The bill also proposes to insert explanation to the definition, and it is clarified that mere disallowance by the Commissioner of any exempt income declared or any expenditure claimed shall not be treated as concealment of income unless it is proved that the act of taxpayer was deliberate.

INDUSTRIAL UNDERTAKING	SECTION 2(29C)
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Telecommunication companies operating under the license of PTA are proposed to be included under the ambit of an industrial undertaking. The proposed change will enable Telecommunication Companies to be eligible for benefits under the Ordinance available to Industrial Undertakings.

TAX ON PROFIT ON DEBT	SECTION 7B
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Presently, where the profit on debt exceeds Rs.36 million in a tax year, section 7B will not be applicable and the profit on debt will not be separately taxed for persons other than companies. In such cases, profit on debt will be chargeable to tax under the head, "Income from other sources".

This limit has now been reduced to Rs.5 million. In other words, the bill proposes to tax profit on debt under normal taxation regime in case profit on debts exceeds Rs. 5 million. The rate of tax for profit on debts below Rs. 5 million will remain 15%.

SALARY	SECTION 12
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Allowance solely expended in the performance of the employee's duties of employment has been clarified to not include

- allowance which is paid in monthly salary on fixed basis or percentage of salary; or
- allowance which is not wholly, exclusively, necessarily or actually spent on behalf of the employer.

Therefore, the amount of any allowance provided by an employer to an employee falling in the above clarification shall be taxable.

INCOME FROM PROPERTY	SECTION 15 & 155
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By the Finance Act, 2016, a dual tax treatment was introduced for property income of individuals/AOPs and companies. Individuals and AOPs had to pay fixed amount of tax on gross rentals. However, certain deductions were allowable for computing property income in case of a company.

Through Finance Act, 2019 Individuals/AOPs could opt for normal tax regime and claim deductions against gross rentals as provided in the law. But that option was available only to those individuals and AOPs who derived income from property in excess of Rs.4 (Million).

Finance Act, 2020 removed this condition and all individuals/AOPs were allowed to claim deductions against gross rental income if they opt to pay tax under normal tax regime.

Through this amendment, the option of separate block of taxation available on Income from property for Individuals/AOPs has been removed through shift to normal tax regime completely. The bill also proposes to allow set off of losses from income from property with other heads of income.

A further explanation has been introduced to clarify that tax shall be withheld irrespective of head of income at the following rates:

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

INCOME FROM BUSINESS
SECTION 18

It is clarified that income derived by co-operative societies from the sale of goods, immovable property or provision of services to its members is and has always been chargeable to tax under the head "Income from Business".

DEPRECIATION
SECTION 22

If the consideration received on the disposal of immovable property exceeds the cost of the property, the excess amount shall be taxable shall be chargeable to tax under the head "Capital Gains".

FIRST YEAR ALLOWANCE
SECTION 23A

To encourage industrial investment in rural and under developed areas, First Year Allowance @ 90% of the value of industrial assets had been allowed to the industrial undertakings established in specified areas to be notified by the Federal Government. This has now been abolished.

CAPITAL GAINS
SECTION 37
GAIN ON DISPOSAL OF IMMOVEABLE PROPERTY

- Where the taxable gain on disposal of immovable property exceeds five million rupees, it shall be chargeable to tax at normal rates applicable to the person



However, the taxable gain shall be calculated while taking into consideration the benefit of holding period. Maximum holding period attracting taxation of capital gains on disposal of immovable property was previously restricted to 4 years and percentages of taxable capital gain were also previously rationalized with reference to holding period through finance act 2020 (Capital Gain was reduced by 25% per year if holding period exceeds 1 year, therefore, after 4 years it was reduced to Nil.)

- Furthermore, where a person is habitually engaged in transactions of sale and purchase of immoveable property or such sale and purchase is adventure in the nature of trade and business, the income from such transactions shall be chargeable under the head Income from Business and not Capital Gains.

COST OF GIFTED CAPITAL ASSET

Previously, where a capital asset becomes property of a person under a gift from a relative, the fair market value of the asset on the date of its transfer shall be treated to be the cost of the asset.

Finance bill proposes that if the capital asset acquired through gift is disposed of within two years of acquisition and the Commissioner is satisfied that such gift arrangement is a part of tax avoidance scheme, then the cost of asset in the hands of recipient of the gift will be equal to the cost of the asset for the transferor.

WORKERS' WELFARE FUND & WORKERS' PARTICIPATION FUND
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SECTION 60A & 60B

Allowance of provincial WWF and WPPF as a deductible allowance while calculating income.

Therefore, the taxpayers will now be eligible to claim deductions from their incomes of amounts paid to funds established by provinces also. However, the bill also proposes to add a proviso to provide that the claim of deduction will not be available to amounts paid by trans provincial establishments

CHARITABLE DONATIONS

SECTION 61

This amendment was made through Tax Laws (Second Amendment) Ordinance, 2021 dated 22nd March 2021. These have now been made part of the Income Tax Ordinance, 2001.

The amendment made was as follows:

A person is entitled to a tax credit in respect of any sum paid, or any property given by the person in the tax year as a donation to:

- any board of education or any university in Pakistan established by, or under, a Federal or a Provincial law;
- any educational institution, hospital or relief fund established or run in Pakistan by Federal Government or a Provincial Government or a Local Government; or
- any non-profit organization

The tax credit is allowed at average rate of tax on the lower of the following:

- Actual amount of donation or Fair Market Value of property at the time it is given; or
- 30% of taxable income (20% in case of a company)

To extend the scope of this section, now voluntary contribution or subscription has also been included to calculate tax credit. The Ordinance also clarifies that non-profit organization includes persons eligible for tax credit under Section 100C of ITO and has further included entities, organizations and funds mentioned in the Thirteenth Schedule of ITO.

TAX CREDIT FOR PERSONS EMPLOYING FRESH GRADUATES	SECTION 64C
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This amendment was made through Tax Laws (Second Amendment) Ordinance, 2021 dated 22nd March 2021. These have now been made part of the Income Tax Ordinance, 2001.

The amendment made was as follows:

Previously, a person employing freshly qualified graduates from a university or institution recognized by Higher Education Commission was entitled to a tax credit in respect of the amount of annual salary paid to the freshly qualified graduates for a tax year in which such graduates are employed.

Now through the Ordinance, this tax credit is withdrawn.

TAX CREDIT FOR POINT OF SALE MACHINE	SECTION 64D
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A tax credit has been proposed on installation of point-of-sale machines, integrated and configured with the Board's computerized system. The credit shall be the lesser of:

- amount actually invested in purchase of point-of-sale machine; or
- rupees one hundred and fifty thousand per machine.

The term point of sale machine means a machine meant for processing and recording the sale transactions for goods or services, either in cash or through credit and debit cards or online payments in an internet enabled environment.

TAX CREDIT FOR ENLISTMENT	SECTION 65C
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This amendment was made through Tax Laws (Second Amendment) Ordinance, 2021 dated 22nd March 2021. These have now been made part of the Income Tax Ordinance, 2001.

The amendment made was as follows:

Where a taxpayer being a company opts for enlistment in any registered stock exchange in Pakistan on or before the 30th day of June 2022, a tax credit equal to twenty per cent of the tax payable shall be allowed for the tax year in which the said company is enlisted and for the following three tax years, However, the tax credit for the last two years shall be 10% of the tax payable.

This tax credit is now withdrawn.

TAX CREDIT FOR NEWLY ESTABLISHED INDUSTRIAL UNDERTAKINGS	SECTION 65D
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Where a taxpayer being a company formed for establishing and operating a new industrial undertaking including corporate dairy farming sets up a new industrial undertaking including a corporate dairy farm, it shall be given a tax credit, on basis of ratio of equity investment in industrial undertaking to total investment, of the tax payable, including on account of minimum tax and final taxes payable for a period of five years beginning from the date of setting up or commencement of commercial production, whichever is later. This tax credit was available to the company that is incorporated and industrial undertaking is setup between the first day of July, 2011 and 30th day of June, 2021.

Now this is omitted with condition that existing beneficiaries shall continue to avail benefits of repealed provisions for the periods and subject to conditions and limitations specified in this Section.

TAX CREDIT FOR CERTAIN PERSONS

SECTION 65F

This amendment was made through Tax Laws (Second Amendment) Ordinance, 2021 dated 22nd March 2021. These have now been made part of the Income Tax Ordinance, 2001.

The amendment made was as follows:

A new tax credit is introduced whereby Income of following taxpayers shall be allowed a tax credit equal to 100 % of the tax payable including minimum and final taxes as follows:

- Persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects; [Previously in Clause 132A of Part 1 of Second Schedule now omitted].
- A startup as defined in clause (62A) of section 2 for the tax year in which the startup is certified by the Pakistan Software Export Board and the following two tax years; [Previously in Clause 143 of Part 1 of Second Schedule now omitted].
- Persons deriving income from exports of computer software or IT services or IT enabled services upto the period ending on the 30th day of June, 2025: Provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels.

"IT services" include software development, software maintenance, system integration, web design, web development, web hosting and network design;

"IT enabled services" include inbound or outbound call centers, medical transcription, remote monitoring, graphics design, accounting services, HR services, telemedicine centers, data entry operations, cloud computing services, data storage services, locally produced television programs and insurance claims processing. [Previously in Clause 133 of Part 1 of Second Schedule now omitted]

The above tax credit shall be available subject to fulfillment of the following conditions, namely:

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



TAX CREDIT FOR SPECIFIED INDUSTRIAL UNDERTAKINGS	SECTION 65G
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This amendment was made through Tax Laws (Second Amendment) Ordinance, 2021 dated 22nd March 2021. These have now been made part of the Income Tax Ordinance, 2001.

The amendment made was as follows:

A new tax credit is introduced whereby eligible capital investment done by eligible taxpayers shall be allowed to take an investment tax credit of 25% of the eligible investment amount, against tax payable under the provisions of this Ordinance including minimum and final taxes. The tax credit not fully adjusted during the year of investment shall be carried forward to the subsequent tax year subject to the condition that it may be carried forward for a period not exceeding two years.

- Eligible investment means investment made in purchase and installation of new machinery, buildings, equipment, hardware and software, except self-created software and used capital goods.
- Eligible person means –
 - a) green field industrial undertaking as defined in clause (27A) of section 2 of this Ordinance
 1. engaged in –
 - The manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition; or
 - Ship building
 2. A person incorporated between the 30th day of June, 2019 and the 30th day of June, 2024; and
 3. A person not formed by the splitting up or reconstitution of an undertaking already in existence or by transfer of machinery, plant or building from an undertaking established in Pakistan.
 - b) industrial undertaking set up by the 30th day of June 2023 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind, for a period of five years beginning from the date such industrial undertaking is set up.

NON-RECOGNITION RULES
SECTION 79

Transfer of asset under certain circumstances is regarded as non-taxable under section 79 of the Ordinance. However, such non-recognition rule applies only under the situation where both the transferor and transferee are resident of Pakistan. The Bill proposes to mandate the residency requirements, for both the transferor and the transferee, only in respect of the following three categories of transactions:

- a) by reason of the compulsory acquisition of the asset under any law where the consideration received for the disposal is reinvested by the recipient in an asset of a like kind within one year of the disposal
- b) by a company to its shareholders on liquidation of the company
- c) by an association of persons to its members on dissolution of the association where the assets are distributed to members in accordance with their interests in the capital of the association

Through this proposed amendment, it would appear that in the following three transactions, no gain or loss would be recognized in the hands of the transferor even if the transferee is a non-resident person

- a) between spouses under an agreement to live apart
- b) by reason of the transmission of the asset to an executor or beneficiary on the death of a person
- c) by reason of a gift of the asset to a relative, as defined in sub-section (5) of section 85.

POWERS OF FEDERAL GOVERNMENT TO FBR
MISCELLANEOUS SECTIONS

The bill proposes to delegate powers of Federal Government to the FBR with approval of Federal Minister Incharge as vested to Federal Government under following provisions:

Section	Description
2(62A)	Definition – Startup.
53(2)	Exemptions and tax concessions in the Second Schedule.
99B	Special procedure for small traders and shopkeepers
99C	Special procedure for certain persons.
100	Special provisions relating to the production of oil and natural gas, and exploration and extraction of other mineral deposits.
204	Power to tender immunity from prosecution.

TAX CREDIT FOR CHARITABLE ORGANIZATIONS	SECTION 100 C
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This amendment was made through Tax Laws (Second Amendment) Ordinance, 2021 dated 22nd March 2021. These have now been made part of the Income Tax Ordinance, 2001.

Section 100C of the income Tax Ordinance has been restructured as follows:

1. The Conditions and limitations to claim tax credit under Section 100C has been removed from sub-section 1 and has been added back vide subsection (4) to the same section, with no changes in the Conditions and limitations itself. However, the condition of approval from Commissioner for persons mentioned in Table II of clause (66) of Part I of Second Schedule, to take effect from 1st July, 2022 and conditions of section 2(36) are not applicable for earlier years for these persons.
2. The taxation of surplus funds of non-profit organization and the definition of surplus funds previously provided under sub-section 1A and 1B has been omitted and added back vide subsection 5 and 6 to the same section, with no changes in the taxation of surplus funds of nonprofit organization and the definition of surplus funds.
3. Previously the Persons and income eligible for Tax credit were provided under sub-section 2 of Section 100C. Now through Ordinance these are bifurcated in the Persons eligible for Tax credit and income eligible for Tax credit under Section 100C vide insertion of sub-section 2 and sub-section 3. The restructuring adds the persons and incomes as follows:
 - Persons
 - a) Institutions, foundations, societies, boards, trusts and funds as are provided in Second Schedule, Clause 66 Part 1, Table 2 of the Income Tax Ordinance, 2001
 - b) A trust administered under a scheme approved by Federal Government and established in Pakistan exclusively for the purposes of carrying out such activities as are for the welfare of ex-employees and serving personnel of the Federal Government or a Provincial Government or
 - c) Nominated by the Federal Government or a Provincial Government.
 - d) a trust
 - e) a welfare institution registered with Provincial or Islamabad Capital Territory (ICT) social welfare department
 - f) armed forces including civilian employees of armed forces and their dependents where the said trust is administered by a committee
 - g) a not for profit company registered with the Securities and Exchange Commission of Pakistan under section 42 of the Companies Act, 2017;
 - h) a welfare society registered under the provincial or Islamabad Capital Territory (ICT) laws related to registration of co-operative societies; and

- i) International non-governmental organizations (INGOs) approved by the Federal Government.
- j) A waqf registered under Mussalman Waqf Validating Act, 1913(VI of 1913) or any other law for the time being in force or in the instrument relating to the trust or the institution.
- k) A university or education institutions being run by non-profit organization existing solely for educational purposes and not for the purpose of profit.
- l) A religious or charitable institution registered under any law for the time being in force.
- Income
 - a) Income from donations, voluntary contributions, and subscription
 - b) Income from house property
 - c) Income from investments in the securities of Federal Government.
 - d) Profit on debt from schedule banks and microfinance banks
 - e) grant received from Federal, Provincial, Local or foreign Government
 - f) So much of income from business as is expended in Pakistan for purpose of carrying out welfare activities on proportionate basis.

SPECIAL PROVISIONS RELATING TO BUILDERS AND DEVELOPERS	SECTION 100D
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The Construction package (including amnesty) ended on 31st December 2020, which was extended with various timelines through "The Income (Amendment) Ordinance, 2021" promulgated by President of Pakistan on 20th January 2020. These have now been made part of the Income Tax Ordinance, 2001.

A comparison of previous deadlines with extended deadlines is provided in summarize form hereunder:

Description	Old Date/Period	New Date/Period
Last date of Project Completion of new and existing Projects	30th September 2022	30th September 2023
Last date of registration of Builder/Developer with FBR where immunity from inquiry with respect to source of funds is not availed.	31st December 2020	31st December 2021
Last date of registration of Builder/Developer with FBR where immunity from inquiry with respect to source of funds is availed.	31st December 2020	30th June 2021

Last date for commencement of new project	31st December 2020	31st December 2021
First tax year under fixed taxation regime in case of existing projects	Tax Year 2020	Tax Year 2020 or 2021 at the option of taxpayer.
The maximum estimated project life	2.5 Years	3 Years
Last date for deposition of money into bank account to claim immunity from inquiry with respect to sources of funds	31st December, 2020	30th June, 2021
Last date of transfer of investment into bank account of Company or Association of Persons in form of money through a crossed banking instrument to claim immunity from inquiry with respect to source of funds.	31st December, 2020	30th June, 2021
Last date of transfer of land to Company or Association of Persons as investment to claim immunity from inquiry with respect to source of funds with condition that person shall have ownership of land as on 19th April 2020.	31st December, 2020	30th June, 2021
Last date for the first purchaser of building or unit of building to make full payment through crossed banking instrument.	30th September 2022	31st March 2023
Last date for purchase of plot for the purchaser who intends to construct a building thereon to claim immunity from inquiry with respect to source of funds.	31st December 2020 provided construction on such plot is also commenced on or before 31st December 2020.	30th June 2021 provided construction on such plot is commenced on or before the 31 st December 2021
Date of joining of additional partners or shareholders in a builder or developer after which such partners or shareholders shall not be eligible for exemption provided under sub-section (3) of section 100D (i.e., immunity from inquiry of source of funds)	31st December 2020	31st December 2021

SPECIAL PROVISIONS RELATING TO SMALL AND MEDIUM ENTERPRISES	SECTION 100E
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Special tax regime has been introduced for manufacturing SMEs.

Small and Medium Enterprise means a person who is engaged in manufacturing, which includes:

(a) any process in which an article singly or in combination with other articles, material, components, is either converted into another distinct article or product is so changed, transferred, or reshaped that it becomes capable of being put to use differently or distinctly; or

(b) a process of assembling, mixing, cutting or preparation of goods in any other manner and his business turnover in a tax year does not exceed two hundred and fifty million rupees.

Provided that if annual business turnover of a small and medium enterprise exceeds two hundred and fifty million rupees, it shall not qualify as small and medium enterprise in the tax year in which annual turnover exceeds that turnover or any subsequent tax year.

For tax year 2021 and onwards, the tax payable by a small and medium enterprise, after Small and Medium Enterprise registers with FBR on its Iris web portal or Small and Medium Enterprises Development Authority on its SME registration portal (SMERP), shall be computed and paid as follows:

Option 1

There shall be following two categories of small and medium enterprises and tax on their taxable income shall be computed at the tax rates given in the table below, namely:

Sr. No.	Category	Turnover	Rates
1	Category-1	Where annual business turnover does not exceed Rupees 100 million	7.5% of taxable income
2	Category-2	Where annual turnover exceeds Rupees 100 Million but does not exceed Rupees 250 Million	15% of taxable income

SMEs who opt for taxation as per above may be selected for tax audit through risk based parametric computer ballot if its tax to turnover ratio is below tax rates given Option 2.

The cases selected for audit shall not exceed 5% of the total population of SMEs whose tax to turnover ratio is below tax rates given in Option 2.

Option 2

The small and medium enterprises may opt for taxation under final tax regime at the rates given in the table below:

Sr. No.	Category	Turnover	Rates
1	Category-1	Where annual business turnover does not exceed Rupees 100 million	0.25% of gross turnover
2	Category-2	Where annual turnover exceeds Rupees 100 Million but does not exceed Rupees 250 Million	0.5% of gross turnover

Option for taxation under final tax regime shall be exercised at the time of filing of return of income and option once exercised shall be irrevocable for three tax years.

SMEs who opt for taxation as per above shall not be selected for tax audit.

All other provisions of the Ordinance shall apply the same.

UNEXPLAINED INCOME OR ASSETS

SECTION 111

It has been clarified that a separate notice under this section is not required to be issued if the explanation regarding nature and sources of amount credited or the investment of money, valuable article, or the funds from which expenditure was made has been confronted to the taxpayer through a notice under sub-section (9) of section 122 of this Ordinance.

MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS

SECTION 113

Previously, individuals and AOPs having turnover below the threshold of Rs. 10 million were not obliged to pay minimum tax. This limit on turnover has been increased to 100 million rupees. Now, minimum tax shall be levied on individuals and AOPs having turnover of Rs. 100 million and more.

Furthermore, it is clarified that the definition of turnover covers receipts from all business activities in line with expression "turnover from all sources" including but not limited to receipts from sale of immoveable property where such receipt is taxable under the head Income from Business.

Through this amendment, it is settled that minimum tax paid shall not be carried forward in case no tax is payable by the taxpayer i.e the benefit is available only

when some tax had actually been paid but was less than that minimum tax. In case zero tax is paid the carry forward of differential will not be available.

Previously, minimum tax paid could be carried forward in all cases i.e the amount paid as minimum tax was eligible to be carried forward in case of loss also.

Furthermore, the rate of turnover tax has also been reduced from 1.5% to 1.25%.

RETURN OF INCOME	SECTION 114
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- The Commissioner may, by notice in writing, require any person who, in the Commissioner's opinion, is required to file a return of income for a tax year or assessment year but who has failed to do so to furnish a return of income for that year within thirty days from the date of service of such notice or such longer or shorter period as may be specified in such notice or as the Commissioner may allow.

A notice may be issued in respect of one or more of the last five completed tax years or assessment years.

In case of a person who has not filed return for any of the last five completed tax years, notice may be issued in respect of one or more of the last ten completed tax years.

The scope of this section has been enhanced and now the time-limitation provided above shall not apply if the Commissioner is satisfied on the basis of reasons to be recorded in writing that a person who failed to furnish his return has foreign income or owns foreign assets.

- Previously, revision of return was required to be accompanied by the revised accounts or revised audited accounts. Through this proposed amendment, the Commissioner may waive this condition if Commissioner is satisfied that filing of revised accounts or audited accounts is not necessary.

TAXPAYER'S PROFILE	SECTION 114A
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The bill now proposes to withdraw requirement of filing of taxpayer's profile.

ASSESSMENTS	SECTION 20
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In terms of section 120 of the Ordinance, where a taxpayer files a return of income:

- a) the Commissioner shall be taken to have made an assessment of taxable income for that tax year, and the tax due thereon
- b) the return shall be taken for all purposes of this Ordinance to be an assessment order issued to the taxpayer by the Commissioner on the day the return was furnished.

Through the Finance Act, 2020 a new sub-section (2A) was inserted in section 120 wherein the return filed by a taxpayer shall be processed through the automated system to arrive at correct amounts of taxable income and tax payable by making certain adjustments as follows:

- (i) any arithmetical error in the return;
- (ii) any incorrect claim, if such incorrect claim is apparent from any information in the return;
- (iii) disallowance of any loss, deductible allowance or tax credit and
- (iv) disallowance of carry forward of any loss

These adjustments will be made after:

- (i) providing opportunity of being heard through a system generated notice and after taking into account the reply received from the taxpayer.
- (ii) However, in case no reply is furnished, adjustments can be made within thirty days of the issuance of the notice.
- (iii) In case no adjustments are made within six months of filing of the return of income, return of income shall be deemed to have been assessed upon completion of the six months' period, and intimation to this effect shall be given to the taxpayer automatically through Iris.

Through this proposed amendment, the above provisions introduced through the Finance Act, 2020, shall apply from the date notified by the Federal Board of Revenue in the official Gazette and until the date is notified, provisions introduced through the Finance Act, 2020 will not be in operation.

Furthermore, once the date is notified, clauses (a) and (b) shall only apply when the provisions introduced through the Finance Act, 2020, if invoked, are first complied with.

Once compliance is made, the adjusted amount shall be construed to be the tax payable and due under clause (a) and the date of the compliance shall be the date for the purposes of clause (b).

AMENDMENT OF ASSESSMENTS	SECTION 122(5A)
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Section 122(5A) allows the CIR to conduct an inquiry and accordingly amend the assessment of a taxpayer if he considers that the assessment is erroneous in so far it is prejudicial to the interest of revenue.

The bill now proposes to largely limit the powers of Commissioners to seek amendment of assessment using section 122(5A) by withdrawing the powers of inquiries by the Commissioner. The amendment under section 122(5A) will now only be possible in case the commissioner himself possesses such information as a result of which he considers that the assessment is erroneous in so far it is prejudicial to the interest of revenue.

AMENDMENT OF ASSESSMENTS	SECTION 122(9)
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The order under this section shall be made within one hundred and twenty days of issuance of show cause notice or within such extended period as the Commissioner may, for reasons to be recorded in writing, so however, such extended period shall in no case exceed ninety days.

This proviso shall be applicable to a show cause notice issued on or after the first day of July, 2021.

Furthermore, that any period during which the proceedings are adjourned on account of a stay order or Alternative Dispute Resolution proceedings or agreed assessment proceedings or the time taken through adjournment by the taxpayer not exceeding sixty days shall be excluded from the computation of the period specified.

REVISION BY THE COMMISSIONER	SECTION 122A
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If any order is remanded back to any lower authority by the Commissioner for modification, alteration, implementation of directions or de novo proceedings, the order giving effect to the directions of the Commissioner shall be issued within one hundred and twenty days.

ALTERNATIVE DISPUTE RESOLUTION	SECTION 134A
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- Previously, an aggrieved person in connection with any dispute may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute which is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated or where interpretation of question of law is involved having effect on other cases.

Through this proposed amendment, an aggrieved person in connection with any dispute may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute which is under litigation in any court of law or an Appellate Authority, even where criminal proceedings have been initiated.

Furthermore, if the issue involves a mixed question of fact and law, the Board, while taking into consideration all relevant facts and circumstances, shall decide whether or not ADRC may be constituted.

- The application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute, from which proposition, the taxpayer would not be entitled to retract.
- The time limit to appoint a committee after examination of the application of an aggrieved person, has been reduced from sixty days of receipt of such application in the Board to thirty days.
- The time limit for the committee to decide the dispute through consensus, has been reduced from one hundred and twenty days of its appointment to sixty days of its appointment extendable by another thirty days for the reasons to be recorded in writing.
- Previously, the Committee may, in case of hardship, stay recovery of tax payable in respect of dispute pending before it for a period not exceeding one hundred and twenty days in aggregate or till the decision of the committee or its dissolution, whichever is earlier.

Through this proposed amendment, this has now been changed and the recovery of tax shall be stayed on the constitution of committee till the final decision or dissolution of the committee, whichever is earlier

- If the committee fails to decide within the period sixty of days of its appointment extendable by another thirty days for the reasons to be recorded in writing, the Board shall dissolve the committee by an order in writing and may re-constitute another

committee and the provisions of sub-sections (2), (3), (4), (5) and (6) shall apply mutatis mutandis to the second committee

- If the Second Committee fails to decide within the period of sixty days of its appointment extendable by another thirty days for the reasons to be recorded in writing, the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the appellate authority where the dispute is pending.

DUE DATE FOR PAYMENT OF TAX	SECTION 137
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The period of 30 days for payment of tax demand, pursuant to section 137(2), is proposed not to apply in respect of tax demand created through an appeal effect order and correspondingly the same would be immediately payable.

ASSISTANCE IN THE RECOVERY AND COLLECTION OF TAXES	SECTION 146C
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The Bill proposes to empower the tax authorities to recover tax from any person pursuant to a request from a foreign jurisdiction under a tax treaty, a multilateral convention or an inter-governmental or similar agreement or mechanism.

ADVANCE TAX PAID BY THE TAXPAYER	SECTION 147
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At present, a taxpayer can file a lower estimate of advance tax which is required to be accompanied by the following:

- Turnover for the completed quarters;
- Estimated turnover for the remaining quarters along with reasons for any decline in turnover;
- Documentary evidence of estimated expenses or deductions which may result in lower advance tax payment; and
- Computation of estimated taxable income for the relevant tax year.

The Commissioner shall have the mandate to reject the lower estimate in case the above details are not provided and the taxpayer shall be required to pay advance tax on the basis of his turnover for the quarter.

Through this proposed amendment, a taxpayer can file a lower estimate of advance tax without furnishing any basis of such lower estimate as it is proposed to withdraw the power of the CIR to reject advance tax estimate filed by a taxpayer.



RETURN ON INVESTMENT IN SUKUKS

SECTION 150A

Deduction of tax on return on investment in Sukuks is proposed to be merged in section 151 for residents and in section 152 for non-residents which deal with such payments.

PAYMENTS TO NON RESIDENTS

SECTION 152

Every banking company maintaining a Foreign Currency Value Account (FCVA) or a non-resident Pakistani Rupee Value Account (NRVA) of a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) shall deduct tax from capital gain arising on the disposal of debt instruments and government securities and certificates (including Shariah compliant variant) invested through aforesaid accounts at 10% of the amount of capital gain, which shall be a final tax.

PAYMENT FOR FOREIGN PRODUCED COMMERCIALS

SECTION 152A

Deduction of tax on payments for foreign produced commercials is proposed to be merged with section 152 which deals with payments to non-residents.

PAYMENTS FOR GOODS, SERVICES AND CONTRACTS

SECTION 153

Presently, Commissioner shall issue certificate for payment goods, services and contracts without deduction of tax within fifteen days of filing of application to a public company listed on a registered stock exchange in Pakistan if advance tax liability has been discharged.

Through this proposed amendment, this benefit is extended to all companies.

Furthermore, the relief provided regarding non deduction of tax on payments made to traders of yarn by the taxpayers specified in the zero-rated regime of sales tax (as provided under clause (45A) of Part-IV of the Second Schedule) has been withdrawn.

EXPORT OF SERVICES

SECTION 154A

Every authorized dealer in foreign exchange shall, at the time of realization of foreign exchange proceeds on account of the following:

- a) exports of computer software or IT services or IT enabled services in case tax credit under section 65F is not available;
- b) services or technical services rendered outside Pakistan or exported from Pakistan;
- c) 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;
- d) construction contracts executed outside Pakistan; and
- e) other services rendered outside Pakistan as notified by the Board from time to time;

shall deduct tax at one percent of the proceeds of the export. The tax deductible under this section shall be a final tax on the income arising from the transactions referred to in this section, upon fulfilment of the following conditions:

- a) return has been filed;
- b) withholding tax statements for the relevant tax year have been filed; and
- c) sales tax returns under Federal or Provincial laws have been filed, if required under the law;
- d) no credit for foreign taxes paid shall be allowed.

This final tax regime shall not to be applicable to a person who does not fulfill the specified conditions or who opts not to be subject to final taxation. The option shall be exercised every year at the time of filing of return.

The bill also proposes that any income attributed under this section shall not be taken into account to avail further benefit as foreign remittance under section 111 of the Ordinance.

EXEMPTION CERTIFICATE	OR	LOWER	RATE	SECTION 159
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In case of a company, the Commissioner shall issue exemption or lower rate certificate within fifteen days of filing of application by the company. Furthermore, the Commissioner shall be deemed to have issued the exemption certificate upon the expiry of fifteen days from filing of application by the aforesaid company and the certificate shall be automatically processed and issued by Iris. However, the Commissioner may modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing after providing an opportunity of being heard.

STATEMENTS
SECTION 165

Through this proposed amendment, withholding agents will be required to e-file annual withholding statements u/s 165 within 30 days of end of tax year. This annual statement is in addition to the annual statement filed for tax deductions under section 149.

Furthermore, taxpayers will be required to submit reconciliation of amounts declared in annual statements with those reported in the return of income or audited financial statements. Such reconciliation will be required to be submitted by the due date of filing the return of income.

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

Commencing from tax year 2021, the Board may process and issue refund to the taxpayer who has filed the return of income without requiring refund application by the taxpayer to the extent of tax credit verified by the Board's computerized system as may be prescribed. The refund amount sanctioned under this section shall be electronically transferred in the taxpayer's notified bank account.

OFFENCES AND PENALTIES
SECTION 182

The penalties for offenses committed by a person have been significantly increased. Significant new penalties have also been added to the list to ensure compliance.

The amendment regarding penalties for offenses committed by a person were made through Tax Laws (Second Amendment) Ordinance, 2021 dated 22nd March 2021. These have now been made part of the Income Tax Ordinance, 2001.

The following amendments were made in section 182 made through Tax Laws (Second Amendment) Ordinance, 2021 whereby, certain penalties have been revised:

Offences	Existing Penalties	Revised Penalties
Where any person fails to furnish a return of income as required under section 114 within the due date.	Such person shall pay a penalty equal to 0.1% of the tax payable in respect of that tax year for each day of default subject to a maximum penalty of 50% of the tax payable	Such person shall pay a penalty equal to 0.1% of the tax payable in respect of that tax year for each day of default subject to a maximum penalty of 50% of the tax payable

	provided that if the penalty worked out as aforesaid is less than forty thousand rupees or no tax is payable for that tax year such person shall pay a penalty of forty thousand rupees Provided that if seventy-five percent of the income is from salary and the amount of income under salary is less than five million Rupees, the minimum amount of penalty shall be five thousand Rupees. Explanation: For the purposes of this entry, it is declared that the expression "tax payable" means tax chargeable on the taxable income on the basis of assessment made or treated to have been made under section 120, 121, 122 or 122C.	provided that if the penalty worked out as aforesaid is less than forty thousand rupees or no tax is payable for that tax year such person shall pay a penalty of forty thousand rupees Provided that if seventy-five percent of the income is from salary and the amount of income under salary is less than five million Rupees, the minimum amount of penalty shall be five thousand Rupees. Provided further that if taxable income is up-to eight hundred thousand Rupees, the minimum amount of penalty shall be five thousand Rupees: Provided also that the amount of penalty shall be reduced by 75%, 50% and 25% if the return is filed within one, two and three months respectively after the due date or extended due date of filing of return as prescribed under the law
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		Explanation: For the purposes of this entry, it is declared that the expression "tax payable" means tax chargeable on the taxable income on the basis of assessment made or treated to have been made under section 120, 121, 122 or 122C.
Where any person fails to furnish a statement as required under section 165, or 165A, 165A or 165B within the due date.	Such person shall pay a penalty of Rs.5000 if the person had already paid the tax collected or withheld by him within the due date for payment and the statement is filed within ninety days from the due date for filing the statement and, in all other cases, a penalty of Rs.2500 for each day of default from the due date subject to a minimum penalty of Rs. 10,000.	Such person shall pay a penalty of Rs.5000 if the person had already paid the tax collected or withheld by him within the due date for payment and the statement is filed within ninety days from the due date for filing the statement and, in all other cases, a penalty of Rs.2500 for each day of default from the due date subject to a minimum penalty of Rs. 10,000. Provided that where it stands established that no tax was required to be deducted or collected during the relevant period, minimum amount of penalty shall be ten thousand Rupees.
Any person who repeats erroneous calculation in the return for more than	Such person shall pay a penalty of thirty thousand rupees or three per cent of	Such person shall pay a penalty of thirty thousand rupees or three per cent of

one year whereby amount of tax paid is less than the actual tax payable under this Ordinance is paid.	the amount of the tax involved, whichever is higher.	the amount of the tax involved, whichever is higher. Provided that no penalty shall be imposed to the extent of the tax shortfall occurring as a result of the taxpayer taking a reasonably arguable position on the application of this Ordinance to the taxpayer's position.
Any person who: (a) makes a false or misleading statement to an Inland Revenue Authority either in writing or orally or electronically including a statement in an application, certificate, declaration, notification, return, objection or other document including books of accounts made, prepared, given, filed or furnished under this Ordinance; (b) furnishes or files a false or mis-leading information or document or statement to an Income Tax Authority either in writing or orally or electronically; (c) omits from a statement made or information furnished to an Income	Such person shall pay a penalty of twenty-five thousand rupees or 100% of the amount of tax shortfall whichever is higher: Provided that in case of an assessment order deemed under section 120, no penalty shall be imposed to the extent of the tax shortfall occurring as a result of the taxpayer taking a reasonably arguable position on the application of this Ordinance to the taxpayers' position. Section of the Ordinance to which offence has reference: Section 114, 116, 174, 176, 177 and general.	Such person shall pay a penalty of twenty-five thousand rupees or 50% of the amount of tax shortfall whichever is higher: Provided that in case of an assessment order deemed under section 120, no penalty shall be imposed to the extent of the tax shortfall occurring as a result of the taxpayer taking a reasonably arguable position on the application of this Ordinance to the taxpayers' position. Section of the Ordinance to which offence has reference: Section 114, 116, 174, 176, 177, 114A and 118.

Tax Authority any matter or thing without which the statement or the information is false or misleading in a material particular.		
Any person who denies or obstructs the access of the Commissioner or any officer authorized by the Commissioner to the premises, place, accounts, documents, computers or stocks.	Such person shall pay a penalty of fifty thousand rupees or one hundred per cent of the amount of tax involved, whichever, is higher.	Such person shall pay a penalty of fifty thousand rupees or fifty per cent of the amount of tax involved, whichever, is higher.
Any person who fails to collect or deduct tax as required under any provision of this Ordinance or fails to pay the tax collected or deducted as required under section 160.	Such person shall pay a penalty of forty thousand rupees or the 10% of the amount of tax whichever is higher. Section of the Ordinance to which offence has reference: Section 148, 149, 150, 151, 152, 153, 153A, 154, 155, 156, 156A, 156B, 158, 160, 231A, 231B, 233, 233A, 234, 234A, 235, 236, 236A	Such person shall pay a penalty of forty thousand rupees or the 10% of the amount of tax whichever is higher. Section of the Ordinance to which offence has reference: Division II or Division III of Part V of Chapter X or Chapter XII
Any person who fails to display his NTN or business license at the place of business as required under this Ordinance or the rules made thereunder.	Such person shall pay a penalty of five thousand rupees. Section of the Ordinance to which offence has reference: Section 181C.	Such person shall pay a penalty of five thousand rupees. Section of the Ordinance to which offence has reference: Section 181C and 181D.

Where any manufacturer of a motor vehicle accepts or processes any application for booking or purchase of a locally manufactured motor vehicle in violation of the provisions of clause (a) of section 227C	Such person shall pay a penalty of 5 percent of the value of the motor vehicle	Omitted as corresponding section 227C has already been omitted vide Finance Act, 2019
(i) Where any registering authority of Excise and Taxation Department accepts, processes or registers any application for registration of a locally manufactured motor vehicle or for the first registration of an imported vehicle in violation of the provisions of clause (a) of section 227C (ii) Where any authority responsible for registering, recording or attesting the transfer of immovable property accepts or processes the registration or attestation of such property in violation of the provisions of clause (b) of section 227C.	Such person shall pay a penalty of 3 percent of the value of motor vehicle or immovable property	Omitted as corresponding section 227C has already been omitted vide Finance Act, 2019

The following further amendments are proposed to be made in section 182 through this Bill:

Offences	Existing Penalties	Revised Penalties
Any person who is required to furnish or update a	Such a person shall pay a penalty of Rs. 2,500 for	Omitted as corresponding section 114A has been

taxpayer's profile but fails to furnish or update within the due date.	each day of default from the due date subject to a minimum penalty of Rs. 10,000.	proposed to be omitted vide Finance Bill, 2021
Any person who contravenes the provisions of section 181AA.	Such a person shall pay a penalty at the rate of Rs. 10,000 for each connection provided to an unregistered person.	Such a person shall pay a penalty at the rate of Rs. 100,000 for each connection provided to an unregistered person.
Any person who: (a) makes a false or misleading statement to an Inland Revenue Authority either in writing or orally or electronically including a statement in an application, certificate, declaration, notification, return, objection or other document including books of accounts made, prepared, given, filed or furnished under this Ordinance; (b) furnishes or files a false or mis-leading information or document or statement to an Income Tax Authority either in writing or orally or electronically; (c) omits from a statement made or information furnished to an Income Tax Authority any matter or thing without which the statement or the information is false	Such person shall pay a penalty of twenty-five thousand rupees or 100% of the amount of tax shortfall whichever is higher: Provided that in case of an assessment order deemed under section 120, no penalty shall be imposed to the extent of the tax shortfall occurring as a result of the taxpayer taking a reasonably arguable position on the application of this Ordinance to the taxpayers' position. Section of the Ordinance to which offence has reference: Section 114, 116, 174, 176, 177 and general.	Such person shall pay a penalty of twenty-five thousand rupees or 50% of the amount of tax shortfall whichever is higher: Provided that in case of an assessment order deemed under section 120, no penalty shall be imposed to the extent of the tax shortfall occurring as a result of the taxpayer taking a reasonably arguable position on the application of this Ordinance to the taxpayers' position. Section of the Ordinance to which offence has reference: Section 114, 116, 174, 176, 177, and 118. (114A omitted as corresponding section 114A has been proposed to be omitted vide Finance Bill, 2021).



or misleading in a material particular.		
Where any person fails to declare business bank account(s), in his registration application or fails to amend his registration profile to declare existing business bank account(s) Proposed to be inserted vide Finance Bill 2021	-	Such person shall pay a penalty of Rs. 10,000 for each day of default since the date of submission of application for registration or date of opening of undeclared business bank account whichever is later: Provided that if penalty worked out as aforesaid is less than Rs.100,000 for each undeclared bank account, such person shall pay a penalty of Rs.100,000 for each undeclared business bank account: Provided further that this provision shall be applicable from the first day of October, 2021 during which period the taxpayer may update their registration forms. Proposed to be inserted vide Finance Bill 2021

RETURN NOT FILED WITHIN DUE DATE

SECTION 182A

Previously, where a person fails to file a return of income by the due date, such person shall not be allowed, for that tax year, to carry forward any loss. This restriction has now been removed.

PROSECUTION FOR NON-COMPLIANCE WITH CERTAIN STATUTORY OBLIGATIONS	SECTION 191
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The scope of this section has been extended and now any person who, without reasonable excuse, fails to declare business bank account(s) in the registration form or updated registration form or return of income or wealth statement shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

POWER TO COMPOUND OFFENCE & TRIAL BY SPECIAL JUDGE	SECTION 202 & 203
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The Finance Bill 2021 proposes deletion of sections 202 and 203 and suggesting amendments in section 203A besides promulgation of section 203B, 203C, 203D, 203E, 203F, 203G and 203H. The 202 and 203 sections are related to powers of chief commissioner to compound an offence with payment of tax including default surcharge and penalty; further appointment of Special Judge [SJ] by the Federal Government for prosecution of offences which are in nature of crime such as false statement in verification; improper use of NTN; making false statements; obstructing tax authorities; etc. on which the Code of Criminal Procedure, 1898 (Act V of 1898) [CCP] is applicable and 203A is related to procedure for filing of appeal against the order of special judge.

POWER TO ARREST AND PROSECUTE	203A
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It is proposed to empower Assistant Commissioner or any other equal rank officer authorized by the Board, to arrest a person who has committed an offence under the ordinance. The arrests made shall be as per CCP.

It is further proposed the Chief Commissioner may compound the offence if such person pays the amount of tax due with default surcharge and penalty. In case of company every director or officer responsible shall be arrested without absolving the Company from payment of due tax.

PROCEDURE TO BE FOLLOWED ON ARREST OF A PERSON	203B
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Procedure for arrest of a person is proposed to be as follows:

- On arrest the officer shall produce the accused person before SJ within 24 hours;
- The SJ may grant or refuse bail on request of the accused person. Further, SJ may revoke the bail at any time;
- SJ may remand the accused person to officer for maximum of 14 days;

- On inquiry if the accused person not found guilty, the officer may discharge him and bind him to appear before SJ when summoned;
- The officer shall maintain a register called 'Register of Arrests and Detentions' in the prescribed form.

SPECIAL JUDGE	203C, 203D, 203E, 203F, 203G, 203H
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The Federal Government may appoint as many SJs as it considers necessary and shall specify the territorial limits where more than one SJs are appointed. The proposed sections have given the SJs following powers:

- The SJs shall take cognizance of offence punishable under the Ordinance;
- The SJs shall have exclusive jurisdiction to try an offence under this Ordinance;
- The SJs shall apply CCP to try an offence under this ordinance unless the CCP does not contradict this Ordinance;
- The proceedings may be transferred from one special judge to another for the purpose of justice and convenience;
- The SJs may conduct proceedings at headquarters or any other place for the purpose of convenience.

E-HEARING	SECTION 227E
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The Board may design and prescribe e-hearing module for the purpose of conducting hearings, granting opportunity of being heard and electronically receiving any information for the purpose of this Ordinance. The recording of e-hearing proceedings shall be admissible as evidence before any forum or court of law.

CASH WITHDRAWAL FROM A BANK & ADVANCE TAX ON TRANSACTIONS IN BANK	SECTION 231A & 231AA
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At present, tax at the rate of 0.6% is deducted in case of cash withdrawal of an amount exceeding Rs. 50,000 in a day by a non-active person. Similar tax is deducted at the rate of 0.6% in case of banking transaction of an amount exceeding Rs. 50,000 in a day by a non-active person.

Through this proposed amendment, collection of tax on cash withdrawal and banking instruments is now withdrawn.

ADVANCE TAX ON PRIVATE MOTOR VEHICLES	SECTION 231B
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Every motor vehicle registration authority of Excise and Taxation Department shall, at the time of registration, collect tax at the rates specified below, if the locally manufactured motor vehicle has been sold prior to registration by the person who originally purchased it from the local manufacturer:

Sr. No.	Engine Capacity	Tax (Rs.)
1	Upto 1000cc	50,000
2	1001cc to 2000cc	100,000
3	2001cc and above	200,000

BROKERAGE AND COMMISSION	SECTION 233
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Previously, where any payment on account of brokerage or commission is made by the Federal Government, a Provincial Government, a Local Government, a company or an association of persons constituted by, or under any law (hereinafter called the "principal") to a person (hereinafter called the "agent"), the principal shall deduct advance tax at specified rates from such payment.

The scope of this section has been extended to include payment on account of brokerage or commission made by individual having turnover of hundred million rupees or more. However, in case of AOP, the scope of withholding agent has been restricted to only such AOPs having turnover of Rs. 100 million or more.

COLLECTION OF TAX BY A STOCK EXCHANGE REGISTERED IN PAKISTAN, COLLECTION OF TAX BY NCCPL & COLLECTION OF TAX BY CNG STATIONS	SECTION 233A, 233AA & 234A
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Collection of tax from members by a stock exchange registered in Pakistan, on marginal financing by NCCPL & from CNG stations is being withdrawn.

ELECTRICITY CONSUMPTION
SECTION 235

Section 235 provides for collection of advance tax on electricity consumption by commercial or industrial consumers. The bill now proposes to also make domestic consumers, not appearing in active tax payers' list, liable for advance tax collection through electricity bills.

Following is a comparison of existing and proposed rates:

> Commercial and Industrial Consumers

Gross amount of Bill	Existing	Proposed
Does not exceed Rs. 400	Rs. 0	Rs. 0
Exceeds Rs. 400 but does not exceed Rs. 500	Rs. 80	10% of the amount
(b) Exceeds Rs. 500 but does not exceed Rs. 600	Rs. 80	
(c) Exceeds Rs. 600 but does not exceed Rs. 800	Rs. 100	
(d) exceeds Rs. 800 but does not exceed 1000	Rs. 160	
(e) exceeds Rs. 1000 but does not exceed Rs. 1500	Rs. 300	
(f) exceeds 1500 but does not exceed 3000	Rs. 350	
(g) exceeds 3000 but does not exceed Rs. 4500	Rs. 450	
(h) exceeds Rs. 4500 but does not exceed Rs. 6000	Rs. 500	
(i) exceeds Rs. 6000 but does not exceed Rs.10000	Rs. 650	
(j) exceeds Rs. 10000 but does not exceed Rs.15000	Rs. 1000	
(k) exceeds Rs. 15000 but does not exceed Rs.20000	Rs. 1500	

Exceeds Rs. 20,000	(i) at the rate of 12% for Commercial consumers;	Rs. 1950 plus 12% of the amount exceeding Rs. 20,000 for commercial consumers
	(ii) at the rate of 5% for Industrial consumers.	Rs. 1950 plus 5% of the amount exceeding Rs. 20,000 for industrial consumers

> Domestic Consumers

Rate	Existing threshold of monthly bill	Proposed threshold of monthly bill
0%	Less than Rs. 75,000	Less than Rs. 25,000
7.5%	RS. 75,000 or more	RS. 25,000 or more

DOMESTIC ELECTRICITY CONSUMPTION	SECTION 235A
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Advance tax on domestic electricity consumption is proposed to be merged with section 235 which deals with collection of advance tax on electricity consumption by commercial or industrial or domestic consumers.

ADVANCE TAX ON PURCHASE OF AIR TICKET	SECTION 236B
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Collection of advance tax on purchase of air ticket is being withdrawn.

ADVANCE TAX ON SALE OR TRANSFER AND PURCHASE OF IMMOVABLE PROPERTY	SECTION 236C & 236K
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The bill proposes to add public and private real estate projects registered/governed under any law, joint ventures, and private commercial concerns in the list of persons responsible for collection of advance taxes.

Furthermore, if the seller or transferor or buyer is a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) who had acquired the said immovable property through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA)

maintained with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan, the tax collected under section 236C from such persons may be final discharge of tax liability in lieu of capital gains taxable under section 37 earned by the seller or transferor from the property so disposed of. The tax collected from buyer under section 236K shall be final discharge of liability for such buyer.

ADVANCE TAX ON SALES TO DISTRIBUTORS, DEALERS AND WHOLESALERS	SECTION 236G
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Previously, advance tax was collected at 0.1% (0.7% and 0.25% for fertilizer) on sale of certain items to distributors, dealers and wholesalers by manufacturers and importers. The scope of this section has now been extended to include pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics, and IT equipment in the list of such items.

ADVANCE TAX ON SALES TO RETAILERS	SECTION 236H
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Previously, advance tax was collected at 0.5% (1% electronics) on sale of certain items to retailers by manufacturer, distributors, dealers, wholesalers, or commercial importers. The scope of this section has now been extended to include pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics and IT equipment in the list of such items.

TAX ON SALE OF CERTAIN PETROLEUM PRODUCTS	SECTION 236HA
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Collection of tax by a person selling petroleum products to a petrol pump operator or distributor, where such operator or distributor is not allowed a commission or discount is being withdrawn.

MISCELLANEOUS SECTIONS	SECTION 236L, 236P, 236V & 236Y
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Collection of tax on international air travel, banking transactions other than through cash, extraction of minerals and persons remitting amounts abroad through credit or debit or prepaid cards is proposed to be withdrawn.



BENEFITS OF REPEALED PROVISIONS	SECTION 242
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Through this amendment, it is proposed that the existing beneficiaries of exemptions or concessionary provisions of the Ordinance, already expired or expiring, on thirtieth day of June, 2021 or repealed by Tax Laws (Second Amendment) Ordinance, 2021 shall continue to enjoy benefits of the repealed provisions for the periods prescribed therein and subject to conditions and limitations specified therein.

AMENDMENTS PROPOSED TO THE FIRST SCHEDULE TO THE INCOME TAX ORDINANCE, 2001.

The following amendments are proposed to be made to the First Schedule of the Income Tax Ordinance, 2001:

PART I-DIVISION I – NO CHANGE IN THE TAX RATES OF TAXABLE INCOMES OF SALARIED, NON-SALARIED PERSONS AND ASSOCIATION OF PERSONS

There has been no proposed amendment in the taxable slabs of individuals and association of persons deriving income from either salary or business.

PART-I-DIVISION II – FREEZING OF CORPORATE TAX RATE

The tax rate for companies has gradually been decreased from 35% in tax year 2013, to 29% in tax year 2019. At present, for tax year 2022 the tax rate have been 29%. As the tax rates have already been reduced from 35% to 29% in the last eight years, and the fact that Pakistan has the lowest corporate tax rate in the region, the tax rate for companies has been fixed at 29% for a number of years in order to recover and maintain the tax base to ensure revenue. Whereas the tax rate for a small company is 21%, which was 22% in the tax year 2021.

Division VIA – INCOME FROM PROPERTY

An individual or AOP as owner had the option to tax their property income at normal slab rates after claiming allowable deductions i.e. at normal tax regime instead of separate block of income.

Income from property was taxable under normal tax structure at chargeable rent less allowable deductions along with other normal taxable income.

The finance bill now proposes to withdraw option available to Individuals and AOPs to charge tax on income from property under separate block of Income. The bill also proposes to allow set off of losses from income from property with other heads of income.

PART I-DIVISION VII – CAPITAL GAIN TAX ON DISPOSAL OF SECURITIES.

The finance bill proposes to reduce capital gain tax on disposal of securities from 15% to 12.5% for tax years 2022 and onwards.



PART I-DIVISION VIII –RATES FOR CAPITAL GAIN TAX ON IMMOVEABLE PROPERTY.

The finance bill proposes that in case gains on disposal of immovable property exceeds Rs. 5 million, the same will be added in normal income of the persons and will be taxed at normal rates applicable to the person. However, the benefit of holding period as mentioned in the table provided in Section 37(3A) of the Income Tax Ordinance 2001, will be available to the person. Taxable gain upto Rs. 5 million is proposed to be taxed at 5%.

PART I-DIVISION IX – MODIFICATION RATES OF MINIMUM TAX U/S 113

Oil refineries are now proposed to be taxed at a rate of 0.5%. For motorcycle dealers registered under the sale tax Act, 1990 the rate of 0.3% is increased to 0.5%. Person's turnover from supplies through e-commerce are now being proposed to be taxed at rate of 0.25%. The rate for all other cases is decreased from 1.5% to 1.25%. Flour mills are eliminated from the said table.

PART II- ADDITION OF NEW CLAUSE

Through finance bill, a new clause is inserted thereby describing the rate in case of importers of CKD kits of electric vehicles for small cars or SUVs with 50kwh battery or below and LCVs with 150 kwh battery or below at 1%

PART III- DIVISION IA – WITHHOLDING ON PROFIT ON DEBT - OMISSION OF PROVISIO

The rate of advance withholding tax on payment of profit on debt had been enhanced from 10% to 15% through Finance bill 2021. Whereas previously, the condition was laid down which that a tax payer must furnish a certificate to the payer of profit for deduction of tax at the rate of 10% where the amount of profit during the year would be equal to or less than five hundred thousand rupees. Through Finance Bill 2021, the provision of furnishing certificate has been removed thereby maintaining a fixed rate of 15% deduction on the amount of profit on debt.

PART III- DIVISION III - WITHHOLDING TAX ON SPECIFIED SERVICES

By virtue of Finance bill 2021, some more services naming oilfield services, telecommunication services, warehousing services, collateral management services, travel and tour services have been added to the list of specified services and hence a rate 3% have been proposed for deduction of withholding taxes. Provided that the tax rate shall be applicable only to a service provider whose services are subjected to

withholding tax on gross receipts and the service provider has not agitated taxation of gross receipts before any court of law.

PART III- DIVISION IVA – ADDITION OF NEW DIVISION - EXPORT OF SERVICES

Through Finance Bill 2021, after division IV part III, a new division is added for export of services. It specifies that the rate of tax to be deducted under section 154A shall be 1% of the proceeds of the export.

OMISSIONS OF THE DIVISIONS

Through Finance Bill 2021, the following divisions of the First Schedule of the Income Tax Ordinance 2001 are proposed to be omitted:

- Part I - Division VIA – Income from property
- Part III - Division IIIB – Royalty paid to resident persons.
- Part III - Division VIB – CNG Stations
- Part IV - Division IIA – Collection of tax from members by a stock exchange registered in Pakistan.
- Part IV - Division IIB – Rates for collection of tax by NCCPL.
- Part IV - Division VI - Cash withdrawal from a bank.
- Part IV - Division VIA – Advance tax on Transactions in Bank.
- Part IV - Division IX – Advance tax on purchase of air ticket.
- Part IV - Division XVA – Tax on sale of certain petroleum products.
- Part IV - Division XIX – Advance tax on domestic electricity consumption.
- Part IV - Division XX – Advance tax on purchase of international air ticket.
- Part IV - Division XXI – Advance tax on banking transactions other than cash.
- Part IV - Division XXVI – Advance tax on extraction of minerals.
- Part IV - Division XXVII – Advance tax on persons remitting amount abroad through credit/debit cards
- Division XVII - Advance tax on dealers, commission agents and arhatis, etc.
- Division XXIV - Collection of advance tax on education related expenses remitted abroad.
- Division XXV - Advance Tax on Insurance Premium.

AMENDMENTS PROPOSED TO THE SECOND SCHEDULE TO THE INCOME TAX ORDINANCE, 2001.

The following amendments are proposed to be made to the Second Schedule of the Income Tax Ordinance, 2001:

PART I – EXEMPTIONS FROM TOTAL INCOME

PROFIT ON DEBT - CLAUSE 78 & 79

At present, any profit on debt derived from foreign currency accounts held with authorized banks in Pakistan, or certificate of investment issued by investment banks in accordance with Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by citizens of Pakistan and foreign nationals residing abroad, foreign association of persons, companies registered and operating abroad and foreign nationals residing in Pakistan is exempt from tax. Now through Finance bill, such exemption has been restricted to only non-resident individuals, non-resident association of person and non- resident companies.

Currently, any profit on debt derived from a rupee account held with a scheduled bank in Pakistan by a citizen of Pakistan residing abroad, where the deposits in the said account are made exclusively from foreign exchange remitted into the said account is exempt from tax.

Now through Finance bill, such exemption has been restricted to only non-resident individual holding a POC or NICOP or CNIC.

TRANSMISSION LINE PROJECT- CLAUSE 126M

Currently, exemption is available on Profits and gains derived by a taxpayer from a transmission line project set up in Pakistan on or after 1st July, 2015 for a period of ten years. The exemption under this clause shall apply to such project which is:

(a) owned and managed by a company formed for operating the said project and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan;

(b) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a

business which was being carried on in Pakistan at any time before the commencement of the new business and;

(c) owned by a company fifty per cent of whose shares are not held by the Federal Government or Provincial Government or a Local Government or which is not controlled by the Federal Government or a Provincial Government or a Local Government: The exemption under this clause was not available to projects which are set up on or after the 30th June, 2018. Now through Finance bill, the deadline for project setup has been extended to 30th June 2022.

ISLAMIC NAYA PAKISTAN CERTIFICATES COMPANY LIMITED (INPCCL) - CLAUSE 148

Through Finance bill, exemption of tax is given on any income derived by INPCCL.

OMISSION OF MISCELLANEOUS CLAUSES FROM PART I OF THE SECOND SCHEDULE

Clause (57)	Clause (126H)
Clause (72)	Clause (126G)
Clause (72A)	Clause (126I)
Clause (74)	Clause (126J)
Clause (90)	Clause (126K)
Clause (90A)	Clause (126L)
Clause (91)	Clause (126N)
Clause (98)	Clause (126O)
Clause (100)	Clause (131)
Clause (101)	Clause (132A)
Clause (103C)	Clause (132B)
Clause (104)	Clause (133)
Clause (105)	Clause (135A)
Clause (105A)	Clause (136)
Clause (110B)	Clause (141)
Clause (110C)	Clause (143)
Clause (114)	Clause (146)
Clause (126BA)	Clause (148)
Clause (126C)	

PART II – REDUCTION IN TAX RATES**PROFIT ON DEBT TO NON-RESIDENT - CLAUSE 5A**

Currently, the rate of tax to be deducted under sub-section (2) of section 152, in respect of payments from profit on debt payable to a non-resident person, having no permanent establishment in Pakistan, is 10% of the gross amount paid. The tax deducted on profit on debt from debt instrument, Government securities including treasury bills and Pakistan Investment Bonds is final tax on profit on debt payable to a non-resident person having no permanent establishment in Pakistan and the investments are exclusively made through a special Rupee Convertible Account maintained with a Bank in Pakistan. Now, through Finance bill, changes have been made whereby this advance tax will not apply if exemption from total income under Clause 78 and 79 of Part 1 is availed.

PROFIT ON DEBT TO NON-RESIDENT/RESIDENT - CLAUSE 5AC

The rate of advance tax to be deducted under Section 152(2) or Section 151 have been reduced to 0% of the gross amount of profit on debt paid which are covered under clause 79 and 78 of part 1 of the Second Schedule.

DEDUCTION ON PAYMENT U/S 153(1)(A)-CLAUSE 24C

Currently, the rate of tax under clause (a) of sub-section (1) of section 153 in case of dealers and sub-dealers of sugar, cement and edible oil, as recipient of the payment, is 0.25% of the gross amount of payments. Now through Finance bill, wholesaler and retailers of fast-moving consumer goods, fertilizer, sugar, cement and edible oil, have also been added in the above list as recipient of the payment. However, the benefit of reduced rate shall be available to those dealers, sub-dealers, wholesalers and retailers of above sectors who already are registered or they get themselves registered under the Sales Tax Act, 1990 within 60 days of promulgation of this Act.

PART III – REDUCTION IN TAX LIABILITY**TAX PAYABLE BY COTTON GINNERS – CLAUSE 17**

With effect from 1st July 2019, the maximum tax payable by cotton ginner on their income and profits is 1% of sum of their turnover from cotton lint, cotton seed, cotton seed oil and cotton seed cake. It shall be final tax on cotton ginning and oil milling activities.



PART IV – EXEMPTIONS FROM SPECIFIC PROVISIONS

ISLAMIC NAYA PAKISTAN CERTIFICATES

Finance bill proposed that Islamic Naya Pakistan Certificates Company limited (INPCCL) be exempt from application of section 113.

TAX ON IMPORT BY INTERNATIONAL ATHLETES

Through Finance bill, exemption has been granted to goods temporally imported into Pakistan by international athletes which would be subsequently taken back by them within 120 days of temporary import.

NON-RESIDENT CAN BENEFIT FROM THE RATES OF A FILER, DESPITE BEING NON-FILER

The provisions of Section 100BA and rule 1 of the Tenth Schedule i.e. double rate of tax on non-filer, have been made not applicable on non-resident individual holding POC, or NICOP or CNIC maintaining a FCVA or NRVA.

ISLAMIC NAYA PAKISTAN CERTIFICATES COMPANY, LIMITED (INPCCL)

Changes have been introduced whereby the provisions of withholding taxes, as provided in ITO, are not applicable to INPCCL as a recipient of payment.

WITHHOLDING AGENT U/S 153(1)(A)

Amendment has been introduced whereby the provisions of Section 153(1)(a) are not applicable to distributors, dealers, wholesalers and retailers of locally manufactured mobile phone devices as withholding agent with effect from 1st July 2020.



**AMENDMENT PROPOSED TO THE THIRD SCHEDULE TO THE INCOME TAX
ORDINANCE, 2001.**

Previously, as per Section 23A, plant, machinery and equipment installed by any industrial undertaking set up in specified rural and underdeveloped areas and owned and managed by a company are allowed first year allowance at 90% of the cost in lieu of initial allowance. Now through the Finance bill, this allowance is proposed to be withdrawn.



**AMENDMENTS PROPOSED TO THE FIFTH SCHEDULE TO THE INCOME TAX
ORDINANCE, 2001.**

The Finance bill proposes to withdraw following concessions provided to Oil and Gas sector governed under Fifth Schedule:

Rule 4 provides for exemption of profits and gains up to 10% of capital employed in case of an undertaking involved in exploration and extraction of mineral deposits and is also engaged in the business of refining or concentrating in Pakistan. The Finance bill proposes to withdraw the said exemption.



**AMENDMENT PROPOSED TO THE SEVENTH SCHEDULE TO THE INCOME TAX
ORDINANCE, 2001.**

Super tax has been charged to prescribed persons for rehabilitation of temporarily displaced persons at the rate prescribed under Division IIA of Part I of the First Schedule. Through Tax Year 2020 onwards the tax was only applicable on Banking companies @ 4% till Tax year 2021. Now this tax has been extended for 2022 and onwards.

**AMENDMENT PROPOSED TO THE TENTH SCHEDULE TO THE INCOME TAX
ORDINANCE, 2001.**

Where tax is required to be deducted or collected under any provision of the Ordinance from persons not appearing in the active taxpayers' list, the rate of tax required to be deducted or collected, as the case may be, shall be increased by hundred percent of the rate specified in the First Schedule to this Ordinance. Certain exceptions were there from whom tax would not have been deducted despite being not appearing in the active taxpayers' list. Some of those exceptions are now being proposed to be omitted via Finance bill. Those exceptions are listed below:

- tax deducted under section 155
- tax deducted under section 231A
- tax deducted under section 231AA
- tax deducted under section 233AA
- tax deducted under section 235A
- tax collected under section 236B
- tax collected under section 236L
- tax collected under section 236P

**NEWLY INSERTED THIRTEENTH SCHEDULE TO THE INCOME TAX
ORDINANCE, 2001.**

During the current financial year, Tax Laws (Second Amendment) Ordinance, 2021 was promulgated to implement corporate income tax reforms to provide level playing field to all businesses. Certain tax credits, concessions and exemptions were withdrawn. The provisions of the Tax Laws (Second Amendment) Ordinance, 2021 have been made part of the proposed bill and hence new schedule has been inserted in the Income Tax Ordinance 2001 in which the names of organizations have been mentioned on which tax credit is available. Following is table containing the names of the organizations:

S.No.	Name
(1)	(2)
1	Any Sports Board or institution recognized by the Federal Government for the purposes of promoting, controlling or regulating any sport or game.
2	The Citizens Foundation.
3	Fund for Promotion of Science and Technology in Pakistan.
4	Fund for Retarded and Handicapped Children.
5	National Trust Fund for The Disabled.
6	Fund for Development of Mazaar of Hazarat Burn i Imam.
7	Rabita-e-Islami's Project for printing copies of the Holy Quran.
8	Fatimid Foundation, Karachi.
9	Al-Shifa Trust.
10	Society for the Promotion of Engineering Sciences and Technology in Pakistan.
11	Citizens-Police Liaison Committee, Central Reporting Cell, Sindh Governor House, Karachi.
12	ICIC Foundation.
13	National Management Foundation.
14	Endowment Fund of the institutions of the Agha Khan Development Network (Pakistan listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network.
15	Shaheed Zulfigar Ali Bhutto Memorial Awards Society.
16	Iqbal Memorial fund.

17	Cancer Research Foundation of Pakistan, Lahore. ,
18	Shaukat Khanum Memorial Trust, Lahore.
19	Christian Memorial Hospital, Sialkot.
20	National Museums, National Libraries and Monuments or institutions declared to be National Heritage by the Federal Government.
21	Mumtaz Bakhtawar Memorial Trust Hospital, Lahore.
22	Kashmir Fund for Rehabilitation of Kashmir Refugees and Freedom Fighters.
23	Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network.
24	Azad Kashmir President's Mujahid Fund, 1972.
25	National Institute of Cardiovascular Diseases, (Pakistan) Karachi.
26	Businessmen Hospital Trust, Lahore.
27	Premier Trust Hospital, Mardan.
28	Faisal Shaheed Memorial Hospital Trust, Gujranwala.
29	Khair-un-Nisa Hospital Foundation, Lahore.
30	Sind and Balochistan Advocates' Benevolent Fund.
31	Rashid Minhas Memorial Hospital Fund.
32	Any relief or welfare fund established by the Federal Government.
33	Mohatta Palace Gallery Trust.
34	Bagh-e-Quaid-e-Azam project, Karachi.
35	Any amount donated for Tameer-e-Karachi Fund.
36	Pakistan Red Cres-cent Society.
37	Sank of Commerce and Credit International Foundation for Advancement of Science and Technology.
38	Federal Board of Revenue Foundation.
39	The Indus Hospital, Karachi.
40	Pakistan Sweet Homes Angels and Fairies Place.
41	Al-Shifa Trust Eye Hospital.
42	Aziz Tabba Foundation.
43	Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT.
44	Sharif Trust.

45	The Kidney Centre Post Graduate Institute.
46	Pakistan Disabled Foundation.
47	Sardar Trust Eye Hospital, Lahore.
48	Supreme Court of Pakistan — Diamer Bhasha & Mohmand Dams — Fund.
49	Layton Rahmatullah Benevolent Trust (LRBT).
50	Akhuwat.
51	The Prime Minister's COVIE)-19 Pandemic Relief Fund-2020.
52	Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI).
53	Lahore University of Management Sciences.
54	Dawat-e-Hadiya, Karachi.
55	Baitussalam Welfare Trust.
56	Patients' Aid Foundation.
57	Alkhidmat Foundation.
58	Alamqir Welfare Trust International.
59	Prime Minister's Special Fund for victims of terrorism.
60	Chief Ministers(Punjab) Relief Fund for Internally Displaced Persons (1 DPs) of KPK.
61	Prime Ministers Flood Relief Fund 2010 and Provincial Chief Ministers Relief Funds for victims of flood 2010.
62	Waqf for Research on Islamic History, Art and Culture, Istanbul.

Therefore, donations, voluntary contributions and subscription to the above institutions will no more be direct deduction from income of the donor as it was previously and was governed under Clause 61 of Part I of the Second Schedule, rather will be a rebate at average rate of tax. Maximum limit on donations under this clause is 30% of taxable income in case of an individual or AOP and 20% of taxable income in case of a company.

THE SALES TAX ACT, 1990
AMENDMENTS PROPOSED BY THE FINANCE BILL, 2021

All amendments shall be effective from July 01, 2021 unless otherwise provided

The summary of the amendments proposed in various sections and schedules of Sales Tax Act, 1990 is as under: -

1. Definitions

SECTION 2

The following amendments to section 2 of the Sales Tax Act, 1990, have been proposed through the Finance Bill, 2021.

Commissioner (Appeals)

Clause 4AA

This newly inserted clause defines Commissioner Appeals as Commissioner on Inland Revenue (Appeals) appointed under section 30 of Sales Tax Act, 1990.

Cottage industry

Clause 5AB

It has been proposed to increase the maximum threshold of annual turnover for cottage industry from 3 million to 10 million.

After this proposed amendment, all the manufacturers whose annual turnover is not more than 10 million and who also meet the other condition of this clause shall be classified as cottage industry and their local sales shall be exempt from levy of sales tax.

Online market place

Clause 18A

This newly inserted clause provides that online market place is an electronic interface such as a market place, e-commerce platform, portal or similar means which facilitate sale of goods, including third party sale either by controlling the terms and conditions of the sale or authorizing the charge to the customers in respect of the payment for the supply or ordering or delivering the goods.

The purpose of this proposed definition seeks to regularize the online trading business and bring this sector under the ambit of sales tax.

Tax fraud

Clause 37

The proposed amendment seeks to correct the grammatical mistake in the existing definition.

Tier-1 retailer**Clause 43A**

The minimum shop area has proposed to be increased from one thousand square feet to two thousand square feet for furniture retailers to be categorized as tier 1 retailer.

It has also been proposed that retailers operating an online market place supplying goods through e-commerce platform, whether or not these goods are owned by them, shall be treated as tier-1 retailer. Accordingly such retailers are now required to charge and collect sales tax @ 17% under normal regime and other provisions of Sales Tax Act are also applicable on such retailers.

It has further been proposed that a retailer who has acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan shall be treated as tier-1 retailer. Accordingly such retailer is now required to charge and collect sales tax under normal regime and other provisions of Sales Tax Act are also applicable on such retailer.

Time of supply**Clause 44**

It has been proposed to withdraw the provision regarding payment of sales tax on receipt of advance. Accordingly now sales tax shall require to be charged and paid at the time of delivery of goods.

Prior to this proposed amendment, sales tax was required to be charged and paid at the time of delivery of goods or at the time of receipt of payment, whichever is earlier.

2. Scope of tax**SECTION 3**

It has been clarified that the person running an online market place shall be responsible for collection and payment of sales tax chargeable on goods sold through that market.

It has further been proposed to withdraw the existing cash back facility available to customers of tier 1 retailers. Prior to this proposed amendment, customers of tier 1 retailers were entitles to cash back up to 5% of tax involved subject to fulfilment of specified conditions.

3. Adjustable input tax**SECTION 8B**

Under the existing provisions of this section, a registered person cannot claim input tax in excess of 90% of output tax for a tax period.

It has been proposed to exclude the public listed companies from purview of this section, accordingly now public listed companies shall be entitled to claim whole available input tax without any limit.

4. Assessment of Tax & Recovery of Tax not levied or short levied or erroneously refunded

SECTION 11

It has been proposed that the maximum time limit of five years for issuance of show cause notice under this section will be calculated from the end of the financial year in which the relevant date falls.

Prior to this proposed amendment, the above said maximum time limit starts from the date (i.e. tax period) to which respective matter relates.

5. Common Identifier Number.

SECTION 21B

This newly inserted section provides that the CNIC number of individuals, who are registered or liable to be registered, shall be their common identifier number in addition to their sales tax registration number.

It has further been provided that NTN of association of persons or company, who are registered or liable to be registered, shall be their common identifier number in addition to their sales tax registration number.

6. Records

SECTION 22

The proposed amendment seeks to enhance the existing record keeping requirements. Now the registered persons are required to also prepare and maintain cash book.

It has also been required to prepare and maintain electronic version of all the sales tax record.

7. Transactions between Associates

SECTION 25AA

It has been proposed to empower Board to form rules for determination of transfer price on supply of taxable goods among the associated persons.

8. Extension of time for furnishing returns

SECTION 26AB

This newly inserted section allows registered persons to get extension in filing of sales tax returns. A brief on extension procedure is as under:-

- An application for extension is required to be filed before the Commissioner by the due date of respective period.
- The Commissioner may entertain the application on ground of absence from Pakistan or sickness or misadventure or any other reasonable cause.
- The Commissioner may grant extension up to fifteen days from the due date, unless there are exceptional circumstances justifying a longer extension of time.
- If Commissioner refuses the extension, the Chief Commissioner may on an application made by the registered person, grant extension up to fifteen days, unless there are exceptional circumstances justifying a longer extension of time.
- The Chief Commissioner may also grant further extension up to fifteen days, unless there are exceptional circumstances justifying a longer extension of time.
- The extension shall be granted only for filing of return. Due date for payment of tax shall not be extended and in case of delayed payment default surcharge shall require to be paid regardless of the fact that filing date has been extended.

9. Provisions relating to goods supplied from tax-exempt areas

SECTION 40D

It has been proposed to include Border Sustenance Markets in category of tax exempt areas. Accordingly all the provisions relevant to tax exempt areas shall also be applicable on such Markets.

Prior to this proposed amendment, provisions of this section were applicable on AJK, Gilgit-Baltistan and Tribal Areas.

10. Licensing of brand name

SECTION 40E

The newly inserted section provides that manufacturers of the specified goods shall be required to obtain brand licence for each brand or stock keeping unit (SKU) in such manner as may be prescribed by the Board.

Any specified brand and SKU found to be sold without obtaining a licence shall be liable to outright confiscation and destruction. Such destruction and confiscation shall be without prejudice to any other penal action which may be taken under the Act.

11. Recovery of arrears of tax
SECTION 48

The proposed insertions in this section seeks to empower tax department to collect and recover taxes in pursuance of a request from a foreign jurisdiction under a tax treaty, bilateral or a multilateral convention, inter-governmental agreement or similar agreement or mechanism.

12. Power to make rules
SECTION 50

The proposed insertion empowers the board to post / place the rules and regulations on website of FBR.

13. Agreement for the exchange of information or assistance in recovery of taxes
SECTION 56A

It has been proposed to allow the board to share data or information received under the provisions of Sales Tax Act, 1990 with any other Ministry or Division of the Federal Government or Provincial Government, subject to certain limitations and conditions as may be specified by the Board.

It has further been proposed that the Federal Government may enter into bilateral or multilateral convention, and inter-governmental agreement or similar agreement or mechanism for assistance in the recovery of taxes.

14. Prize schemes to promote tax culture
SECTION 56C

The proposed insertion seeks to empower board to prescribe procedure for "mystery shopping" in respect of invoices issued by tier-1 retailers integrated with FBR online system randomly.

The purpose of this insertion is to ensure that prize schemes and respective incentives are not are not misused.

15. Delayed Refund
SECTION 67

It has been proposed to pay additional amount to claimant, if refund under section 66 is not paid to claimant within 45 days of order of that refund. The additional amount shall be equal to KIBOR per annum of the refund amount for the period from the date of refund order till the date refund is actually paid to claimant.

Prior to this proposed amendment, such additional amount was payable only against delay in payment of refund due under section 10 of the Act.



16. Certain Transactions not admissible

SECTION 73

It has been proposed to allow registered persons to make adjustment of amounts payable with amounts receivable to and from the same party.

These adjustments are available in the cases where sales tax has been charged and paid by both parties and prior approval of the Commissioner has been obtained before making such adjustments.

17. Fee and service charges

SECTION 76

The proposed amendment seeks to empower the board to authorize and prescribe the manner in which fee and service charges collected under this section shall be expended.

18. Third Schedule

TAX ON RETAIL PRICE

It has been proposed to include sugar in this schedule. Consequently the manufacturers shall be required to charge and collect sales tax on retail price of sugar (except sugar supplied as an industrial raw material to pharmaceutical, beverage and confectionery industries).

Prior to this amendment, the manufacturers were required to charge and collect sales tax on ex-mill price of sugar.

19. Fifth Schedule

ZERO RATING

It has been proposed to allow the zero rating facility on local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 with specified conditions, limitations and restrictions.

It has further been proposed to withdraw sales tax zero rating on following goods, accordingly these goods shall be subject to levy of 17% sales tax:-

- Supply, repair or maintenance of any ship which is neither a ship of gross tonnage of less than 15 LDT nor a ship designed or adapted for use for recreation or pleasure.
- Supply, repair or maintenance of any aircraft which is neither an aircraft of weight-less than 8000 kilograms nor an aircraft designed or adapted for use for recreation or pleasure.
- Supply of spare parts and equipment for ships and aircraft.
- Supply of equipment and machinery for pilot age, salvage or towage services.
- Supply of equipment and machinery for air navigation services.

- Supply of equipment and machinery for other services provided for the handling of ships or aircraft in a port or Customs Airport.
- Supplies of specified locally manufactured plant and machinery to petroleum and gas sector Exploration and Production companies, their contractors and sub-contractors.
- Petroleum Crude Oil.
- Raw materials, components, sub-components and parts imported or purchased locally for use in the manufacturing of such plants and machinery which is chargeable to sales tax at the rate of zero percent.

20. Sixth Schedule

EXEMPT GOODS

- a) Amendment Proposed in Table-1 which provides exemption on import and / or local supply of specified goods.

Withdrawal of Exemption on import and / or Local Supply of Goods

It has been proposed to withdraw exemption of sales tax on various items. Accordingly these items are proposed to be excluded from Table 1 of the Sixth Schedule. Accordingly now sales tax is chargeable on import and / or local supply of these items. Below is the list of items which are excluded from Table 1:-

Sr #	Goods now subject to sales tax at import and local supply
1	Edible oils and vegetable ghee, including cooking oil, on which Federal Excise Duty is charged, levied and collected by a registered manufacturer or importer as if it were a tax payable under section 3 of the Act.
2	Ice and waters excluding those for sale under brand names or trademarks.
3	Table salt including iodized salt excluding salt sold in retail packing bearing brand names and trademarks.
4	Glass bangles
5	Energy saver lamps
6	Bicycles
7	Raw and pickled hides and skins, wet blue hides and skins, finished leather, and accessories, components and trimmings, if imported by a registered leather goods manufacturer, for the manufacture of goods wholly for export.

8	Import and supply thereof, up to the year 1[2030], of ships and all floating crafts including tugs, dredgers, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity and flying the Pakistan flag, except ships or crafts acquired for demolition purposes or are designed or adapted for use for recreation or pleasure purposes, subject to the condition that such ships or crafts are used only for the purpose for which they were procured and in case such ships or crafts are used only for the purpose for which they were procured, and in case such ships or crafts are used for demolition purposes within a period of five years of their acquisition, sales tax applicable to such ships purchased for demolition purposes shall be chargeable.
9	Import of <i>Halal</i> edible offal of bovine animals.
10	Components or sub-components of energy saver lamps, namely Electronic Circuit, Plastic Caps (upper and lower), Base Caps B22 and E27, Tungsten Filaments, Lead-in-wire, Fluorescent powder (Tri Band Phosphor), Adhesive Additive, Al-oxide Suspension, Capping Cement, Stamp Pad Ink, Gutter for Suspension.
11	Plant, machinery and equipment imported for setting up fruit processing and preservation units in Gilgit-Baltistan, Balochistan Province and Malakand Division upto the 30th June, 2019.
12	Aircraft, whether imported or acquired on wet or dry lease. Provided that in case of import or acquisition on wet or dry lease by Pakistan International Airlines Corporation, this exemption shall be available with effect from 19th March, 2015.
13	Maintenance kits for use in trainer aircrafts.
14	Spare parts for use in aircrafts, trainer aircrafts or simulators.
15	Aviation simulators imported by airline company recognized by Aviation Division.
16	Steel billets, ingots, ship plates, bars and other long re-rolled profiles, on such imports and supplies by the manufacturer on which federal excise duty is payable in sales tax mode.

Withdrawal of Exemption on import of Goods

It has been proposed to withdraw exemption of sales tax on import of various items. Accordingly these items are excluded from Table 1 and inserted in Table-2 of the Sixth Schedule. Below is the list of items on which sales tax exemption at import stage has been withdrawn:-

Sr #	Description of Goods subject to Sale Tax at Import Stage
1	Eggs including eggs for hatching.
2	Cereals and products of milling industry excluding the products of milling industry, other than wheat and meslin flour, as sold in retail packing bearing brand name or a trademark.
3	Sugar beet
4	Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged.
5	Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name.
6	Flavored milk, excluding that sold in retail packing under a brand name.
7	Yogurt, excluding that sold in retail packing under a brand name.
8	Whey, excluding that sold in retail packing under a brand name.
9	Butter, excluding that sold in retail packing under a brand name.
10	Desi ghee, excluding that sold in retail packing under a brand name.
11	Cheese, excluding that sold in retail packing under a brand name.
12	Processed cheese not grated or powdered, excluding that sold in retail packing under a brand name.
13	Frozen prepared or preserved sausages and similar products of poultry meat or meat offal, excluding those sold in retail packing under a brand name or a trademark.
14	Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish, excluding

	those sold in retail packing under a brand name or a trademark.
15	Preparations suitable for infants, put up for retail sale.
16	Fat filled milk excluding that sold in retail packing under a brand name or a trademark.

Exemption allowed on Import of Goods

It has been proposed to allow exemption of sales tax on import of following goods:-

Sr #	Description of Goods Exempt from Sale Tax at Import Stage
1	Import of CKD (in kit form) of small electric cars/SUVs with 50 Kwh battery or below (4 wheelers) by local manufacturers till 30th June, 2026
2	Import of CKD (in kit form) of Light commercial electric vehicles (LCVs) with 150 kwh battery or below.
3	Goods temporarily imported into Pakistan by International Athletes which shall be subsequently taken by them within 120 days of temporary import.
4	Import of auto disable Syringes, with needles or without needles, till 30th June, 2021.
5	Import of Tubular metal needles and Rubber Gaskets for the manufacturers of auto disable syringes till 30th June, 2021.
6	Import of plant, machinery, equipment and raw materials for consumption of these items within Special Technology Zone by the Special Technology Zone Authority, zone developers and zone enterprises.
7	Import of raw materials, components, parts and plant and machinery by registered persons authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions.

- b) Amendments Proposed in Table 2, which provides exemption on local supply of specified goods.

Withdrawal of Exemption on Local Supply of Goods

It has been proposed to withdraw exemption on local supply of following goods:-

Sr #	Goods subject to Sales Tax on Local Supply
1	Raw and pickled hides and skins, wet blue hides and skins.
2	Bricks (up to 30th June, 2018).
3	LED or SMD lights and bulbs meant for conservation of energy.
4	Cottonseed oil

Exemption allowed on Local Supply of Goods

Apart from goods transferred from Table-1 of the Sixth Schedule, it has been proposed to grant sales tax exemption on supply of locally produced silos till 30.06.2026.

- c) A new Table 4 is proposed to be inserted in Sixth Schedule. This table provides conditional exemption on supply of specified goods within limits of Border Sustenance Markets. The conditions for availing exemption are as under:-
- Such goods shall be supplied only within the limits of Border Sustenance Markets established in cooperation with Iran and Afghanistan.
 - If the goods, on which exemption under this Table has been availed, are brought outside the limits of such markets, sales tax shall be charged on the value assessed on the goods declaration import or the fair market value, whichever is higher.
 - Such items in case of import, shall be allowed clearance by the Customs Authorities subject to furnishing of bank guarantee equal to the amount of sales tax involved and the same shall be released after presentation of consumption certificate issued by the Commissioner Inland Revenue having jurisdiction.
 - The said exemption shall only be available to a person upon furnishing proof of having a functional business premises located within limits of the Border Sustenance Markets.
 - Breach of any of the conditions specified herein shall attract relevant legal provisions of this Act, besides recovery of the amount of sales tax along with default surcharge and penalties involved.

The conditional sales tax exemption under table 4 is available on following goods:-

- Seed (Potatoes)
- Tomatoes, fresh or chilled
- Onions and shallots
- Garlic
- Cauliflowers cabbage
- Carrots and turnips
- Cucumbers and gherkins fresh or chilled
- Peas (pisum sativum)
- Beans (vigna spp., phaseolus spp.)
- Other leguminous vegetables
- Peas (Pisum sativum)
- Grams (Dry/Whole)
- Dried leguminous vegetables
- Beans of the species Vigna mungo (L.) Hepper or Vigna radiata (L.) Wilczek
- Small red (Adzuki) beans (Phaseolus or Vigna angularis)
- Kidney beans including white beans
- Bambara – vigna subteranea or vaahdzeia subterrea
- Beans vigna unguiculata
- Other
- Lentils (Dry/Whole)
- Broad beans (Vicia faba var. major) and horse beans (Vicia faba var. equina, Vicia faba var. minor)
- Pigeon peas (cajanus cajan)
- Vanilla (Neither crushed nor ground)
- Cinnamon
- Other (Cinnamon And Cinnamon Tree Flowers)
- Neither crushed nor ground (Cloves)
- Crushed or ground (Cloves)
- Neither Crushed nor ground (Nutmeg)
- Crushed or ground (Nutmeg)
- Neither crushed nor ground (Maze)
- Crushed or ground (Maze)
- Large (Cardammoms)
- Small (Cardammoms)
- Crushed or ground (Cardammoms)
- Neither crushed nor ground (Coriander)
- Crushed or ground (Coriander)
- Neither crushed nor ground (Seeds of Cumins)
- Crushed or ground (Seeds of Cumins)
- Neither crushed nor ground (Seeds of Anise, Badian, Caraway, Fennel etc)
- Crushed or ground (Seeds of Anise, Badian, Caraway, Fennel etc)



- Thyme; bay leaves
- Barley (Seeds)
- Sunflower seeds ,whether or not broken
- Locust beans
- Cereal straws and husks
- Knives and cutting blades for paper and paper board
- Of a fat content, by weight, not exceeding 1 % (milk and cream)
- Of a fat content, by weight, exceeding 1 % but not exceeding 6 % (milk and cream)
- Of a fat content, by weight, exceeding 6 % but not exceeding 10% (Milk and Cream)
- Of a fat content, by weight, exceeding 10 % (Milk and Cream)
- Leeks and other alliaceous vegetables
- Cauliflowers and headed broccoli
- Brussels sprouts
- Cabbage lettuce (head lettuce)
- Lettuce
- Chicory
- Fruits of the genus Capsicum or of the genus Pimenta
- Figs
- Fresh (grapes)
- Dried (Grapes)
- Melons
- Apples
- Green Tea
- Other Green Tea
- Crushed or ground (Ginger)
- Turmeric (curcuma)
- Other (spice)
- Lactose (Sugar)
- Sugar Syrup
- Sugar Other
- Caramel
- Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya bean oil.
- Other (animal feed)
- For Sewing (Thread)
- For embroidery (Thread)
- Spades and shovels
- Tools for masons, watchmakers, miners and hand tools nes
- For kitchen appliances or for machines used by the food industry
- Other kitchen appliances
- Yogurt
- Other (Potatoes)



- Sweet corn
- Mixtures of vegetables
- Fresh (Dates)
- Dried (Dates)
- Apricots
- Sour cherries (Prunus cerasus)
- Other (Apricots)
- Peaches, including nectarines
- Plums and sloes
- Strawberries
- Kiwi Fruit
- Neither crushed nor ground (Ginger)
- Wheat and Meslin (Other)
- Wheat and Meslin (Other)
- Of Wheat (Flour)
- Of Meslin
- Vermacelli
- Other (Packed Cake)
- Homogenised preparations
- Citrus Fruit
- Other (jams)
- Organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for retail sale, whether or not containing soap
- Preparations put up for retail sale
- Other (washing preparations)
- Tableware and kitchenware of porcelain or china 6911.1090 107
- Household articles nes & toilet articles of porcelain or china
- Glassware for table or kitchen purposes (excl. glass having a linear c
- Glassware nes (other than that of 70.10 or 70.18)
- Spoons
- Tableware articles not in sets and not plated with precious metal
- Bicycles and other cycles (including delivery tricycles), not motorised
- Vacuum flasks
- Vacuum flasks/vacuum vessels complete w/cases; parts o/t glass inners (others

21. Eighth Schedule
REDUCED RATE OF TAX

Following amendments have been proposed in this schedule:-

a) Withdrawal of Reduced Rate of Sales Tax

It has been proposed to withdraw reduced rate of sales tax on certain items, consequently 17% sales tax shall be chargeable on these items. Blow is the list of items exclude from this table along with reduced rate which was applicable on respective item before the proposed exclusion:-

Sr #	Description of Goods	Reduced Rate
1	Soyabean	10%
2	Import of Raw cotton and ginned cotton	10%
3	Plant and machinery which is not locally manufactured and do not have local substitutes imported by manufacturers subject to certain conditions.	10%
4	Flavoured milk sold in retail packing under a brand name	10%
5	Yogurt sold in retail packing under a brand name	10%
6	Cheese sold in retail packing under a brand name	10%
7	Butter sold in retail packing under a brand name	10%
8	Cream sold in retail packing under a brand name	10%
9	Milk and cream, concentrated or containing added sugar or other sweetening matter sold in retail packing under a brand name	10%
10	Ingredients of poultry feed, cattle feed, except soya bean meal and oilcake of cotton-seed	10%
11	Waste paper	5%
12	Plant, machinery and equipment used in production of biodiesel	5%

13	Soya bean seed imported by solvent extraction industries	10%
14	Harvesting, threshing and storage equipment	5%
15	Machinery for poultry sector	7%
16	Import of LNG/RLNG	12%
17	LNG/RLNG supplied to gas transmission and distribution companies	12%
18	Fat filled milk sold in retail packing under a brand name or trademark	10%
19	Silver, in unworked condition	1%
20	Gold, in unworked condition	1%
21	Articles of jewellery or parts thereof, of precious metal or of metal clad with precious metal.	1.5% of gold value plus 0.5% of diamond value plus 3% of making charges
22	Ginned cotton	10%
23	LNG imported for servicing CNG sector and local supplies thereof	5%

b) Increase in Rate of Tax

It has been proposed to increase the rate of sales tax on Potassium Chlorate (KClO₃). The proposal is to increase the rate of sales tax from 17% along with Rs. 80 per kilogram to 17% along with Rs. 90 per kilogram.

c) Reduced Rate of Sales Tax for Automobiles

It has been proposed to provide reduced rate of sales tax on motor vehicles. The summary of reduced rates applicable on motor vehicles is as under:-

Description	Rate
Locally manufactured or assembled electric small cars/ SUVs with 50 Kwh battery or below till 30th June, 2026	1%
Locally manufactured or assembled electric light commercial vehicles (LCVs) with 150 kwh battery or below small cars till 30th June, 2026	1%
Locally manufactured or assembled motorcars of cylinder capacity upto 850cc.	12.5%
Import and local supply of Hybrid Electric Vehicles: upto 1800 cc	8.5%
Import and local supply of Hybrid Electric Vehicles from 1801 cc to 2500 cc	12.75%

22. Ninth Schedule
FIXED TAX

It has been proposed that provision regarding payment of sales tax @f Rs. 250 payable on Subscriber Identification Module (Sim) Cards by Cellular Mobile Operators shall not be operative / effective with effect from July 1, 2021.

23. Eleventh Schedule
SALES TAX WITHHOLDING

A new category of withholding agents is proposed in this schedule. Under the proposed insertion, all the registered manufacturers of lead batteries shall be required to withhold whole amount of the sales tax while making payment to persons supplying reclaimed lead or used lead batteries.

24. Twelfth Schedule
MINIMUM VALUE ADDITION TAX

It has been proposed that minimum value addition of 3% shall not be charged on import of following items:-

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

FEDERAL EXCISE ACT, 2005
AMENDMENTS PROPOSED BY THE FINANCE BILL, 2021

All amendments shall be effective from July 01, 2021 unless otherwise provided

The detail of amendments proposed in various sections and schedules of Federal Excise Act, 2005 are as under:-

1. Filing of return and payment of duty etc. SECTION 4

The proposed amendment seeks to allow the taxpayers to file revise return within 60 days of filing of original return without obtaining prior approval from Commissioner. This facility shall be available for revision of those returns where the duty payable as per revise return is more than the duty paid vide respective original return or the refund claimed in revised return is less than the refund claimed vide respective original return.

Prior to this proposed amendment, the taxpayers were allowed to revise the returns after obtaining prior approval from concerned Commissioner.

2. Recovery of unpaid duty or of erroneously refunded duty or arrears of duty, etc. SECTION 14

The proposed insertions in this section seek to empower the officer of inland revenue to collect and recover duties in pursuance of a request from a foreign jurisdiction under a tax treaty, bilateral or a multilateral convention, inter-governmental agreement or similar agreement or mechanism.

3. Licensing of brand name SECTION 45AA

The newly inserted section provides that manufacturers of the specified goods shall be required to obtain brand license for each brand or stock keeping unit (SKU) in such manner as may be prescribed by the Board.

Any specified brand and SKU found to be sold without obtaining a license shall be liable to outright confiscation and destruction. Such destruction and confiscation shall be without prejudice to any other penal action which may be taken under the Act.

4. Agreements for the exchange of information or assistance in recovery of duties SECTION 47A

It has been proposed to allow the board to share data or information received under the provisions of Federal Excise Act, 2005 with any other Ministry or Division of the Federal Government or Provincial Government, subject to certain limitations and conditions as may be specified by the Board.

It has further been proposed that the Federal Government may enter into bilateral or multilateral convention, and inter-governmental agreement or similar agreement or mechanism for assistance in the recovery of duties.

5. Fee and service charges

SECTION 49

The proposed amendment seeks to empower the board to authorize and prescribe the manner in which fee and service charges collected under this section shall be expended.

6. FIRST SCHEDULE

RATE OF DUTY ON GOODS AND SERVICES

a) It has been proposed to impose federal excise duty on following goods:-

- Duty of Rupees five thousand two hundred per kg on tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without combustion.

b) It has been proposed to withdraw excise duty on following goods and services:-

- Withdrawal of 17% duty on Edible oils excluding deoxidized soybean.
- Withdrawal of 17% duty on retail price of vegetable ghee and cooking oil sold in retail packing,
- Withdrawal of 17% duty on value of vegetable ghee and cooking oil not sold in retail packing.
- Withdrawal of 5% duty on retail price of fruit juices, syrups and squashes, waters containing added sugar or sweetening matter etc. excluding mineral and aerated waters.
- Withdrawal of 17% duty on Steel Billets, ingots, ship plates, bars and other long rerolled products.
- Withdrawal of 2.5% duty on import of electric vehicles (4 wheelers) having cylinder capacity up to 1000cc, till 30th June 2026.
- Withdrawal of 5% duty on import of electric vehicles (4 wheelers) having cylinder capacity from 1001cc to 1799cc, till 30th June 2026.
- Withdrawal of 25% duty on import of electric vehicles (4 wheelers) having cylinder capacity 1800cc to 3000cc, till 30th June 2026.
- Withdrawal of 30% duty on import of electric vehicles (4 wheelers) having cylinder capacity exceeding 3001cc, till 30th June 2026.
- Withdrawal of 2.5% duty on locally manufactured electric vehicles (4 wheelers) having cylinder capacity up to 851cc to 1000cc, till 30th June 2026.
- Withdrawal of 5% duty on locally manufactured electric vehicles (4 wheelers) having cylinder capacity from 1001cc to 2000cc, till 30th June 2026.

- Withdrawal of 7.5% duty on locally manufactured electric vehicles (4 wheelers) having cylinder capacity 2001cc and above, till 30th June 2026.
- Withdrawal of 16% duty on services charges received by banks in respect of Merchant Discount Rate (MDR) for accepting digital payments.

c) Rate of excise duty has been reduced on following services:-

Rate of duty has been reduced from 17% to 16% on 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. After the above proposed reduction in duty from 17 to 16%, further duty has proposed to be imposed in following telecommunication services

- One rupee per call in addition to 16% duty on mobile phone call, if call duration exceeds three minutes.
- Five rupees per GB in addition to 16% duty on internet services
- Ten paisa per Sms services in addition to 16% duty on Sms services.

7. SECOND SCHEDULE

FED IN VAT MODE

Consequent to the amendments proposed in First Schedule, corresponding changes have been proposed in this schedule.

It has been proposed to exclude following goods from this schedule as the levy of excise duty on these goods has been withdrawn vide proposed amendments in First Schedule:-

- Edible oil excluding epoxidized soyabean oil.
- Vegetable ghee and cooking oil.
- Steel Billets, ingots, ship plates, bars and other long re-rolled products.

7. THIRD SCHEDULE

CONDITIONAL EXEMPTIONS

It has been proposed to allow conditional exemption of duty on following items:-

- Animal Fats and Oil and their fractions, Vegetable Fats and their fractions, Vegetable Oils and their fractions supplied within the limits of the Border Sustenance Markets, established in cooperation with Iran and Afghanistan: subject to the following conditions:
 - a) In case of import of these items, clearance shall be allowed by the Customs Authorities subject to furnishing of bank guarantee equal to the amount of

duty involved and the same shall be released after presentation of consumption certificate issued by the Commissioner Inland Revenue having jurisdiction:

- b) The said exemption shall only be available to a person upon furnishing proof of having a functional business premises located within limits of the Border Sustenance Markets.
- c) Import and supply of raw materials, components, parts and plant and machinery by registered persons authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions.

PROPOSED TAX CARD
Tax Year 2021-22

TAX RATES FOR SALARIED INDIVIDUALS

Income group			Rate
Up to	Rs.	600,000	NIL
Rs. 600,001 to	Rs.	1,200,000	5% of amount exceeding Rs. 600,000
Rs. 1,200,001 to	Rs.	1,800,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000
Rs. 1,800,001 to	Rs.	2,500,000	Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000
Rs. 2,500,001 to	Rs.	3,500,000	Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000
Rs. 3,500,001 to	Rs.	5,000,000	Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000
Rs. 5,000,001 to	Rs.	8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000
Rs. 8,000,001 to	Rs.	12,000,000	Rs. 1,345,000 plus 25% of the amount exceeding Rs. 8,000,000
Rs. 12,000,001 to	Rs.	30,000,000	Rs. 2,345,000 plus 27.5% of the amount exceeding Rs. 12,000,000
Rs. 30,000,001 to	Rs.	50,000,000	Rs. 7,295,000 plus 30% of amount exceeding Rs. 30,000,000
Rs. 50,000,001 to	Rs.	75,000,000	Rs. 13,295,000 plus 32.5% of amount exceeding Rs. 50,000,000
above	Rs.	75,000,000	Rs. 21,420,000 plus 35% of amount exceeding Rs. 75,000,000

Minimum Tax u/s 113 chargeable as per Division IX, Part-I, 1st Schedule

- (a) Oil Marketing Companies, Sui Southern & Sui Northern Gas Co., (for the cases where annual turnover exceeds 1 billion), (b) Pakistan International Airlines Corporation and (c) Poultry industry including poultry breeding, broiler production, egg and poultry feed production (Tax Rate : 0.75%)
- (a) Oil refineries (b) Motor Cycle dealers registered under ST Act, 1990 (Tax Rate : 0.5%)
- (a) Distributor of pharmaceutical products, fast moving consumer goods and cigarettes, (b) petroleum agents and distributors (who are registered under Sales Tax Act, 1990), (c) Rice Mills, Dealers, (d) Tier-I retailers of fast moving consumer goods who are integrated with Board or its computerized system for real time reporting of sales and receipt; (e) person turnover from supplies through e-commerce including from running an online market place as defined in clause (38B) of section 2, (f) person engaged in the sale and purchase of used vehicle (Tax Rate : 0.25%)
- In all other cases (Tax Rate : 1.25 %)

WITHHOLDING TAX RATES FOR INDIVIDUALS & AOPs UNDER SECTION 155

Up to Rs. 300,000	NIL
Rs. 300,001 to Rs. 600,000	5% of gross amount exceeding Rs. 300,000
Rs. 600,001 to Rs. 2,000,000	Rs. 15,000 plus 10% of amount exceeding Rs. 600,000
Rs. 2,000,001 or above	Rs. 155,000 plus 25% of the gross amount exceeding Rs. 2,000,000

WITHHOLDING TAX RATE FOR COMPANIES UNDER SECTION 155

The rate of tax in the case of company shall be 15% of gross amount of rent

PROFIT ON DEBT UNDER SECTION 7B

Where profit on debt does not exceed Rs. 5,000,000	15%
Where profit on debt exceeds Rs. 5,000,000	Individual slab rates

Particulars

Particulars	Rate
Rates of Depreciation, Initial Allowance and Amortisation as per Third Schedule	
Buildings (all types)	10%
Furniture including fittings, plant & machinery	15%
Motor Vehicle (all types)	15%
Ships, Technical and Professional Books	15%
Computer Hardware including Printer etc.	30%
Mineral Oil Concerns	
- Below Ground Installations	100%
- Off Shore Platforms	20%
- Production Installations	20%
Ramp built for disabled persons not exceeding Rs. 250,000/-	100%
Initial Allowance for Plant and Machinery u/s 23	25%
Amortisation of Pre-commencement expenditure u/s 25	20%

ADVANCE TAX ON IMPORT OF MOBILE PHONE

C&F Value of mobile phone (in US Dollars)	In CBU condition	In CKD/SKD condition
upto 30, except smart phones	70	0
from 31 to 100, smart phones upto 100	730	0
from 101 to 200	930	0
from 201 to 350	970	0
from 351 to 500	3,000	5,000
above 500	5,200	11,500

TAX RATES FOR INDIVIDUALS AND ASSOCIATION OF PERSONS

Income group			Rate
Up to	Rs.	400,000	NIL
Rs. 400,001 to	Rs.	600,000	5% of amount exceeding Rs. 400,000
Rs. 600,001 to	Rs.	1,200,000	Rs. 10,000 plus 10% of the amount exceeding Rs. 600,000
Rs. 1,200,001 to	Rs.	2,400,000	Rs. 70,000 plus 15% of the amount exceeding Rs. 1,200,000
Rs. 2,400,001 to	Rs.	3,000,000	Rs. 250,000 plus 20% of the amount exceeding Rs. 2,400,000
Rs. 3,000,001 to	Rs.	4,000,000	Rs. 370,000 plus 25% of the amount exceeding Rs. 3,000,000
Rs. 4,000,001 to	Rs.	6,000,000	Rs. 620,000 plus 30% of the amount exceeding Rs. 4,000,000
above	Rs.	6,000,000	Rs. 1,220,000 plus 35% of the amount exceeding Rs. 6,000,000

RATE OF TAX FOR COMPANIES

	TAX YEAR 2021	TAX YEAR 2022
Rate of tax for small companies	22%	21%
Rate of tax for all kinds of companies	29%	29%
Rate of tax for banking companies	35%	35%

TAX ON SALE OF IMMOVABLE PROPERTY Section 37(1A)

Period	Taxable gain
1. Where holding period is upto one year	100%
2. Where holding period is more than one but less than two years	75%
3. Where holding period is more than two but less than three years	50%
4. Where holding period is more than three but less than four years	25%
5. Where holding period is more than four years	0%

TAX ON GAIN ON SALE OF IMMOVABLE PROPERTY Section 37(1A)

1. Where the gain does not exceed Rs. 5 million	5%
2. Where the gain exceeds Rs. 5 million	Individual Slab rates

TAX ON MOTOR VEHICLES U/S 234 PASSENGER TRANSPORT VEHICLE - PLYING FOR HIRE

Seating Capacity	(Rs./ seat/ annum)
Four or more but less than ten	50
Ten or more but less than twenty	100
Twenty or more persons	300

ADVANCE TAX ON PURCHASE, REGISTRATION OF PRIVATE MOTOR VEHICLE U/S 231B(2A)

(If sold prior to registration by the person who originally purchased)

Engine Capacity	Tax
Up to 1000cc	Rs. 50,000
1001cc to 2000cc	Rs. 100,000
2001cc and above	Rs. 200,000

ADVANCE TAX ON PURCHASE, REGISTRATION OF PRIVATE MOTOR VEHICLE U/S 231B(1)&(3)

Engine Capacity	Tax
Up to 850cc	Rs. 7,500
851cc to 1000cc	Rs. 15,000
1001cc to 1300cc	Rs. 25,000
1301cc to 1600cc	Rs. 50,000
1601cc to 1800cc	Rs. 75,000
1801cc to 2000cc	Rs. 100,000
2001cc to 2500cc	Rs. 150,000
2501cc to 3000cc	Rs. 200,000
Above 3000cc	Rs. 250,000

ADVANCE TAX ON TRANSFER OF PRIVATE MOTOR VEHICLE U/S 231B(2)

Engine Capacity	Tax
Up to 850cc	0
851cc to 1000cc	Rs. 5,000
1001cc to 1300cc	Rs. 7,500
1301cc to 1600cc	Rs. 12,500
1601cc to 1800cc	Rs. 18,750
1801cc to 2000cc	Rs. 25,000
2001cc to 2500cc	Rs. 37,500
2501cc to 3000cc	Rs. 50,000
Above 3000cc	Rs. 62,500

TAX AT TIME OF COLLECTION OF ADVANCE TAX ON MOTOR VEHICLE U/S 234

Engine Capacity	Tax
Up to 1000cc	Rs. 800
1001cc to 1199cc	Rs. 1,500
1200cc to 1299cc	Rs. 1,750
1300cc to 1499cc	Rs. 2,500
1500cc to 1599cc	Rs. 3,750
1600cc to 1999cc	Rs. 4,500
2000cc & above	Rs. 10,000

Note:

Where tax is required to be deducted or collected u/s 231 and 234 at above mentioned rates from persons not appearing in the active taxpayers' list, the tax required to be deducted or collected, as the case may be, shall be increased by hundred percent of the tax mentioned above.

PROPOSED TAX CARD
Tax Year 2021-22
Payments for Goods, Services & Contracts (Section 153)

<u>In case of goods including toll manufacturing</u>	<u>Rate</u>
- in case of company	4%
- in case of other cases	4.5%
- gross amount of rice, cotton seed or edible oils	1.5%

In case of services

- in case of company	8%
- in case of other cases	10%
- in case of specified services	3%

In case of contracts including contracts signed by sports persons

- in case of company	7%
- in case of other cases	7.5%
- in case of sports persons	10%

Exports of services u/s 154A

1%

Payments to non-residents u/s 152

On execution of Contract, Sub-Contract for the design, Construction or supply of plant & equipment;	
- Under any other power project	7%
- Any other contract:	7%
- Payment for supplies of goods in case of company	4%
- Payment for supplies of goods other than a company	4.5%
- Payment for services in case of company	8%
- Payment for services other than a company	10%
- Payment for advertisement services	10%
- Payment for insurance premium or re-insurance premium	5%
- Payment for specified services	3%

Brokerage and Commission u/s 233

<u>Filer</u>	
- Advertising Agents	10%
- Life insurance agents where commission received is less than Rs. 0.5 million per annum	8%
- Other Cases	12%

Miscellaneous Sections

- Prize on Prize Bond or a Cross-Word Puzzle u/s 156	15%
- Petroleum products u/s 156A	12%
- On goods sold by auction u/s 236A	10%
- On immovable property sold by auction u/s 236A	5%
- Advance tax on sale to retailer u/s 236H on gross sales	0.5%

PROFIT ON DEBT UNDER SECTION 78

Where profit on debt does not exceed Rs. 5,000,000	15%
Where profit on debt exceeds Rs. 5,000,000	Individual slab rates

Imports u/s 148 (on import value as increased by custom duty, sales tax and FED)

<u>Rate</u>	
- Persons importing goods classified in Part I of the Twelfth Schedule	1%
- Persons importing goods classified in Part II of the Twelfth Schedule	2%
- Persons importing goods classified in Part III of the Twelfth Schedule Manufacturers covered under S.R.O 1125(I)/2011 dated December 31, 2011, importing goods covered under said S.R.O.	5.5%
- Finished Pharmaceutical products, certified by DRAP	1%
- CKD kits of electric vehicles for small cars or SUVs with 50 kwh battery or below and LCVs with 150 kwh battery or below	4%
	1%

ADVANCE TAX ON SALE OR TRANSFER OF IMMOVABLE PROPERTY

Rate of tax under section 236C if property is held for less than four years and then sold, shall be :

1%

ADVANCE TAX ON PURCHASE OF IMMOVABLE PROPERTY

Rate of tax under section 236K shall be :

1%

WITHHOLDING TAX RATE ON DIVIDEND

(Under Section 150)

1. Dividends paid by Independent Power Purchasers subject to fulfillment of certain conditions.	7.5%
2. Other than above case	15%
3. Person receiving dividend from company where no tax is payable by company due to some conditions.	25%

Acquired before 01/07/2016	Acquired after 01/07/2016
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RATES OF ADVANCE TAX ON SALE OF SECURITIES (Section 37A)

<u>Period</u>	<u>Tax years 2018, 2019, 2020 and 2021</u>	<u>Tax year 2022 and onwards</u>
1. Where holding period of a security is less than twelve months.	15%	15%
2. Where holding period of a security is more than twelve months but less than twenty four months.	12.5%	15%
3. Where holding period of a security is twenty four months or more but the security was acquired on or after July 1st, 2013.	7.5%	15%
4. Where the security was acquired before July 1st, 2013.	0%	0%
5. Future commodity contracts entered in to by members of Pakistan Mercantile Exchange	5%	5%
6. Rate for companies in respect of Debt Securities shall be 29%		

Note:

Where tax is required to be deducted or collected at any of the above mentioned rates from persons not appearing in the active taxpayers' list, the rate of tax required to be deducted or collected, as the case may be, shall be increased by hundred percent of the rate mentioned above.

RATES OF APPEAL FEE

Commissioner (Appeals) /Addl. Commissioner

Appeal against assessment

Company
Other than company

Rs. 5,000/-
Rs. 2,500/-

Other cases

Company
Other than company

Rs. 5,000/-
Rs. 1,000/-

Income Tax Appellate Tribunal.

Any person

Rs. 2,000/-

Any person

Rs. 2,000/-

TOGETHER WE
MAKE IT HAPPEN



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