

TAX MEMORANDUM 2022



IJAZ TABUSSUM & CO.
CHARTERED ACCOUNTANTS

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Chartered Accountants

Islamabad.

July 11, 2022

The information presented in this Memorandum has been sifted from the Federal Budget and Finance Act, 2022, as approved in the National Assembly. It contains the amendments, which have become operative 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 THE DESK OF MANAGING PARTNER

The Finance Act 2022 has been passed in a difficult economic and political situation where IMF is putting pressure to take strict economic decisions and abolish subsidies whereas the general public is expecting some relief from government in current high inflation time. The record current account deficit and shortfall in collection of local tax revenue for the financial year 2021-22, has forced government to take some strict fiscal measures. At the same time keeping an eye on higher inflation and cost of living, the government is trying to take economic steps to provide relief to the common man. The finance act accordingly contains some revenue increasing measures and also some relief measures for general public.

The act has introduced total outlay of the Federal budget 2022-23 is Rs. 9502 billion which is 3.87% more than the size of the revised budget of 2021-22. The tax collection by FBR is projected at Rs. 7.0 trillion an increase of almost 17% as compared to Rs. 6.0 trillion for the last year. Revenue from other sources is projected at Rs. 2.5 trillion. The projected expenditure of the Federal Government would be around Rs. 9.5 trillion next year, an increase of 26.7% over the elapsed year's Rs. 7.5 trillion. The interest payments are projected at Rs. 3.95 trillion as compared to Rs. 3.14 trillion last year, an increase of 26 %. The pension bill is estimated at Rs. 530 billion. The running of the entire civil government would cost Rs. 550 billion, down from Rs. 479 billion last year, while defense expenditure would go up to Rs. 1.52 trillion against Rs. 1.48 trillion last year, showing an increase of approximately 10.9%. The Public Sector Development Programme (PSDP) is projected at Rs. 727 billion next year against Rs. 900 billion last year.

The finance act 2022 aims at appeasing IMF at the same time trying to avoid public backlash due to increasing inflation This Budget is aimed at meeting IMF tough conditions by imposing new taxes and spending cuts and at the same time preserving political capital by proposing targeted subsidies on sugar, wheat flour and oil.

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.

IJAZ AKBER - FCA
Managing Partner and International Contact Person

BUDGET 2022-2023 AT A GLANCE

RECEIPTS:		Budget Estimates	Budget Estimates
S. No.	SOURCES OF FUNDS (ESTIMATED)	(Rs. In billion)	(Rs. In billion)
1.	Tax Revenue	7,004	
2.	Non-Tax Revenue	2,000	
	a) Gross Revenue Receipts	9,004	
	b) Less: Provincial Share	(4,100)	
I.	Net Revenue Receipts (a-b)		4,904
II.	Non-Bank Borrowing (NSSs & Other)		1,996
III.	External Receipts (net)		533
IV.	Estimated Provincial Surplus		800
V.	Bank Borrowing (T-Bills, PIBs, Sukuk)		1,172
VI.	Privatization Proceeds		96
TOTAL RESOURCES (I To VI)			9,502
EXPENDITURES:		Budget Estimates	Budget Estimates
S. No.	APPLICATION OF FUNDS (ESTIMATED)	(Rs. In billion)	(Rs. In billion)
1.	Interest Payments	3,950	
2.	Pension	530	
3.	Defense Services	1,523	
4.	Grants and Transfers to Provinces & Others	1,242	
5.	Subsidies	699	
6.	Running of Civil Government	550	
7.	Provision for Disaster / Emergency / Covid	100	
8.	Provision for Pay & Pension	100	
	(A) Current: (1 To 8)		8,694
I.	Federal PSDP	727	
II.	Net Lending	81	
	(B) Development: (I to II)		808
TOTAL APPLICATION (A+B)			9,502

SALIENT FEATURES FOR BUDGET 2022-23

INCOME TAX ORDINANCE 2001

REVENUE MEASURE:

1. Increase in tax rate for banks for tax year 2023 onwards, i.e. 39%.
2. Increase in tax rate of banking companies on adverse ADR ratio.
3. Super Tax on higher earning persons u/s 4C for tax year 2022 and onwards.
4. Tax on deemed income from capital assets above Rs. 25 million including luxury farmhouses and exclusive of one self-occupied house.
5. Increase in rate from 1% to 2% on sale and purchase of property for filers.
6. Increase in rate from 100 percent to 250 percent in case of purchase of property by persons who are not active taxpayers.
7. Increase in rate of 200 from 100 percent in case of purchase of motor vehicles by persons who are not active taxpayers.
8. Level playing field for all classes of assets. Capital gain tax on disposal of securities and real estate synchronized along with incentives for vertical growth of cities.
9. Increase in advance tax rate on private vehicles of 1600 cc and above.
10. Increase in yearly advance tax rate on tax on passenger vehicles.
11. Omission of deductible allowance for profit on debt and tax credit for investment in shares, health insurance and pension funds.
12. Restriction on carry forward of minimum tax in subsequent years.
13. Omission of exemption on flying allowances and submarine allowance.
14. Omission of reduced rate of taxation for investment in Government securities.
15. Withdrawal of Income Tax (Amendment) Ordinance, 2022.

RELIEF MEASURES:

1. Fixed tax regime for retailers and specified service providers.
2. Restriction on frequency of audits to once in four years.
3. Adjustment of tax collected on all materials at import stage for industrial undertaking for own use.
4. Relief on taxation for salaried and business individuals by increasing threshold for taxation.
5. Admissibility of 100% depreciation in first year.
6. Reduction in tax rate from 10% to 5% on Bahbood certificates.
7. Withdrawal of withholding tax on educational expenses payments.
8. Exemption from tax on income of certain non-profit entities.
9. Reduced rate of 3% on provision of services by REIT management company and NCCPL.
10. Withdrawal of withholding tax on rent of machinery.
11. Exemption from advance taxes to exempt entities.

STREAMLINING MEASURES:

1. Requirement for adoption of digital mode of payment for companies.
2. Clarification regarding exempt income of partners if income of AOP is exempt.
3. Introduction of Synchronized Withholding Administration Payment System.
4. Streamlining of audit procedures.
5. Increase in time limitation for best judgment from 5 to 6 years.
6. Enhancement of restriction for passing of order in from 120 to 180 days.
7. Clarification regarding remittance through money transfer operations.

DOCUMENTATION OF ECONOMY MEASURES:

1. Inclusion of concept of beneficial owner.
2. Alignment of Point of Sale regime with Sales Tax provisions and introduction of prize scheme.
3. Increase in scope of tax on payments to non-residents and enhancement of rate from 5% to 10% on offshore digital services.
4. Increase in scope of criteria for becoming tax resident individuals.
5. Introduction of advance adjustable tax on credit/debit card payments.
6. Sharing of information between NADRA and FBR for tax base broadening.

SALES TAX ACT 1990

The proposed budgetary measures pertaining to Sales Tax for FY 2022-23 are:

RELIEF MEASURES:

1. The condition of CNIC/NTN in case of supply to unregistered person have been removed.
2. Sales Tax exemption has been granted on import and supply of all types of seeds.
3. Sales Tax on Tractor is withdrawn.
4. Exemption has been granted on imports by UN diplomats/diplomatic missions and privileged persons.
5. Import and supply of solar panels (PV module) has been exempted from sales tax.
6. Goods imported by or donated to non-profit charitable hospitals has been exempted. Furthermore, good supplied to charitable hospitals of fifty beds or more have also been exempted from sales tax.
7. Temporary imports have been exempted from the levy of the sales tax.
8. Made up jewellery has been made chargeable to 3% fix tax on local supply and 4% fix tax on imports.
9. Plant and machinery imported by power generation projects that entered into implementation agreement with GoP has been exempted from sales tax.
10. Rs.90 per kg is reduce to Rs.60 per kg on potassium chlorate.
11. Import by EPZ has been exempted from sales tax.

REVENUE MEASURES:

1. The scope of further tax has been enhanced to include non-active taxpayers as well.
2. Regime of other then Tier-1 retailer has been streamlined.
3. VAT has been imposed on compressor scrap, motor scrap and copper cutting scrap even when imported by manufacturers.

CUSTOMS ACT 1969

GUIDING PRINCIPLES

- (a) Remove anomalies in cascading structure of tariff.
- (b) Promote and protect domestic industry by introducing targeted interventions.
- (c) Rationalizing tariffs on industrial raw materials / intermediate goods.

ADOPTION OF WCO HS - 2022 VERSION:

The World Customs Organization (WCO) updates its Harmonized Commodity Description and Coding System (HS) after every five years to accommodate modern developments and changing trade patterns. The last HS version was updated in 2017. The current amendments to the HS nomenclature have entered into force since 1st January, 2022. Pakistan being a signatory to the HS Convention has obligation to adopt the HS 2022 version. Since, these amendments are required to be incorporated in the First Schedule to the Customs Act, 1969 (Pakistan Customs Tariff), therefore, Pakistan adopted the same by incorporating all of its latest amendments introduced in earlier nomenclature / HS codes in Pakistan Customs Tariff by the process of addition / deletion and creation of local PCT codes, accordingly. It will be effective from 1st of July, 2022.

INDUSTRIAL RELIEF MEASURES:

1. To incentivize packaging industry, CD and ACD on various tariff lines pertaining to aluminium, polymers of ethylene, BOPP etc. have been downward rationalized.
2. Reduction in CD and ACD on 10 tariff lines pertaining to direct and reactive dyes.
3. To incentivize agricultural sector and farmers, customs duty exemption extended further to Farm Mechanization and Logistics including agricultural machinery pertaining to irrigation, drainage, harvesting / post- harvest handling & processing, plant protection equipment as well as machinery, equipment and other capital goods for miscellaneous agro based set ups in Sr. 1, 2 and 3 of Part-I of Fifth Schedule.
4. To incentivize Coating Industry, CD and ACD have been exempted on Aluminium paste and powder and CD and ACD have been reduced on glycerol crude and glycerol.
5. To incentivize manufacturers of filters other than automotive, CD and ACD have been reduced on their raw materials i.e, Adhesive, Epoxide resins, Filter media/ paper, Non-woven fabric media and Steel plates / sheets of prime quality.
6. To incentivize footwear industry, customs duties have been reduced on different categories of other woven fabrics and artificial flowers / foliage of

other materials.

7. To incentivize LED lights and bulbs manufacturers customs duties have been exempted on import of 05 more items i.e, Aluminium Electrolytic capacitor, SMT Electrical Transformer, aluminium alloy sheet, Tantalum capacitors (DIP/SMD) and Other inductors, small transformer, coil (DIP/SMD). Furthermore, the scope of exemption has also been extended for the manufacturers of Parts of LED light and Bulbs.
8. Tariff structure on the different tariff lines related to MDF / HDF have been rationalized evenly.
9. To encourage local manufacturers of brush ware, customs duties have been exempted on import of Poly-butylene terephthalate.
10. CD & ACD on import of Stamping foils have been exempted for manufacturing of Optical Fiber Cable.
11. Tariff structure on import of Synthetic filament yarn, monofilament, staple fibers of polypropylene has been rationalized to resolve the cascading issues.
12. To encourage export-oriented industry, CD and ACD have been exempted on import of Guts, bladders and stomachs of animals etc.
13. Reduction in CD and ACD rates on import of Plywood, veneered panels & similar laminated wood, poly (methyl methacrylate), cyanoacrylate.
14. Extension in scope of concession on import of organic composite solvents and thinners for the manufacturers of Dibutyl Orthophthalates.
15. Rationalization of Tariff structure on import of IV Leaves extract powders and exemption of CD & ACD on its raw materials i.e., other plants and parts of plants from 3% CD and 2% ACD.
16. Exemption of customs duties on import of membrane for filtering / purifying water from 16% CD & 4% ACD.
17. Exemption of customs duties on 03 different raw materials for first aid bandages manufacturing industry from 5%.
18. Reduction of customs duties on import of flavouring powders for food preparation for snacks manufacturers.
19. Exemption of CD & ACD on raw materials of aluminium conductor composite core manufacturers.
20. Exemption of CD & ACD on import of raw materials of paper sizing industry and chlorinated paraffin wax industry.

RELIEF FOR COMMON MAN:

1. To keep the prices of medicines stable in the market and to encourage local manufacturing of pharmaceuticals, customs duties have been exempted on 26 more APIs and on one drug "Grafalon".
2. Irisvision is for low vision individuals of all ages and with this gadget low vision persons can read and write easily, therefore customs duties have been exempted on import of Irisvision Device with its complete components.

REVIEW OF RD REGIME:

1. 10% CD rate on import of motor spirit has been replaced with 10% RD.
2. Continuation of 20% RD on import of Disodium Carbonate to protect the

local industry.

3. To encourage the vendor industry, RD has been reduced on import of case hardening steel from 30% to 20%.
4. Withdrawal of 15% RD on import of Chrome yellow.
5. 10% RD has been levied on import of Other paper, paperboard, cellulose wadding and webs of cellulose fibres to protect the local industry.
6. Withdrawal of RD exemption available on import of High Carbon Wire Rod.
7. RD on import of optical fibre cables has been increased from 10% to 20% to encourage the local manufacturers.

LEGISLATIVE CHANGES:

1. The definition of smuggling has been widened to include smuggling of essential commodities out of Pakistan through bordering and coastal areas to curb this menace.
2. To facilitate trade and industry, changes have been incorporated to align the provisions of the Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021, providing platform for integration of other government agencies.
3. The timeline to finalize the provisional assessment has been reduced from existing nine months to four months to facilitate trade and avoid delay in realization of government revenue.
4. Powers regarding extension in warehousing period have been delegated to Additional Collector of Customs to facilitate trade by expediting grant of requests for extension.
5. Option to change consignee name in relation to frustrated cargo has been provided to address the issue of port congestion.
6. Pecuniary jurisdiction of Additional Collector and Deputy Collector has been increased to rationalize the workload of adjudicating authorities and quick disposal of legal cases.
7. To reduce the cost of doing business and rationalize fees charged by the terminal operators, enabling provision has been provided for determination of various charges by customs authorities.
8. Provision has been incorporated to indemnify the officers of provincial governments for their actions taken in good faith to prevent the smuggling of essential commodities under the Customs Act, 1969.

FEDERAL EXCISE ACT 2005

The proposed budgetary measures pertaining to Federal Excise Duty (FED) for FY 2022- 23 are:

REVENUE MEASURES:

1. Rate of FED is enhanced on locally manufactured cigarettes.
2. Rate of FED is enhanced on club, business and first-class travel by air is enhanced from Rs. 10,000 to Rs. 50,000.
3. Rate of FED is enhanced on telecommunication services is enhanced from 16% to 19.5%.



INCOME TAX ORDINANCE 2001

AMENDMENTS INTRODUCED BY THE FINANCE ACT, 2022

Through Finance Act 2022, following further amendments are incorporated in the Income Tax Ordinance, 2001 (XLIX of 2001):

DEFINITIONS	SECTION 2
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(7A) “beneficial owner”

The Act introduces definition of beneficial owner to be a natural person who –

- ultimately owns or controls a Company or association of persons, whether directly or indirectly, through at least twenty five percent shares or voting rights; or
- exercise ultimate effective control, through direct or indirect means, over the company or association of persons including control over the finances or decisions or other affairs of the company or association of persons.

(18A) “distributor”

The Act introduces definition of distributor to be a person appointed by a manufacturer, importer or any other person for a specified area to purchase goods from him for further supply.

(22AA) “fair market value”

Section 68 provides definition of Fair Market Value. The same definition has been inserted under clauses (22AA).

(62B) “Synchronized Withholding Administration and Payment System agent” or “SWAPS agent”

The Act defines SWAPS agent to be a person or class of persons notified by Board to collect or deduct withholding taxes through Synchronized Withholding Administration and Payment System.

(66A) “tax invoice”

Invoice is prescribed under the Income Tax Rules, 2002. The same is now referred under clauses (66A).

SUPER TAX ON HIGH EARNING PERSONS	SECTION 4C
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The Act inserts a new section 4C under which tax shall be imposed at below mentioned rates for tax year 2022 and onwards on income of every person. However, it shall not apply to a banking company for tax year 2022.

Income under section 4C	Rate of tax
Where income does not exceed Rs. 150 million	0% of the income
Where income exceeds Rs.150 million but does not exceed Rs. 200 million	1% of the income
Where income exceeds Rs.200 million but does not exceed Rs. 250 million	2% of the income
Where income exceeds Rs.250 million but does not exceed Rs. 300 million	3% of the income
Where income exceeds Rs. 300 million	4% of the income

- The Income to be taxed under this section shall be the sum of following:
 - profit on debt, dividend, capital gains, brokerage and commission
 - taxable income (other than brought forward depreciation and brought forward business losses) under all heads of income for the year reduced (but not below zero) by the total of any deductible allowances, excluding amounts specified in above clause.
 - imputable income excluding amounts specified in the first clause. (imputable income in relation to an amount subject to final tax means the income which would have resulted in the same tax, had this amount not been subject to final tax)
 - income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under special rule for Insurance, Exploration and production of petroleum, and banking companies
- The tax shall be paid, collected and deposited on the due date for furnishing the taxpayer's return of income for that year.
- In case of non-payment of this tax, the Commissioner shall by an order in writing, determine the tax payable, shall serve upon the person a notice of demand specifying the tax payable and shall recover the tax payable.
- The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.

TAX ON CERTAIN PAYMENTS TO NON-RESIDENTS

SECTION 6

This section provides for taxation, at specified rates on

- Pakistan source royalty
- fee for offshore digital services or
- fee for technical services.

Pakistan source royalty & fee for technical services were subject to tax at 15% and fee for offshore digital services at 5%.

The Finance Act 2022 extends the scope of this section to include:

- fee for money transfer operations
- card network services

- payment gateway services
- interbank financial telecommunication services

The Act has increased tax rate from 5% to 10% in case of fee for offshore digital services and also in case of services other than royalty and fee for technical services, these shall be taxed at 10%.

TAX ON DEEMED INCOME	SECTION 7E
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Through the Finance Act 2022, a new section 7E has been inserted under which a resident person, for the tax year 2022 and onwards shall be treated to have received rent equal to 5% of the fair market value of a capital asset situated in Pakistan held on the last day of the tax year. This deemed income will be taxed at 20%. This means the effective tax rate on Fair market value of the property will be 1%.

This section shall not apply to –

- a) one capital asset owned by the resident person.
- b) self-owned business premises from which business is carried out by the person appearing on the ATL list at any time during the year;
- c) self-owned agriculture land where agriculture activity is carried out by person but does not include farmhouse and land annexed thereto;
- d) capital assets allotted to:
 - I. a Shaheed or dependents of a shaheed belonging to Pakistan Armed Forces;
 - II. a person or dependents of the person who dies while in service of Pakistan armed forces or Federal or provincial government;
 - III. A war wounded person while in service of Pakistan Armed Forces or Federal or provincial government; or
 - IV. An an ex-serviceman and serving personal of armed forces or ex-employees or serving personnel of Federal and provincial governments, being original allottees of the capital asset duly certified by the allotment authority.
- e) Any property which is chargeable to tax under the Income Tax Ordinance 2001 and on which tax levied is paid thereon.
- f) capital assets in the first year of acquisition where tax under section 236K has been paid.
- g) where the fair market value of the capital assets, in aggregate, excluding capital assets mentioned in clauses (a), (b), (c), (d), (e) and (f) does not exceed twenty-five million Rupees;
- h) capital assets owned by a Provincial Government, a Local Government;
- i) capital assets owned by a local authority, a development authority, builders and developers for land development and construction, registered with Directorate General of Designated Non-Financial Businesses and Professions of Board;
- j) a property which is subject to tax under the head Income from property and the tax chargeable is more than tax chargeable under this section. In case, if tax chargeable under the head Income from Property is less than the tax

chargeable under this section, than excess tax chargeable shall be paid under this section.

The Federal Government may include or exclude any person or property for the purpose of this section.

Definitions have also been provided to remove the ambiguity in understanding the following terms:

“Capital Asset” means property of any kind held by a person, whether or not connected with a business, but does not include –

- (i) any stock-in-trade, consumable stores or raw materials held for the purpose of business;
- (ii) any shares, stocks or securities;
- (iii) any property with respect to which the person is entitled to a depreciation deduction under section 22 or amortization deduction under section 24; or
- (iv) any movable asset not mentioned in clauses (i), (ii) or (iii);

“Farmhouse” means a house constructed on a total minimum area of 2000 square yards with a minimum covered area of 5000 square feet used as a single dwelling unit with or without an annex:

Provided that where there are more than one dwelling units in a compound and the average area of the compound is more than 2000 square yards for a dwelling unit, each one of such dwelling units shall be treated as a separate farmhouse.”;

For the removal of doubt, it may be noted here that capital assets as defined in Sub-Section 5 of Section 37 of the Income Tax Ordinance 2001 are not the same as defined in this newly inserted section. Hence any painting, sculpture, drawing or other work of art, a rare manuscript, folio or book, a postage stamp or first day cover, a coin or medallion, an antique, most importantly gold, silver and diamonds are excluded from the definition of Capital Assets while computing deemed income under newly introduced Section 7E.

GENERAL PROVISIONS RELATING TO TAXES IMPOSED UNDER SECTIONS 5, 6 AND 7	SECTION 8
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The Act extends the scope of this section to include tax on deemed income and therefore, deemed income shall also be subjected to final tax.

DEDUCTIONS NOT ALLOWED	SECTION 21
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Section 21 of the Ordinance provides for disallowance of certain deductions or expenditure. The scope of disallowance was limited only to a few identified claims of expenditure. In order to strengthen the same, the scope for disallowance has been expanded as follows:

Additions:

- **Contribution of Funds**

an amount in excess of fifty percent of contribution made by a person to an approved gratuity fund, an approved pension fund or an approved superannuation fund.

- **Non-Integration of business with the Board**

any expenditure attributable to sales claimed by any person who is required to integrate but fails to integrate his business with the Board through approved fiscal electronic device and software. However, disallowance of expenditure under this clause shall not exceed eight percent of the allowable deduction.

Amendments:

- **Payments through digital means by Companies**

Through the Tax Laws (Third Amendment) Ordinance, 2021, payments made by a company for a transaction under a single account head exceeding Rs 250,000 other than through 'digital means' was made inadmissible, subject to certain exclusions. Due to delay by the Banks being unable to offer digital means of banking to all companies, implementation of this amendment was deferred from time to time till December 31, 2021. Through Finance (Supplementary) Act, 2022 the effective date was deferred indefinitely till it is notified by the FBR.

The above provision is to be enacted through Finance Act 2022 via a new clause as follows:

- any expenditure by a taxpayer being a company for a transaction, paid or payable under a single account head which, in aggregate, exceeds rupees one million, made other than by digital means from business bank account of the taxpayer notified to the Commissioner. This clause shall not apply in the case of expenditures on account of:
 - a) utility bills;
 - b) freight charges;
 - c) travel fare;
 - d) postage; and
 - e) payment of taxes, duties, fee, fines or any other statutory obligation

However, Section 21(l) shall not be applicable to a company from the date when Section(la) has been made effective through the notification issued by the board.

- **Payments of Salary through digital means**

any salary paid or payable exceeding twenty-five thousand rupees per month can also be made via digital means.

DEPRECIATION
SECTION 22

Through Finance Act 2020, depreciable assets used for the first time after July 1, 2020, the normal tax depreciation allowance was limited to 50% in the first year as well as in the year of disposal. Both these limits are now withdrawn.

Before FA 2020, under Section 22, a depreciable asset was allowed depreciation for full year in the year of first use and no depreciation was allowed in the year of disposal. The Act reinstates the position prior to FA 2020.

Furthermore, with regard to depreciation on passenger transport vehicles not plying for hire, the Act increases the limit on cost to Rs. 7.5 million from 2.5 million for the purpose of determining deductible lease rentals.

INITIAL ALLOWANCE
SECTION 23

Initial allowance is allowable at 25% of the cost of eligible depreciable asset. The Finance Act 2022 excludes immovable property or structural improvement to the immovable property from the scope of eligible depreciable asset.

CAPITAL GAINS
SECTION 37

The Finance Act 2022 restructures the rates of tax based on the specific type of properties such as open plots, constructed property and flats instead of the existing general category of immovable property. The updated rates are as under:

S. No.	Holding Period	Rate of tax		
		Open Plots	Constructed Property	Flats
1.	Where the holding period does not exceed one year	15%	15%	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-
5.	Where the holding period exceeds four years but does not exceed five years	5%	0	-
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-
7.	Where the holding period exceeds six years	0%	-	-

Currently, under this section capital assets acquired through gift, succession, inheritance, devolution, distribution of assets on dissolution of AOP or on liquidation of company, the fair market value of the asset at the date of its transfer shall be the cost of asset for the person acquiring the asset.

The above provision is in conflict with section 79(3) whereby such assets are deemed to have been transferred at the same cost as was in the hands of transferor.

The Finance Act 2022 omits this provision to remove the ambiguity, and confirming that the asset's will be valued at historical cost in the books of the transferee and not fair market value resulting in higher capital gains.

CAPITAL GAIN ON SALE OF SECURITIES	SECTION 37A
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Through Finance Act 2022, there has been a in change the tax rates as under:

S. No	Holding Period	Existing Rate	Rate of Tax for Tax year 2023 and onwards
1.	Where the holding period does not exceed one year	12.5%	15%
2.	Where the holding period exceeds one year but does not exceed two years		12.5%
3.	Where the holding period exceeds two years but does not exceed three years		10%
4.	Where the holding period exceeds three years but does not exceed four years		7.5%
5.	Where the holding period exceeds four years but does not exceed five years		5%
6.	Where the holding period exceeds five years but does not exceed six years		2.5%
7.	Where the holding period exceeds six years		0%
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	5%

EXEMPTIONS UNDER INTERNATIONAL AGREEMENTS	SECTION 44
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Finance Act 2022 now gives power to the Federal Government to exempt income of any person, on a case to case basis through a notification in the official Gazette, in respect of an official development assistance financed loans and grants-in-aid, subject to such conditions and limitations as it may specify.

EXEMPTIONS AND TAX CONCESSIONS IN THE SECOND SCHEDULE
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SECTION 53

Currently, the powers in respect of taxes, rates of tax and exemptions had been delegated to Board with the approval of the Federal Minister in charge in pursuant to the decision of the Economic coordination committee of the Cabinet from time to time. This Finance Act 2022 restores the previous position by also including the Federal Government pursuant to the approval of the Economic Coordination Committee of Cabinet, whenever circumstances exist to take immediate action, to grant exemptions and tax concessions through Second Schedule.

CARRY FORWARD OF BUSINESS LOSSES OF SICK INDUSTRIAL UNITS
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SECTION 59C

In order to initiate revival of sick industrial units, a new section 59C had been inserted in the Ordinance via Income Tax (Amendment) Ordinance, 2022 dated March 03, 2022, under which an acquiring company is allowed to adjust loss for the latest tax year and brought forward assessed business losses, excluding capital loss, of acquired company (sick industrial unit') by way of acquisition of its majority share capital. The acquiring company can adjust said losses for a period of three tax years up to tax year 2026.

This Finance Act 2022 removes this section with effect from March 02, 2022 and thereby reinstating the original position as if no such relief was ever granted. This will create an ambiguity with respect to taxpayers who have already made investments.

DEDUCTIBLE ALLOWANCE FOR PROFIT ON DEBT
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SECTION 60C

The Finance Act 2022 withdraws the deductible allowance for the amount of any profit or markup paid (including share in rent and share in appreciation for value of house) by the individual in a tax year on a loan utilized for the construction of a new house or the acquisition of a house.

TAX CREDIT FOR INVESTMENT IN SHARES AND INSURANCE
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SECTION 62

Currently, a resident individual or an AOP could avail tax credit in a Tax Year in respect of the expense incurred on acquiring new shares or Sukuks offered by a public company listed and traded on a Pakistani stock exchange subject to the condition that the resident individual or AOP is either the original allottee of the shares/ Sukuks or the shares are acquired from the Privatization Commission of Pakistan.

Tax credit is also available to a resident individual/AOP deriving income under the head "salary" or "Income from business" who pays life insurance premium on a

policy to a life insurance company registered by the SECP under the Insurance Ordinance, 2000.

This Finance Act 2022 now withdraws the tax credit available for investment in shares and insurance.

TAX CREDIT FOR INVESTMENT HEALTH INSURANCE	SECTION 62A
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Currently, a resident individual or AOP, deriving income from salary or business was entitled to a tax credit for a Tax Year upon payment of health insurance premium or contribution paid to any insurance company registered by the SECP.

This Finance Act 2022 withdraws the tax credit available for investment in health insurance.

TAX CREDIT FOR CERTAIN PERSONS	SECTION 65F
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This Finance Act 2022 withdraws the 100% tax credit available to Persons deriving income from exports of computer software or IT services or IT enabled services.

A corresponding amendment has also been made in the first schedule whereby Export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board (PSEB) shall be taxed at 0.25%. Persons not registered with PSEB shall continue to be taxed at 1% on their export proceeds.

Tax deductible on export of services shall continue to be final tax upon fulfilment of certain conditions as already prescribed.

The rate of advance tax in case of persons not appearing on the active taxpayers list shall not be increased by 100%.

TAX CREDIT FOR FOREIGN INVESTMENT FOR INDUSTRIAL PROMOTION	SECTION 65H
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In order to provide incentive for industrial promotion, section 65H has been inserted in the Ordinance via Income Tax (Amendment) Ordinance, 2022 dated March 03, 2022, whereby all non-resident Pakistani citizens having non-resident status for more than five years and resident Pakistani citizens can avail the benefit of one hundred percent one-time tax credit equal to the amount invested as equity from foreign exchange remitted into Pakistan through normal banking channel in a dedicated rupee account opened by a company incorporated on or after 1st March, 2022 to establish an industrial undertaking. The said industrial undertaking is required to commence its commercial production by 30th June, 2024 and tax credit shall be available for adjustment against tax payable for the year in which commercial production commence and can be carried forward, if unadjusted, upto a period of maximum five years.

This Finance Act 2022 removes this section with effect from March 02, 2022 and thereby reinstating the original position as if no such relief was ever granted.

RESIDENT INDIVIDUAL

SECTION 82

An individual shall be resident if:

- He is present in Pakistan for 183 days or more or
- He is a government employee posted abroad

The Act has extended the scope of this section by including any individual being citizen of Pakistan who is not present in any other country for more than one hundred and eighty two days during the tax year or who is not a resident taxpayer of any other country, to be considered a resident individual for a tax year.

PRINCIPLES OF TAXATION OF ASSOCIATIONS OF PERSONS

SECTION 92

Currently, an AOP shall be taxed separately and any share of such taxed income will be exempt in hands of partners.

The Finance Act 2022 adds an explanation to clarify that if the income of association of persons is exempt and no tax is payable under the Ordinance due to this exemption, the share received in the capacity as member out of the income of the association shall remain exempt.

SPECIAL PROVISIONS RELATING TO PAYMENT OF TAX THROUGH ELECTRICITY CONNECTIONS

SECTION 99A

This section is to be substituted and shall apply to all retailers, except Tier-I retailers, and specified service providers who shall be charged on the basis of gross amount billed for commercial electricity connections at the following rates:

Sr. No.	Gross amount of monthly bill	Tax in PKR
1	Where the amount does not exceed Rs. 30,000/-	3,000
2	Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	5,000
3	Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	10,000
4	Retailers and service providers through Income Tax General Order	Up to 200,000

The tax charged shall be final tax.

It is also mentioned Board may issue an Income Tax General Order ("ITGO") provided it had been approved by the Minister in-charge, for implementing this scheme and to specify service providers eligible for this regime.

However, this section / rates shall not apply to a retailer who already pays taxes on their commercial electricity connections under section 3(9) of the Sales Tax Act, 1990.

TAX CREDIT FOR CHARITABLE ORGANIZATIONS	SECTION 100C
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Presently, approval from Commissioner for persons mentioned in Table-II of clause (66) of Part I of Second Schedule, was to take effect from 1st July, 2022 and conditions of section 2(36) were not applicable for earlier years for these persons. The Act extends the time line for this condition for approval to take effect from 1st July, 2023.

The Act also entitles that all entities mentioned in Table I of clause (66) of Part 1 of the Second schedule to be eligible donees for the purpose of tax credit under section 61.

SPECIAL PROVISIONS RELATING TO INVESTMENT FOR INDUSTRIAL PROMOTION	SECTION 100F
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In order to promote industrialization in the country, section 100F had been inserted in the Ordinance via Income Tax (Amendment) Ordinance, 2022 dated March 03, 2022, whereby immunity from probe under section 111 of the Ordinance had been granted on equity investment made by eligible persons in a new company formed for establishing an industrial undertaking or to an existing company being an industrial undertaking (for investment in expansion and modernization) after paying an amount of tax equal to five percent on such investment and upon fulfilling other conditions as mentioned in this section.

This Finance Act 2022 removes this section with effect from March 02, 2022 and thereby reinstating the original position as if no such relief was ever granted.

RECHARACTERISATION OF INCOME AND DEDUCTIONS	SECTION 109
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Section 109 empowers the Commissioner to recharacterize a transaction. The scope of this section is to be enhanced with retrospective effect from tax year 2018 to empower the Commissioner to treat a place of business in Pakistan as a permanent establishment, if the said place fulfils certain conditions.

UNEXPLAINED INCOME OR ASSETS	SECTION 111
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Section 111(4) provides exclusion from explained income or assets to any amount of foreign exchange remitted from outside Pakistan through normal banking channels not exceeding Rs. 5 million encashed into Rupees by a scheduled bank.

Through Tax Laws (Third Amendment) Ordinance, 2021, an explanation was added whereby, remittances through Money Service Bureaus (MCBs), Exchange

Companies (ECs) and Money Transfer Operators (MTOs) such as Western Union, Money Gram and Ria Finance or other like entities, was deemed as foreign exchange remitted from outside Pakistan through normal Banking channels.

Consequent to decision of Appellate Tribunal Inland Revenue, Lahore in ITA no. 3609/LB/2020, wherein, remittances from above listed services were treated as foreign exchange. After the decision and a formal clarification from SBP, a detailed circular No. 05 of 2020 was also issued by the Board.

The said provision is now to be enacted through Finance Act 2022.

There has been made another addition which states that, where a taxpayer, while explaining the nature and source of any amount referred to in sub-section (1) of Section 111, takes into account any source of income which is subject to final tax under any provision of the Ordinance, the taxpayer shall not be entitled to take credit of any sum as is in excess of imputable income, unless the excess amount is reasonably attributed to the business activities subject to final tax and the taxpayer furnishes financial statements and accounts duly audited by a chartered accountant

MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS	SECTION 113
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The Act restricts carrying forward of minimum tax for adjustment against normal tax liability for up to three years which was previously five years. The Act also excludes tax paid under Section 4C from the ambit of any tax payable or paid under Section 113.

POWERS TO ENFORCE FILING OF RETURNS	SECTION 114B
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Through Tax Laws (Third Amendment) Ordinance, 2021, FBR was vested with powers to issue Income Tax General Order in respect of persons who are not appearing on ATL but are liable to file return. FBR was also vested with the powers of discontinuation of Mobile Phone connections, electricity connections and gas connections and to issue orders to restore above discontinued connections in cases where he is satisfied that the return has been filed or the person was not required to file return of income.

Before inclusion of any person in the general order, following conditions were required to be met:

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

The said provision is now to be enacted through Finance Act 2022.

BEST JUDGEMENT ASSESSMENT
SECTION 121

The Finance Act 2022 extends the timeline for an assessment order to be issued under section 121 within six years after the end of the tax year or the income year to which it relates. Currently, the timeline for an assessment order to be issued under this section is five years.

AMENDMENT OF ASSESSMENTS
SECTION 122

Currently, the timeline to finalize the assessment order under this section is within 120 days of issuance of show cause notice under section 122(9). This time may further be extended by the commissioner for reasons to be recorded in writing to a maximum of 90 days. Such time limit will exclude adjournments on account of stay order, Alternate Dispute Resolution Proceedings or agreed assessment proceedings or time taken through adjournments by the taxpayer. However, these time limitations will only apply for notices issued after July 01, 2021.

The Finance Act 2022 extends the timeline to finalize the assessment order under section 122 to within 180 days of issuance of show cause notice under section 122(9).

ALTERNATIVE DISPUTE RESOLUTION
SECTION 134A

This Finance Act 2022 introduces a limit of one hundred million or more for applying to the Board for the appointment of committee for resolution of any hardship or dispute.

The Finance Act 2022 reduces the time period from 60 days for appointment of the committee by the Board to 45 days upon receipt of an application.

Presently, the Committee shall comprise of Chief Commissioner Inland Revenue having jurisdiction and two persons from the panel notified by Board comprising of Chartered Accountants, Cost and Management Accountants and advocates having minimum 10 years of experience in the field of taxation and reputable businessmen.

The Finance Act 2022 states that the Committee shall comprise of:

- i. Chief Commissioner Inland Revenue having jurisdiction
- ii. Person to be nominated by the taxpayer from the panel notified by Board comprising of:
 - Chartered Accountants, Cost and Management Accountants and advocates having minimum 10 years of experience in the field of taxation.
 - Officers of the Inland Revenue Service who have retired in BS 21 or above or;
 - Reputable businessmen as nominated by Chambers of Commerce and Industry
- iii. Person to be nominated through consensus by the members appointed under (i) and (ii) above.

IMPORTS
SECTION 148

Currently, advance tax collected under section 148 at the time of import of goods is minimum tax, other than in the case of import of goods on which tax is required to be collected under this section at the rate of 1% or 2% by an industrial undertaking for its own use, in which case it shall be adjustable.

This Finance Act 2022 states that advance tax collected under section at the time of import of goods be made final tax in cases where such tax was minimum. Also, the tax required to be collected by an industrial under section 148 will be adjustable irrespective of the rate at which such collection is required.

The Act also states that the tax required to be collected under this section shall be minimum tax on the income every person arising from imports of following goods:

- i. edible oil
- ii. packaging material
- iii. paper and paper board or
- iv. plastics

The Board with the approval of Minister in-charge may, by a notification in the official Gazette, add any entry thereto or omit any entry therefrom or amend any entry therein.

SALARY
SECTION 149

Editorial changes, having no effect or to remove ambiguity and bring clarity, have been made in this section in light of the withdrawal of Tax credit for investment in shares and insurance & Contribution to an Approved Pension Fund.

PAYMENTS TO NON-RESIDENTS
SECTION 152

The Finance Act 2022 states that every exchange company licensed by the State Bank of Pakistan shall deduct tax at the time of making payment of service charges or commission or fee, by whatever name called, to the global money transfer operators, international money transfer operators or such other persons engaged in

international money transfers or cross-border remittances for facilitating outward remittances, at the rate of 10%. Provided that where such person retains service charges or commission or fee, by whatever name called from the amount payable to the exchange company on any account, the exchange company shall be deemed to have paid the service charges or commission or fee, by whatever name

called and the exchange company shall collect the tax accordingly.

The Finance Act 2022 also states that every banking company while making payment to card network company or payment gateway or any other person, of any transaction fee or licensing fee or service charges or commission or fee by whatever name called or interbank financial telecommunication services, shall deduct tax at the rate of 10%. Provided that where card network company or

payment gateway or any other person retains money in relation to aforementioned services from the amount payable to the banking company on any account, the banking company shall be deemed to have paid the amount and the banking company shall collect the tax accordingly.

The Finance Act 2022 states that the tax deductible as above will be a final tax.

EXPORT OF SERVICES	SECTION 154A
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In light of the withdrawal of the tax credit available to Persons deriving income from exports of computer software or IT services or IT enabled services. An editorial change has also been made in this section whereby Export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board (PSEB) shall be taxed at 0.25%. Persons not registered with PSEB shall continue to be taxed at 1% on their export proceeds. Tax deductible on export of services shall continue to be final tax upon fulfilment of certain conditions as already prescribed. The Finance Act 2022 also adds that every authorized dealer in foreign exchange shall at the time of realization of foreign exchange proceeds on account of foreign commission due to an indenting commission agent, shall deduct tax at the rates specified in Division VIA of Part III of the First Schedule to the Ordinance.

RECORDS	SECTION 174
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The accounts and documents required to be maintained under this section shall be maintained for six years after the end of the tax year to which they relate.

The Finance Act 2022 states that such limitation may not apply to the records pertaining to income, assets, expenses or transactions discovered by the Commissioner which are situated or incurred outside Pakistan or the concealed income is foreign source income.

NATIONAL DATABASE AND REGISTRATION AUTHORITY (NADRA)	SECTION 175B
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Through the Tax Laws (Third Amendment) Ordinance, 2021, inserted another section wherein either upon application by the Board or on its own, the National Database and Registration Authority (NADRA) shall share its records/ information with the Board in order to expand the existing tax base/ carrying out their purpose.

The said provision is to be enacted through Finance Act 2022.

RECORD OF BENEFICIAL OWNERS	SECTION 181E
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The Finance Act 2022 inserts a new section under which every company and association of persons shall electronically furnish particulars of its beneficial owners in such form and manner as may be prescribed. Furthermore, every company and association of persons shall update the particulars of its beneficial owners as and when there is a change in the particulars of the beneficial owners.

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 Finance Act 2022 introduces the following amendments:

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 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.	Such person shall pay a penalty equal to higher of – (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) rupees one thousand for each day of default: Provided that minimum penalty shall be — (i) rupees ten thousand in case of individual having seventy-five percent or more income from salary; or (ii) rupees fifty thousand in all other cases: Provided further that maximum penalty shall not exceed two hundred percent of tax payable by the person in a tax year: 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; 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

	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.	122D.
Any company or Association of Persons who contravenes the provisions of Section 181E.	-	Such company or Association of Persons shall pay a penalty of Rs. 1,000,000/- for each default.
Any person who fails to integrate or perform roles and functions as specified, after being duly notified by the Board as SWAPS Agent.	-	Such person shall pay a penalty of: (i) Rs.50,000 for first default of 07 days (ii) Rs. 100,000 for second default of next 07 days (iii) Rs. 50,000 for each week after the second consecutive week of default: Provided that no penalty shall be imposed for the period for which extension from integration is granted by the Commissioner subject to the condition that, if the SWAPS Agent fails to integrate within such extended time, penalties shall be imposed as if no extension was granted."
Any person, who is integrated for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such	-	Such person shall pay a penalty of five hundred thousand rupees or two hundred per cent of the amount of tax involved, whichever is higher.

transactions, or issues an invoice which does not carry the prescribed invoice number or QR code or bears duplicate invoice number or counterfeit QR code, or defaces the prescribed invoice number or QR code, or any person who abets commissioning of such offence.		
Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under law.	-	Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub section (3) of section 237A, as the case may be.
A person required to integrate his business as stipulated under sub-section (3) of section 237A, who fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under the law and rules made thereunder.	-	Such person shall be liable to pay i) penalty of five hundred thousand rupees for first default; ii) penalty of one million rupees for second default after fifteen days of order for first default; iii) penalty of two million rupees for third default after fifteen days of order for second default; iv) penalty of three million rupees for fourth default after fifteen days of order for third default: Provided that if such person fails to integrate his business within fifteen days of imposition of penalty for fourth default, his business premises shall be sealed till such time he integrates his business in the manner as

		stipulated under sub section (3) of section 237A: Provided further that if the person integrates his business with the Board's computerized system before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner."
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PROSECUTION FOR NON-CERTAIN COMPLIANCE WITH STATUTORY OBLIGATIONS	SECTION 191
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Prosecution can be carried out for offences enumerated in this section with the offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

The Finance Act 2022 extends the scope of this section by adding to the list of offenses as below:

- integrate his business with Board's computerized system; or
- generate tax invoice verifiable by the Board's system

UNIFORM	SECTION 209A
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This section prescribes the rules for wearing of uniform by officers and staff of Inland Revenue Service of Pakistan, which may be issued by the Board vide notification in the official gazette.

CONDONATION OF TIME	SECTION 214A
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This section empowers the Board to condone any time limit or period specified. The Finance Act 2022 clarifies that such power may be exercised by Board at any time before or after the expiry of such time or period.

PROCEEDING AGAINST AUTHORITY AND PERSONS	SECTION 216A
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Currently, the Board was empowered to prescribe rules for initiating criminal proceedings against specified authorities and officer of the Directorate General who wilfully and deliberately commits or omits an act which results in under benefit or advantage to the authority or the officer or official or to any other person. The Finance Act 2022 withdraws the above powers of the Board.

DIRECTORATE GENERAL OF TRAINING	SECTION 229
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AND RESEARCH

The Finance Act 2022 to renames the 'Directorate General of Training and Research' to 'Inland Revenue Service Academy'.

ADVANCE TAX ON MOTOTR VEHICLES SECTION 231B

Through Finance Act 2022, advance tax on private motor vehicles collected previously shall now be collected from all motor vehicles. This has extended the scope of collection of advance tax from private motor vehicles to all motor vehicles and also, a motor vehicle has been defined which includes car, caravan automobiles, jeep, limousine, pickup, sports utility vehicle, trucks, vans, wagon and any other automobile excluding –

- (i) a motor vehicle used for public transportation, carriage of goods and agriculture machinery;
- (ii) a rickshaw or a motorcycle rickshaw and
- (iii) any other motor vehicle having engine capacity up to 200cc.

ELECTRICITY CONSUMPTION SECTION 235

Tax shall be collected from retailers and service providers through electricity bills as below:

Gross amount of monthly bill	Tax
Where the amount does not exceed Rs. 30,000	Rs.3,000
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs.5,000
Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	Rs.10,000
Retailers and service providers through Income Tax General Order	Up to Rs.200,000

ADVANCE TAX ON SALE OR TRANSFER OF IMMOVABLE PROPERTY SECTION 236C

Currently, advance tax is collected at 1% on sale of immovable property. However, advance tax shall not be collected if the immovable property is held for a period exceeding four years.

The Finance Act 2022 increases the rate of advance tax from 1% to 2% for active taxpayers and 4% in case of inactive taxpayers.

COLLECTION OF ADVANCE TAX BY EDUCATIONAL INSTITUTIONS
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SECTION 236I

Section 236I prescribes collection of advance tax @ 5% of the tuition fee from persons not appearing on the Active Taxpayers' List. The Finance Act 2022 withdraws this section.

PAYMENT TO RESIDENTS FOR USE OF MACHINERY AND EQUIPMENT
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SECTION 236Q

The Finance Act 2022 withdraws the collection of advance tax on payment in full or in part including a payment by way of advance to a resident person for use or right to use industrial, commercial and scientific equipment and on account of rent of machinery.

ADVANCE TAX ON PERSONS REMITTING AMOUNTS ABROAD THROUGH CREDIT OR DEBIT OR PREPAID CARDS

SECTION 236Y

Section 236Y was withdrawn vide Finance Act, 2021. The section required every banking company shall collect advance tax, at the time of transfer of any sum remitted outside Pakistan, on behalf of any person who has completed a credit card or debit card or prepaid card transaction with a person outside Pakistan at the rate of 1%.

The Finance Act 2022 reinstates the above provisions. The advance tax collected under this section shall be adjustable.

ELECTRONIC RECORD

SECTION 237A

The Finance Act 2022 imposes a condition whereby in case of an integrated enterprise, no sale shall be made or service shall be rendered, as the case may be, without generating fiscal invoices as prescribed.

PRIZE SCHEMES TO PROMOTE TAX CULTURE

SECTION 237B

The Finance Act 2022 empowers the Board to prescribe prize schemes to encourage the general public to make purchases, or avail services only from integrated enterprises issuing tax invoices. Furthermore, the Board may prescribe procedure for mystery shopping in respect of invoices issued by integrated enterprises randomly and in case of any discrepancy, all the relevant provisions of the Ordinance shall apply accordingly.

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

The following amendments are introduced to the First Schedule of the Income Tax Ordinance, 2001:

PART I-DIVISION I – CHANGE IN THE TAX RATES OF TAXABLE INCOMES OF SALARIED, NON-SALARIED PERSONS AND ASSOCIATION OF PERSONS

There has been made an amendment in the taxable slabs of individuals and association of persons deriving income from either salary or business. The rates for the salaried individuals have been almost the same with a slight change, whereas the rates for AOPs and Individuals deriving income from sources other than salaries have comparatively been increased.

PART-I-DIVISION II – FREEZING OF CORPORATE TAX RATE & INCREASE IN TAX RATE OF BANKING COMPANIES

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 has 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%. Whereas the tax rate for a small company is 20%, which was 21% in the tax year 2022. The rate of tax for banking companies has been fixed at 39%, which was 35% in tax year 2022.

PART-I-DIVISION IIB – TAX ON HIGH EARNING PERSONS

A new division added where by tax is imposed on income of persons earning above a certain level in tax year 2022 and onwards. The rate of tax is given below:

Income under section 4C	Rate of tax
Where income does not exceed Rs. 150 million	0% of the income
Where income exceeds Rs.150 million but does not exceed Rs. 200 million	1% of the income
Where income exceeds Rs.200 million but does not exceed Rs. 250 million	2% of the income
Where income exceeds Rs.250 million but does not exceed Rs. 300 million	3% of the income
Where income exceeds Rs. 300 million	4% of the income

Provided that for tax year 2022 for persons engaged, whether partly or wholly, in the business of airlines, automobiles, beverages, cement, chemicals, cigarette and tobacco, fertilizer, iron and steel, LNG terminal, oil marketing, oil refining, petroleum and gas exploration and production, pharmaceuticals, sugar and textiles the rate of tax shall be 10% where the income exceeds Rs. 300 million.

Provided further that in case of banking companies for tax year 2023, the rate of tax shall be 10% where the income exceeds Rs. 300 million.

PART I-DIVISION IV – CHANGE IN RATE OF TAX ON CERTAIN PAYMENTS

The rate of tax imposed under section 6 on certain payments to non-residents shall be 15% of the gross amount of royalty or fee for technical services and 10% in any other case. The rate was previously at 5% of the gross amount of the fee for offshore digital services which is now 10% of the gross amount of any other services. Any other services may also include fee for money transfer operations, card network services, payment gateway services, interbank financial telecommunication services

PART I-DIVISION VII – CHANGE IN THE TABLE SHOWING RATES OF TAX ON DISPOSAL OF SECURITIES

There has been a change in the table in the Division VII of Part I of the First Schedule of the Income Tax Ordinance 2001. The table is now being relatively simplified and rates of tax are based on the holding period of securities which varies from holding period of less than one year to holding period of more than six years. The rates are comparatively increased from last tax years as the initial slab was 12.5% previously which is now at 15%. The table of rates is given in our tax rate card.

PART I-DIVISION VIII – CHANGE IN THE RATES OF TAX ON DISPOSAL OF IMMOVABLE PROPERTY

There has been a change in the rates of tax on disposal of immovable property which is now subject to holding period. The distinction has also been made among open plots, constructed property and flats while calculating tax on capital gain.

PART I-DIVISION VIIIC –TAX ON DEEMED RENTAL INCOME

The tax shall be at 20% on deemed income which would be 5% of the fair market value of immovable property. Hence the effective rate of tax would be 1% of the fair market value of capital assets. Tax on Deemed Income has been explained earlier in this tax memorandum.

PART I – DIVISION IX – MINIMUM TAX UNDER SECTION 113

Minimum turn over tax imposed on Oil Marketing Companies was previously 0.75% of their turnover which is now reduced to 0.5% of their turnover for the year.

PART II – TAX AT IMPORT STAGE FOR COMMERCIAL IMPORTERS

It has been mentioned that commercial importers intending to imports goods classified in Part II of the Twelfth Schedule shall be charged to tax at 3.5% of the import value as increased by customs duty, sales tax and federal excise duty.

PART II – INCREASE OF TAX ON MOBILE PHONES IN CBU CONDITION

There has been an increase in tax at import stage on mobile phones in CBU condition whose value exceeds 350 US Dollars. Whereas there has also been a decrease in the tax at import stage on mobile phones in CKD/SKD condition whose value exceeds 350 US Dollars.

PART III – DIVISION III - RATE OF TAX FOR REIT MANAGEMENT SERVICES RENDERED BY NCCPL

There has been added the services of REIT management and services rendered by National Clearing Company of Pakistan Limited in the list of specified services which are subject to withholding at the rate of 3% of the gross receipts.

PART III- DIVISION IVA – EXPORTS OF SERVICES

The rate of advance tax on export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board is reduced to 0.25% of the proceeds which was previously 1% of the proceeds. Whereas, export proceeds against services in any other case shall be subject to advance tax at 1%.

PART IV- DIVISION III – INCREASE IN TAX ON PASSENGER TRANSPORT VEHICLES PLYING FOR HIRE

The rate of collection of tax under section 234 on passenger transport vehicles plying for hire has been increased and segregation has been made between air conditioned and non-air-conditioned vehicles. The rates are starting from Rs.500 per seat per annum to Rs.4,000 per seat per annum. The table of rates is provided in our tax rate card given at the end.

PART IV- DIVISION IV – TAX ON ELECTRICITY CONSUMPTION

The income tax on consumption of electricity by retailers, other than Tier-I retailers, and service providers as provided under section 99A of the Ordinance shall be charged at the specified rates by inserting Clause (3) in Division IV of Part III of the First Schedule of the Income Tax Ordinance 2001. This shall be in addition to the tax collectible under sub-section (1) of Section 235 of the Ordinance. However, in case sales tax is collected from such retailers through electricity bills under section 3(9) of Sales Tax Act, 1990, the sales tax will constitute discharge of tax liability under this section. The rates are given below:

Gross amount of monthly bill	Tax
Where the amount does not exceed Rs. 30,000	Rs.3,000
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs.5,000
Where the amount exceeds Rs. 50,000 but does not exceed Rs.	Rs.10,000

100,000	
Retailers and service providers through Income Tax General Order	Up to Rs.200,000

PART IV- DIVISION VII – INCREASE IN ADVANCE TAX ON PRIVATE MOTOR VEHICLES

The rates of advance tax on private motor vehicles have been increased which are collectible under Sub-section (1) & (3) of Section 231B of the Ordinance. Whereby both of these sub-sections provide the rates of tax which every motor vehicle registering authority of Excise and Taxation Department at the time of registration of a motor vehicle or which every manufacturer of a motor vehicle collect at the time of sale of a motor car or jeep.

It also contains a proviso which states that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles.

Sub-section (2) of Section 231B of the Ordinance contains the tax rates that every motor vehicle registering authority of Excise and Taxation Department collect at the time of transfer of registration or ownership of a private motor vehicle. There are two provisos which added under the table mentioned in Clause (2) of Division VII of Part IV of the First Schedule of the Ordinance. The first proviso states that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be Rupees twenty thousand. The second proviso states that the rate of tax to be collected under this clause shall be reduced by ten percent each year from the date of first registration in Pakistan

PART IV- DIVISION X – INCREASE IN ADVANCE TAX ON SALE OR TRANSFER OF IMMOVABLE PROPERTY

The rate of advance tax on sale of immovable property which was previously 1% of the gross amount of consideration received is now to be increased to 2%. This rate shall be increase by hundred percent in case person's name is not appearing in ATL list. Previously, the tax under this section was not collected if immovable property is held for a period exceeding four years. Now holding period of four years is extended to ten years.

PART IV- DIVISION XA – DECREASE IN ADVANCE TAX ON TV PLAYS AND ADVERTISEMENTS

The rate of advance tax on advertisement starring foreign actor which was previously Rs. 500,000 per second in now reduced to Rs. 100,000 per second.

PART IV- DIVISION XVI – OMISSION OF COLLECTION OF ADVANCE TAX BY EDUCATIONAL INSTITUTIONS

The advance tax previously charged by the educational institutes from a person not appearing on the active taxpayers' list on the amount of fee paid to an educational institute is now omitted.

PART IV- DIVISION XVIII – INCREASE IN ADVANCE TAX ON PURCHASE OF IMMOVABLE PROPERTY

The rate of advance tax on purchase of immovable property which was previously 1% of the gross amount of consideration received is now increased to 2%. This rate of 2% shall be increased by two hundred and fifty percent if the person's name is not appearing in ATL list.

PART IV- DIVISION XXVII – ADVANCE TAX ON AMOUNT REMITTED ABROAD THROUGH CREDIT, DEBIT OR PREPAID CARDS.

This division had been omitted via Finance Act 2021. Whereas via Finance Act 2022, the division is again added where by tax shall be collected at the rate of 1% by every banking company at the time of transfer of any sum remitted outside Pakistan, on behalf of any person who has completed a credit card or debit card or prepaid card transaction with a person outside Pakistan. The advance tax collected under this section (i-e 236Y) shall be adjustable. The rate shall be increase by one hundred percent if the person's name is not appearing in the ATL list.

PART IV- DIVISION XXIII – OMISSION OF COLLECTION OF ADVANCE TAX ON PAYMENT TO A RESIDENT PERSON FOR RIGHT TO USE MACHINERY AND EQUIPMENT

The advance tax previously collected at 10% on payment to a resident person for right to use machinery and equipment is now being omitted.

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

The following amendments are introduced to the Second Schedule of the Income Tax Ordinance, 2001:

PART I – EXEMPTIONS FROM TOTAL INCOME

Omission of Clause 5 – Government Allowance Outside Pakistan

Currently, any allowance or perquisite paid or allowed as such outside Pakistan by the Government to a citizen of Pakistan for rendering services outside Pakistan is exempt from tax. This exemption is now withdrawn.

Omission of Clause 23B – Individual Pension Account

Currently, the amounts received as monthly installment from an income payment plan invested out of the accumulated balance of an individual pension accounts with a pension fund manager or an approved annuity plan or another individual pension account of eligible person or the survivors pension account maintained with any other pension fund manager as specified in the Voluntary Pension System Rules 2005 shall be exempt from tax provided accumulated balance is invested for a period of ten years. The Act now withdraws this exemption by omitting Clause 23B.

Addition of Entities in Table-I of Sub-clause (1) of Clause 66

The Finance Act 2022 adds following entities in Table-I of Clause 66 whose income would be exempt from tax without fulfilment of conditions mentioned in Section 100C of the Ordinance:

Pakistan Mortgage Refinance Company Limited.
The Pakistan Global Sukuk Programme Company Limited.
Karandaaz Pakistan from tax year 2015 onwards
Pakistan Sweet Homes Angels and Fairies Place.
Public Private Partnership Authority for tax year 2022 and subsequent four tax years.
Dawat-e-Islami Trust.
Hamdard Laboratories (Waqf) Pakistan.

Deletion of Entities in Table II of Sub-clause (2) of Clause 66

Following entities are deleted and included in Table-I:

Pakistan Sweet Homes Angels and Fairies Place
Pakistan Mortgage Refinance Company Limited
Dawat-e-Islami Trust

Addition of Entities in Table II of Sub-clause (2) of Clause 66

Following entities are added Table-II:

Burhani Qarzan Hasnan Trust
Saifee Hospital Karachi
Saifiyah Girls Taalim Trust

Allowance of Accumulated Losses – Clause 99

Any income derived by a Collective Investment Scheme or a REIT Scheme is exempt from tax, if not less than ninety per cent of its accounting income of that year, as reduced by capital gains whether realized or unrealized, is distributed amongst the unit or certificate holders or shareholders. The Finance Act 2022 allows the adjustment of accumulated losses against the accounting profit.

Exemption of Profit and Gains of Certain Entities – Clause 126EA

Profits and gains derived by Zone developer as defined in the Special Technology Zones Authority Act, 2021 (XVII of 2021) from development and operations of the zones for a period of ten years starting from the date of signing of the development agreement, zone Enterprises as defined in the Special Technology Zones Authority Act, 2021 (XVII of 2021) for a period of ten years from the date of issuance of license by the Special Technology Zone Authority and Special Technology Zones Authority established under the Special Technology Zones Authority Act, 2021 (XVII of 2021) are now exempted from tax.

Exemption of Income via Inserting New Clause – Clause 150

The exemption from tax is now available to Income derived by Siyahkalem Engineering Construction Industry and Trade Company Limited from contract dated 23rd day of May 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by the Saudi Fund for Development with effect from tax year 2017.

Exemption of Income via Inserting New Clause – Clause 151

The Finance Act 2022 exempts any income derived by a person from cinema operations in a tehsil or town where there is no cinema, for five years from the commencement of cinema operations, provided that this exemption shall only be available to those persons who start cinema construction on or before 31 day of December, 2023.

Exemption of Income via Inserting New Clause – Clause 152 & Clause 153

Exemption has been provided to profits and gains derived between the first day of July, 2022 and the thirtieth day of June, 2025 both days inclusive, by a venture capital company and venture capital fund registered under relevant Venture Capital Companies and Funds Management Rules issued by Securities and Exchange Commission of Pakistan.

Exemption has also been provided to profits and gains from the production of feature film derived between the first day of July, 2022 and the thirtieth day of June, 2027 both days inclusive by a resident producer or a resident production house.

PART II – REDUCTION IN TAX RATE

Clause (24C) & Clause (24D) - Reduced rate of Withholding u/s 153 and Minimum Tax u/s 113 for distributors, dealers, sub-dealers, wholesalers and retailers of steel.

It has been stated that there shall be reduced rate of withholding u/s 153 at 0.25% as recipient of payment for distributors, dealers, sub-dealers, wholesalers and retailers of steel. Furthermore, the rate of minimum tax u/s 113 shall also be 0.25%. These reduced rates are subject to fulfilment of certain conditions.

Clause (31) Reduced rate of Withholding u/s 153(1)(a) on Payment for Sale of Gold and Silver and Articles thereof

Reduced rate of withholding tax has been introduced whereby the rate of tax under clause (a) of sub-section (1) of section 153 shall be 1% on payment for sale of gold and silver and articles thereof and the tax so deducted shall be adjustable

PART III – REDUCTION IN TAX LIABILITY

Clause (1) & Clause (1AA) - Omission of Flying Allowance and Allowance received by Pilots of any Pakistani Airlines

It has been stated any amount received as flying allowance by flight engineers, navigators of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Junior Commissioned Officers or other ranks of Pakistan Armed Forces and submarine allowance by the officers of the Pakistan Navy which were previously taxable at 2.5% are now withdrawn.

Furthermore, total allowances received by pilots of any Pakistani airlines which were taxable at a rate of 7.5% are now being withdrawn.

Clause (6) - Decrease in rate of Tax on Profits on Investment in Bahbood Savings Certificate or Pensioners Benefit Account or Shuhuda Family Welfare Account.

There has been a decrease in the rate of tax from 10% to 5% in respect of any amount paid as yield or profit on investment in Bahbood Savings Certificate or Pensioners Benefit Account or Shuhuda Family Welfare Account.

Omission of Clause (20)

Finance Act 2022 omits Clause 20 which read as, the tax payable by a person other than a banking or insurance company in respect of profit on debt from investment in Federal Government securities shall be fifteen percent of the gross amount of the profit on debt.

PART IV – EXEMPTION FROM SPECIFIC PROVISIONS

Clause (11A) - Non-applicability of Section 113

It has been stated that provisions Section 113 regarding Minimum tax shall not apply to Mobile phone manufacturers engaged in the local manufacturing of mobile phone devices.

Clause (12B) & Clause (12BA) - Extension of Time Limit for Non-Applicability of Provisions of Section 148

Certain goods on which provisions of Section 148 were not applied upto June 30, 2021, shall enjoy further relief upto December 31, 2021. Furthermore, the provisions of section 148 shall not apply on import of thirty million adult 3 x Ply Knit face masks received as humanitarian assistance from M/S HANES Brands Inc. North Carolina, USA for distribution within the population of Lahore Division, Government of the Punjab.

Clause (12O) - Non-Applicability of Provisions of Section 148

It has been stated that the provisions of section 148 shall not apply on import of drones donated by Ministry of Agriculture and Rural Affairs (MARA), Government of China to Pakistan through Sea Route.

Insertion of Clause (43H)

Exemption has been provided that the provisions of clause (b) of sub-section (1) of section 153 shall not apply to an exhibitor or a distributor of a feature film, as a payer, on payment made to a distributor, producer or importer of a feature film.

Omission of Clause 86

It has been stated to omit Clause 86 which provided exemption from applicability of provisions of Section 111 to certain persons on fulfilment of certain conditions.

Insertion of Clause 95, Clause 96 & Clause 97A

Finance Act 2022 provides exemptions from sections 147, 150A, 151, 152, 236A and 236K as a payer and from sections 147, 150A, 151, 155 and 236K as a receiver to The Pakistan Global Sukuk Programme Company Limited.

It has also been stated that the provisions of sections 37, 236C and 236K shall not apply to National Highway Authority in respect of transfer of immovable property to the Pakistan Global Sukuk Programme Company Limited and in respect of transfer of immovable property to National Highway Authority from the Second Pakistan International Sukuk Company Limited or the Pakistan Global Sukuk Programme Company Limited.

Insertion of Clause 105A

There has been added Clause 105A which states that the provisions of Section 177 and 214C shall not apply to a person whose income tax affairs have been audited in any of the preceding four tax years. Provided that the Commissioner may select a person under section 177 for audit with approval of the Board. Earlier this Clause was added via Finance Act 2018 and later omitted via Finance Act 2019.

Insertion of Clause (111AC)

Exemption has also been provided from charging of increased rate of tax to non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) not having name in ATL list in respect of transactions on which tax is collectible under section 236C and 236K.

Insertion of Clause 120

There has been added Clause 120 which states that the provisions of Divisions II and III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax shall not apply to the persons mentioned in Table 1 of Clause (66) of Part I of the second schedule as recipients of payment, provided that such persons shall continue to perform functions as withholding and collecting agent under the aforesaid provisions.

**AMENDMENTS INTRODUCED TO THE FOURTH SCHEDULE TO THE INCOME TAX
ORDINANCE, 2001.**

Addition of Rule 6DA

There has been added Rule 6DA which states that the provisions of Section 4C shall apply to tax payers under this Schedule and shall be taxed at the rates specified in Division IIB of Part I of the First Schedule from tax year 2022 onwards. Whereas, Section 4C is newly added under which super tax shall be levied on high earning person.



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

Addition of Rule 4AB

There has been added Rule 4AB which states that the provisions of Section 4C shall apply to tax payers under this Schedule and shall be taxed at the rates specified in Division IIB of Part I of the First Schedule from tax year 2022 onwards. Whereas, Section 4C is newly added under which super tax shall be levied on high earning person.



**AMENDMENTS INTRODUCED TO THE SEVENTH SCHEDULE TO THE INCOME TAX
ORDINANCE, 2001.**

**Increase in Rate of Tax on Taxable Income Attributable to Investment in the Federal
Government Securities**

There has been an increase in the rate of tax on taxable income attributable to investment in the Federal Government securities. The analysis of increased rates along with the current rates is given below:

The current rate of 40% is now increased to be at 55% instead of rate provided in Division II of Part I of the First schedule if the assets to deposit ratio as on last day of the tax year is upto 40%.

The current rate of 37.5% is now increased to be at 49% instead of rate provided in Division II of Part I of the First schedule if the assets to deposit ratio as on last day of the tax year exceeds 40% but does not exceed 50%.

An explanation is also being added which states that, for the removal of doubt it is clarified that the tax rate under this sub-rule is applicable to total income attributable to total investment in Federal Government securities.

Addition of Rule 7CA

There has also been added Rule 7CA which states that the provisions of Section 4C shall apply to tax payers under this Schedule and shall be taxed at the rates specified in Division IIB of Part I of the First Schedule from tax year 2022 onwards. Whereas, Section 4C is newly added under which super tax shall be levied on high earning person.

**AMENDMENTS INTRODUCED TO THE TENTH SCHEDULE TO THE INCOME TAX
ORDINANCE, 2001.**

Increase in Rate of Advance Tax on Private Motor Vehicles

There has been an increase in the rate of tax by two hundred percent of the rate specified in First Schedule in case of persons not appearing in the active taxpayers' list. Whereas, Section 231B relates to collection of Advance tax on purchase, registration and transfer of private motor vehicles.

Increase in Rate of Advance Tax on Purchase of Immovable Property

There has been an increase in the rate of tax by two hundred and fifty percent of the rate specified in Division XVIII of Part IV of the First Schedule in case of persons not appearing in the active taxpayers' list.

Insertion of New Sub-Rule (ca) in Rule 10

There has been added Sub-Rule (ca) in Rule 10 which states that the tax rate shall not be increased by hundred percent of the rate specified in First Schedule in case of persons not appearing in the active taxpayers' list, where tax is collected or deducted on Export on Services under Section 154A.

Omission of Sub-Rule (e), Sub-Rule (p) and Sub-Rule (t)

Finance Act 2022 omits Sub-Rule (e) that states the tax deduction under Section 156B, Sub-Rule (p) that states the tax deduction under Section 236I and Sub-Rule (t) that states the tax deduction under Section 236Q.

**AMENDMENTS INTRODUCED TO THE THIRTEENTH SCHEDULE TO THE INCOME TAX
ORDINANCE, 2001.**

Addition of Entities in Table-I for Availing Tax Credit

A tax credit is given to a person in respect of any sum paid, or any property given by the person in a tax year as donation, voluntary contribution or subscription to the entities, organizations and funds mentioned in the Thirteenth Schedule of the Ordinance. There has been added all the entities mentioned in Table-I of Clause (66) of the Second Schedule of the Income Tax Ordinance 2001 at the end of the table given in Thirteenth Schedule of the Ordinance. This will increase the number of entities already given in the Thirteenth Schedule as more of the entities will be enlisted from Table-I of Clause (66) of the Second Schedule to the Table-I given in the Thirteenth Schedule

THE SALES TAX ACT, 1990

AMENDMENTS PROPOSED BY THE FINANCE BILL, 2022

All amendments shall be effective from July 01, 2022 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, 2022.

Goods

Clause 12

The proposed amendment intends to include production, transmission and distribution of electricity as goods. Currently these activities are treated as goods for sales tax purpose and the proposed amendment seeks to remove any misinterpretation in this regard.

Sales Tax

Clause 29A

It has been proposed that fee and service charges collected by Board for valuation purpose under section 76 of the Act shall not be treated as sales tax.

Supply

Clause 33

Consequent to the change in definition of "goods", a corresponding change has been proposed in this clause by which production, transmission and distribution of electricity shall be treated as supply of goods for sales tax purposes.

Tier-1 retailer

Clause 43A

The proposed amendment seeks to enhance the scope of this definition. It has been proposed that person engaged in supply of articles of jewellery, precious metal and metal clad with precious metal, excluding those persons whose shop area does not exceed 300 square feet, shall be treated as tier-1 retailers. Accordingly, all the provisions relating tier-1 retailers including integration with board's computerized system via installation of POS shall be applicable on such persons.

Value of supply

Clause 46

It has been clarified that in case of supply of electric power and gas by distribution companies, the value of supply does not include the amount of subsidy provided by government to electricity consumers.

2. Scope of tax

SECTION 3

Summary of amendments proposed in this section is as under:-

- Further tax at the rate of 3% shall also be charged on supply of taxable goods to inactive taxpayers. Prior to this proposed amendment, further tax was chargeable only on supply to unregistered persons.
- It has been clarified that services liable to sales tax under Provincial laws are not subject to sales tax withholding under Sales Tax Act.
- In case of third party's goods supplied via online market place, the operator of market shall be responsible to withhold and deposit sales tax @ 1% of gross value of such supplies.
- The retailers other than tier 1 retailers shall pay sales tax via electricity bill as per following schedule. This sales tax is in addition to the normal sales tax charged on electricity:-

Sr #	Monthly Bill Amount	Sales Tax
1	Does not exceed Rs. 30,000	Rs. 3,000 per month
2	Exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 5,000 per month
3	Exceeds Rs. 50,000	Rs. 10,000 per month

The above rates shall be increased by 100% if the retailer is inactive in income tax. Prior to this proposed amendment, the retailers other than tier 1 retailers were paying sales tax via electricity bill @ of 5% of bill amount where monthly bill does not exceeds Rs. 20,000 and @ of 7.5 of bill amount where monthly bill exceeds Rs. 20,000.

- The board is empowered to prescribe persons or class of persons from whom sales tax upto Rs. 200,000/- per month shall be charged through their monthly electricity bills.
- The Board is empowered to require any person or class of persons to integrate his invoice issuing machines with board's computerized system for real time reporting of sales.

3. Time and manner of payment

SECTION 6

It has been proposed to empower federal government to allow payment of sales tax on installments basis by federal or provincial governments and public sectors organizations on import or supply of goods.

4. Tax credit not allowed**SECTION 8**

Consequent to the amendment proposed in section 23 of the Act, a corresponding amendment has been proposed in this section to restrict the existing provision of disallowance of input tax attributable to supplies, where sale invoice do not contain CNIC or NTN of un-registered buyer. Now input tax will be disallowed only in case of a manufacturer or importer issuing invoice to an unregistered distributor without providing CNIC or NTN of that unregistered distributor.

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

The proposed amendment seeks to expand the scope of this section to the public listed companies. Accordingly now listed companies will also be restricted to claim input tax to the extent of 90% of output tax for a tax period. Prior to this proposed amendment, listed companies were allowed to claim 100% of their input tax against output tax in a tax period.

6. Discontinuance of gas and electricity connections**SECTION 14AB**

This newly inserted section empowers board to direct gas and electricity distribution companies to disconnect the gas and electricity connections of following persons:-

- Person liable to registration but fails to get sales tax registration.
- Tier 1 retailer who do not integrate with boards computerized system.

Upon requisite registration or integration as the case may be, the board shall notify the restoration of respective gas and electricity connections.

7. Tax invoices**SECTION 23**

It has been proposed to restrict the existing requirement, of providing CNIC or NTN of unregistered buyer on sale invoice, to the supplies made by manufacturer and importer to unregistered distributors only. Now only a manufacturer or importer who sells goods to unregistered distributors is required to obtain and mention CNIC number or NTN of the buyer on sale invoices.

A corresponding amendment has been proposed in section 8B of the Act to withdraw provision regarding disallowance of input tax of seller, except a manufacturer or importer who sells goods to unregistered distributors, for not providing CNIC or NTN of unregistered buyer on sale invoice.

8. Inland Revenue Services Academy**SECTION 30**

It has been proposed to change title of this section from "Directorate General of Training and Research" to "Inland Revenue Services Academy".

9. Offences and penalties**SECTION 33**

For clarity and harmonization, the reference of "QR code" is proposed to be inserted alongside existing reference of "barcode" in offence relating to persons integrated with board's computerized system.

9A. Proceedings against authority and persons**SECTION 33A**

This section has been omitted. Under this omitted section The Board was empowered to prescribe rules for initiating criminal proceedings against any of its subordinate authority or any officer of that authority.

9B. Alternate dispute resolution**SECTION 47A**

The existing section 47A is substituted with new section. Following are the important provisions of newly inserted section:-

- Committee may be formed in case of dispute pertaining to:
 - (a) The liability of tax of one hundred million and above against the aggrieved person or admissibility of refund, as the case may be.
 - (b) The extent of waiver of default surcharge and penalty.
 - (c) Any other specific relief required to resolve the dispute.
- The dispute is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated.
- The application for constitution on committee must contain initial proposition for resolution of the dispute, including an offer of tax payment, from which, the applicant would not be entitled to retract.
- The Board may appoint a three member committee, within 45 days of receipt of application. First member Chief Commissioner Inland Revenue having jurisdiction over the case. Second member to be nominated by registered person from panel notified by Board and Third member to be nominated through consensus by other two members of committee from panel notified by Board. If consensus is not made on third member, the Board may nominate third member proposed by the registered person.
- The Board's panel shall comprise of chartered accountants, cost & management accountants and advocates having minimum of 10 years' experience in taxation field, officers of the Inland Revenue Service who have retired in BS 21 or above and reputable businessman as nominated by Chambers of Commerce and Industry.
- The registered person shall not nominate a Chartered Accountant or an advocate if the said Chartered Accountant or the advocate is or has been an auditor or an authorized representative of the registered person.
- Once committee is constituted, the aggrieved person, or the Commissioner, or both, as the case may be, shall withdraw the appeal pending before any court of law or an Appellate Authority. The committee shall not commence the proceedings unless the order of withdrawal by the court of law or the

Appellate Authority is communicated to the Board. If the order of withdrawal is not communicated within 75 days of the appointment of the committee, the said committee shall be dissolved.

- The recovery of tax payable shall be deemed to have been stayed on withdrawal of appeal up to the date of decision by the Committee or the dissolution of the Committee.
- The committee shall examine the issue and may conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within 120 days of its appointment.
- If the Committee fails to decide within 120 days, the Board shall dissolve the committee and the matter shall be decided by the court of law or the Appellate Authority which issued the order of withdrawal.
- The decision of the committee shall be binding on the Commissioner and the aggrieved person. However decision by the Committee shall not be cited or taken as a precedent in any other case or in the same case for a different tax period.
- The aggrieved person may make the payment of sales tax and other taxes as decided by the committee and all decisions, orders and judgments made or passed shall stand modified to that extent.
- The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than Chief Commissioner Inland Revenue.

9C. Condonation of time limit

SECTION 74

It has been clarified that the board can condone a time limit at any time before or after the expiry of that specific time limit.

10. Uniform

SECTION 77

The newly inserted section empowers board to prescribe rules for wearing of uniform by officers and staff of Inland Revenue Services.

11. Third Schedule

TAX ON RETAIL PRICE

Third schedule provides list of goods on which are subject to levy of sales tax at retail price by manufacturer / importer. It has been proposed to change PCT code of one of the existing entries in order to achieve clarity and harmonization.

It has further been proposed to exclude Fertilizers from this schedule. A corresponding change has been made in Sixth Schedule via which sales tax exemption is allowed on import and supply of Fertilizers.

11A. Fifth Schedule
ZERO RATING

Fifth schedule provides list of goods on which sales tax is charged at the rate of zero percent. It has been proposed to include following goods in this schedule, accordingly zero percent sales tax shall be charged on sale of these goods:-

- Fat filled milk. A corresponding amendment has been made in Eight Schedule to withdraw 10% sales tax on fat filled milk.
- Local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions as specified therein at retail price by manufacturer / importer.

It has further been proposed to exclude the drugs from this schedule. A corresponding amendment has been made in Table 1 of Eight Schedule to levy reduced rate of 1% sales tax on drugs.

12. Sixth Schedule
EXEMPT GOODS

- a) Table-1 of sixth schedule provides list of goods which are exempt from sales tax whether imported or locally supplied. Change in PCT code of some of the existing entries of this table has been proposed for clarity and harmonization. Further it has been proposed to allow exemption on following items:-

Sr #	Description of goods which are now exempt from sales tax
1	Books (excluding brochures, leaflets and directories). Prior to this proposed amendment, exemption was available on educational text books only.
2	Art card 60 g/m2 for printing of Holy Quran imported by Federal or Provincial governments and Nashiran-e-Quran as per quota determined by IOCO
3	Goods imported by various agencies of the United Nations, diplomats, diplomatic missions, privileged persons and privileged organizations subject to the condition that such goods are charged to zero-rate of customs duty. The exemption is available with effect from 15/01/2022.
4	Photovoltaic cells whether or not assembled in modules or made up into panels.
5	Goods imported by or donated to hospitals run by the non-profit making institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act.
6	Goods excluding electricity and natural gas supplied to hospitals run

	by the charitable hospitals of fifty beds or more.
7	Goods temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate of customs duty subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act
8	Fertilizers. Prior to this Fertilizers were subject to levy of sales tax at retail price under Third Schedule and rate of tax was 2% under Eight Schedule.
9	Oil cake and other solid residues
10	Tractor. Prior to this 5% sales tax was applicable on tractors. A corresponding entry has been proposed in Table 1 of Eight Schedule to withdraw sales tax @ 5% on Tractors.
11	Seeds for sowing
12	Machinery, equipment and materials imported either for exclusive use within the limits of Export Processing Zone or for making exports therefrom, and goods imported for warehousing purpose in Export Processing Zone, subject to the conditions that such machinery, equipment, materials and goods are imported by investors of Export Processing Zones, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act shall mutatis mutandis, apply.
13	Goods produced or manufactured in and exported from Pakistan which are subsequently imported in Pakistan within one year of their Exportation.
14	Cinematographic, film production and post film production equipment imported during the period commencing on the 1st July, 2022 and ending on the 30th June, 2027 subject to fulfillment of specified conditions.

b) Table 2 of sixth schedule provides list of items which, if supplied locally, are exempt from sales tax. Change in PCT code of some of the existing entries of this table has been proposed for clarity and harmonization. Furthermore following amendments has been proposed in this table:-

- Exemption is withdrawn on local supply of bottled or canned ware potato and bottled or canned onions. Consequently now local supply of these items will be subject to levy of sales tax @ 17%.
- Exemption of sales tax is allowed on local supply of raw hides and skins.

- Exemption allowed on prepared food or foodstuff locally supplied by Restaurants and caterers. Sales tax on this activity is being collected under Islamabad Sales Tax on Services Act, 2001. The exemption is allowed to achieve harmonization and avoid double taxation.
 - Exemption is allowed on sale of all types of breads, nans and chapattis by any person. Prior to this amendment, breads, nans and chapattis sold in bakeries, restaurants, food chains and sweet shops falling in the category of Tier-1 retailers were subject to levy of sales tax.
- c) Table 3 of sixth schedule provides list of machinery and equipment, which is exempt from levy of sales tax at import stage subject to specified conditions. Exemption of sales tax is proposed to be provided on import of following machinery and equipment subject to specified conditions:-

Sr #	Description of machinery and equipment which are now exempt from sales tax at import stage
1	Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through hydel, oil, gas, coal, nuclear and renewable energy sources including under construction projects entered into an implementation agreement with the Government of Pakistan prior to 15 day of January, 2022
2	Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.

13. Eighth Schedule

REDUCED RATE OF TAX

Table 1 of eighth schedule provides list of goods on which reduced rate of sales tax is applied subject to fulfillment of specified conditions. Following amendments have been proposed in this schedule: -

a) Inclusion of goods in reduced rate tax regime

It has been proposed to apply reduced rate of sales tax on following goods subject to fulfillment of specified conditions:-

Sr #	Description of Goods Included in Table 1 of eighth Schedule	Reduced Rate of Sales Tax
1	Supply of locally manufactured articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal subject to the condition that no input tax adjustment will be available.	3%
2	Electric vehicle in CBU condition of 50 kwh battery or below.	12.5%

3	EV transport buses of 25 seats or more in CBU condition.	1%
4	Manufacture or import of substances registered as drugs subject to the condition that the this tax shall be final discharge of tax in the supply chain and no input tax adjustment will be available to manufacturer or importer.	1%
5	Active Pharmaceutical Ingredients, (excluding excipients, for manufacture of drugs) and raw materials for the basic manufacture of pharmaceutical active ingredients subject to the condition that no input tax adjustment will be available to manufacturer or importer.	1%

b) Withdrawal of Reduced Rate of Sales Tax

It has been proposed to exclude certain goods from table 1 of eighth schedule, consequently 17% sales tax shall be chargeable on these items. The items proposed to be excluded are as under:-

Sr #	Description of Goods Excluded from Table 1 of eighth Schedule	Reduced Rate at the time of Exclusion
1	Agricultural tractors. A corresponding amendment has been proposed in Table 1 of Sixth Schedule via which exemption of sales tax has been provided on tractors	5%
2	All type of Fertilizers. A corresponding amendment has been made in Table-1 of Sixth Schedule to allow exemption of sales tax on all type of Fertilizers.	2%
3	Fat filled milk. A corresponding amendment has been made in Fifth Schedule to allow zero rating on fat filled milk.	10%
4	Import of electric vehicle in CBU conditions	12.5%

c) Increase in Rate of Sales Tax

The rate of sales tax has been increased on locally produced coal from Rs. 425 per metric tonne or 17% ad valorem, whichever is higher to Rs. 700 per metric tonne or 17% ad valorem, whichever is higher.

d) Decrease in Rate of Sales Tax

It has been proposed to reduce the rate of sales tax on Potassium Chlorate from 17% along with rupees 90 per kilogram to 17% along with rupees 60 per kilogram.

14. Eleventh Schedule

SALES TAX WITHHOLDING

Eleventh schedule provides rate of sales tax withholding applicable on different transactions. Following amendments are made in this schedule:-

- The companies exporting surgical instruments will not be required to withhold sales tax on purchases from inactive taxpayers.
- The sales tax withholding rate applicable on supplies via online market place has been reduced from 2% of gross value of supplies to 1% of gross value of supplies.

15. Twelfth Schedule

MINIMUM VALUE ADDITION TAX

Under the existing provisions minimum value addition tax @ 3% is not applicable on import of raw materials and intermediary goods by manufacturers for in house consumption.

It has been proposed to charge 3% value addition tax on import of compressor scrap, motor scrap and copper cable cutting scrap even if imported by manufacturers for in house consumption.

FEDERAL EXCISE ACT, 2005

AMENDMENTS PROPOSED BY THE FINANCE BILL, 2022

All amendments shall be effective from July 01, 2022 unless otherwise provided

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

1. Definitions **SECTION 2**

The following amendment to section 2 of the Federal Excise Act, 2005, have been proposed through the Finance Bill, 2022.

Duty **Clause 9**

The proposed amendment intends to exclude the fee and service charges imposed under section 49 of the Act from definition of "duty".

1A. Proceedings against authority and persons **SECTION 19A**

This section has been omitted. Under this omitted section The Board was empowered to prescribe rules for initiating criminal proceedings against any of its subordinate authority or any officer of that authority.

2. Appointment of Federal excise officers and delegation of powers **SECTION 29**

It has been proposed to change the exiting title of the office "Directorate General of Training and Research" to "Inland Revenue Services Academy"

2A. Alternate dispute resolution **SECTION 38**

The existing section 38 is substituted with new section. Following are the important provisions of newly inserted section:-

- Committee may be formed in case of dispute pertaining to:
 - (d) The liability of tax of one hundred million and above against the aggrieved person or admissibility of refund, as the case may be.
 - (e) The extent of waiver of default surcharge and penalty.
 - (f) Any other specific relief required to resolve the dispute.
- The dispute is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated.
- The application for constitution on committee must contain initial proposition for resolution of the dispute, including an offer of tax payment, from which, the applicant would not be entitled to retract.
- The Board may appoint a three member committee, within 45 days of receipt of application. First member Chief Commissioner Inland Revenue having jurisdiction over the case. Second member to be nominated by registered person from panel notified by Board and Third member to be

nominated through consensus by other two members of committee from panel notified by Board. If consensus is not made on third member, the Board may nominate third member proposed by the registered person.

- The Board's panel shall comprise of chartered accountants, cost & management accountants and advocates having minimum of 10 years' experience in taxation field, officers of the Inland Revenue Service who have retired in BS 21 or above and reputable businessman as nominated by Chambers of Commerce and Industry.
- The registered person shall not nominate a Chartered Accountant or an advocate if the said Chartered Accountant or the advocate is or has been an auditor or an authorized representative of the registered person.
- Once committee is constituted, the aggrieved person, or the Commissioner, or both, as the case may be, shall withdraw the appeal pending before any court of law or an Appellate Authority. The committee shall not commence the proceedings unless the order of withdrawal by the court of law or the Appellate Authority is communicated to the Board. If the order of withdrawal is not communicated within 75 days of the appointment of the committee, the said committee shall be dissolved.
- The recovery of tax payable shall be deemed to have been stayed on withdrawal of appeal up to the date of decision by the Committee or the dissolution of the Committee.
- The committee shall examine the issue and may conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within 120 days of its appointment.
- If the Committee fails to decide within 120 days, the Board shall dissolve the committee and the matter shall be decided by the court of law or the Appellate Authority which issued the order of withdrawal.
- The decision of the committee shall be binding on the Commissioner and the aggrieved person. However decision by the Committee shall not be cited or taken as a precedent in any other case or in the same case for a different tax period.
- The aggrieved person may make the payment of sales tax and other taxes as decided by the committee and all decisions, orders and judgments made or passed shall stand modified to that extent.
- The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than Chief Commissioner Inland Revenue.

2B. Removal of difficulties and condonation of time limit etc.

SECTION 43

It has been clarified that the board can condone a time limit at any time before or after the expiry of that specific time limit.

3. Uniform

SECTION 50

The newly inserted section empowers board to prescribe rules for wearing of uniform by officers and staff of Inland Revenue Services.

4. FIRST SCHEDULE

RATE OF DUTY ON GOODS AND SERVICES

a) Table 1 of the first schedule provides rate of duty applicable on different goods and items. Change in PCT code of some of the existing entries of this table has been proposed for clarity and harmonization. Following further amendments has been proposed in this section:-

- Rate of duty on E-liquids used for electric cigarette kits has been changed from Rs. 10/ml to Rs. 10,000/kg.
- In case of locally produced cigarettes if retail price of such cigarettes exceeds Rs. 6,660 / 1,000 cigarettes then rate of duty shall be Rs. 5,900 / 1,000 cigarettes. Prior to this amendment, the rate of duty was Rs. 5,200 / 1,000 cigarettes on locally produced cigarettes having retail price exceeding Rs. 5,960 / 1,000 cigarettes.
- In case of locally produced cigarettes if retail price of such cigarettes does not exceed Rs. 6,660 / 1,000 cigarettes then rate of duty shall be Rs. 1,850 / 1,000 cigarettes. Prior to this amendment, the rate of duty was Rs. 1,650 / 1,000 cigarettes on locally produced cigarettes having retail price not exceeding Rs. 5,960 / 1,000 cigarettes.
- Rate of duty on other Liquefied petroleum Gases and gaseous hydrocarbons has been changed from seventeen rupees and eighteen paise per hundred cubic meters to rupees sixty per hundred metric tonne.
- Rate of duty on filter rods for cigarettes has been changed from Rs. 1/filter rod to Rs. 1,500/kg.

b) Table 2 of the first schedule provides rate of duty applicable on different services. Following amendments has been proposed in this section:-

- In case of international travel by air in club, business and first class, the rate of duty has been increased from Rs. 10,000 to Rs. 50,000.

In case of telecommunication services chargeable to tax in federal territory, the rate of duty has been increased from 16% of charges to 19.5 % of charges

THE ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

AMENDMENTS PROPOSED BY THE FINANCE BILL, 2022

All amendments shall be effective from July 01, 2022 unless otherwise provided

The proposed amendments in Islamabad Capital Territory (Tax on Services) Ordinance, 2001 are as under: -

- The general rate of sales tax on services (except services provided by software or IT-based system development consultants) rendered in Islamabad is reduced from 16% to 15%.
- The existing rate of sales tax on Call centres is proposed to be reduced from 17% to 15%.
- 5% reduced rate of sales shall be applicable on services provided by software or IT based system development consultants.

TAX CARD
Tax Year 2022-23

For client and staff use

TAX RATES FOR SALARIED INDIVIDUALS			
Income group		Rate	
Up to Rs. 600,001	to Rs. 1,200,000	NIL	
Rs. 600,001	to Rs. 1,200,000	2.5% of the amount exceeding Rs. 600,000	
Rs. 1,200,001	to Rs. 2,400,000	Rs.15,000 plus 12.5% of the amount exceeding Rs.1,200,000	
Rs. 2,400,001	to Rs. 3,600,000	Rs.165,000 plus 20% of the amount exceeding Rs.2,400,000	
Rs. 3,600,001	to Rs. 6,000,000	Rs.405,000 plus 25% of the amount exceeding Rs. 3,600,000	
Rs. 6,000,001	to Rs. 12,000,000	Rs. 1,005,000 plus 32.5% of the amount exceeding Rs. 6,000,000	
	above Rs. 12,000,001	Rs. 2,955,000 plus 35% of the amount exceeding Rs. 12,000,000	

SUPER TAX ON HIGH EARNING PERSONS U/S 4C	
Income	Tax
- Where income does not exceeds Rs. 150 million	0%
- Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1%
- Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2%
- Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3%
- Where income exceeds Rs. 300 million excluding banks	4%
-	
- Where income exceeds Rs. 300 million of the business of airlines, automobiles, beverages, cement, chemicals, cigarette and tobacco, fertilizer, iron and steel, LNG terminal, oil marketing, oil refining, petroleum and gas exploration and production, pharmaceuticals, sugar and textiles for the tax year 2022	10%
- Where the income exceeds Rs. 300 million of of banking companies for tax year 2023	10%

RATE OF TAX ON CERTAIN PAYMENTS TO NON-RESIDENT PERSON U/S 6	
Gross amount	Tax
- Gross amount of Royalty or fee for technical services	15%
- In other cases	10%

Minimum Tax u/s 113 chargeable as per Division IX, Part-I, 1st Schedule	
1 (a) 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%)	
2 (a) Oil refineries (b) Motor Cycle dealers registered under ST Act, 1990 (c) Oil Marketing Companies (Tax Rate : 0.5%)	
3 (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 (388) of section 2, (f) person engaged in the sale and purchase of used vehicle (g) Flour mills (Tax Rate : 0.25%)	
4 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

PROFIT ON DEBT UNDER SECTION 7B	
For Individual/AOP where profit on debt does not exceed Rs. 5,000,000	15%
For Individual/AOP where profit on debt exceeds Rs. 5,000,000	Individual slab rates
For Company where profit on debt either exceeds Rs. 5,000,000 or not	29%

Rates of Depreciation, Initial Allowance and Amortisation as per Third Schedule	
Particulars	Rate
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:	
- 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%

Note:	Where tax is required to be deducted or collected u/s 231 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 two hundred percent of the tax mentioned above.
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TAX RATES FOR INDIVIDUALS AND ASSOCIATION OF PERSONS			
Income group		Rate	
Up to Rs. 600,001	to Rs. 800,000	NIL	
Rs. 600,001	to Rs. 800,000	5% of amount exceeding Rs.600,000	
Rs. 800,001	to Rs. 1,200,000	Rs.10,000 plus 12.5% of the amount exceeding Rs.800,000	
Rs. 1,200,001	to Rs. 2,400,000	Rs.60,000 plus 17.5% of the amount exceeding Rs.1,200,000	
Rs. 2,400,001	to Rs. 3,000,000	Rs.270,000 plus 22.5% of the amount exceeding Rs.2,400,000	
Rs. 3,000,001	to Rs. 4,000,000	Rs.405,000 plus 27.5% of the amount exceeding Rs.3,000,000	
Rs. 4,000,001	to Rs. 6,000,000	Rs.680,000 plus 32.5% of the amount exceeding Rs.4,000,000	
	above Rs. 6,000,001	Rs.1,330,000 plus 35% of the amount exceeding Rs.6,000,000	

RATE OF TAX FOR COMPANIES	TY 2022	TY 2023
Rate of tax for small companies	21%	20%
Rate of tax for all kinds of companies	29%	29%
Rate of tax for banking companies	35%	39%

TAX ON CAPITAL GAIN ON SALE OF IMMOVABLE PROPERTY Section 37(1A)			
Holding Period	Open Plots	Constructed Property	Flats
1. Where holding period is upto one year	15%	15%	15%
2. Where holding period is more than one but less than two years	12.5%	10%	7.5%
3. Where holding period is more than two but less than three years	10%	7.5%	0%
4. Where holding period is more than three but less than four years	7.5%	5%	0%
5. Where holding period is more than four but less than five years	5%	0%	0%
6. Where holding period is more than five but less than six years	2.5%	0%	0%
7. Where holding period is more than six years	0%	0%	0%

THE RATE OF TAX ON DEEMED INCOME U/S 7E	20%
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TAX ON MOTOR VEHICLES U/S 234 PASSENGER TRANSPORT VEHICLE - PLYING FOR HIRE		
Seating Capacity	(Rs/ seat/ annum) (Non AC)	(Rs/seat/ annum) (AC)
Four or more persons but less than ten	500	1000
Ten or more persons but less than twenty	1500	2000
Twenty or more persons	2500	4000

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	Where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles.
Upto 850cc	Rs. 10,000	
851cc to 1000cc	Rs. 20,000	
1001cc to 1300cc	Rs. 25,000	
1301cc to 1600cc	Rs. 50,000	
1601cc to 1800cc	Rs. 150,000	
1801cc to 2000cc	Rs. 200,000	
2001cc to 2500cc	Rs. 300,000	
2501cc to 3000cc	Rs. 400,000	
Above 3000cc	Rs. 500,000	

ADVANCE TAX ON TRANSFER OF PRIVATE MOTOR VEHICLE U/S 231B(2)		
Engine Capacity	Tax	Provided that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be Rupees twenty thousand. Provided further that the rate of tax to be collected under this clause shall be reduced by ten percent each year from the date of first registration in Pakistan.
Upto 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	

WITHHOLDING TAX RATE FOR PROFIT ON DEBT UNDER SECTION 151	Rate
The rate of withholding in the case of person on amount	15%

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	

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