DAUDALLY
LALANI & CO.
CHARTERED ACCOUNTANTS

BUDGET COMMENTARY
2022

Preamble

The Partners of the Firm are pleased to issue this commentary on our country's Federal Budget presented by the Minister of Finance to the Parliament on June 10, 2022 as encompassed in the Finance Bill 2022. The Finance Bill proposes to make amendments in Income Tax, Sales Tax, and Federal Excise laws. We have focused on taxation proposals in the Bill.

With Parliament's assent and approval, the Finance Bill will become effective from July 01, 2022 except where the Bill states retrospective or other application date.

This Memorandum follows a general approach to the Government's fiscal taxation proposals. Readers may kindly consult tax professionals for clarifying finer aspects and for tax implications/effects before applying these proposals and acting thereupon. The Firm accepts no responsibility for any action taken or foregone based on the information and discussions in this document.

This memorandum is also at our website http://www.daudallylalani.com

Daudally, Lalani & Co.
Chartered Accountants
June 10, 2022

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DAUDALLY LALANI & CO.
CHARTERED ACCOUNTANTS

Budget at Glance

	Budget 2022-2023 PKR Billion		Revised 2021-2022 PKR Billion	
Revenue				
Tax	7,004	74%	6,000	66%
Non tax	2,000	21%	1,315	14%
Gross revenue receipts	9,004	95%	7,315	80%
Less: Provincial share	(4,100)	-43%	(3,512)	-38%
Net revenue receipts	4,904	52%	3,803	42%
Other sources				
External receipts	533	6%	1,383	15%
Estimated provincial surplus	800	8%	570	6%
Privatization proceeds	96	1%	-	0%
Bank borrowings	1,172	12%	681	10%
Non-bank borrowing and others	1,996	21%	2,519	28%
	4,597	48%	5,345	58%
Total Receipts	**9,501**	**100%**	**9,148**	**100%**
Expenditure				
Current				
General Public Service	6,176	65%	5,622	61%
Defense Affairs and Services	1,527	16%	1,484	16%
Social Protection	370	4%	362	4%
Public Order and Safety Affairs	209	2%	191	2%
Economic Affairs	139	1%	454	5%
Education Affairs and Services	91	1%	87	11%
Housing and Community Amenities	8	0.1%	5	0.1%
Recreation, Culture and Religion	11	0.1%	12	0.1%
Others	20	0.2%	155	1.7%
	8,550	90%	8,374	92%
Development	951	10%	886	8%
Total Expenditure	**9,501**	**100%**	**9,148**	**100%**

OVERREVIEW OF THE ECONOMY

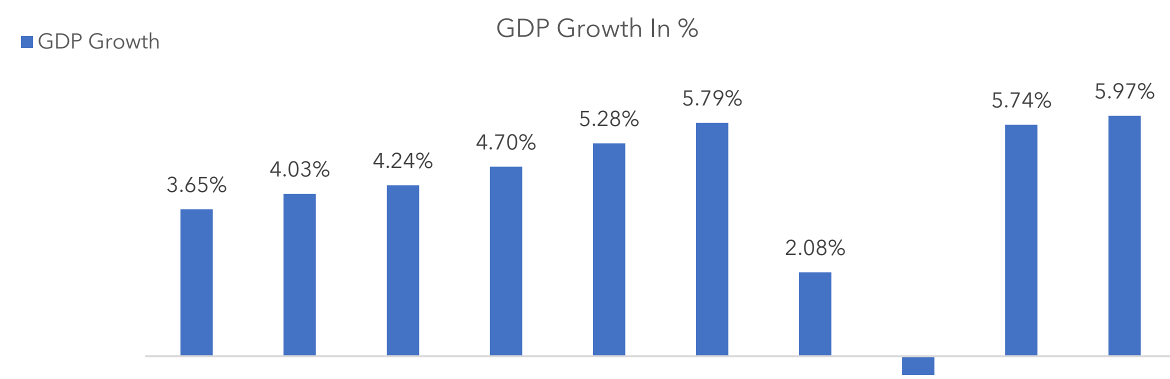
Finance Division, Government of Pakistan brought out Pakistan Economic Survey (PES) 2021-22 dated June 09, 2022. It highlights adverse impact of COVID-19 outbreak due to Government's restrictive measures as alleviated by free vaccinations by Government and by Government and Central Bank (SBP)'s accommodative fiscal and monetary policy measures to protect people from economic meltdown. Yet 2020 FY saw recession and dampened growth. Such policies and lingering supply chain disruptions elevated inflation, as boosted by commodity price hike owing to Russian-Ukraine conflict (CPI inflation was 11.3% during July 2021-May 2022). Further, for taming inflation SBP hiked bank rate particularly by cumulative 675 bps between September-April 2022. This and surge in commodity prices reduced fiscal space with growing budget deficit, especially for a food and oil-importing country like Pakistan. However, growth was observed in large-scale manufacturing (LSM) and improved crop production. Being consumer economy, excess demand and overheating raised import of capital and consumer goods, energy and non-energy imports. Exports increased due to policy supports including export facilitation scheme 2021, enhance loans under LTFF, launch of e-Tijarat portal and tariff rationalization.

Abovesaid inflation is attributed to raise in electricity, gas prices with significant rise in food prices, exchange rate depreciation and rapid increase in global fuel and commodity prices.

Despite shocks to economy policy initiatives and FBR's measures witnesses tax collection growth of 28.5% July-April 2022. Large grants and subsidies increased expenditure yielding fiscal deficit of 3.8% of GDP in July-March 2022 against 3% in same period last year.

Growth and Investment

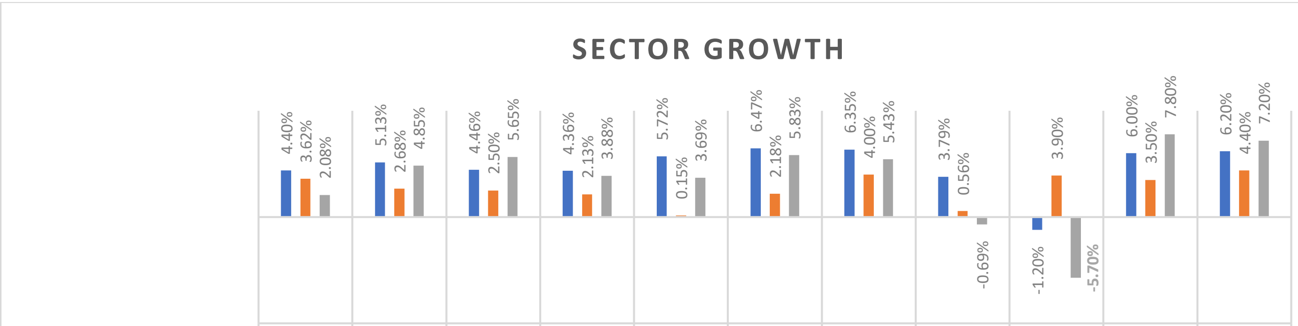
Pakistan's real growth rate was 5.97% in 2021-22 compared to 5.74% last year. For 2022 GDP at current prices stands at Rs. 66,950 billion, a 20% growth over last year's Rs. 55,796 billion). In dollar terms it is 383 billion. In FY 2022 per capita income improve to USD 1,798.



	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GDP Growth	3.65%	4.03%	4.24%	4.70%	5.28%	5.79%	2.08%	-0.47%	5.74%	5.97%

Agriculture

This sector posted remarkable growth of 4.4% in FY2022 against 3.5% target and last year's 3.48%. This was driven by high yields, higher output prices, supportive govt policies, better certified seed, pesticides and agriculture credit.
Crops sector posted growth of 6.58% against last year's 5.96%. At sub-sector level, important crops, other crops and cotton ginning exhibited growth of 7.24%, 5.44% and 9.19% during FY2022 against preceding year's 5.83%, 8.27% and -13.08%. During FY2022 Cotton crop rose to 8.3m bales, rice production increased to 9.3m tons and sugar cane increased to 88.7m tons against last year's 7.1m bales, 8.4m tons and 81m tons last year.
Livestock with 61.89% share in agriculture and 14.04% in GDP grew by 3.26% in FY2022 against last year's 2.38%.
With tow LNG based fertilizer plants availability of fertilizer rose by 0.5% despite 6.2% fall in its imports.



	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Service sector	4.40%	5.13%	4.46%	4.36%	5.72%	6.47%	6.35%	3.79%	-1.20%	6.00%	6.20%
Agriculture sector	3.62%	2.68%	2.50%	2.13%	0.15%	2.18%	4.00%	0.56%	3.90%	3.50%	4.40%
Manufacturing sector	2.08%	4.85%	5.65%	3.88%	3.69%	5.83%	5.43%	-0.69%	-5.70%	7.80%	7.20%

Manufacturing and Mining

Large-Scale Manufacturing (LSM) posted 10.4% growth during July-March FY2022 against last year's 4.2%. this was owing to supportive measures, rising global demand, easy access to credit and partially sub sized energy supplies. This was buffeted by growth in high weighted sectors such Textiles, food, Apparel, Chemicals, Automobile, Tobacco, Iron and Steel, Footballs.

Mining and Quarrying contracted by 4.47%% during July-March FY2022 against 1.21% growth last year. This sector suffers issues like poor regulatory framework, insufficient infrastructure, outdated technology, low financial support and lack of marketing. Production of major minerals like coal, natural gas, chromite, crude oil, and barytes witnessed growth of 8.34%, 3.45%, 25.7%, 4.48% and 162.5%. Some others had negative growth such as magnesite 52.3%, gypsum 36.9%, limestone 33.3%, ocher 2.5%, rock salt 24.2% and marble 22.9%.

Fiscal Development

Aforesaid volatile global environment and serious economic consequences of Russia-Ukraine war gave difficult choices for Pakistan. Controlling inflation, strengthening recovery, supporting vulnerable became important. Higher commodities prices – esp. food and energy – brought challenges to economy. To mitigate effect of rising prices, tax relief to masses was provided by reducing petroleum levy, eliminating sales tax on POL products. This led to risks to fiscal sustainability in a constrained fiscal environment.

Rise in tax collection was 17.7% in July-March FY2022 against previous year's 6.5%, FBR collected Rs.4,855.8billion (provisional) net tax reflecting 28.5% growth. However, tax relief measures impacted revenue collection by Rs. 73 billion. Moreover, higher current and development expenditures widened fiscal deficit to 3.8% during July-March FY2022 against previous period's 3%. Primary deficit was Rs. 447.2 billion.

Capital Markets & Corporate Sector

World stock indices started on a positive note but due to geo-political tensions esp Russia-Ukraine war plummeted in Feb, March 2022.

Pakistan's stock market posted a boom-bust situation during nine months of FY2022. During July-March FY 2022 KSE-100 index declined to 44,929 points from 47,356, its peak came at 48,112 points on August 23, 2021. On March 31, 2022 total listed companies on Pakistan Stock Exchange (PSX) were 532 with a total market capitalization of Rs. 7,583 billion.

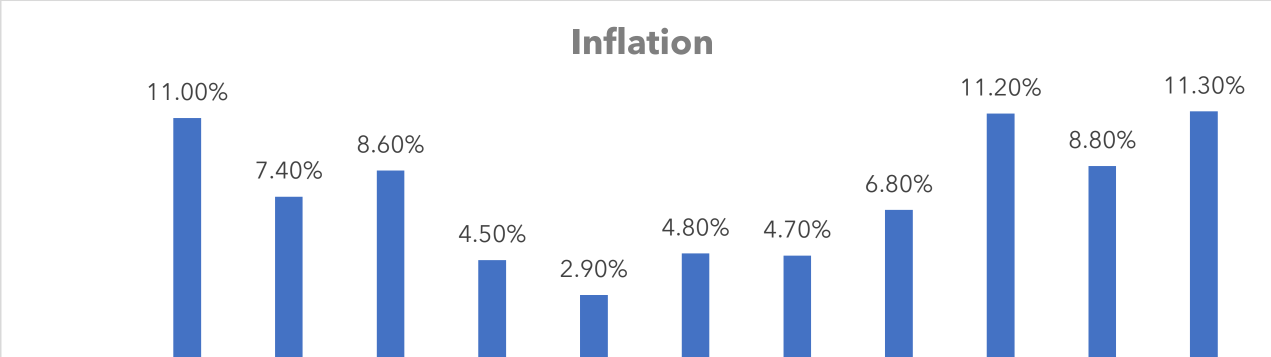
Moreover, during July-March FY2022, 2.31 million lots of various commodities futures contracts including gold, crude oil and US equity indices worth Rs.2.65 trillion were traded on Pakistan Mercantile Exchange Limited.

Inflation

CPI Inflation during July-May FY2022 recorded at 11.3% against 8.8% last year. Comparatives are:

Inflation indicator	FY2022 July-May	FY2021
Consumer Price Index (CPI)	11.3%	8.8%
Sensitive Price Indicator (SPI)	16.7%	13.5%
Wholesale Price Index (WPI)	23.6%	8.4

Inflation rose for reasons like adjustment in electricity and gas prices, increase in non-perishable food prices, exchange rate depreciation and rise in global fuel and commodity prices.



	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Inflation	11.00%	7.40%	8.60%	4.50%	2.90%	4.80%	4.70%	6.80%	11.20%	8.80%	11.30%

Public Debt

Public debt was at Rs. 44.366 billion at March 31, 2022 (2021: Rs.38,006 billion), comprising domestic debt at Rs. 28,076 (2021: Rs. 25,552) billion and external public debt at Rs. 16,290 (2021: Rs. 12,454) billion or USD 88.88 (2021: USD 81.6) billion. Positive developments:

i) In domestic debt Govt relied on long term debt securities for financing fiscal deficit and repayment of debt maturities to reduce short term maturities (Treasury bills Rs. 1.5 trillion were retired)

ii) Govt repaid Rs. 569 billion against SBP debt and its cumulative retirement from July 2019 to March 2022 was Rs.2.3 trillion.

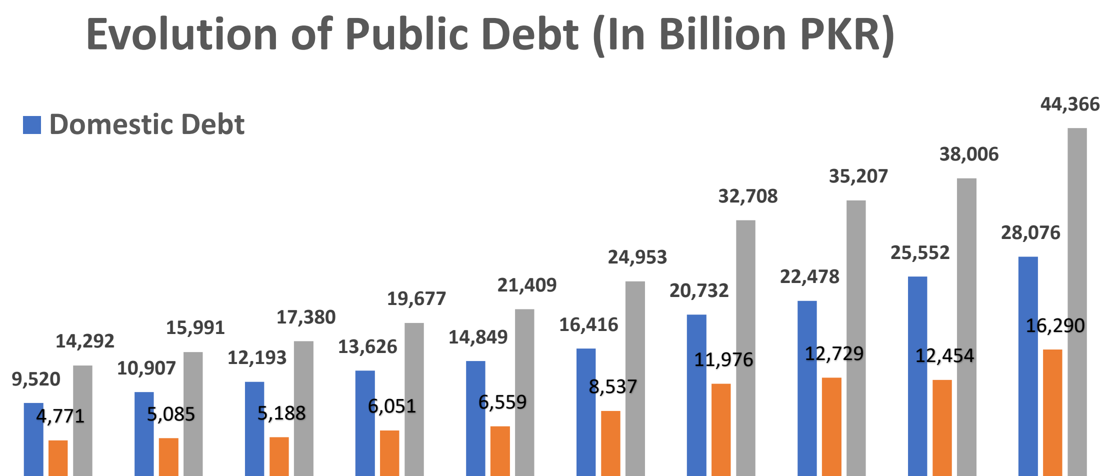
iii) Govt. issued Shariah Compliant Sukuk instrument of Rs.1.1 trillion as per Medium Term Debt Management Strategy of Pakistan.

iv) Debt from multilateral and bilateral sources cumulatively was 79% of external public debt portfolio at end of March 2022.

v) In external debt, inflows from multilateral and bilateral development partners were major sources of funding. Pakistan successfully raised USD 1 billion in July 2021 thru multi-tranche tap issuance of 5, 10 and 30-year Eurobonds, issued at a premium.

vi) In Jan 2022 GOP raised USD 1 billion thru issuing International Sukuk under Trust Certificate Issuance Program.

vii) Govt utilized IMF allocated SDR equivalent to Rs.475 billion to support its budgetary operations.



	FY-2013	FY-2014	FY-2015	FY-2016	FY-2017	FY-2018	FY-2019	FY-2020	FY-2021	FY-2022
Domestic Debt	9,520	10,907	12,193	13,626	14,849	16,416	20,732	22,478	25,552	28,076
External Debt	4,771	5,085	5,188	6,051	6,559	8,537	11,976	12,729	12,454	16,290
Public Debt	14,292	15,991	17,380	19,677	21,409	24,953	32,708	35,207	38,006	44,366

Education

Pakistan's achievement in its commitment to Goal 4 Sustainable Development Goals (SDGs) which pertains to quality of education includes:

- Primary, lower and Upper Secondary Education Completion Rate stood at 67%, 47%, and 23% depicting higher attendance.
- Parity Indices at Literacy, Youth Literacy, Primary and Secondary are 0.71, 0.82, 0.88 and 0.89, respectively.
- Participation in organized learning (one year before the official primary entry age) by sex is 19% which is low.
- Population in a given age group at an affixed level of proficiency in functional: a) literacy and b) numeracy skills is 60%.

Overall key indicators imporved: enrolment in 2019-20 was 55.7m against 53.1m in 2018-19 (4.9% increase). Cumulative education exp by Federal and Provincial govts in FY2021 remained at 1.77% of GDP (revised estimates). Education related exp during FY 2021 posted increase of 9.7% reaching Rs988 billion from Rs.901 billion.

Health and Nutrition

Govt is committed to Universal Health Coverage (UHC) to whole population through Sehat Sahulat Card. This is to reduce health inequality and ameliorate well-being. Govt also expanded health infrastructure by increasing numbering of hospitals, Rural Health Units (RHUs), Basic Health Units (BHUs), doctors, dentists and dispensaries. COVID-19 disrupted major rides in health sector as resources were shifted to contain spread of its fourth and fifth waves of the pandemic.

Tax Relief:

- Small retailers to be taxed a fixed amount (Rs. 3,000 to Rs. 10,000 as final tax) and will be collected with utility bills
- Income from Bahbood Certificates to be taxed at 5% instead of 10%
- Tax collected at imported stage shall be made adjustable
- Taxable salary threshold increases from Rs. 600,000 to Rs. 1,200,000
- Taxable threshold for AOPs and business individuals increased from Rs. 400,000 to Rs. 600,000
- Initial depreciation rate increases from 50% to 100%
- Tax holiday for filmmakers for 10 years
- Tax holiday for cinemas, production houses for 5 years

Tax Measures:

- 2% additional tax imposed on tax filers earning Rs. 30 million yearly income
- Advance tax on purchase and sale of property to be increase from 1% to 2% and 5% for non-filer
- Advance tax to be increased on 1600 CC cars
- Individuals having more than one immovable property worth more than Rs. 25 million to be taxed as 5% of fair market value as deemed rental income. House in personal use to be exempted from this.
- No deductible allowance for profit on debt. Similarly, no credit shall be available for investment in shares, health insurance and pension funds
- Tax on banking institutions revised from 39% to 42%
- Capital gain tax on immovable property of 15% on holding period of one year proposed which will be reduced by 2.5% for every year of holding a property

Documentation:

- Any person who is not resident in any country will be resident in Pakistan
- 1% advance tax on foreign transactions via debit, credit or prepaid card for tax filer and 2% for non-filer

- Production, transmission and distribution of electricity now included in definition of goods.
- Sales tax now excludes fee & service charges levied for valuation.
- Supply to include production, transmission and distribution of electricity.
- Tier-1 retailer category also to include a person supplying articles of jewelry, precious metal of metal clads with precious metal.
- Supplier of taxable goods who is not an active taxpayer will pay additional 3% sales tax besides that specified.
- Operator of online market place facilitating sale of third-party goods shall withhold tax on taxable supplies of such party specified at serial 8 of Third Schedule.
- Sales tax to be charged from Tier-1 retailer tax charge slabs increased to 3 from 2. Further, Board may specify persons who shall pay Rs.50,000 sales tax thru their monthly electricity bills.
- Board may require a person or class of persons to integrate their invoice issuing machines with Board's Computerized System for real time reporting of sales.
- Federal Govt. Provincial Govts or any public sector organization may be allowed payment of sales tax on installment basis on import or supply of any goods or class of goods.
- Public limited company listed on PSX no longer exempt from limit on adjustment of input tax up to 90% of output tax.
- Board is empowered to issue Sales Tax General Order to direct gas and electricity distribution companies to discontinue connections of any person including Tier-1 retailers who fail to register for sales tax purpose or notified Tier-1 retailers registered but not integrated with Board's Computerized System. Through similar Order Board may notify restoration of connection.
- Tax invoice no longer required to show unregistered person's NIC or NTN.

AMENDMENTS IN

Income Tax Ordinance, 2001

Section 2

Clause (7A) **Beneficial owner**

A new clause about "beneficial owner" has introduced. The beneficial owner means a natural person who:

(a) Ultimately owns or controls a company or association of persons whether directly or indirectly, through at least 10% shares or voting rights; or
(b) 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 person;

Section 2

Clause (18A) **Distributor**

The proposal seeks to add definition of distributor. The distributor means a person appointed by a manufacturer, importer or any other person for a specified area to purse goods from him for further supply.

Section 2

Clause (62B) **SWAP agent**

The Bill seeks to propose that "Synchronized Withholding Administration and Payment System Agent" or "SWAP agent" means any person or class of persons notified by Board to collect or deduct withholding taxed through Synchronized Withholding Administration and Payment System.

Section 4C **Tax on high earning persons for poverty alleviation**

The Finance Bill proposed to impose a new tax for poverty alleviation on every person for tax year 2022 as per the following:

AMENDMENTS IN

Income Tax Ordinance, 2001

Division IIB part I of First Schedule

Income under section 4C	Rate of tax
Where income does not exceed Rs. 300 million	0%
Where income exceeds Rs. 300 million	2% of the income

The income shall be sum of the following:

(i) Profit on debt, dividend, capital gains, brokerage and commission;
(ii) Taxable income (other than brought forward depreciation and brought forward business losses) under section 9 of the Ordinance, if not included in clause (i);
(iii) Imputable income as defined in clause (28A) of section 2 excluding amounts specified in clause (i); and
(iv) Income computed, other than brought forward deprecation, brought forward amortization and brought forward business losses under 4th, 5th and 7th Schedules.

The tax payable under this section shall paid, collected and deposited on the due date for furnishing the taxpayer's return of income for that tax year.

Section 6 **Tax on certain payments to non-resident**

Tax on certain payments to non-residents

The Finance Bill proposed following services provided by non-resident to be taxed in Pakistan.

(i) Fee for money transfer operations;
(ii) Card network services;
(iii) Payment gateway services; and
(iv) Interbank financial telecommunication services

The bill also proposed to increase tax rate from 5% to 10% in case of services other than royalty and fee for technical services.

AMENDMENTS IN

Income Tax Ordinance, 2001

Section 7E **Tax on deemed rental income**

A new section is proposed to be inserted whereby for tax year 2022 onwards, a resident person shall be treated to have received rent equal to 5% of the fair market value of an immoveable property situation in Pakistan whether such property has actually been rented out for any consideration or not. The tax on such deemed income is 20% (or 1% of FMV of the property).

The proposed section shall not apply to:

(a) self-owned business premises from which business is carried out;

(b) self-owned agriculture land where agriculture activity is carried out by person does not include farmhouse and land annexed thereto,

(c) Where the fair market value of the property or properties, in aggregate, excluding properties mentioned in clauses (a) and (b) does not exceed Rs. 25 million.

(d) Land development and construction projects of builders and developers registered with DG of Designated Non-Financial Businesses and Professions of Board;

(e) A property which is already on rent and tax chargeable is more than tax chargeable under this section. If tax is chargeable less than the tax charge under this section the excess shall be paid under this section.

Section 21 **Deductions not allowed – Digital means requirement**

The Bill proposed to add a new clause (ee) that any amount in excess of 50% of contribution made by a person to an approved gratuity fund, an approved pension fund or an approved superannuation fund shall not be allowable deduction.

The Bill also proposed that the business expenditure shall not be allowed in case of non-company taxpayer where the expenditure in single head of account in aggregate exceeds Rs. 250,000/- made other than by a crossed cheque or pay order or any other crossed banking instruments showing transfer of amount from the business bank account of the taxpayer. Similarly, in case of company the business expenditure shall not be allowed in single head of account in aggregate exceeds Rs. 1 million made other than by digital means from business bank account of the taxpayer notified to the Commissioner.

The above proposed provision shall not apply on the following expenditures:

(A) Utility bills;
(B) Freight charges
(C) Travel fare
(D) Postage
(E) Taxes and other statutory payment

Another important amendment is proposed in this section by proposing clause (r). It is proposed that any business expenditure attributable to sales claimed by any person shall be disallowed up to 10% of the allowable deduction who is required to integrate but fails to integrate his business with the Board through approved fiscal electronic device and software.

Section 22 **Depreciation**

The Finance Bill has proposed two positive changes for depreciation. At present the deduction of depreciation expense for a tax year is allowable up to 50%. Now it is proposed to allow full depreciation expense in a tax year. Similarly, the cost of depreciable passenger transport vehicle not plying for hire is capped at Rs. 2.5 million. Now it is proposed to enhance such limit to Rs. 5 million.

Section 23 **Initial allowance**

The Finance Bill has proposed to exclude the immovable property or structural improvement to the immovable property from purview of eligible depreciable assets for claiming initial allowance.

AMENDMENTS IN

Income Tax Ordinance, 2001

Section 37 **Capital gains**

This section deals with capital gains of immovable property and capital assets. The Finance Bill has proposed following new tax rates to be applicable on capital gain arises on disposal of immovable property:

Division VIII of Part I of the First Schedule

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 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 exceed six years	0%	-	-

The tax on capital gain on disposal of capital assets (other than immovable property) is also proposed in the following manners:

Division VII of part I of the First Schedule

S. No.	Holding Period	Rate of Tax for Tax year 2023 and onwards
1.	Where the holding period does not exceed one year	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 6 years	0%
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%

The bill also proposed to omit the proviso where the consideration amount has reduced up to 75% for determining the liability where the capital asset is held for more than one year.

Section 44 **Exemption under International agreements**

The Bill seeks to add new sub clause allowing Federal government to exempt income of any person in respect of an official development assistance financed loans and grants-in-aid.

AMENDMENTS IN

Income Tax Ordinance, 2001

Section 59C **Carry forward of business losses of sick industrial units**

This section was introduced in March 2022 through Income Tax (Amendment) Ordinance, 2022 to provide adjustment/carry forward of business losses of a sick industrial unit. The Finance Bill proposed to omit this relief.

Section 60C **Deductible allowance for profit on debt**

Every individual is entitled to a deductible allowance for amount of interest paid on house loan up to lower of 50% of taxable income or Rs. 2 million. The bill proposed to withdraw this allowance.

Section 62 **Tax Credit for investment in shares and insurance**

A resident person is entitled of tax credit in a tax year either on investment new shares offered to public or payment to insurance company in respect of life insurance. The limit of lower of 20% of taxable income or Rs. 2 million. Now in the Finance Bill, the said tax credit is proposed to be omitted.

Section 62A **Tax Credit for investment in health insurance**

A resident person is entitled to a tax credit in a tax year in respect of health insurance premium paid to a registered insurance company up to lower of 5% of taxable income or Rs. 150,000/-. The said tax credit is proposed to be omitted.

Section 63 **Contribution to a n Approved Pension Fund**

The is a tax credit available in respect of any contribution or premium paid by the person in approved pension fund under the Voluntary Pension System Rules, 2005. The Bill proposed to omit such tax credit.

Section 65F **Tax credit on export of software or IT services**

The income from export of computer software or IT services can avail 100% tax credit on their income up to 30th day of June 2025. The Finance Bill seeks to impose tax on IT business @ 0.25% of the proceeds.

AMENDMENTS IN

Income Tax Ordinance, 2001

Section 65H **Tax credit for foreign investment for industrial promotion**

In March 2022, the Income Tax (Amendment) Ordinance, 2022 was introduced this section whereby non-resident Pakistani citizen who can avail one-time tax credit on setting up of industrial undertaking in Pakistan by making an equity investment not less than Rs. 50 million. The Finance Bill seeks to omit this section.

Section 82 **Resident individual**

An individual shall be a resident individual for a tax year if the individual is present in Pakistan for a period or periods amounting in aggregate to 183 days or more in the tax year. Now through the Finance Bill, it is proposed that an individual shall be treated a tax resident if he is citizen of Pakistan and is not a tax resident of any other country.

Section 92 **Principles of taxation of associations of person**

An explanation has been proposed through the Finance Bill that if the income of association of person is exempt and no tax is payable under the Ordinance due to this exemption, the share received in the capacity of member out of the income of association shall remain exempt.

Section 99A **Special provisions relating to payments of tax through electricity connections**

A new section is proposed that income tax shall be charged and collected from retailers (other than Tier-I) on commercial electricity connection as per the following rates as final tax on income of persons covered under this section.

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

It is further proposed that a retailer who has paid sales tax under sub-section (9) of section 3 of the Sales Tax Act, 1990, shall not be required to pay tax under this section and sales tax so paid shall constitute discharge of tax liability under this section.

Section 100C **Tax credit for charitable organization**

The section provides 100% tax credit to eligible NPO subject to fulfillment of certain conditions. One of such condition is approval of the Commissioner to be obtained. However, for NPOs mentioned in table II of Clause (66) of part I of the Second Schedule, this condition was applicable from 1 July 2024. Now the Bill proposed to extend the date to 1st July 2024.

Section 100F **Special provisions relating to investment for industrial promotion**

This section was introduced through the Income Tax (Amendment) Ordinance, 2022 in March 2022 and provided tax immunity for investment in industrial undertakings by making payment of tax at 5% of those funds which have not been declared in any off the returns of income up to tax year 2021. Now through Finance Bill it is proposed to omit this section.

Section 111 **Unexplained income or assets**

The Finance Bill proposed to add an explanation that the remittance through money service bureaus, exchange or money transfer operators shall be deemed to constitute foreign exchange remitted from outside Pakistan through normal banking channels. Another explanation is also proposed that a separate notice under this section is not required to be issued if the explanation regarding nature and source of:

(i) any amount credited in a persons' books of account;
(ii) any investment made or ownership of money or valuable article;
(iii) funds from which expenditure was made;
(iv) suppression of production, sales, or any amount chargeable to tax
(v) suppression of any item of receipt liable to tax in whole or in part has been confronted to the taxpayer through a notice under sub-section (9) of section 122 of the Ordinance.

AMENDMENTS IN

Income Tax Ordinance, 2001

Section 113 **Minimum tax on the income of certain persons**

Sub section (2) clause (c) provided that the minimum tax paid exceeds the actual tax payable under normal tax rates, the excess amount of tax paid is carried forward for adjustment against tax liabilities of subsequent tax year. Now in the Finance Bill, it is proposed to omit the said clause of the sub section (2).

Section 114B **Powers to enforce filing of returns**

The Finance Bill proposed to introduce a new section that the Board shall issue income tax general order in respect of persons who are not appearing on active taxpayers' list but are liable to file return. The non-filing of return may entail any or all of the following consequences for the person namely:

(a) disabling of mobile phones/ SIMS
(b) discontinuance of electricity connection; or
(c) discontinuance of gas connection.

The Board or Commission having jurisdiction over the person to restoration of mobile phone/SIMS and utility connection where he is satisfied that return is filed or person was not liable to file return.

Section 121 **Best judgment assessment**

The time limit for best judgment assessment is 5 years after the end of the tax year or the income year to which it relates. The Finance Bill seeks to enhance the limit from 5 years to 6 years for best judgment assessment.

Section 122 **Amendment of assessments**

In sub section (9) of section 122, it is mandatory on the assessing officer to issue order within 120 days of the issuance of show cause notice. The Finance Bill seeks to enhance the limit from 120 days to 180 days for issuance of order after show cause notice issued.

AMENDMENTS IN

Income Tax Ordinance, 2001

Section 134A **Alternative Dispute Resolution**

This section is proposed to be substituted and the proposed provisions are as under:

An aggrieved person in connection to any dispute pertaining to:

(a) the liability of tax of Rs. 100 million and above against the aggrieved person or admissibility of refund,

(b) the extent of waiver of default surcharge and penalty; or

(c) any other specific relief required to resolve the dispute;

may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated.

The Board may, after examination of the application of an aggrieved person, appoint a committee, within 45 days of receipt of such application. Board may nominate a member proposed by the taxpayer eligible to be nominated.

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, after constitution of the committee by the Board.

The Committee appointed shall examine the issue and may, if it deems necessary, 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.

The decision by the Committee under shall not be cited or taken as a precedent in any other case or in the same case for a different tax year.

The recovery of tax payable by a taxpayer in connection with any dispute for which a Committee has been appointed 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 whichever is earlier.

The decision of the committee shall be binding on the Commissioner and the aggrieved person.

If the Committee fails to decide within the period of 120 days, the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the Appellate Authority which issued the order of withdrawal and the appeal shall be treated to be pending before such court of law or the Appellate Authority as if the appeal had never been withdrawn.

The Board shall communicate the order of dissolution to the court of law or the Appellate Authority and the Commissioner.

The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the Appellate Authority, which shall decide the appeal within 6 months of the communication of said order.

The aggrieved person may make the payment of income tax and other taxes as decided by the committee and all decisions, orders and judgments made or passed shall stand modified to that extent.

Section 148 **Imports**

A new provision is proposed in section that tax collected on import under this section shall be minimum tax on the income of every person arising from imports of following goods:

(i) Edible oil;
(ii) Packaging material;
(iii) Paper and paper board; or
(iv) Plastics.

Section 152 **Payments to non-residents**

A new provision (1DC) is proposed in this section that every exchange company licensed by the State Bank of Pakistan shall deduct tax at the time of making payments of services charges or commission or fee to the global money transfer operator, international money transfer operator for facilitating outward remittances at the rate 15% on royalty and fee for technical services and 10% on other case.

AMENDMENTS IN

Income Tax Ordinance, 2001

Section 164A **Payment of tax collected or deducted by SWAPS agents**

A new section is proposed that the Board may notify any person or class of persons required to deduct or collect tax under the Ordinance to integrate with Synchronized Withholding Administration and payment System and to act as SWAPS agent within the time and in the manner as may be prescribed.

The tax collected or purported to be collected or deducted or purported to be deducted under the Ordinance by a notified SWAPS agent and credited to the Commissioner through digital mode, shall be treated to have been paid under section 160 of the Ordinance.

Where tax has been paid by a notified SWAPS agent copy or number of SWAPS Payment Receipt (SPR) shall replace copy or number of Computerized Payment Receipts (CPR) for the purposes of the Ordinance.

Any notified SWAPS agent shall not be eligible for tax credit under Part X of Chapter III of the Ordinance and exemption under any of the provisions of the Ordinance if notified SWAPS agent fails to integrate with Board.

All persons from whom the tax has been collected or deducted by the notified SWAPS agents shall be eligible for credit of tax withheld against SPR issued by SWAPS Agent.

Section 174 **Records**

The section 174 provides that accounts and documents required to be maintained under this section shall be maintained for 6 years after the end of the tax year to which they relate. Now through the Finance Bill it is further proposed that the limitation of 6 years shall not apply to the records pertaining to income, assets, expenses or transactions related to assets outside Pakistan or concealed income of foreign source as defined in clause (ii) of sub 2 of section 111 applies.

Section 175B **National Database and Registration Authority**

A new section is proposed to add that the National Database and Registration Authority shall, on its own motion or upon application by the Board, share its records and any information available or held by it, with the Board, for broadening of the tax base.

The NADRA may submit proposals and information to the Board with a view to broadening the tax base, identify in relation to any person, income, receipts, assets, properties, liabilities, expenditures, or transactions that have escaped assessment or are under-assessed or have been assessed at a low rate, or have been subjected to excessive relief or refund or have been mis-declared or misclassified under a particular head of income.

The Board may use and utilize any information communicated to it by the NADRA and forward such information to an income tax authority having jurisdiction.

The NADRA may compute indicative income and tax liability of anyone by use of artificial intelligence, mathematical or statistical modeling or any other modern device or calculation method. The indicative income and tax liability computed by the NADRA shall be notified by the Board to the person in respect of whom such indicative income and tax liability has been determined, who shall have the option to pay the determined amount on such terms, conditions, installments, discounts, reprieves pertaining to penalty and default surcharge, and time limits that may be prescribed by the Board.

Section 177 **Audit**

The section provides that after completion of audit proceedings, the Commissioner shall issue an audit report after obtaining the taxpayer's explanation on all the issues raised in the audit. The Finance Bills seeks to withdraw the requirement of issuing audit report.

Section 181E **Record of beneficial owners**

A new section is proposed to be add that every company and AOP shall electronically furnish particulars of its beneficial owners in such form and manner as may be prescribed. Every company and AOP shall update the particulars of its beneficial owners as and when there is change in particulars of the beneficial owners.

AMENDMENTS IN

Income Tax Ordinance, 2001

Section 191 **Prosecution for non-compliance with certain statutory obligations**

In this section there is a list of statutory obligations which is mandatory on any person and in case of failing it shall be considered as offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both.

The Finance Bill proposed to add that failing to integrate the business with Board's computerized system or generate tax invoice verifiable by the Boards' system shall be considered as an offence under this section.

Section 209 **Uniform**

The Finance Bill seeks to add a new section that the Board may by notification in the official gazette prescribed rules for wearing of uniform by officers and staff of Inland Revenue Service of Pakistan.

Section 236C **Advance tax on sale or transfer of immovable property**

The advance tax under this section is 1% on sale or transfer of immovable property and such tax shall not be charged if the holding period of immovable property is more than 4 years. The Finance Bill seeks to enhance the rate from 1% to 2% and also enhance the holding period and now it is proposed that the advance tax of 1% shall not be charged where the holding period exceeds 10 years.

Section 236I **Collection of advance tax by educational institutions**

The advance tax is collected on fee paid to an educational institution at the rate of 5% of the fee amount. It is proposed to omit above section.

Section 236Q **Payment to residents for use of machinery and equipment**

The advance tax is collected at the rate of 10% on making payment to use industrial, commercial and scientific equipment. It is proposed to omit this section.

AMENDMENTS IN

Income Tax Ordinance, 2001

Section 236Y **Advance tax on person remitting amounts abroad through credit or debit or prepaid cards**

A new section is proposed that every banking company shall collect advance tax at the rate of 1% on amount paid, transfer outside Pakistan on behalf of holder of credit, debit or prepaid card. The advance tax collected under this section shall be adjustable.

Section 237A **Electronic record**

The Finance Bill seeks to add that in case of an integrated enterprise, no sale shall be made or service shall be rendered without generating fiscal invoice.

Section 237B **Prize schemes to promote tax culture**

A new section is proposed to add that the Board may prescribed prize scheme to encourage the general public to make purchases or avail services only from integrated enterprises issuing tax invoices.

First Schedule

Rates of Tax for Non-Salaried Individuals and Association of Persons

Part I, Div. I The rates of tax imposed on the taxable income of non-salaried individuals & Association of Persons shall be as follows:

S. No.	Taxable Income	Rate of Tax
1.	Where taxable income does not exceed Rs. 600,000/-	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	5% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 10,000 + 12.5% of the amount exceeding Rs. 800,000
4.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2.400,000	Rs. 60,000 + 17.5% of the amount exceeding Rs. 1,200,000
5.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 270,000 + 22.5% of the amount exceeding Rs. 2,400,000
6.	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 405,000 + 27.5% of the amount exceeding Rs. 3,000,000
7.	Where taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 680,000 + 32.5% of the amount exceeding Rs. 4,000,000
8.	Where taxable income exceeds Rs. 6,000,000	Rs. 1,330,000 + 35% of the amount exceeding Rs. 6,000,000

Association of Persons and non-Salaried individual

Annual Taxable Income	Tax charge as per existing slab (Rs.)	Tax as per proposed slab (Rs.)	(Relief) / Burden (Rs.)
	Tax year 2022	Tax year 2023	
1,000,000	50,000	35,000	(15,000)
2,000,000	190,000	200,000	10,000
3,000,000	370,000	405,000	35,000
4,000,000	620,000	680,000	60,000
5,000,000	920,000	1,005,000	85,000
6,000,000	1,220,000	1,330,000	110,000

First Schedule

Rates of Tax for Salaried Persons

The rates of tax imposed on the taxable income of every Salaried Person having salary income more than 75% of the total income shall be as follows:

S. No.	Taxable Income	Rate of Tax
1.	Where taxable income does not exceed Rs. 600,000	0
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 100
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	7% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 84,000 + 12.5% of the amount exceeding Rs. 2.400,000
5.	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 234,000 + 17.5% of the amount exceeding Rs. 3,600,000
6.	Where taxable income exceeds Rs. 6,000,000 but does not exceed Rs. 12,000,000	Rs. 654,000 + 22.5% of the amount exceeding Rs. 6,000,000
7.	Where taxable income exceeds Rs. 12,000,000	Rs. 2,004,000 + 32.5% if the amount exceeding Rs. 12,000,000

Salaried Persons

Salary (Rs.)		Tax charge as per existing slab (Rs.)	Tax as per proposed slab (Rs.)	Relief (Rs.)
Per Month	Annually	Tax year 2022	Tax year 2023	
50,000	600,000	-	-	-
100,000	1,200,000	30,000	100	29,900
150,000	1,600,000	90,000	42,000	48,000
200,000	2,400,000	180,000	84,000	96,000
300,000	3,600,000	390,000	234,000	156,000
400,000	4,800,000	630,000	444,000	186,000
500,000	6,000,000	895,000	654,000	241,000
750,000	9,000,000	1,595,000	1,329,000	266,000
1,000,000	12,000,000	2,345,000	2,004,000	341,000
1,500,000	18,000,000	3,995,000	3,954,000	41,000

First Schedule

Rate of Tax for Companies

Part I, Div. II

The rate of tax for companies shall be as follows:

Type of Company	Existing Rate of Tax	Proposed Rate of Tax
Small Company	20%	20%
Banking Company	35%	45%
Any other Company	29%	29%

Part II

Rate of advance tax collected by the Collector of Custom under section 148

S. No.	Persons	Rate
(1)	(2)	(3)
2.	Persons importing goods classified in Part II of the 12th Schedule	2% of the import value as increased by custom duty, sales tax and federal excise duty and 3.5% of import value as increased by custom duty, sales tax and federal excise duty in case of commercial importer

Part II

Rate of tax on value of import of mobile phone

S. No.	C & F value of mobile phone (In USD)	Tax (in Rs.)	
		In CBU condition PCT Heading 8517.1219	In CKD/SKD condition under PCT Heading 8517.1211
(1)	(2)	(3)	(4)
1	Up to 30 except smart phone	70	0
2	Exceeding 30and up to 100 and Smart Phone up to 100	100	0
3	Exceeding 100 and up to 200	930	0
4	Exceeding 200 and up to 350	970	0
5	Exceeding 350 and up to 500	5,000	3,000
6	Exceeding 500	11,500	5,200

Part III Division III

Payments for goods and services under section 153

Withholding tax at the rate of 3% is applicable on amount payable by REIT management services, services rendered by the National Clearing Company of Pakistan Limited.

First Schedule

Part III Division IVA Export of services under section 154A

S. No.	Types of Receipts	Rate of Tax
(1)	(2)	(3)
1.	Export proceeds of Computer software or IT services or IT enabled services by persons registered with Pakistan Software Export Board	0.25% of proceeds
2.	Any other case	1% of proceeds

Part IV Division III Rate of tax for goods transport under section 234

S. No.	Capacity	Rate per seat per annum (non-AC)	Rs. Per seat per annum (with AC)
(1)	(2)	(3)	(4)
1.	4 or more person but less than 10 persons	500	1,000
2.	10 or more persons but less than 20 persons	1,500	2,000
3.	10 or more persons but less than 20 persons	2,500	4,000

Part IV Division IV

clause (3) Rate of advance tax on electricity under section 99A read with 235

Gross amount of monthly bill	Tax
Where the amount does not exceed Rs. 30,000	Rs. 3000
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 5000
Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	Rs. 10,000
Specified retailers and service providers through Income Tax General Order	Rs.50,000”;

First Schedule

Part IV Division VII Advance tax on purchase, registration and transfer of motor vehicle

S.No	Engine Capacity	Tax
(1)	(2)	(3)
1.	Up to 850 cc	Rs.10,000
2.	851cc to 1000cc	Rs.20,000
3.	1001cc to 1300cc	Rs.25,000
4.	1301cc to 1600cc	Rs.50,000
5.	1601cc to 1800cc	Rs.150,000
6.	1801cc to 2000cc	Rs.200,000
7.	2001cc to 2500cc	Rs.300,000
8.	2501cc to 3000cc	Rs.400,000
9.	Above 3000cc	Rs.500,000

Provided that in case where engine capacity is not applicable and the value of vehicle is Rs. 5 million or more, the rate of tax collectible shall be 3% of the import value as increased by custom duty, sales tax and federal excise.

Part IV Division X Advance tax on salle or transfer of immovable property under section 236C

The rate of advance tax under section 236C is proposed to increase from 1% to 2%.

Part IV Division XA Advance tax on Foreign produced TV drama

"S. No	Description	Rate of Tax
(1)	(2)	(3)
1.	Foreign-produced TV drama serial or play	Rs.1,000,000 per episode
2.	Foreign-produced TV play (single episode)	Rs.3,000,000
3.	Advertisement starring foreign actor	Rs.100,000 per second.";

DAUDALLY LALANI & CO.
CHARTERED ACCOUNTANTS

First Schedule

Part IV Division XIV **Advance tax on sale to distributor, dealers or wholesaler under section 236G**

The advance tax under section 236G is applied on fertilizer (0.7%) and other than fertilizer (0.1%) on sale to distributor dealers or wholesaler. It is proposed to omit this table.

Part IV Division XVIII **Advance tax on purchase of immovable property under section 236K**

The rate of advance tax under section 236K is proposed to increase from 1% to 2%.

Part XXVII **Advance tax on amount remitted abroad through credit, debit or prepaid card under section 236Y**

It is proposed to introduce advance tax at the rate of 1% of the gross amount remitted abroad through credit, debit or prepaid card.

Second Schedule

Part I

Clause (23A) The exemption on accumulated balance from voluntary pension system is available up to 50%. The bill proposed to remove the restriction of 50% on accumulated balance received from the Voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005.

Clause (23B) The bill proposed to omit this exemption. It is available on amount 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.

Clause (66) The bill proposed to exempt the income of the following non-profit organizations

(lvi)	Pakistan Mortgage Refinance Company Limited
(lvii)	The Pakistan Global Sukuk Programme Company Limited
(lviii)	Karandaaz Pakistan from tax year 2015 onward
(lix)	Pakistan Sweet Hones Angles and Fairies Place
(lx)	Public Private Partnership Authority for tax year 2022 and subsequent four tax years
(lxi)	Dawat-e-Islami Trust
(lxii)	Hamdard Laboratories (Waqf) Pakistan

Second Schedule

Clause (150) The exemption on income is proposed for Siyahkalem Engineering Construction Industry and Trade Company Limited from contract dated 23rd May 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by the Saudi Fund for Development with effect from tax year 2017.

Clause (151) The bill proposed an exemption on income derived by a person from cinema operation in a tehsil town or town where there is no cinema, for 5 years from commencement of cinema operations. Provided that this exemption shall only be available to those persons who start cinema construction on or before 31st December 2023.

Part III

Clause (1) & (1A) The bill proposed to withdraw on flying and submarine allowance and allowance received by pilots.

Clause (6) The income from Behbood Saving Certificate or Pensioners Benefit Account and Shuhada Family Welfare account is taxed at a reduced rate of 10%. The bill proposed to reduce the rate of tax from 10% to 5%.

Clause (9A) The clause provides that the tax payable on income chargeable under the head "capital gain" on disposal of immovable property shall be reduced by 50% on the first sale of immovable property acquired or allotted to ex-servicemen and serving personnel of Armed forces or serving personnel of Federal and Provincial Government. The bill proposed to withdraw the above exemption.

Clause (20) The clause provides that 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 15% on the gross amount and it will be final tax. Now the Finance Bill proposed to withdraw the above exemption.

Part IV

Clause (11A) The bill seeks to provide exemption from minimum tax under section 113 to Mobile Phone manufacturer engaged in the local manufacturing of mobile phone devices.

Clause (12P) The bill proposed that the advance tax shall not apply on import of cinematographic equipment as notified by the Federal Government.

Second Schedule

Clause (86) The exemption from the provision of section 111 is available for investment made by an individual in a green field industrial undertaking directly or as an original allottee in the purchase of shares of a company establishing an industrial undertaking or capital contrition in an association of persons establishing an industrial undertaking, investment made by AOP in industrial undertaking and investment made by a company from 1st January 2014 and commences production on or before 30th June 2019. The Bill proposed to omit the above exemption.

Clause (95) It is proposed that the provisions of section 147, 151, 152, 236A and 236K shall not apply to the Second Pakistan International sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and the Pakistan Global Sukuk Program Company Limited.

Clause (96) The bill seeks to add an exemption from the provisions of sections 151, 153, 155 and 236C to the Second Pakistan International sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and the Pakistan Global Sukuk Program Company Limited.

Clause (97A) The bill proposed that the provisions of section 37, 236C and 236K shall not apply to National Highway Authority in respect of transfer of immovable property to the Pakistan Global sukuk Program Company Limited and in respect of transfer of immoveable property to National Highway Authority from the Second Pakistan International Sukuk Company Limited or the Pakistan Global Sukuk Program Company Limited.

Clause (105A) A major change has introduced and prosed immunity from audit under section 177 and 214C to a person whose income tax affairs have been audited in any of the proceeding 4 years. However, the Commissioner may select the person for audit with approval of the Board.

Amendments in Sales Tax Act, 1990

Section 2	**Definitions**
(12)	Scope of goods expanded to cover production, transmission and distribution of electricity
(29A (b)	Fee and service charges levied for valuation u/s 76 is now specifically excluded from components of sales tax. Sales tax now comprises sales tax, additional tax, default surcharge, fine, penalty or fee imposed under the Act (except fee & service charges levied for valuation) and any other sum payable under the Act.
(33 (e))	This new sub-clause makes supplies to include production, transmission and distribution of electricity.
(43 (ga))	This new sub-clause now covers in Tier-1 retailer category expanded to include a person supplying articles of jewelry, precious metal or metal clad with precious metal.
Section 3	**Scope of tax**
(1A)	At the time of, supply to a person who has not obtained registration number was to be charged a further tax at 3% of value in addition to specified rate. This additional tax will now also apply to a person who is not an active taxpayer.
(7)	This new proviso stipulates that operator of an online market place facilitating sale of third-party goods shall withhold tax on taxable supplies of such party at rates specified in Eleventh Schedule.
(9)	Retailers other than those falling in Tier-1 are charged tax thru their monthly bills and the electricity supplier deposits tax collected directly without adjusting his input tax. Slabs fixed for such collection and tax amount now increased. Revised slabs are:

Monthly electricity bill	Tax to be charged per month Rs.
Up to Rs.30,000	3,000
Over Rs. 30,000 but does not exceed Rs. 50,000	5,000
Exceed Rs.50,000	10,000

(9)	Board is now empowered to prescribe thru a general order any persons or class of persons who shall pay tax of Rs. 50.000 thru their monthly electricity bill.
(11)	This new sub-section empowers Board to require a person or class of persons to integrate their invoice issuing machines with the Board's Computerized System for real-time reporting of sales. Thus, Board can monitor real-time transactions and compliance.
Section 6	**Time and manner of payment**
	This section specifies that manner of paying sales tax on imported goods as same as if it were a customs duty payable under Customs Act, 1969.
5(new)	By inserting this new sub-section Federal Govt is empowered to allow payment of sales tax on installments basis by Federal or Provincial Governments or any public sector organization on import or supply of any goods or class of goods. It is further provided that such payment may be allowed from any previous date specified in the notification under this sub-section.
Section 8	**Tax credit not allowed**
1 (clause m)	This has been omitted. It previously disallowed input credit related to supplies to unregistered person invoice whereof did not bear NIC or NTN of recipient.
Section 8B	**Adjustable input tax**
	By omitting words "other than public limited companies listed on Pakistan Stock Exchange (PSX), exemption to them from 90% limit on adjustment of input tax as a % of output tax. A public limited company listed on PSX is no longer exempt from limit on adjustment of input tax up to 90% of output tax.
Section 14AB	**Discontinuance of gas and electricity connection**
	Board is empowered thru Sales Tax General Order to direct gas and electricity distribution companies for discontinuing gas and electricity connections of any person who fall in following categories, namely: a) Any person, including tier-1 retailers who fail to register for sales tax purpose or b) Notified tier-1 retailers registered but not integrated with the Board's Computerized System.

Provided upon registration or integration, as the case may be, of the above said persons, the Board shall notify the restoration of their gas or electricity connection thru Sales Tax General Order.

Section 23	**Tax Invoices**
1 (b)	Previously tax invoices for supplies to unregistered persons were required to show recipient's NIC or NTN. This requirement has been expunged.
Section 30C	**Directorate General of Training and Research** This Directorate is being re-named as Inland Revenue Services Academy in title and in the section.
Section 33 Serial 24 in Table	**Offences and penalties** These comprised offences of avoiding monitoring, tracking, reporting or recording of transactions or issuing incomplete invoices by a person integrated for monitoring, tracking, reporting or recording of transactions of sales, etc. with the Board or its computerized system. Now such offences also include omission or counterfeiting of QR code or defacing invoice number of barcode or QR code.
Section 77	**Uniform** Board may prescribe rules for wearing of uniform by officers and staff of Inland Revenue Services.

Sixth Schedule – U/S 13(1) – Exempt Supplies

Table-1 (Imports or Supplies)

The bill proposed to make following changes in Table-1:

a) serial no. 32 and entries relating thereto in columns (2) and (3) shall be substituted, namely: –

"32.	Newsprint and books but excluding brochures, leaflets and directories	Respective headings.".

b) The bill proposed to add following entries after serial no. 162, namely: –

S. No.	Description	Heading
(1)	(2)	(3)
"163.	Goods imported by various agencies of the United Nations, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts and, Orders, rules and regulations made thereunder; and agreements by the Federal Government: Provided that such goods are charged to zero-rate of customs duty under the Customs Act, 1969 (IV of 1969), and the conditions laid therein. Provided further that exemption under this serial shall be available with effect from the 15th day of January, 2022.	99.01,99.02, 99.03 and 99.06
164.	Photovoltaic cells whether or not assembled in modules or made up into panels	8541.4200 and 8541.4300
165.	Goods imported by or donated to hospitals run by the non-profit making institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969, (IV of 1969).	99.13 and 99.14,
166.	Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.	Respective headings
167.	Goods temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate of customs duty subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969 (IV of 1969).	99.19, 99.20 and 99.21
168.	Silver, in unworked condition	7106.1000, 7106.9110 and 7106.9190
169.	Gold, in unworked condition	7108,1100, 7108.1210 and 7108.1290
170.	Tractor	8701.9220 and 8701.9320
171.	Seeds for sowing	Respective Heading
172.	Machinery, equipment and materials imported either for exclusive use within the limits of Export Processing Zone or for making exports therefrom, and goods imported for warehousing purpose in Export Processing Zone, subject to the conditions that such machinery, equipment, materials and goods are imported by investors of Export Processing Zones, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (IV of 1969) and rules made thereunder shall mutatis mutandis, apply.	Respective headings.".

Table-2 (Local Supplies only)

The bill proposed to make following changes in Table-2:

a) against serial number 45 and entries relating thereto in columns (2) and (3) shall be substituted, namely: –

"45.	Edible vegetables including roots and tubers whether fresh, frozen or otherwise reserved (e.g., in cold storage) but excluding those bottled or canned.	Respective Heading

b) The following entries shall be inserted in the said table after serial no. 51, namely: –

"52.	Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal on which tax has been paid at the import stage @ 4%.	71.13
53.	Prepared food or foodstuff supplied by Restaurants and caterers	Respective heading

Table-3

The bill proposed to add following entries in Table-3 after serial no. 21, namely:

"22	1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through hydel, oil, gas, coal, nuclear and renewable energy sources including under construction projects entered into an implementation agreement with the Government of Pakistan prior to 15th day of January, 2022. 2. Construction machinery, equipment and specialized vehicles,	Respective Headings	i. This concession shall also be available to primary contractors of the project upon fulfilment of the following conditions, namely: - (a) the contractor shall submit a copy of the contract or agreement under which he intends to import the goods for the project; (b) the Chief Executive or head of the contracting company shall certify in the prescribed manner and format as per Annex-A that the imported goods are the projects bona fide requirement; and (c) the goods shall not be sold or otherwise disposed of without prior approval of the FBR

	The bill proposed to add following entries in Table-3 after serial no. 21, namely:		on payment of sales tax leviable at the time of import; (ii) temporarily imported goods shall be cleared against a security in the form of a post-dated cheque for the differential amount between the statutory rate of sales tax and the amount payable along with an undertaking to pay the sales tax at the statutory rates in case such goods are not re-exported on conclusion of the project.

Eight Schedule – U/S 3(2) (aa)

The bill proposed to make following changes in the said schedule:

a) sales tax to be exempted on agricultural tractors, locally produced coal and on import of electrical vehicles in CBU condition.

b) change in tax rate on following items:

S. No.	Description	Current Rate of Sales Tax	Proposed Rate of Sales Tax
43	Natural Gas	5%	10%
44	Phosphoric Acid	5%	10%
52	Fertilizers (all types)	2%	10%

a) the following new entries shall be inserted after serial no. 77:

S. No.	Description	Heading	Rate of Sales Tax	Condition
(1)	(2)	(3)	(4)	(5)
"78.	Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.	71.13	3%	No input tax shall be adjusted
79.	Import of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.	71.13	4%	No input tax shall be adjusted
80.	Local supply of reclaimed lead	Respective Heading	1%	Subject to the conditions that: (i) Supplies are made to registered manufacturers of lead and lead batteries: and (ii) No refund of input tax shall be admissible.

Ninth Schedule – U/S 3(3B)

Table-II

(Cellular mobiles in CKD/CBU form)

The following changes are proposed in the said table:

S. No.	**Description / Specification of Goods**	**Current Sales tax on import in CKD/SKD condition**	**Proposed Sales tax on import in CKD/SKD Condition**
(1)	(2)	(4)	(4)
1.	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:-		
	D. Exceeding US$ 100 but not exceeding US$ 200	Rs. 10	10% ad valorem
	E. Exceeding US$ 200 but not exceeding US$ 350	Rs. 1,740	10% ad valorem
	F. Exceeding US$ 350 but not exceeding US$ 500	Rs. 5,400	10% ad valorem
	G. Exceeding US$ 500	Rs. 9,270	10% ad valorem

Amendments in Customs Act, 1969

Clause (bbc)	This bill seeks to add new clause (bbc) to section 2 to curb menace of smuggling of essential commodities which stipulates definition of bordering and coastal areas covering all districts located along international borders including coastal areas of Pakistan, notified as such by Provincial Governments.
Clause (kka)	This bill seeks to amend clause (KKA) of section 2 to interrelate the Customs Act,1969 with Pakistan Single Window Act (PSW),2021 by enhancing definition of documents which now also covers standardized information and documents lodged with a single-entry point through Pakistan Single Window.
Clause (kkd)	To curb menace of smuggling through this bill new clause (kkd) added which stipulates definition of essential commodities meaning those items availability of which is considered vital for domestic use or consumption, as notified by the Board, from time to time, in consultation with the ministries concerned.
Clause (qb)	Existing clause of (qb) mentioning risk management system is amended by including trade controls as part of risk management system.
Clause (s)	Existing clause of (s) slightly amended by including essential commodities as notified by the Board in scope of smuggle. further definition also added as mention in subsection (kkd).
Section 19	Section 19 applicability is further extended for one year i.e., 2023 which pertain to General power to exempt from custom duties.
Section 21	Section 21 is slightly amended which stipulates regarding Power to deliver certain goods without payment of duty and to repay duty on certain goods which previously covers supplies against international tenders has now been excluded due to redundancy.
Section 81	To avoid delay in realization of government revenue therefore section 81 has been amended by reducing period of 6 months to 90 days after goods cleared on provincial assessment to determine correct amount of duty and taxes payable. Similarly in case of exceptional nature further extension from Collector of Customs & director valuation will now cannot be exceeded from 30 days for final determination of liability payable which was previously allowed for 90 days.

Amendments in Customs Act, 1969

Section 98	Period for which goods may remain warehoused as per section 98 is slightly amended by not exceeding one month if provided by additional collector of customs, by not exceeding six months if provided by collector of customs & for such period as he deems fit if provided by additional collector of customs.
Section 138	In section 138 which specifies frustrated cargo how delt with is amended by increasing power of officer of customs to allow change of consignee name for clearance under 79.
Section 157	In section 157 which previously grant owner of conveyance to release confiscated goods by depositing bank guarantee to appropriate custom officer is now being omitted.
Section 164	In section 164 power of appropriate officer is enhanced and simultaneously restricted in case of essential commodities, as notified by the Board, the powers under sub-section (1) shall only be exercised within bordering and coastal areas through insertion of new proviso.
Section 170	New section 170A has been inserted which states procedure in case of seizure of essential commodities for depositing same seizure goods in the nearest custom -house or nearest place specify by collector of customs.
Section 179	In Section 179 slightly amendment made by enhancing powers of customs officers in terms of duties and taxes involved as follows: a) In case of additional collector to Rs: 5 million Rupees & b) In case of deputy collector to Rs: 2 million.
Section 196	In Section 196 slight amendment made in which reference to high court with regard to question of law may be made by aggrieved person or collector, director of intelligence & investigation or director of value within 90 days of appellate tribunal order is now concise by replacing collector, director of intelligence & investigation or director of value with officer of custom.
Section 203	In section 203 slightly amendment made by enhancing power of the collector of customs for determination of port charges on services rendered by terminal operator & to fix charges for storing seized and confiscated goods, vehicles etc. in declared state warehouses.

Amendments in Customs Act, 1969

Section 217

In section 217 slightly amendment made by including provincial government in purview of government which was previously restricted to federal government to claim protection if any action taken under the act.

First and Second Schedule

Further First Schedule and Fifth Schedule of customs Act,1969 also be substituted with First Schedule and Second Schedule. However, those first and second schedule are not made part of this document due to length of those documents.

Amendments in Federal Excise Act, 2005

- This finance bill specifically excludes fee and services charges collected under Section 49 from definition of duty as stipulated in Section 2(9).
- This finance bill proposes that new name of Directorate General of Training & Research will be Inland Revenue Services Academy.
- This finance bill seeks to add new section 50 which stipulates uniform wearing requirement for officers and staff of Inland Revenue Services.
- This bill seeks to change FED rate specified in First Schedule as follows:

First Schedule

Table 1

S.no	Description of goods	Existing Rate	Proposed Rate
8a	E-liquids by whatsoever name called, for electric cigarette kits.	Rs: 10/ml	Rs: 10,000/kg
9	Locally produced cigarettes if their on-pack printed retail price exceeds five thousand nine hundred and sixty rupees per thousand cigarettes.	Rs. 5,200 /1000 cigarette	Rs. 5,600/1000 cigarette
10	Locally produced cigarettes if their on-pack printed retail price does not exceed five thousand nine hundred and sixty rupees per thousand cigarettes.	Rs. 1,650/1000 cigarette	Rs. 1,850/1000 cigarette
56	Filter rod for cigarettes	Rs. 1 /filter rod	Rs. 15,000/KG

Amendments in Federal Excise Act, 2005

S. No	Description of services	Existing Rate	Proposed Rate
3	Facilities for travel: Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan -Club, business and first class	10,000 Rupees	50,000 Rupees
6	Locally produced cigarettes if their on-pack printed retail price exceeds five thousand nine hundred and sixty rupees per thousand cigarettes.	16% of charges	19.5 % of charges

Capital Value Tax (CVT)

- It is proposed that the following assets shall be eligible for capital value tax (CVT)

a) Motor vehicle held in Pakistan which value exceed by Rs: 5 million, the rate of CVT will be 2% of value of assets.
b) Residential individual assets held in abroad where value of such assets exceed Rs: 100 million, the rate of CVT will be 1% of value of assets
c) Such assets as Federal government through notification may specify.

- Value of assets in case of motor vehicles

a) Where vehicle is imported value assessed by custom authorities as increased by custom duties.
b) Value at which motor vehicle sold by Local Manufacturer or assembler
c) Where vehicle auctioned in case of auction price
d) In any other the total consideration paid to acquire, alter or improve the vehicle

- Value of asset in case of notified assets by federal government value shall be specified in that notification

- The manner in which tax will be collected & paid

a) In case of import by collector of customs

Capital Value Tax (CVT)

b) Incase locally manufactured or assembled by local manufacturer or assembler depositing in seven days of collection to authorized branch of National Bank of Pakistan or the State Bank of Pakistan

c) In case of auction by the seller from the buyer of that motor vehicle at the auction price depositing in seven days of collection to authorized branch of National Bank of Pakistan or the State Bank of Pakistan

d) In case of registering motor vehicle by Excise and taxation department provided no tax under this section paid early under this section

- Where tax remain unpaid than person who is in default will be personally liable along with default surcharge at the rate of 12%.

- Power of Inland Revenue officer to collect tax if it remains unpaid as if it were arrear of tax under Income tax ordinance. further the provision of Income tax Ordiance,2001 and Income tax Rules 2001 shall apply to the recovery of tax under this section.

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