

EY Ford Rhodes
Budget Briefing
Post Finance Act
2022



BUDGET BRIEFING POST FINANCE ACT 2022

This Memorandum is correct to the best of our knowledge and belief at the time of publication. It is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. The Firm and EY do not accept any responsibility for any loss arising from any action taken or not taken by anyone using this publication.

Budget Briefing

The Firm had initially published a Memorandum at the time of presentation of the Finance Bill, 2022 (the Bill) in the National Assembly on 10 June 2022. Several deliberations were carried out by the government with various stakeholders after the presentation of the budget. The standing committee of the Senate also presented several recommendations to the government for amendments/ changes in the proposals presented through the Bill. On the basis of the above, the government proposed several changes in the Bill which have been approved by the Parliament on 29 June 2022. A copy of the signed Finance Act, 2022, has been issued by the National Assembly Secretariat through letter dated 30 June 2022. Based on the finalized Finance Act, we have updated our comments on the Bill and have added comments to highlight the changes made against the original proposals that were commented by us earlier.

This is not an exhaustive treatise as it sets out interpretation of only the significant amendments as passed by the National Assembly, in the Income Tax Ordinance, 2001 (the Ordinance), the Sales Tax Act, 1990 (the ST Act), the Customs Act, 1969 (the Customs Act), the Federal Excise Act, 2005, The Islamabad Capital Territory (Tax on Services) Ordinance, 2001 in a concise form sufficient enough to amplify the important aspects of the changes proposed to be made. FBR means the Federal Board of Revenue, Government of Pakistan.

Changes of consequential, administrative, procedural, or editorial in nature have either been excluded from these comments or otherwise dealt with briefly.

The amendments proposed by the Bill enacted as the Finance Act, 2022, shall, with or without modification, become effective from the Tax Year 2023, unless otherwise indicated.

It is suggested that the text of the Bill and the relevant laws and notifications, where applicable, be referred to in considering the interpretation of any provision. Since these are only general comments, no decision on any issue be taken without further consideration and specific professional advice should be sought before any action is taken.

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KARACHI: 1 July 2022

Income Tax

- As against, “Tax on high earning persons for poverty alleviation”, the Act has replaced the same with “Super tax on high earning persons”. Whilst the Bill proposed to levy a 2% tax where income exceeded PKR 300 million, the Act has introduced progressive rates ranging from 1% to 4% where income exceeds PKR 150 million. The Super tax will apply to all categories of persons from tax year 2022 and onwards. However, in tax year 2022, taxpayers belonging to 15 sectors will pay super tax at 10% in case their income exceeds PKR 300 million. Banks will pay super tax at 4% in Tax year 2022 and 10% in tax years 2023 and onwards.
- The Bill had proposed tax at 20% on deemed rental income equivalent to 5% of the fair market value of immovable property. The Act has extended the scope to all categories of capital assets excluding certain specified assets
- As per the salaried tax rates proposed by the Bill, salaried taxpayers earning taxable income up to PKR 18 million were not to be adversely affected. The Act has revised the salaried tax rates, adversely affecting the tax home salary of such taxpayers
- The Bill had proposed to withdraw certain tax credits and deductible allowances. The Act has reinstated the tax credit on “Contribution to an Approved Pension Fund”
- Rate of tax for Banking company increased from 35% to 45%. The Act has reduced this rate to 39%
- Commercial importers were earlier proposed to be taxed under Final Tax Regime. However, the Finance Act has restored their taxation under Minimum Tax Regime.
- Rate of tax on capital gains arising from disposal of securities, including shares of listed companies, revised on the basis of holding period. These rates have again been revisited by the Act. The revised rates are applicable to securities acquired on or after 1 July 2022. Capital gain on securities that were acquired on or before 30 June 2022 shall be liable to tax at 12.5% without threshold of holding period.
- The Bill had abolished carry forward of minimum tax paid under section 113 of the Ordinance. The Act has reinstated the provision but restricted carry forward from existing 5 years to 3 years
- Expenditure up to 10%, claimed by a person who, if required, fails to integrate his business with the Board through approved fiscal electronic device and software, to be disallowed. The Act has reduced the rate from 10% to 8%
- Every citizen of Pakistan, not a tax resident in any country, would be considered as a tax resident. However, the Act has further enacted that if such individual is present in any other country for more than 182 days, he will continue to be regarded as non-resident
- Condition for obtaining approval under section 2(36) as an NPO for claiming tax credit under section 100C deferred till 01 July 2024. The Act has revisited the date to 01 July 2023
- Threshold of PKR 250,000 enhanced to PKR 1 million for making payment through digital means. The Act has reinstated the threshold again to PKR 250,000
- Cost of passenger transport vehicle not plying for hire enhanced to PKR 5 million from existing 2.5 million. The Act has further extended the limit to PKR 7.5 million

Capital Value Tax

- CVT reintroduced and levied on motor vehicles held in Pakistan having engine capacity exceeding 1300 cc or in case of electric vehicle having the battery power exceeding 50kwh at the rate of 1% of the value; foreign assets of a resident individual having value in excess of PKR 100 million at the rate of 1% of the value of such assets and in case of assets or class of assets, as specified by the Federal Government, at the rate not exceeding 5% of the value of such assets.

Sales Tax

- Retailers whose shop area does not exceed to the extent of three hundred square feet are excluded from the purview of Tier-I Retailer.
- Explanation has been provided to value of supply of electric power and gas by distribution company wherein the value of supply would not include the amount of subsidy provided by the Federal or Provincial Government to the electricity consumers.
- Withholding on purchase of services liable to pay sales tax under the provincial enactment is excluded from the purview of sales tax withholding.
- FBR may prescribe persons or class of persons who shall pay tax up to Rs. 200,000 per month through their monthly electricity bills.
- Rates of tax on other than Tier- I retailers shall be increased by one hundred percent if the name of the person is not appearing in the active taxpayers list issued by FBR under section 181A of the Ordinance, 2001 on the date of issuance of monthly electricity bill.
- Requirement of mentioning NTN or NIC number under Section 23(1)(b) is now restricted to supplies made by a manufacturer or importer to unregistered distributors.
- Re- introduction of substantial penalties on Tier-I retailers who fail to integrate their business.
- Omission of section 33A wherein criminal proceedings could be initiated against Authorities, officers, officials, or any other person.
- Revamping of ADRC provisions in line with the Ordinance.
- Amendment in Section 74 authorizing FBR to condone the time limit before or after the expiry of such time limit or period.
- Fertilizers are exempt from sales tax.
- Oil Cake and Other solid residues are exempt from sales tax.
- Restoration of exemption on re-importation of locally manufactured goods.
- Rate for locally produced coal has been enhanced to 700 per metric tonne or 17% ad valorem, whichever is higher.
- Imported jewelry articles are subject to standard rate of sales tax.

Highlights

- Electric vehicles in CBU conditions up to 50 kwh battery continued to subject to tax at 12.5%.
- EV transport buses of 25 seats or more in CBU condition are taxed at 1%.
- Import and supply of active ingredients and drugs registered under the Drugs Act are subject to 1% sales tax without adjustment of input tax. Tax charged by manufacturers and importers would be final discharge of tax in the supply chain.
- Online marketplace withholding rate reduced to 1% from 2%.

Islamabad Capital Territory Tax

- The Act has reduced the rate of tax to 15% on services currently subject to tax at the rate of 16% and 17% under Table-1 of the Schedule except "Services provided by software or IT-based system development consultants".
- The Act has included the services of farmhouses, restaurants and suppliers of food and drinks within the purview of Sales Tax under the ICT Ordinance.
- The Act has amended the description of "IT services and IT-enabled services" in Table-2 of the Schedule to ICT Ordinance to align with the description of services provided in Table-1 of the Schedule i.e., "Services provided by software or IT-based system development consultants".

Federal Excise Act

- The Act has increased the rate of duty on cigarettes and e-liquids.
- The Act has increased the rate of duty on club, business and first class facilities for travel from ten thousand rupees to fifty thousand rupees.
- The Alternative Dispute Resolution mechanism has been revamped.
- The FBR has been empowered to condone any time limit or period specified in the FE Act, before or after the expiry of such time.
- The rate of duty on telecommunications services is increased from 16% to 19.5%.

Customs

- The definition of "bordering and coastal areas" means areas along international borders as notified by the Board. Initially it was proposed to notify these areas by the Provincial governments.
- No provisional determination of liability shall be allowed in those cases where a Valuation Ruling (VR) is in field, regardless of the fact that any review or revision against such VR is pending under section 25D of the Customs Act.
- The Act has not adopted the proposal to give power to the Collector of Customs to levy port charges on import and export of goods on services rendered by terminal operators.

Highlights

- The Act has not adopted the proposal to extend protection of action taken under the Act to Provincial Governments.
- CD on liquid, acid dyes, direct and reactive dyes has been increased from 11% to 16%.
- CD on synthetic organic products of a kind used as fluorescent brightening agents has been increased from 16% to 20%.
- To incentivize film making and media industry, CD on the import of Cinematographic equipment imported during the period from 01 July 2018 to 30 June 2023 has been reduced from 3% to 0%.
- CD on import of smart phones shall be 0%.
- CD on import of CKD/ SKD of smart phones shall be 0%, if imported by local assembler /manufacturer duly certified by Pakistan Telecommunication Authority (PTA) subject to quota determination by IOCO department. Further, the local assembler /manufacturer shall also furnish, type approval certificate and consignment wise NOC from PTA.

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Income Tax

1. Tax on High Earning Persons for Poverty Alleviation

Section 4C and Division IIB, Part I of the First Schedule, Fourth, Fifth and Seventh Schedules

Similar to Section 4B the Ordinance which imposed super tax for rehabilitation of temporarily displaced persons, a new tax has been proposed to be levied for the Tax Year 2022 and onwards namely "tax on high earning persons for poverty alleviation". Such tax would apply to all persons earning income of PKR 300 million which would be calculated at 2% of the income computed as per the mechanism provided in Section 4C. As stated above, the provisions of the proposed Section 4C are similar to Section 4B of the Ordinance in terms of the persons to whom it would apply; the manner in which "income" for the purpose of this tax would be computed, and for the purpose of levy, payment and recovery of such tax as well as penal levies for non-payment.

The levy would inter alia, apply to insurance companies, companies engaged in exploration and production of petroleum and mineral deposits, as well as banking companies, which are governed by the Fourth, Fifth and Seventh Schedules to the Ordinance respectively.

The above tax would be applied on all sources of income whether taxable under NTR or FTR. For charging tax on income falling under FTR, the concept of imputable income applies which is covered Clause (28A) of Section 2 of the Ordinance.

The proposed section also provides that the computation of income, brought forward losses and brought forward depreciation shall not be taken into account.

Position after Finance Act, 2022

The Act has changed the title of Section 4C which now reads as "Super tax on high earning persons".

As per the original proposal, the tax would be applicable for the tax year 2022 and onwards on all persons whose income exceeds PKR 300 Million @ 2%. However, banking companies have been excluded from the applicability of this tax for the tax year 2022. They are required to pay such tax from the tax year 2023 and onwards.

The Act has changed the rates proposed by the Bill and instead has introduced slab rates for the purpose of calculating super tax on high earning persons which are as follows:

S.No.	Income under Section 4C	Rate of Tax
1.	Exceeding PKR 150 Million to PKR 200 Million	1%
2.	Exceeding PKR 200 Million to PKR 250 Million	2%
3.	Exceeding PKR 250 Million to PKR 300 Million	3%
4.	Above PKR 300 Million	4%

In addition to the above, for the tax year 2022 for the persons engaged whether partly or wholly in the following businesses, the Act has prescribed the rate of 10% instead of 4% if their income exceeds PKR 300 Million:

- Airlines
- Automobiles
- Beverages
- Cement

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- Chemicals
- Cigarette and tobacco
- Fertilizer
- Iron and Steel
- LNG Terminal
- Oil Marketing
- Oil Refining
- Petroleum and gas exploration and production
- Pharmaceuticals
- Sugar
- Textiles

As regards banking companies, they would be subject to the tax rate of 10% for the tax year 2023 if their income exceeds PKR 300 Million. Otherwise, the rates given in the above Table would apply.

2. Tax on Deemed Income from Immovable Property

Section 7E, Division VIII C, Part I of the First Schedule

The Bill has proposed to insert a new Section 7E whereby the concept of deemed rental income has been introduced which would apply to resident taxpayers effective from Tax Year 2022 and onwards.

According to the proposed provisions, a resident person shall be treated to have received rent equal to 5% of the fair market value (FMV) of an immovable property situated in Pakistan whether such property has actually been rented out for any consideration or not. Such deemed income would be taxable in the hands of the resident person at the rate of 20% which would be final discharge of tax liability. It would not be out of place to mention that the FBR has already prescribed FMV of immovable properties across Pakistan pursuant to Section 68 of the Ordinance.

The above section has also proposed few exceptions to its applicability which are:

- one self-owned immovable property;
- self-owned business premises from which business is carried out;
- self-owned agriculture land where agriculture activity is carried out by the person but does not include farmhouse and land annexed thereto;
- where the FMV of the property or properties, in aggregate, excluding properties mentioned above does not exceed PKR 25 million;
- a Provincial Government, a Local Government, a local authority or a development authority;
- land development and construction projects of builders and developers registered with Directorate General of Designated Non-Financial Businesses and Professions of Board;
- a property which is subject to tax under the head Income from Property pursuant to Section 15 and the tax chargeable is more than tax chargeable under this section. However, where the tax chargeable under Section 15 is less than the tax chargeable under Section 7E, the difference of such tax shall be paid under this section

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It appears that through the above proposed amendment, the Government wishes to capture real state sector where major investments are being parked and the money is not channelized in the economy which may increase the economic activity.

It is interesting to note that where property is rented out, Section 15(4) of the Ordinance already provides for taxation at FMV of the rent. However, with the above proposed section, the tax liability on rental income would be higher of the following:

- Tax liability on actual rent received/ receivable under Section 15 of the Ordinance
- Tax liability on FMV of rent under Section 15 of the Ordinance
- Tax liability under Section 7E of the Ordinance

Position after Finance Act, 2022

The Finance Act, 2022 has changed the scope of the above Section from tax on deemed income from 'immovable property' to 'capital assets'. Consequently, corresponding changes have also been made in the entire Section to replace the reference from 'immovable property' to 'capital asset' wherever occurring.

In addition to the above, following new exceptions/ changes to the earlier proposed exceptions have been introduced -

- Previously it was proposed that self-owned business premises from which business is carried out would be ousted from taxation under this Section. The applicability of this exception has been restricted to persons appearing on the active taxpayers' list at any time during the year.
- Previously it was proposed that a property which is subject to tax under the head 'Income from property' and also under Section 7E, the difference would be paid under Section 7E. The above exception has been done away with. Now only such property from which income is chargeable to tax under the Ordinance and the tax has been paid, would not be taxed under Section 7E.
- Exceptions have been introduced for 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 the 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 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.
- A capital asset in the first tax year of acquisition where tax under section 236K has been paid.

Moreover, definitions of the terms 'capital asset' and 'farmhouse' have also been introduced in the following manner -

- "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;

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- (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 2,000 square yards with a minimum covered area of 5,000 square feet used as a single dwelling unit with or without an annex [annexee].

Provided that where there are more than one dwelling units in a compound and the average area of the compound is more than 2,000 square yards for a dwelling unit, each one of such dwelling units shall be treated as a separate farmhouse.

3. Rates of Tax for Non-Salaried Individuals and AOPs

Clause (1), Division I, Part I of the First Schedule

The Bill also proposes to revise the tax rates applicable on non-salaried taxpayers and AOPs. While the number of income slab remains unchanged, the basic threshold for non-charge of income tax for non-salaried taxpayers is proposed to be increased from PKR 400,000 to PKR 600,000.

Following are the proposed tax rates in respect of non-salaried taxpayers/ AOP for Tax Year 2023.

Taxable Income	Rate of Tax
Up to PKR 600,000	0%
PKR 600,001 - 800,000	5% of amount exceeding PKR 600,000
PKR 800,001 - 1,200,000	PKR 10,000 + 12.5% of amount exceeding PKR 800,000
PKR 1,200,001 - 2,400,000	PKR 60,000 + 17.5% of amount exceeding PKR 1,200,000
PKR 2,400,001 - 3,000,000	PKR 270,000 + 22.5% of amount exceeding PKR 2,400,000
PKR 3,000,001 - 4,000,000	PKR 405,000 + 27.5% of amount exceeding PKR 3,000,000
PKR 4,000,001 - 6,000,000	PKR 680,000 + 32.5% of amount exceeding PKR 4,000,000
Amount exceeding PKR 6,000,000	PKR 1,330,000 + 35% of amount exceeding PKR 6,000,000

Due to such change, non-salaried taxpayers and AOPs deriving annual taxable income of up to PKR 1.8 million (i.e. monthly income of approximately PKR 150,000) would benefit from the revised rates. However, where annual income exceeds PKR 1.8 million, such taxpayers would be adversely affected by the proposed revised rates.

The following table provides the comparative analysis of the existing and proposed tax rates applicable on non-salaried taxpayers and AOPs

Income Tax

Taxable Income		Tax Incidence		(Decrease)/Increase in Tax Incidence	
Per Month	Per Annum	2022	2023 (Proposed)	PKR	% age
35,000	420,000	1,000	-	(1,000)	-100.0%
50,000	600,000	10,000	(0)	(10,000)	-100.0%
60,000	720,000	22,000	6,000	(16,000)	-72.7%
65,000	780,000	28,000	9,000	(19,000)	-67.9%
75,000	900,000	40,000	22,500	(17,500)	-43.8%
100,000	1,200,000	70,000	60,000	(10,000)	-14.3%
125,000	1,500,000	115,000	112,500	(2,500)	-2.2%
150,000	1,800,000	160,000	165,000	5,000	3.1%
200,000	2,400,000	250,000	270,000	20,000	8.0%
250,000	3,000,000	370,000	405,000	35,000	9.5%
300,000	3,600,000	520,000	570,000	50,000	9.6%
350,000	4,200,000	680,000	745,000	65,000	9.6%
400,000	4,800,000	860,000	940,000	80,000	9.3%
450,000	5,400,000	1,040,000	1,135,000	95,000	9.1%
500,000	6,000,000	1,220,000	1,330,000	110,000	9.0%
600,000	7,200,000	1,640,000	1,750,000	110,000	6.7%

Position after Finance Act, 2022

No further changes, proposal adopted as above.

4. Rates of Tax for Salaried Individuals

Clause (2), Division I, Part I of the First Schedule

The Bill proposes to revise the tax rates applicable to salaried taxpayer. The number of income slabs have been reduced from the existing 12 to 7. Furthermore, the maximum rate of tax applicable on the highest slab rate has been reduced from 35% to 32.5%. However, the highest rate of tax of 32.5% will now become applicable where taxable income of such salaried taxpayers exceed PKR 12 million as against the current threshold of PKR 75 million.

Income Tax

Following are the proposed tax rates in respect of salaried taxpayers for Tax Year 2023.

Taxable Income	Rate of Tax
Up to PKR 600,000	0%
PKR 600,001 - 1,200,000	PKR 100 of amount exceeding PKR 600,000
PKR 1,200,001 - 2,400,000	7% of amount exceeding PKR 1,200,000
PKR 2,400,001 - 3,600,000	PKR 84,000 + 12.5% of amount exceeding PKR 2,400,000
PKR 3,600,001 - 6,000,000	PKR 234,000 + 17.5% of amount exceeding PKR 3,600,000
PKR 6,000,001 - 12,000,000	PKR 654,000 + 22.5% of amount exceeding PKR 6,000,000
Amount exceeding PKR 12,000,000	PKR 2,004,000 + 32.5% of amount exceeding PKR 12,000,000

Due to the proposed amendments, the taxpayers deriving annual salary income less than PKR 19.2 million (i.e. monthly income up to PKR 1.6 million) would benefit from the proposed revised rates. However, the tax incidence would increase for salaried taxpayers deriving annual taxable income exceeding PKR 19.2 million.

The following table provides the comparative analysis of the existing and proposed tax rates applicable on salaried taxpayers

Taxable Income		Tax Incidence		(Decrease)/Increase in Tax Incidence	
Salary per month	Salary per annum / taxable income	2022	2023 (Proposed)	PKR	% age
50,000	600,000	-	0	0	
60,000	720,000	6,000	100	(5,900)	-98.333%
100,000	1,200,000	30,000	100	(29,900)	-99.667%
150,000	1,800,000	90,000	42,000	(48,000)	-53.333%
200,000	2,400,000	180,000	84,000	(96,000)	-53.333%
208,333	2,500,000	195,000	96,500	(98,500)	-50.513%
291,667	3,500,000	370,000	221,500	(148,500)	-40.135%
300,000	3,600,000	390,000	234,000	(156,000)	-40.000%
416,667	5,000,000	670,000	479,000	(191,000)	-28.507%
500,000	6,000,000	895,000	654,000	(241,000)	-26.927%
666,667	8,000,000	1,345,000	1,104,000	(241,000)	-17.918%
1,000,000	12,000,000	2,345,000	2,004,000	(341,000)	-14.542%
1,600,000	19,200,000	4,325,000	4,344,000	19,000	0.439%

Income Tax

Taxable Income		Tax Incidence		(Decrease)/Increase in Tax Incidence	
Salary per month	Salary per annum / taxable income	2022	2023 (Proposed)	PKR	% age
2,500,000	30,000,000	7,295,000	7,854,000	559,000	7.663%
4,166,667	50,000,000	13,295,000	14,354,000	1,059,000	7.965%
6,250,000	75,000,000	21,420,000	22,479,000	1,059,000	4.944%

Position after Finance Act, 2022

The revised rates in respect of salaried taxpayers have been enacted with the change in maximum rate of tax from 32.5% to 35%. The following table is enacted for the taxation of salaried taxpayers for the Tax Year 2023.

Taxable Income	Rate of Tax
Up to PKR 600,000	0%
PKR 600,001 - 1,200,000	2.5% of amount exceeding PKR 600,000
PKR 1,200,001 - 2,400,000	PKR 15,000 + 12.5% of amount exceeding PKR 1,200,000
PKR 2,400,001 - 3,600,000	PKR 165,000 + 20% of amount exceeding PKR 2,400,000
PKR 3,600,001 - 6,000,000	PKR 405,000 + 25% of amount exceeding PKR 3,600,000
PKR 6,000,001 - 12,000,000	PKR 1,005,000 + 32.5% of amount exceeding PKR 6,000,000
Amount exceeding PKR 12,000,000	PKR 2,955,000 + 35% of amount exceeding PKR 12,000,000

The enacted tax rates have taken away the proposed tax relief sought to be provided to the individuals belonging to lower salaried class. On the other hand, the tax incidence has been increased considerably for the individuals belonging to higher salary brackets. The following table provides the increase / decrease in the tax incidence of salaries taxpayers from tax liability of the tax year 2022 to tax year 2023 and also the tax liability calculated as per the proposed Finance Bill, 2023

As Applicable to Salaried Individual									
Taxable Income		Position as Per Proposed Finance Bill				Position as Per Finance Act			
Salary Per Month	Salary Per Annum / Taxable Income	Tax Incidence as per Tax Rate Applicable for Tax Year 2022	Tax Incidence Per Finance Bill Proposed	Increase / (Decrease) in Tax Incidence	%Age Increase / (Decrease)	Tax Incidence as per Tax Rate Applicable for Tax Year 2022	Tax Incidence as per Finance Act	Increase / (Decrease) in Tax Incidence	%Age Increase / (Decrease)
50,000	600,000	-	0	0		-	0	0	
60,000	720,000	6,000	100	(5,900)	-98.3%	6,000	3,000	(3,000)	-50.0%
100,000	1,200,000	30,000	100	(29,900)	-99.7%	30,000	15,000	(15,000)	-50.0%

Income Tax

As Applicable to Salaried Individual									
Taxable Income		Position as Per Proposed Finance Bill				Position as Per Finance Act			
Salary Per Month	Salary Per Annum / Taxable Income	Tax Incidence as per Tax Rate Applicable for Tax Year 2022	Tax Incidence Per Finance Bill Proposed	Increase / (Decrease) in Tax Incidence	%Age Increase / (Decrease)	Tax Incidence as per Tax Rate Applicable for Tax Year 2022	Tax Incidence as per Finance Act	Increase / (Decrease) in Tax Incidence	%Age Increase / (Decrease)
150,000	1,800,000	90,000	42,000	(48,000)	-53.3%	90,000	90,000	(0)	0.0%
200,000	2,400,000	180,000	84,000	(96,000)	-53.3%	180,000	165,000	(15,000)	-8.3%
208,333	2,500,000	195,000	96,500	(98,500)	-50.5%	282,500	285,000	2,500	0.9%
291,667	3,500,000	370,000	221,500	(148,500)	-40.1%	390,000	405,000	15,000	3.8%
300,000	3,600,000	390,000	234,000	(156,000)	-40.0%	895,000	1,005,000	110,000	12.3%
416,667	5,000,000	670,000	479,000	(191,000)	-28.5%	1,445,000	1,785,000	340,000	23.5%
500,000	6,000,000	895,000	654,000	(241,000)	-26.9%	2,045,000	2,565,000	520,000	25.4%
666,667	8,000,000	1,345,000	1,104,000	(241,000)	-17.9%	2,345,000	2,955,000	610,000	26.0%
1,000,000	12,000,000	2,345,000	2,004,000	(341,000)	-14.5%	3,005,000	3,795,000	790,000	26.3%
1,600,000	19,200,000	4,325,000	4,344,000	19,000	0.4%	3,335,000	4,215,000	880,000	26.4%
2,500,000	30,000,000	7,295,000	7,854,000	559,000	7.7%	3,665,000	4,635,000	970,000	26.5%
4,166,667	50,000,000	13,295,000	14,354,000	1,059,000	8.0%	3,995,000	5,055,000	1,060,000	26.5%
6,250,000	75,000,000	21,420,000	22,479,000	1,059,000	4.9%	4,325,000	5,475,000	1,150,000	26.6%

5. Withdrawal of Deductible Allowances and Tax Credits

Sections 60C, 62, 62A, 63 and 149, Clauses (23A) and (23B), Part I of the Second Schedule

Currently, individuals are entitled to claim deductible allowance against their total taxable income and tax credits against tax liability in respect of the following:

- **Section 60C:** Deductible allowance for profit on debt
- **Section 62:** Tax credit for investment in shares and insurance
- **Section 62A:** Tax credit for investment in health insurance
- **Section 63:** Tax credit for contribution to an approved pension fund

The Bill has proposed to withdraw the above available benefits. The proposed amendment will increase the tax incidence of the taxpayer due to withdrawal of the above allowance and credits.

In addition to the above, the withdrawal of incentives may hinder savings as well since the individuals may divert their investments to other non-secure avenues.

Income Tax

Corresponding amendments have been made in Section 149 of the Ordinance to withdraw powers of employer to allow reduction in *withholding* tax on account of these allowances and credits.

The accumulated balance received by eligible persons from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 is exempt up to 50%.

The Bill has proposed to replace the existing provision by removing the exemption cap of 50%. Consequently, the accumulated *balance* from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 shall be exempt from tax.

The amounts received as monthly installment from an income payment plan invested out of the accumulated balance of an individual pension account with a pension fund manager, an approved annuity plan, another pension account of eligible persons or the survivor's pensions account maintained with any other pension fund manager as specified in the Voluntary Pension System Rules, 2005 is exempt from tax provided accumulated balance is invested for a period of ten years. The Bill now seeks to withdraw the above exemption.

Position after Finance Act, 2022

Section 63

Vide the Finance Act, 2022, the above proposed changes have been enacted except for the tax credit on contribution to an approved pension fund provided under Section 63 of the Ordinance. Accordingly, the consequential change in Section 149 of the Ordinance has also been enacted by reinstating the tax credit of Section 63 of the Ordinance. Now an employer will consider the tax credit available under Section 63 of the Ordinance while computing the estimated tax liability of an employee in respect of his salary income.

Clause (23A), Part I of the Second Schedule

The Bill sought to replace the existing provision by removing the exemption cap of 50% whereby the accumulated *balance* from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 would have been exempt from tax.

However, the Act has reinstated clause (23A) whereby the accumulated balance received by eligible persons from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 would be exempt up to 50%.

6. Taxation of Non-Tier-1 Retailers and Specified Service Providers

Sections 99A and 235

In line with the concept of collection of sales tax through electricity bills for retailers other than Tier-1 retailers, a similar scheme *has* been proposed to be introduced in the Ordinance through Section 99A for the following categories of persons having commercial electricity connections:

- Retailers other than Tier-1 retailers; and
- Service providers as to be specified by FBR

The above *section* proposes to collect tax from such persons through monthly electricity bills which would be final tax on income earned from the premises where such commercial electricity connection is installed.

Income Tax

It has also been proposed that if the retailer (other than Tier-1 retailer) has paid sales tax through electricity bill of commercial *electricity* connection [under Sub-section (9) of Section 3 of the ST Act], such retailer would not be required to pay income tax under this section. Sales tax paid by him would constitute discharge of tax liability under this section as well. In line with the above, the rates of collection of the aforesaid tax have been proposed to be aligned with the rates proposed under the ST Act which are as follows:

S.No.	Gross Amount of Monthly Bill	Tax (in PKR)
1.	Where the amount does not exceed PKR 30,000	3,000
2.	Where the amount exceeds PKR 30,000 but does not exceed PKR 50,000	5,000
3.	Where the amount exceeds PKR 50,000 but does not exceed PKR 100,000	10,000
4.	Specified retailers and service providers through Income Tax General Order	50,000

Further, to cater to associated matters in relation to the application of Section 99A, it has been proposed that FBR may issue an *income* tax general order in respect of the following:

- scope, time, payment, recovery, penalty, default surcharge, adjustment, or refund of tax payable under this section;
- record keeping, filing of return, statement and assessment;
- mechanism of collection, deduction, and payment of tax in respect of any person;
- include or exempt any person or classes of persons, any income or classes of income from the application of this section.

Although, the issuance of general order is a fairly old concept under the sales tax law, however, it is an alien concept for income tax purposes. Moreover, like the ST Act, we do not find any provision of the Ordinance under which an income tax general order may be issued by the FBR.

In order to *mandate* collection of tax through commercial electricity bills, corresponding amendments have also been proposed under Section 235 of the Ordinance through the introduction of Sub-section (1A). The Sub-section (1A) of Section 235 was previously introduced through the Tax Laws (Third Amendment) Ordinance, 2021

It is also interesting to note that Sub-section (1) of Section 235 of the Ordinance already requires person preparing electricity consumption bill to collect tax from users of commercial electricity connections which also include retailers. The language of the proposed Sub-section (1A) suggests that the tax collection through Sub-section (1A) read with Section 99A would be in addition to the existing collection of tax under Sub-section (1) of Section 235 of the Ordinance. *Moreover*, while the tax collected under Sub-section (1) of Section 235 is minimum tax, the tax collection under Sub-section (1A) has been proposed to be the final tax in respect of each commercial electricity connection. This would result in dual taxation for such consumers.

Position after Finance Act, 2022

As discussed above, Section 99A proposed that if a retailer (other than Tier-1 retailer) has paid sales tax through electricity bill of commercial electricity connection [under Sub-section (9) of Section 3 of the ST Act], such retailer would not be required to pay income tax under this Section. However, no corresponding change was proposed in Section 235 which restricts collection of tax under Section 99A on persons who have paid sales tax through commercial electricity connection. This meant that tax collection under Sub-section (1A) would be in addition to existing tax collection under Sub-section (1) of section 235 of the Ordinance.

Income Tax

The Finance Act, 2022 has clarified this position whereby a new proviso has been inserted under the newly introduced Sub-section (1A) of Section 235. It has been clarified that no tax collection would be made under Sub-section (1A) where tax has been collected from the person under Sub-section (9) of Section 3 of the ST Act.

Nonetheless, the person would still suffer collection of advance tax under Sub-section (1) of Section 235 of the Ordinance. Such tax collected would result in tax refundable to the person since tax paid through commercial electricity connection under Section 99A of the Ordinance is treated as final tax on income earned from the premises where such commercial electricity connection is installed.

Practically all persons (including those which are out of the scope of Section 99A) would suffer collection of sales tax and income tax through commercial electricity connections until and unless a certificate is obtained from the concerned Commissioner that he is a Tier-1 retailer or not a retailer.

In addition to the above, for retailer other than Tier-1 retailers, payment of amount prescribed by Section 99A constitutes discharge of both income tax and federal sales tax liabilities. Conversely, for the specified service providers, such tax would only be treated as discharge of income tax liability and they would be required to pay provincial sales tax separately under the respective provincial legislation.

One last amendment is with regard to tax leviable under Section 235(1A) of the Ordinance on retailers and services providers specified by the Board in the income tax general order. This has been changed from PKR 50,000 to up to PKR 200,000. No changes have been made for other categories.

7. Taxation of Banking Companies

Sub-rule (6A) of Rule 6C of the Seventh Schedule

Prior to the Finance Act, 2021, taxable income arising from additional income earned from additional investment in Federal Government securities was subject to tax at an enhanced rate of 37.5% for the Tax Year 2020 and onwards.

Subsequent to the amendments made through the Finance Act, 2021, such enhanced rate on additional income was restricted to the Tax Years 2020 and 2021 only. Moreover, in terms of sub-Rule (6A), for the Tax Year 2022 and onwards taxable income attributable to investment in Federal Government securities was subjected to tax at varied rates depending upon the advances to deposits ratio that existed on the last day of the tax year.

The Bill has proposed to substitute sub-Rule (6A) whereby rates of tax on the above income has been enhanced. The comparative analysis of the existing and proposed rates is as follows -

Gross Advances to Deposits Ratio	Existing Rate of Tax (%)	Proposed Rate of Tax (%)
Upto 40%	40%	55%
Between 40% to 50%	37.5%	49%
Exceeding 50%	35%	35% - For Tax Year 2022 45% - For Tax Year 2023 onwards

It has also been clarified that the above tax rates would be applicable to total income attributable to total investment in Federal Government securities.

Income Tax

Akin to super tax, a tax for poverty alleviation for Tax Year 2022 and onwards is proposed to be introduced, through insertion of Section 4C, at the rate of 2% which will be applicable to every person whose income for the year exceeds PKR 300 million. This tax will also apply to insurance companies, petroleum and other exploration and extraction companies and banking companies who are otherwise liable to specialized taxation under their respective schedules.

In line with the proposed introduction of the aforesaid tax, a new Rule (7CA) is also proposed to be inserted in the Seventh Schedule which provides for the applicability of the provisions of Section 4C on banking companies.

Presently, income of a banking company (other than the income from investment in Federal Government securities, taxable at higher rates, subject to certain conditions) is subject to tax at the corporate tax rate of 35%. This rate of tax is already higher than the rate applicable to other companies (presently 29%). Moreover, banking companies are also subject to levy of super tax at the rate of 4% which was otherwise reduced to 0% for other companies with effect from Tax Year 2020. Additionally, income from investment in Federal Government securities is subject to tax at increased rates depending upon the ratio that the gross advances bear to the deposits of the bank.

The Bill now seeks to substantially enhance the corporate tax rate for banking companies from 35% to 45% from Tax Year 2023 onwards. Rate of tax applicable on banking companies would be as follows-

Description	Rate of Tax (%)	
	2022	2023 and onwards
Tax Year	2022	2023 and onwards
Corporate tax	35%	45%
Super tax	4%	0%
Poverty alleviation tax (where applicable)	2%	2%
Applicable tax rate	41%	47%

Banking companies are considered as the backbone of the overall financial system of a country and plays a vital role in circulation of surplus funds in an efficient manner. This substantial increase in the corporate tax rate for banks coupled with the introduction of a new tax for poverty alleviation will adversely affect the overall profitability of the banking companies.

Position after Finance Act, 2022

Rate of tax applicable on banking companies would be as follows-

Description	Rate of Tax (%)	
	2022	2023 and onwards
Tax Year	2022	2023 and onwards
Corporate tax	35%	39%
Super tax under section 4B	4%	0%
Super tax on high earning persons under section 4C where income exceeds PKR 300 million	0%	10%
Applicable tax rate	39%	49%

Income Tax

Where total income for the year under section 4C, in case of a banking company, is less than PKR 300 million, following reduced rates may apply-

Description	Rate of Tax
Where income does not exceed 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%

Through the Act, provisions of section 4C have been made inapplicable in case of banking companies for the tax year 2022, however, corresponding amendment has not been made in the newly inserted Rule (7CA) of the Seventh Schedule to the Ordinance which provides that provisions of section 4C would apply to banking companies for the tax year 2022 and onwards. This appears to be an omission since the charging section i.e. section 4C explicitly excludes banking companies from the levy for the tax year 2022.

Since, rate of tax for banking companies has been reduced from 45% to 39%, where gross advances to deposits ratio exceeds 50%, taxable income attributable to investment in Federal Government securities would be taxable at 39% for tax year 2023 and onwards.

Other proposals adopted as above.

8. Alternate Dispute Resolution

Section 134A

The concept of Alternative Dispute Resolution (ADR) was first introduced in the Ordinance in the shape of Section 134A through the Finance Act, 2004 while it was already available under the ST Act. Since then, the very provisions have been subjected to amendments and have also been substituted twice in entirety, vide the Finance Act, 2018, and then the Finance Act, 2020. With so many changes introduced over the years, the intent of the ADR mechanism could not be achieved as most of the amendments made were favouring the revenue.

The Bill has again proposed to substitute Section 134A and it appears that the intent is to make the mechanism workable for the interest of taxpayers barring certain provisions, as will appear from the discussion hereunder-

- Prior to the Bill, there was no minimum monetary limit of the tax liability relating to the issue to be brought for ADR, however, the Bill has proposed a minimum limit of PKR 100 million for this purpose;
- Earlier, issues involving interpretation of questions of law having an effect on identical cases were barred to be brought for ADR. The Bill has proposed to remove this bar. In addition, the Bill also proposes to exclude cases where criminal proceedings have been initiated, for ADR. Nonetheless, only such disputes that are pending in appeals before any court of law or an appellate authority would be eligible for ADR;
- The Finance Act, 2021 introduced an amendment that requires the taxpayer to put forward an initial proposition for resolution of the dispute at the time of making the application for ADR. The Bill proposes an additional requirement of bringing 'an offer of tax payment' along with the application and both the above 'proposition' and the 'offer' would not be retractable;
- The composition of the Committee for ADR has also been proposed to be changed. This will now include the CCIR having jurisdiction over the case; a person nominated by the taxpayer from a panel of (i) Chartered Accountants,

Income Tax

Cost & Management Accountants, and Advocates (having at least ten years' experience in the field of taxation - except those who are or have been the auditor or representing the taxpayer in tax cases); (ii) ex-officers of FBR retired in BS-21; (iii) reputable businessmen as nominated by the Chambers of Commerce and Industry; and (iv) persons to be nominated through consensus by the members appointed as above. If such a person could not be appointed through consensus, the taxpayer would propose another member from the panel as discussed above which would be appointed by the FBR;

- Another amendment proposed by the Bill is that the taxpayer shall withdraw his pending appeal as soon as the FBR constitutes a Committee for ADR. The Committee shall not commence the ADR proceedings unless the order of withdrawal is communicated to the FBR. This proposal appears to be a deal-breaker for, under the current provisions, the condition of withdrawal of the appeal is attracted only after the Committee decides the application for ADR, whereas the proposed amendment does not give this breathing space to the taxpayer to evaluate the outcome of the ADR proceedings;
- It has also been proposed that the decision by the Committee shall not be cited or taken as a precedent in any other case or in the case of the taxpayer for a different tax year;
- A positive amendment that has been proposed is that as opposed to the current provisions that require the order of the Committee to be taken by consensus, the Bill proposes for a majority decision by the Committee for dispute resolution
- Apart from the above, certain timelines prescribed under Section 134A have been proposed to be changed.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

9. Payment of Tax Collected or Deducted by SWAPS Agents

Sections 164, 164A and Clause (62B) of Section 2

The Bill seeks to insert a new Section 164A whereby any person as notified by the FBR shall collect or deduct tax to integrate with Synchronized Withholding Administration and Payment System to act as SWAPS agent.

The Bill proposes to define the term "Synchronized Withholding Administration and Payment System agent" or "SWAPS agent through a newly inserted Clause (62B) of Section 2 of the Ordinance, as any person or class of persons notified by Board to collect or deduct withholding taxes through Synchronized Withholding Administration and Payment System.

The tax collected or deducted by the SWAPS agent under the Ordinance and credited to the Commissioner through digital mode shall be treated to have been paid under Section 160 of the Ordinance, which requires deposit of tax collected or deducted by a taxpayer to be deposited within seven days from the end of each week as per Rule 43 of Income Tax Rule 2002.

In cases where tax has been paid by a SWAPS agent, the CPR is proposed to be replaced with SWAPS Payment Receipt (SPR). All Persons from whom tax has been collected or deducted by the notified SWAPS agent shall be eligible for tax credit of tax withheld against the SPR. The SWAP agent shall not be eligible to claim tax credit if the SWAP agent fails to integrate with the FBR.

Corresponding amendments have also been proposed in Section 164 of the Ordinance whereby the word challan of payment is proposed to be replaced with "Computerized Payment Receipt (CPR) or SWAPS Payment Receipt (SPR)".

Income Tax

The Bill also seeks to provide that in case of persons or class of persons notified as SWAPS agent, SWAPS Payment Receipt (SPR) shall be replaced with Computerized Payment Receipt (CPR).

The Bill has proposed to insert penalty in Sub-section (1) of the Section 182 as identified below:

S. No.	Offences	Penalties	Section of the Ordinance to which the Offence has Reference
	New	New	
31	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) PKR 50,000 for first default of 07 days (ii) PKR 100,000 for second default of next 07 days (iii) PKR 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."	164A

Position after Finance Act, 2022

No further changes, proposal adopted as above.

10. Record of Beneficial Owner

Sections 181E and Clause (7A) of Section 2

The Bill has proposed to introduce a new section relating to maintenance of the record of the beneficial owner(s), whereby the Company or association of person are required to electronically furnish and update particulars of its beneficial owner(s).

For this purpose, the term 'beneficial owner' has also been proposed to be defined through insertion of a new Clause namely (7A) in Section 2 of the Ordinance, which provides the term to mean a natural person who:

- ultimately owns or controls a Company or association of persons, whether directly or indirectly, through at least 10% shares or voting rights; or
- exercise ultimate effective control, through direct or indirect means, over the Company or AOP including control over the finances or decisions or other affairs of the company or AOP.

Income Tax

The Bill has proposed to insert penalty in Sub-section (1) of Section 182 which provides that the defaulting taxpayer would be penalized with PKR 1,000,000 for each default as identified below:

S. No.	Offences	Penalties	Section of the Ordinance to which the Offence has Reference
	New	New	
30.	Any company or Association of Persons who contravenes the provisions of Section 181E.	Such company or Association of Persons shall pay a penalty of PKR 1,000,000 for each default.	181E

Position after Finance Act, 2022

The Amended Bill proposes to substitute the ownership in a Company or association of person for the purposes of determination of beneficial ownership from proposed 10% to 25% of shares or voting right.

The typographic error of sub-paragraph (c) in sub-Section (1)(a) of Section 182 has been corrected to identify the same as sub-paragraph (b) in sub-Section (1) of Section 182 of the Ordinance. No further changes, proposal adopted as above.

11. Rationalization of Tax on Capital Gain on Immovable Property

Sections 37, 236C and 236K, Division VIII, Part I of the First Schedule

Section 37 deals with the taxability of gains arising on disposal of immovable property and other capital assets. Under the existing provisions of Sub-section (1A), gain on disposal of immovable property is taxable based on the holding period and at the rates prescribed in Division VIII of Part I of the First Schedule. Moreover, no tax is payable where the property is held for more than four years. The existing provisions i.e. Sub-sections (1A) and (3A) relating to taxability of capital gains arising on disposal of immovable property have been completely scrapped and in lieu thereof a revamped scheme of taxation is being proposed.

Under the proposed scheme, capital gains arising on disposal of immovable property are proposed to be taxed depending upon the holding period and the category of the immovable property vis open plot, constructed property and flats. Consequential amendments have been proposed in Division VIII of Part I of First Schedule to cater the category wise taxation of immovable property.

The proposed rates of tax on capital gains arising on disposal of immovable property are as follows-

S. No.	Holding Period	Rate of Tax		
		Open Plots	Constructed Property	Flats
(1)	(2)	(3)	(4)	(5)
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%

Income Tax

S. No.	Holding Period	Rate of Tax		
		Open Plots	Constructed Property	Flats
(1)	(2)	(3)	(4)	(5)
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%	-	-

Section 236C deals with collection of advance tax from the seller on sale or transfer of immovable property.

Under the existing provisions, any person responsible for registering, recording, or attesting transfer of any immovable property is required to collect advance tax from the seller or transferor at the rate 1% of the gross amount of consideration received. However, the advance tax under this section is not required to be collected where the holding period of the immovable property exceeds four years.

The Bill now proposes to extend the existing holding period of four years to ten years.

The Bill also proposes to enhance the rate of collection of tax on sale of immovable property from 1% to 2% of the gross amount of the consideration received. Further, the rate of tax on purchase of immovable property has been proposed to be increased from 1% to 2% pursuant to Section 236K of the Ordinance.

Additionally, whereby such purchase is made by a person not appearing in the ATL the rate of tax is proposed to be 5% pursuant to amendment made in the Tenth Schedule to the Ordinance.

Position after Finance Act, 2022

Under the existing provisions, advance tax under section 236C is not required to be collected where the holding period of the immovable property exceeds four years. The Bill proposed to extend the existing holding period of four years to ten years.

Through the Act, sub-section (3) has been omitted. Consequently, tax collection would be required irrespective of the holding period of the immovable property.

This seems to be an irrational amendment as the chargeability of tax on gain on disposal of immovable property does not occur where the holding period exceeds a specified time limit.

Other proposals adopted as above.

12. Fundamental Changes in Capital Gain Tax*Section 37, Sub-sections (3) & (4A)*

Presently, capital gain is exempt upto 25% if the capital asset is disposed off after one year in terms of Sub-section (3) of section 37. This exemption is proposed to be withdrawn which effectively means that entire gain on disposal of

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capital assets would now be taxable. This seems to be a harsh proposal for the taxpayers and may have adverse impact on the investment environment.

Additionally, the Bill proposes to omit Sub-section (4A) which provides relief to a taxpayer (hereinafter referred to as "the acquirer") in calculation of gain on disposal of capital asset received by him under a gift, succession, inheritance, devolution and upon dissolution of AOP or liquidation of a company. The manner in which the said Sub-section was drafted, subsequent disposal of asset by the acquirer lead to the calculation of capital gain/ loss based on the consideration received, not being less than the FMV of the asset at the time of disposal and the FMV of the asset at the time the acquirer received the particular asset. Accordingly, some gain remained untaxed. By virtue of the proposed amendment, the acquirer will be considered to have a cost equal to the tax base in the hands of the original transferor and therefore subsequently when the acquirer disposes of such asset, the entire gains/ loss will become taxable based on the consideration received and the tax cost in the hands of the acquirer which would be the same as that in the hands of the original transferor.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

13. Rates of Tax on Capital Gain on Disposal of Securities

Division VII, Part I of the First Schedule

The rate card for levying tax on capital gains arising on sale of securities under Section 37A is proposed to be replaced. Currently, the tax on gain arising from the disposal of securities acquired after 01 July 2013 is charged at the rate of 12.5%, irrespective of the period of holding of such securities. However, according to the proposed changes, the rate of tax on income from capital gain on disposal of securities will now be charged as per the holding period. The proposed rate of capital gain tax on securities for the Tax Year 2023 and onwards are as under:

Holding Period	Rate of Tax for Tax Year 2023 and Onwards
Less than one year	15%
More than one year but less than two years	12.5%
More than two years but less than three years	10%
More than three years but less than four years	7.5%
More than four years but less than five years	5%
More than five years but less than six years	2.5%
More than six years	0%
Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	5%

Position after Finance Act, 2022

The Finance Act, 2022 confirms the capital gains tax rates as proposed through Finance Bill, 2022. However, the following provisions have been inserted:

- Securities acquired on or after 1 July 2022 the reduced rate of tax shall be applicable on capital gain arising on disposal of securities.

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- Securities acquired on or before 30 June 2022, tax shall be charged at 12.5% on capital gain arising on disposal of securities irrespective of holding period.

The insertion of above proviso comes as a surprise since it now appears that the reduced rates (including the rate of 0% for holding period exceeding 6 years is now directed to be applicable for securities acquired on or after 01 July 2022. It is further provided that all securities acquired on or before 30 June 2022 shall not benefit from any reduced rate and shall be taxed at 12.5%. This in our will lead to disputes on the basis of accruing of vested right by investors who have been holding securities for longer periods especially those who had acquired securities before 01 July 2013 as they were clearly provided a rate of 0% as per the substituted Table.

Following provisions have been reinstated which were earlier proposed to be omitted by the Bill, which are as follows:

In respect of debt securities, the tax rate for companies shall be 29% as provided in Division II of Part I of First Schedule. While for mutual funds, collective investment scheme or REIT scheme the capital gain tax on redemption shall be deducted as follows:

Category	Rate
Individual and association of persons	10% for stock funds
	10% for other funds
Company	10% for stock funds
	25% for other funds

It is further provided that in case of stock fund where dividend receipts of the funds are less than capital gains, rate of tax deduction shall be 12.5%

Further, no capital gain shall be deducted where the holding period is more than six years. This proviso shall be applicable only in case of mutual fund or collective investment scheme or REIT scheme.

14. Change in Taxation of IT and IT Enabled Exports

Sections 65F and 154A, Division IVA, Part III of the First Schedule

Currently, persons deriving income from exports of computer software or IT services or IT enabled services may, after fulfillment of certain conditions, may opt out from FTR to avail 100% tax credit which is available up to the period ending on 30 June 2025 provided that 80% of the export proceeds are brought into Pakistan in foreign exchange through normal banking channels.

The Bill has proposed to omit the 100% tax credit of their tax liability. Accordingly, their receipts will be subject to deduction of tax under Section 154A of the Ordinance, however, a concessional rate of 0.25% is proposed to be applied to the aforesaid exports as against the general rate of tax at 1% applicable to export of other services.

Position after Finance Act, 2022

The above changes have been enacted into the Ordinance with the condition that the persons deriving income from exports of computer software or IT services or IT enabled services are required to register with and duly certified by Pakistan Software Export Board (PSEB).

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Further, the provisions of Section 154(2) of the Ordinance have been omitted and the same has now been covered under Section 154A of the Ordinance. Accordingly, the indenting agents whose receipts were subject to tax at 5% under Final Tax Regime have now been subjected to tax at the rate of 1%.

Further, the Act has also rationalized the requirement of filing the withholding tax statements by providing the exclusion to such taxpayers who were not the prescribed withholding agents.

The Act has also omitted sub-section (4) of Section 154A whereby a taxpayer, while explaining the nature and source of any amount, investment, money, valuable article, expenditure, referred to in Section 111, takes into account any source of income which is subject to final tax in accordance with the provisions of this section, he shall not be entitled to take credit of a sum that can be reasonably attributed to the business activity or activity or activities.

15. Prize Schemes to Promote Tax Culture

Section 237B and Clause (66) of Section 2

A new section is proposed to be introduced by virtue of which the FBR is empowered to launch prize schemes for general public in order to encourage them to make purchases or avail services only from integrated enterprises issuing tax invoices.

Furthermore, the FBR may also prescribe procedure for mystery shopping in order to discretely monitor / verify compliance to the procedure of issuing fiscal invoices by the integrated enterprises.

The law requires taxpayers to maintain complete records of their transactions inter-alia including copies of tax invoices issued by them. However, the term 'tax invoice' was not defined in the Ordinance. The Bill proposes to insert Clause (66A) in Section 2 in terms of which tax invoice means the invoice as prescribed under the Income Tax Rules, 2002.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

16. Abolition of Carry Forward of Minimum Tax

Section 113, Sub-section (2), Clause (c)

The provisions of Clause (c) of Sub-section (2) of Section 113 which was introduced via the Finance Act, 2009 allows carry over of minimum tax paid in excess of the normal tax payable for adjustment against normal tax liability in the subsequent five tax years. The Hon'ble Sindh High Court, however, in the case of Kassim Textiles Mills (Pvt.) Ltd. (2013 PTD 1420) has interpreted such provisions to the effect that such an adjustment would only be allowed where minimum tax has been paid because normal tax liability was less than the minimum tax. In other words, in a loss situation, since there would not be any normal tax payable, the minimum tax paid would not be allowed to be carried forward to succeeding years.

In order to address the above situation in favour of the taxpayers, the Finance Act, 2021 substituting the proviso to Section 113(2)(c) and stipulated that carry forward of minimum tax paid in a situation where no tax is payable or paid for the year would be allowed to subsequent five tax years.

The Bill has now proposed to delete Clause (c) of Sub-section (2) of Section 113 discussed above. Consequently, minimum tax paid under Section 113 of the Ordinance in whatever situation would not be eligible to be carried forward for adjustment against the tax liability of subsequent years.

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We are of the view that the above amendment would apply prospectively which means that the minimum tax paid up till the Tax Year 2022 on account of which the taxpayers have accrued a vested right would not be affected by the aforesaid proposal which would continue to be carry forward and adjusted.

Position after Finance Act, 2022

The Act has brought back the concept of carry forward of minimum tax which was proposed to be done away with by the Bill. However, it has restricted the carry forward of minimum tax paid to three tax years whereas originally it was allowed to be carried forward and adjusted for a period of five tax years.

We are of the view that the above amendment would apply prospectively which means that the minimum tax paid upto the Tax Year 2022 on account of which the taxpayers have accrued a vested right would not be affected by the aforesaid change and would continue to carry forward and adjust such tax for a period of 5 years.

The Act has also made a consequent amendment whereby reference to Section 4C of the Ordinance has also been inserted. This is provided in order to exclude the same from being in the composition of "tax payable or paid" for the purpose of computation of minimum tax under Section 113 of the Ordinance.

17. Tax on Imports

Section 148, Sub-sections (7) and (7A)

Under Section 148(7) of the Ordinance, tax collected at import stage is treated as minimum tax except for tax collected at the rate of 1% or 2% from an industrial undertaking importing raw material for its own use which was treated as adjustable.

The Bill proposes to amend the above sub-section whereby tax paid by an industrial undertaking would be adjustable irrespective of the rate of collection of tax. Moreover, in terms of the proposed amendment, tax paid by commercial importers at import stage is proposed to be final tax as against minimum tax. However, tax collected at import stage from importers of edible oil, packaging material, paper and paper board and plastics would continue to be minimum tax. The FBR is also empowered to add or delete any item from the above list.

The above amendments have laid to rest all the anomalies which rendered tax collected at import stage as minimum tax for manufacturers.

Similarly, whilst the rate of collection of tax at import stage continues to remain unchanged at 1%, 2% and 5.5% respectively for goods specified in Table 1, Table 2 and Table 3 of the Twelfth Schedule to the Ordinance, the Bill proposes to suggest the rate of 4% for goods identified in Table 2 as imported by commercial importers.

Position after Finance Act, 2022

Tax paid on import stage by commercial importers was earlier proposed to be final tax as against minimum tax. The Act has restored the original position and tax paid on import stage by commercial importers would continue to be a minimum tax.

Whilst the rate of collection of tax at import stage continues to remain unchanged at 1%, 2% and 5.5% respectively for goods specified in Table 1, Table 2 and Table 3 of the Twelfth Schedule to the Ordinance, the rate of 3.5% has been prescribed for goods identified in Table 2 as imported by commercial importers.

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18. Audit

Section 177, Sub-sections (6) and (6A)

The Finance Act, 2019 replaced Sub-section (6) with Sub-section (6A) which made it mandatory for the Commissioner to issue an audit report containing audit observations and findings. After issuance of the audit report, the Commissioner was entitled to amend the assessment under Sub-section (1) or Sub-section (4) of Section 122 of the Ordinance after providing an opportunity of being heard.

The Bill now seeks to omit Sub-section (6) which would remove the requirement of issuing the audit report. Consequently, the expression of issuing the audit report has been proposed to be substituted with completion of the audit.

It is important to note that even before the insertion of Sub-section (6) through the Finance Act, 2019 whereby the issuance of audit report was made mandatory, in the following case laws, it was been already held that the issuance of audit findings is mandatory and the audit proceedings could not be culminated without the issuance of audit report.

- (i) Supreme Court of Pakistan's judgement in the case of Allah Din Steel & Re-rolling Mills reported as 2018 PTD 1444;
- (ii) Sindh High Court's judgement in the case of Mahvash and Jahangir Siddique Foundation in ITR No.32 of 2020 vide order dated 25 August 2021; and
- (iii) Lahore High Court's judgement in the case of Nestle Pakistan Limited reported as 115 Tax 84.

Therefore, in our view, the position remains the same even after omitting Sub-section (6) of Section 177 of the Ordinance.

Position after Finance Act, 2022

The Act has restored the earlier position whereby the Commissioner is required to issue an audit report before issuance of a notice to amend the assessment under Section 122 of the Ordinance.

19. Expended Powers to Recharacterize Income and Deductions

Section 109, Sub-section (1)

Through the Finance Act, 2018, Clause (g) was inserted in Section 2(41), which provides for the definition of a permanent establishment. The above Clause broadened the scope of the permanent establishment of a non-resident person and introduced the concept of "cohesive business operation".

The Bill has now proposed to insert a new Clause (e) in Section 109 of the Ordinance which empowers the tax authorities to treat a non-resident person as having a permanent establishment in Pakistan if such person fulfills the criteria specified in Sub-clause (g) of Section 2(41) of the Ordinance referred above. Although the aforesaid change in the definition of a permanent establishment was made through the Finance Act, 2018 which is effective from the Tax Year 2019, the Bill has proposed to empower the tax authorities to undertake such recharacterization effective from the Tax Year 2018 and onwards. Any retrospective action in relation to Tax Year 2018 would therefore lead to disputes between the taxpayers and the FBR.

We note that Section 101(3) read with Section 2(41) already caters to situations arising from cohesive business operations and deem the same to be taxable in Pakistan in the hands of the non-resident persons. Therefore, it appears that the above proposed amendment merely reinstates this position.

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Position after Finance Act, 2022

No further changes, proposal adopted as above.

20. Extension in Scope of Tax on Payments to Non-Residents

Section 6, Division IV, Part I of the First Schedule

At present, a non-resident person who receives any Pakistan source royalty, fee for technical services or fee for offshore digital services is subject to tax under Section 6 of the Ordinance.

The Bill now proposes to expand the services covered under the aforesaid section to include fee for money transfer operations, card network services, payment gateway services and interbank financial telecommunication services.

The rate of tax prescribed for the above services is 10%. Moreover, tax on account of fee for offshore digital services is proposed to be increased from 5% to 10%.

The Bill proposes following rates on payments to non-residents:

Companies	Rate
Gross amount of royalty or fee for technical services	15%
Any other case	10%

Position after Finance Act, 2022

No further changes, proposal adopted as above.

21. Unexplained Income or Assets

Section 111, Sub-sections (4) and (5)

Sub-section (4) of Section 111 provides exception to the applicability of Section 111 to an amount of foreign exchange, not exceeding PKR 5 million in a tax year, remitted from outside Pakistan through normal banking channels and encashed into PKR by a scheduled bank.

An explanation was inserted through the Third (Amendment) Ordinance, 2001 clarifying that remittance made through Overseas Money Service Bureaus (MSBs), Exchange Companies (ECs), and Money Transfer Operators (MTOs) would be considered as remittance made through normal banking channels. The Bill has now taken cognizance of the above amendment made in Section 111.

Through the Finance Act, 2021, an explanation to Sub-section (5) of Section 111 was inserted clarifying that a separate notice in terms of Section 111 would not be required if the taxpayer has been properly confronted of the intended addition on account of unexplained income or assets through a notice under Sub-section (9) of Section 122 of the Ordinance.

The Bill proposes to substitute the above explanation and the proposed explanation now intends to cover all the eventualities as specified in Sub-section (1) of Section 111 for which no separate notice under Section 111 would be required.

Income Tax**Position after Finance Act, 2022**

The Act has inserted a new sub-section (4A) whereby it has been provided that no adverse inference will be drawn in respect of income subject to tax under FTR, for the purposes of sub-section (1) of section 111, to the extent of the corresponding imputable income and excess thereof shall not be considered as explained income unless such excess amount is reasonably attributed to the business activities subject to final tax and audited financial statements are furnished to justify such excess claim.

Other proposals adopted as above.

22. Contribution to Approved Gratuity Fund, Pension Fund or Superannuation Fund*Section 21, Clause (ea)*

A new Clause (ea) is proposed to be inserted in Section 21 in terms of which an 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 is proposed to be an inadmissible deduction.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

23. Time Limitation for Passing Amended Assessment Order*Section 122, Sub-section (9)*

The Finance Act, 2021 added a proviso in Sub-section (9) of Section 122 wherein time limit of 120 days was provided for passing an amended assessment order after issuance of show cause notice issued after 01 July 2021. The Bill now seeks to extend this time limit from 120 days to 180 days.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

24. Restriction on Claim of Expenditure by Non PoS Integrated Businesses*Section 21, Clause (r)*

The Bill proposes to insert a new Clause (r) in Section 21 in terms of which expenditure upto 10%, claimed by a person who, where required, fails to integrate his business with the FBR through approved fiscal electronic device and software, is proposed to be disallowed.

Position after Finance Act, 2022

The percentage of non-allowable expenditure has been reduced from 10% to 8%.

25. Payments to Non-Residents*Section 152, Sub-sections (1DC) and (1DD), Division IV Part I of the First Schedule*

The Bill proposes to add Sub-section (1DC) in Section 152 whereby an IC licensed by the SBP would be required to deduct tax on gross amount at varying rates while making payment of service charges, commission or fee to the global money transfer operator, international money transfer operator, or any such person engaged in international money

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transfer or cross-border remittance for facilitating outward remittance. Such deduction would be considered as a final discharge of tax liability of such non-resident person.

In case where net amount is paid to the IC after retaining the service charges, commission or fee; the IC would be deemed to have paid such service charge, commission or fee and would be liable to collect and deposit the tax due under this sub-section.

Similar to the above tax, the Bill also proposes to insert Sub-section (1DD) whereby every banking company is required to deduct tax at the rate of 10% on gross amount paid for any transaction fee, license fee, service charge, commission or fee to the card network company, payment gateway or any other person or interbank financial telecommunication services. Such deduction of tax would be a final tax for such non-resident person.

In case where net amount is paid, the banking company shall be deemed to have paid such fee and would be liable to collect and deposit the tax due under this sub-section.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

26. Time Limitation for Record Detention

Section 174, Sub-section (3)

Section 174 deals with the maintenance of record and specifies time limit of 6 years for maintaining such records by a taxpayer. There seems ambiguity and difference of opinion whether such limitation of time is also applicable on explaining the nature and source of any amount, investment, money, valuable article, expenditure, referred to in Section 111 with regard to probe of foreign assets.

The Bill seeks to insert a proviso in Sub-section (3) of Section 174 whereby time limitation for maintenance of records pertaining to foreign source income, assets, expenses or transactions, the nature and source of which is required to be explained, has been done away with.

The above proposed amendment requiring maintenance of records for indefinite period, in case of foreign source assets, income etc. will cause hardship to the taxpayers.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

27. Abolition of Withholding Taxes

Sections 236I and 236Q, Divisions XVI and XXIII, Part IV of the First Schedule

Section 236I was introduced via Finance Act, 2013 which provides that an educational institution shall collect advance tax from every individual on the amount of fee payable. Subsequently, via the Finance Act, 2020 the applicability of this section was restricted to individuals whose name was not appearing on the ATL.

Under Section 236Q, currently, every person making a payment for the use or right to use industrial, commercial and scientific equipment and rent for the machinery, is obliged to withhold tax. The tax deductible under this Section is minimum tax on the income of such resident person.

The Bill now seeks to omit the above sections along with the relevant clauses of First Schedule.

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No further changes, proposal adopted as above.

28. Reintroduction of Tax on Debit and Credit Cards

Section 236Y and Division XXVII, Part IV of the First Schedule

This section was introduced via the Finance Act, 2018 whereby every banking company was required to collect advance tax at the rate of 1% of the gross amount remitted abroad for filers and 3% in case of non-filers from every credit card, debit card and prepaid card transaction with a person outside Pakistan. The above section was subsequently omitted via the Finance Act 2021.

The Bill now seeks to reintroduce this provision whereby the person appearing in ATL will be subject to withholding tax at the rate of 1% of the gross amount remitted abroad, as an adjustable tax. However, as per the Tenth Schedule to the Ordinance the rate for withholding tax would be doubled in case the name of the taxpayer is not appearing on ATL.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

29. Enhanced Scope of Electronic Records

Sections 237A and 182

The Bill has proposed to add a new Sub-section (3) in Section 237A whereby it has been defined that in case of integrated enterprise no sale or service shall be made without generating fiscal invoices. Further the Bill proposes to specify penalties in Sub-section (1) in Section 182 which provides that non-compliance to integration roles and functions may lead to certain penalties.

Comparison of the current and new penalties is as under:

S. No.	Offences	Penalties	Section of the Ordinance to which the Offence has Reference
	New	New	
32.	Any person, who is integrated for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the FBR or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such 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	Such person shall pay a penalty of PKR 500,000 or 200% of the amount of tax involved, whichever is higher.	237A

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S. No.	Offences	Penalties	Section of the Ordinance to which the Offence has Reference
	New	New	
	prescribed invoice number or QR code, or any person who abets commissioning of such offence.		
33.	Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the FBR 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 PKR 1 million, 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.	237A
34.	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.	<p>Such person shall be liable to pay -</p> <ul style="list-style-type: none"> (i) penalty of PKR 500,000 for first default; (ii) penalty of PKR 1 million for second default after fifteen days of order for first default; (iii) penalty of PKR 2 million for third default after fifteen days of order for second default; (iv) penalty of PKR 3 million for fourth default after fifteen days of order for third default: <p>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.</p> <p>Provided further that if the person integrates his business with the FBR's computerized system before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner.</p>	237A

Income Tax**Position after Finance Act, 2022**

No further changes, proposal adopted as above.

30. Charge of Tax*Section 4*

Section 4 of the Ordinance falls under Chapter II that deals with 'Charge of Tax' on the taxable income falling under NTR as well as on amounts falling under FTR. The provisions of Sub-sections (4) and (5) refer to specific Sections 5, 6 and 7 apart from the provisions of the Ordinance that deal with withholding/ collection of taxes which are final taxes. For this reason, when special provisions like Section 4B were enacted, an argument was raised that Section 4B cannot create a charge for tax as it is separate and distinct from Section 4 of the Ordinance wherein reference to section 4B is not made. It appears that in order to cater to such situations, the reference to the specific sections has been proposed to be substituted with the phrase "under this chapter".

Position after Finance Act, 2022

No further changes, proposal adopted as above.

31. Reduce Tax Liability on Profit in Behbood Certificates and Other Saving Schemes*Clause (6), Part III of the Second Schedule*

The Bill has proposed to reduce the tax payable under Section 39(1)(c) of the Ordinance in respect of any profit or yield on investment in Behbood Savings Certificates, Pensioners Benefit Account and Shuhada Family Welfare Account from 10% to 5%.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

32. Reduce Rate of Tax on Income from Federal Government Securities*Clause (20), Part III of the Second Schedule*

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 is 15%. The said tax is a final tax on such income.

The Bill has proposed to withdraw the above tax benefit. Consequently income from the above source will be taxed at applicable general rates.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

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33. Individual Tax Resident

Section 82

Presently, an individual is treated to be resident of Pakistan if:

- (a) he is present in Pakistan for a period aggregating to 183 days or more; or
- (b) is an employee or official of the Federal Government or a provincial Government posted abroad in the tax year

A new condition to establish residential status of an individual is proposed to be introduced whereby a citizen of Pakistan will be deemed to be resident of Pakistan if such individual is not resident in any other country for tax purposes for the relevant tax year.

Position after Finance Act, 2022

The new condition to establish residential status of an individual, proposed through the Finance Bill, has been revisited. Now an individual being a citizen of Pakistan, would be considered as a resident individual, if-

- He is not present in any other country for more than 182 days during the tax year; or
- He is not a resident taxpayer of any other country.

The amendment has addressed the concerns of Pakistani citizens residing in jurisdictions where tax residency certificate is not issued by the respective tax authorities.

34. Exemption under International Agreements

Section 44

Section 44 refers to Pakistan-source income and provides an exemption from tax under certain circumstances.

Section 44(3) provides that income received by a non-resident Individual engaged as a contractor, consultant, or expert on a project in Pakistan is exempt from tax to the extent provided for in a bilateral or multilateral technical assistance agreement between the Federal Government and a foreign government or public international organization.

Currently, such exemption is limited to agreements only where technical assistance is being provided by an individual not being a citizen of Pakistan.

The use of the term 'technical assistance' is limiting in nature. The Bill seeks to remove the term 'technical assistance' to widen the scope of the services covered for exemption.

The Bill further proposes to add a new Sub-section (4) whereby the Federal Government is empowered to grant exemption on 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 grant-in-aid, subject to such conditions and limitations as may be specified.

Position after Finance Act, 2022

In addition to above amendment as proposed by the Bill, the Act substituted the expression "a person (not being a citizen of Pakistan)" with the expression "any person" in Sub-section (3) of Section 44. The effect of this amendment is that now the income received by any Company, AOP or individual (whether a citizen of Pakistan or not) either resident or non-resident would be exempt from tax to the extent provided for in a bilateral or multilateral agreement between

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the Federal Government and a foreign government or public international organization. No further changes, proposal adopted as above.

35. Taxation of Association of Persons

Section 92

Under Section 92 of the Ordinance, an AOP is liable to tax separately from its members. Where the AOP has paid tax, the amount received by its members, not being company, is exempt from tax. The Bill has proposed to add an explanation to clarify that if an AOP is exempt from tax and no tax is payable by such AOP under the Ordinance due to the exemption, the share received by its members shall also continue to remain exempt. This explanation would be beneficial for the taxpayer and would reduce the tax controversy in view of the different interpretations adopted by the revenue authorities against the taxpayer.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

36. Tax credit for Charitable Organizations

Section 100C, Sub-section (4), Clause (e)

This section allows tax credits to Charitable Organizations including welfare institutions, trusts, and Non-Profit Organizations (NPOs). The eligibility for the tax credit is subject to the fulfillment of certain conditions as specified in Sub-section (4) of Section 100C. One of the conditions is to obtain approval from the Commissioner as per Section 2(36). The condition of approval for the persons mentioned in Table II of Clause (66) of Part I of the Second Schedule, shall take effect from 01 July 2022.

The Bill proposes to defer the applicability of the above condition till 01 July 2024.

Position after Finance Act, 2022

As opposed to the amendment proposed by the Bill, the Act has restricted applicability of the condition of obtaining the approval from the Commissioner till 01 July 2023.

37. Depreciation

Section 22 and 23

Section 22 of the Ordinance provides for computation and claim of tax depreciation on certain assets.

As per Finance Act, 2020 a proviso was added whereby the claim of depreciation was restricted to 50% of full year depreciation in the year of acquisition. Similarly, in relation to disposal of an asset, another proviso was inserted whereby depreciation would be available to the extent of 50% of the full years' depreciation in the year of disposal.

The Bill now seeks to omit both provisos which would restore the earlier position of allowing full years' depreciation in respect of an asset acquired during the year. Conversely, no depreciation will be allowed in the year of disposal.

As per Sub-section (13) of Section 22 of the Ordinance, the cost of passenger transport vehicle not plying for hire is restricted to the extent of PKR 2.5 million. The purposes for calculating tax depreciation. The Bill now proposes to enhance this monetary limit to from PKR 2.5 million to PKR 5 million keeping in view inflationary trends and significant increase in the vehicle prices.

It would not be out of place to highlight that pursuant to Section 28 of the Ordinance, for deduction on account of lease rentals, the cost of the passenger transport vehicle not plying for hire is also restricted to PKR 2.5 million. In order to provide level playing field, it is suggested that this limit should also be enhanced to PKR 5 million.

Sub-section (5) of the Section 23 provides a negative list of assets on which initial allowance cannot be claimed. It may be noted that as per Finance Act, 2019, initial allowance in respect of building was omitted from the Third Schedule where rate of initial allowance are specified. To harmonize and remove any ambiguity, the Bill seeks to add immovable property and any alteration made thereto on which initial allowance would not applicable.

Position after Finance Act, 2022

The Act has now increased the threshold to PKR 7.5 million as opposed to PKR 5 million as proposed via the Bill for computing tax depreciation on passenger transport vehicle not plying for hire.

38. Restriction on Expenditure in Respect of Payments made Through Non Digital Means

Section 21, Clause (l), (la) and (m)

As per Clause (l) of Section 21, all taxpayers are required to make payments for their expenses, excluding certain exceptions, related to an account head exceeding PKR 250,000 through banking channels. Through the enactment of the Third (Amendment) Ordinance, 2021, the above provision was made applicable to taxpayers other than company.

Clause (la) was inserted through the Third (Amendment) Ordinance, 2021 requiring companies to make payment for their expenses, excluding certain exceptions, related to an account head exceeding PKR 250,000 through digital means from their notified business bank account.

The Bill proposes to enhance the threshold of PKR 250,000 to PKR 1,000,000. Our views on the above provisions are already provided in our comments dated 24 September 2021.

Currently, as per Section 21(m) of the Ordinance, salary payments exceeding PKR 25,000 per month are required to be paid through crossed cheque or direct transfer of funds to the employee's bank account to claim such expense as business expenditure.

Through the Third (Amendment) Ordinance, 2021, the scope of mode of payment was enhanced and salary payments exceeding PKR 25,000 per month paid through digital means were also to be considered as admissible business expenditure.

The Bill proposes to enact the above amendment.

Position after Finance Act, 2022

The Act has inserted a new proviso in clause (l) of section 21 of the Ordinance in terms of which the aforesaid clause will not be applicable in case of companies from the date clause (la) of section 21 becomes applicable, as notified by the Board. This effectively means that till the time, applicable date for clause (la) is notified by the Board, the provisions of clause (l) would continue to apply in the case of companies.

Clause (la) was inserted through the Third (Amendment) Ordinance, 2021 requiring companies to make payment for their expenses, excluding certain exceptions, related to an account head exceeding PKR 250,000 through digital means from their notified business bank account. The Bill proposed to enhance the threshold of PKR 250,000 to PKR 1,000,000. The Act has again reduced the above threshold to PKR 250,000.

Income Tax

Moreover, among other exclusions from applicability of clause (1a) as proposed earlier, the Act has also excluded expenditures not exceeding PKR 25,000 even if paid through cash from the applicability of the aforesaid clause.

Other proposals adopted as above.

39. Offences and Penalties

Section 182

The penalties introduced through Third (Amendment) Ordinance, 2021 for increase in penalties in Section 182 relating to non-filing of tax returns have been made part of the Bill.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

40. Condonation of Time Limit

Section 214A

Section 214A of the Ordinance states that where any time or period has been specified under any of the provisions of the Ordinance or Rules within which any application is to be made or any act or thing is to be done, FBR may, in any case, or class of cases, permit such application to be made or such act or thing to be done within such time or period as it may consider appropriate.

The Bill proposes to include the words "at any time before or after the expiry of such time or period" in Section 214A. It means that FBR may, at any time before or after the expiry of such time or period could extend the time limit or condone the delay. Therefore, the above proposal would entitle the authorities to surpass time restrictions or condone the delay even after expiry of such time limitation.

It is pertinent to note that the ATIR has already held in a decision reported as 2022 PTCL 145 that where any time limit had been provided in the law for completion or compliance of the action, such time limit can only be extended through "Relaxation Act" or "Relaxation Ordinance" and not by the executive authority.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

41. Proceedings against Authority and Persons

Section 216A

The above section was introduced through Finance Act, 2019 through which the FBR was empowered to prescribe rules for initiating proceedings, including criminal proceedings against any tax official who willfully and deliberately commits or omits an act which results in personal benefits and undue advantage to himself or a taxpayer or both. By virtue of this section, the FBR also holds the power to simultaneously involve the relevant Governmental agency to initiate criminal proceedings against the taxpayer.

The Bill now seeks to omit this Section.

Income Tax

Position after Finance Act, 2022

No further changes, proposal adopted as above.

42. Definition of Distributor

Clause (18A) of Section 2

The term 'distributor' has been used in many places in the Ordinance. However, it has not been specifically defined. The Bill proposes to provide a definition of this term to mean a person appointed by a manufacturer, importer or any other person for a specified area to purchase goods from him for further supply".

The idea to provide the aforesaid definition appears to minimize the controversies in the use of the expression both by the regulators as well as by the taxpayers.

The definition so proposed unlike the definition contained in the ST Act does not include a person who in addition to being a distributor is also engaged in supply of goods as a wholesaler or a retailer.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

43. Rates of Tax for Companies

Division II, Part I of the First Schedule

The Bill proposes change in rate of tax for companies.

The rate of small companies has been proposed to be reduced to 20% from the existing rate of 21% for the Tax Year 2022 and onwards whereas for banking company, the Bill proposes substantial increase in tax rates from 35% to 45%. The rate for other companies remains unchanged.

The proposed rates are as under-

Companies	Rate
Small company	20%
Banking company	45%
Other companies	29%

Position after Finance Act, 2022

The rate of tax for banking companies will be 39% instead of 45% as proposed through the Bill.

Other proposals adopted as above.

Income Tax

44. Time Limit for Passing of Best Judgement Assessment

Section 121, Sub-section (3)

Section 121 of the Ordinance empowers the Commissioner to frame best judgment assessment within five years after the end of Tax Year or income year where person fails to

- Furnish a return of income
- Furnish wealth statement
- Produce documents for audit.

The Bill now proposes to extend the above timeframe to six years.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

45. Rates of Tax on Import of Mobile Phones

Part II of the First Schedule

The Bill also proposes to revise the rate of collection of advance tax on import of mobile phone whose C&F value exceeds certain monetary threshold. The following table provides the comparative rates for the the mobile imported in CBU and CKD/ SKD form:

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

Position after Finance Act, 2022

No further changes, proposal adopted as above.

Income Tax**46. Reduce Rate of Tax on Payment for Services**

Sub-paragraph (i), Clause (2), Division III, Part III of the First Schedule

The withholding tax rates for making payments on account of goods, services and contracts remain unchanged. However, the Bill seeks to include the REIT management services and services rendered by National Clearing Company of Pakistan Limited in the list of services which are subject to reduced rate of withholding tax of 3% under Section 153(1)(b) of the Ordinance.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

47. Rate of Tax on Transport Vehicles

Clause (2), Division III, Part IV of the First Schedule

The advance tax rate for passenger transport vehicle as referred to in Section 234 is proposed to be replaced. The revised rates are as under:

Passenger transport vehicle having capacity	PKR per seat per annum (Existing)	Proposed	
		PKR per seat per annum - Non air conditioned	PKR per seat per annum - Air conditioned
Four or more persons but less than ten persons	50	500	1000
Ten or more persons but less than twenty persons	100	1500	2000
Twenty persons or more	300	2500	4000

Position after Finance Act, 2022

There is no change in the above tax rates through Finance Act, 2022. Further, the Finance Act, 2022 omitted the word "private" in Clause (3) of Division III of part IV of the First Schedule which earlier deals with other private motor vehicles.

48. Rate of Tax on Purchase and Transfer of Motor Vehicles

Clause (1), Division VII, Part IV of the First Schedule

The Bill has proposed to revise the rate of collection of advance tax on purchase, registration and transfer of motor vehicle, which are as under:

Engine Capacity	Amount in PKR (Existing)	Amount in PKR (Proposed)
Up to 850cc	7,500	10,000
851cc to 1000cc	15,000	20,000

Income Tax

Engine Capacity	Amount in PKR (Existing)	Amount in PKR (Proposed)
1001cc to 1300cc	25,000	25,000
1301cc to 1600cc	50,000	50,000
1601cc to 1800cc	75,000	150,000
1801cc to 2000cc	100,000	200,000
2001cc to 2500cc	150,000	300,000
2501cc to 3000cc	200,000	400,000
Above 3000cc	250,000	500,000

The Bill also proposes to provide a rate of collection of tax at 3% of the import value as increased by CD, sales tax and Federal Excise Duty in case of imported vehicle or invoice value in case of locally manufactured or assembled vehicles where engine capacity is not applicable and value of vehicle is PKR 5,000,000 or more.

The Bill further proposes to provide a rate of collection of tax of PKR 20,000 where engine capacity is not applicable and value of vehicle is PKR 5,000,000 or more on transfer of motor vehicles. Moreover, the Bill also seeks to propose a reduction of 10% each year from the date of first registration in Pakistan.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

49. Advance Tax on Sale / Transfer and Purchase of Immovable Property

Divisions X and XVIII, Part IV of the First Schedule

The rate of collection of tax on purchase of immovable property is proposed to be increased from 1% to 2% of the gross amount of the consideration received. Further, such rate will be 5% if the purchaser of such property is a non-filer.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

50. Advance Tax on TV Plays and Advertisements

Division XA, Part IV of the First Schedule

Advance tax on TV plays and advertisement remain unchanged except advertisement starring foreign actor, revised rates are as under:

Description	Rate of Tax in PKR (Existing)	Rate of Tax in PKR (Proposed)
Foreign produced TV drama serial or play	1,000,000 per episode	1,000,000 per episode
Foreign produced TV play (single episode)	3,000,000	3,000,000
Advertisement starring foreign actor	500,000 per second	100,000 per second

Income Tax

Position after Finance Act, 2022

No further changes, proposal adopted as above.

51. Exemption to Recognized Institutions

Tables 1 and 2 of Clause (66), Part I of the Second Schedule

Clause (66) provides exemption from tax to any income of certain charitable and other institutions specified therein. Table 1 provided a list of institutions which are fully exempt without any condition. On the contrary, income derived by the institutions specified under Table 2 are exempt subject to compliance with the provisions of Section 100C of the Ordinance with effect from 01 July 2021.

The Bill has proposed to upgrade the following institutions from Table 2 to Table 1:

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

The Bill has also proposed addition of the following institutions in Table 1:

- The Pakistan Global Sukuk Programme Company Limited
- Karandaaz Pakistan from Tax Year 2015 onwards
- Public Private Partnership Authority for the Tax Year 2022 and subsequent four years
- Hamdard Laboratories

Position after Finance Act, 2022

The Act has now proposed to the addition of following institutions in Table 2:

- Burhani Qarzan Hasnan Trust
- Saifee Hospital Karachi
- Saifiyah Girls Taalim Trust

52. Exemption to REIT Scheme, SPV and Collective Investment Schemes

Clause (99), Part I of the Second Schedule

The above Clause provides exemption from tax subject to the condition that 90% of the accounting income for the year as reduced by capital gains whether realized or unrealized is distributed amongst the unit holders.

The Bill seeks to also take into account accumulated losses in addition to capital gains referred above for working out the accounting income.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

Income Tax

53. Exemption to Subsidy from Federal Government

Clause (102A), Part I of the Second Schedule

Income of a person from a subsidy granted by the Federal Government for the purpose of implementation of any order of the Federal Government was exempt from tax by virtue of Clause (102A). The Bill has proposed to withdraw the said exemption. Consequently, subsidy from Federal Government will be taxable in the hands of the recipient of such subsidy.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

54. Exemption to Electric Power Generation Project

Clause (132), Part I of the Second Schedule

Clause (132) above provides exemption to profits and gains derived by a taxpayer from an electric power generation project set up in Pakistan on or after 01 July 1988 subject to fulfillment of certain conditions. Through the Supplementary Act, the aforesaid exemption was restricted to persons (i) who were issued letter of intent for setting up an electric power generation project in Pakistan by the Federal or Provincial Government on or before 30 June 2021; and (ii) who obtain letter of support on or before 30 June 2023.

The Bill proposes two amendments in the aforesaid Clause. Firstly, an explanation has been proposed to be added to clarify that the exemption under Clause (132) would continue to apply to cases which were exempt from tax on or before 30 June 2021 i.e. where the above conditions were not applicable. Secondly, the exemption would last till the life cycle of the project or twenty five years from the date of commercial production, whichever is earlier. It follows that this restriction is meant for all power generation projects including the ones which were set-up before the year 1998.

Position after Finance Act, 2022

The above proposed amendments have been withdrawn and no such enactment has been done. Accordingly, Clause (132) remains unchanged.

55. New Exemptions

Clauses (150) and (151), Part I of the Second Schedule

The Bill has proposed insertion of a new Clause (150) to exempt income derived by Siyahkalem Engineering Construction Industry and Trade Company Limited from contract dated 23 May 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by the Saudi Fund for Development with effect from Tax Year 2017.

Furthermore, the Bill has proposed to insert a new Clause (151) to provide exemption on income of cinema operators in a tehsil or town where there is no cinema. The exemption is proposed for a period of 5 years from the commencement of cinema operations. The exemption shall be available to persons who start cinema construction on or before 31 December 2023.

Position after Finance Act, 2022

Initially the said exemption was available to the persons who start cinema construction on or before 31 December 2023. The Act has now removed the said condition for construction of cinema until 31 December 2013.

Income Tax

The Amended Bill proposes insertion of a new Clause (152) to exempt profits and gains derived between the 01 July 2022 and 30 June 2025 by a venture capital company and venture capital fund registered under relevant Venture Capital Companies and Funds Management Rules issued by the Securities and Exchange Commission of Pakistan.

Furthermore, the Amended Bill proposes insertion of a new Clause (153) to exempt profits and gains from the production of feature film derived between the 01 July 2022 and 30 June 2027 by a resident producer or a resident production house.

56. Special Rates of Tax for Flying, Submarine and Total Allowances Withdrawn *Clauses (1) and (1AA), Part III of the Second Schedule*

Any amount received as flying allowance by the 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 received by officers of Pakistan Navy is being taxed at the reduced rate of 2.5% subject to the condition that reduction shall be available to respective allowance that does not exceed the basic salary of the person.

Similarly, total allowances received by a pilot of any Pakistani airlines are taxable at the reduced rate of 7.5% by virtue of Clause (1AA), subject to the condition that reduction shall be available to so much of the allowance as exceeds an amount equal to basic pay.

The Bill has proposed to withdraw the above benefits available to the taxpayers. Consequently, the above allowances will be taxable as part of salary income in the manner as provided under the applicable provisions of the Ordinance.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

57. Exemption from Minimum Tax *Clause (11A), Part IV of the Second Schedule*

Certain taxpayers specified under Clause (11A) are exempt from the provisions of minimum tax under Section 113 of the Ordinance.

The Tax Laws Third (Amendment) Ordinance, 2021 has added "mobile phone manufacturers engaged in the local manufacturing of mobile phone devices".

It has now proposed to be enacted through the Bill.

Position after Finance Act, 2022

The Finance Act 2021 extended the benefit of Clause 11A to Zone Enterprises as defined in the Special Economic Zones Act, 2012 and Zone Developers defined in Special Economic Zone Rules, 2013 qualifying for exemption under Clause (126E), Part I of the Second Schedule whereby these were made exempt from minimum turnover tax under Section 113 of the Ordinance.

The Act has withdrawn the exemption previously allowed through Finance Act, 2021 to such eligible Zone Enterprises and Zone Developers.

Income Tax**58. Exemption from Probe of Source of Investment***Clause (86), Part IV of the Second Schedule*

Clause (86) provides exemption from provisions of Section 111 of the Ordinance to an individual who has made investment in greenfield industrial undertaking directly or as an original allottee in the purchase of shares of a company establishing an industrial undertaking or capital contribution in an AOP establishing an industrial undertaking, investment by AOP in an industrial undertaking and investment by a company in an undertaking, if the investment is made on or before 1 January 2014 and commercial production commenced on or before 30 June 2019.

The exemption is no more applicable due to expiry of specified period of commercial production. The Bill has proposed to omit the above Clause.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

59. Exemption from Various Provisions to certain Sukuk Companies*Clauses (95) and (96), Part IV of the Second Schedule*

Clause (95) has been replaced vide SRO 1457(I)/2021 dated 11 November 2021 whereby the provisions of Section 147, 150A, 151, 152, 236A and 236K are not applicable on the Second Pakistan International Sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and the Pakistan Global Programme Company Limited, as a payer.

Clause (96) has been replaced vide SRO 1457(I)/2021 dated 11 November 2021 whereby the provisions of Section 151, 153, 155 and 236C are not applicable on the Second Pakistan International Sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and the Pakistan Global Sukuk Programme Company Limited as a recipient.

The Government has now proposed to enact the above amendments through the Bill.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

60. Exemption from Various Provisions to National Highway Authority*Clause (97A), Part IV of the Second Schedule*

Clause 97A was inserted vide SRO 1457(I)2021 dated 11 November 2021 through which the provisions of Section 37, 236C and 236K shall not apply to National Highway Authority in respect of transfer of immoveable property to the Pakistan Global Sukuk Programme Company Limited and in respect of transfer of immoveable property to National Highway Authority from the Second Pakistan Global Sukuk Programme Company Limited.

The Government has now proposed to enact the above amendment through the Bill.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

Income Tax**61. Exemption from Applicability of Withholding tax***Clause (120), Part IV of the Second Schedule*

A new Clause (120) is proposed to be inserted to exempt NPOs appearing under Table 1 of Clause (66) of Part I to the Second Schedule to the Ordinance from withholding provisions of the Ordinance. However, such persons shall continue to perform functions of withholding and collecting tax as a withholding agent. Consequently, no tax is will be required to be withheld from any payments received by these organizations as a recipient.

Position after Finance Act, 2022*Clause (43H) Part-IV of the Second Schedule*

The Amended Bill proposes insertion of a new Clause (43H) to exempt withholding tax deduction from payments made under Section 153(1)(b) of the ordinance to an exhibitor or distributor of a feature film, as a payer, on payment made to a distributor, producer, or importer of a feature film.

Clause (111AC) Part-IV of the Second Schedule

The Amended Bill proposes insertion of a new Clause (111AC) to exempt applicability of advance tax on sale or transfer of immovable property (Section 236C) and advance tax on purchase or transfer of immovable property (Section 236K) of the Ordinance on the non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP).

62. Exemption from Audit to Certain Persons*Clause (105A), Part IV of the Second Schedule*

Sections 177 and 214C respectively empowers the CIR and FBR to select the case of a taxpayer for conducting tax audit. Further, the fact that a person has been audited in a year shall not preclude the person from being audited again in the next and following years, where there are reasonable grounds for such audits.

Clause (105) was introduced in Part IV of the Second Schedule, through the Finance Act, 2018 whereby provisions of Sections 177 and 214C have been made inapplicable, in cases where the income tax affairs of the tax payer have been audited in any of the preceding three tax years. However, the CIR was empowered to select a person's case for an audit with the approval of the FBR

The above clause was deleted by the Finance Act 2019. The Bill now proposed to reinstate the same provision by insertion of Clause 105A however the threshold of three Tax Years has been enhanced to four tax years.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

63. Exemption from Tax on Imports*Clauses (12B), 12BA, (12O) and (12P)*

The provisions of Section 148 of the Ordinance were not applicable on import of goods specified under Clause (12B) for the period from 20 March 2020 to 30 June 2021. The time period was extended to 31 December 2021 vide SRO 1008(I)2021 dated 09 August 2021. The Government has now proposed to enact the same through the Bill.

Income Tax

A new Clause (12BA) was inserted vide SRO 11009(I)/2021 dated 9 August 2021 whereby no tax shall be collected on import of 30 million 3xPly Knit face marks under Section 148, received as humanitarian assistance from M/s. HANES Brand Inc. North Carolina, USA for distribution within the population of Lahore Division, Government of Punjab. The Government has now proposed to enact the above amendments through the Bill.

The Bill has proposed to insert Clause (12O) and (12P) whereby provisions of Section 148 shall not apply on import of drones donated by Ministry of Agriculture and Rural Affairs, Government of China to Pakistan through sea route and import of cinematographic equipment as notified by the Federal Government.

Position after Finance Act, 2022

As regards exemption from the applicability of Section 148 on the import of cinematographic equipment vide proposed Clause (12P), the Act has replaced such exemption to the import of machinery and equipment as listed in Serial Number 32 of Part-I of Fifth Schedule to the Customs Act, 1969 subject to conditions and limitations specified therein.

64. Withholding Rules for Non Active Taxpayers

Rules (1) and (10) of the Tenth Schedule

This schedule was introduced via Finance Act, 2019 in order to broaden the tax base of the economy whereby the person whose name was not appearing in active taxpayers list would be subject to advance tax applicable under different provision of the Ordinance with a 100% increase to the applicable tax rate.

The Bill has now proposes to prescribe the increase of 200% and 250% in case of Section 231B (advance tax on registration of a motor vehicle) and 236K (purchase or transfer of immovable property) respectively as compared to existing rate of 100%.

This Bill has proposed to insert a Clause whereby the tax collected or deducted under Section 154A shall not be subject to a 100% increase in case of the person is not appearing in active taxpayers list.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

65. Table of Items for Application of Tax on Imports

Twelfth Schedule

The Bill seeks to amend the Twelfth Schedule to the Ordinance, as under-

Part I

Following entries are proposed to be inserted-

PCT Code	Description
27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal.

Part II

Following entries are proposed to be omitted-

Income Tax

PCT Code	Description
27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal

Part III

Following entries are proposed to be inserted-

PCT Code	Description
8504.3100	SMD Inductors for LED Bulb and Lights
8504.4090	Constant Current Power Supply of LED Lights and Bulbs
8532.2200	Electrical Capacitors Aluminum Electrolytic for LED Bulbs and Lights
8539.9020	Base Cap for all Kinds of LED Bulbs
8539.9090	Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Bulbs.
8539.9090	Housing/Shell, Shell Cover and Base Cap for all Kinds of LED Bulbs
9001.9000	Lenses for LED Bulbs and Lights
9405.1090	Housing/Shell, Shell Cover and Base Cap for all kinds of LED Lights.
9405.9900	Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Lights.

Position after Finance Act, 2022

Part I

Following entry has been omitted -

PCT Code	Description
72.04	Ferrous waste and scrap; remelting scrap ingots of iron or steel.

Following entries are inserted-

PCT Code	Description
07.01	Potatoes, fresh or chilled.
0702.0000	Tomatoes, fresh or chilled.
07.03	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled.
1006.1010	Seed for sowing.
27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal.

Part II

Following entries have been omitted-

PCT Code	Description
07.01	Potatoes, fresh or chilled.
0702.0000	Tomatoes, fresh or chilled.
07.03	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled.
1006.1010	Seed for sowing.
27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal.

Following entries are inserted-

PCT Code	Description
3919.9020	PVC electric insulation taps in logs exceeding 100 cm. Potatoes, fresh or chilled.
72.04	Ferrous waste and scrap; remelting scrap ingots of iron steel.
8504.3100	SMD Inductors for LED Bulb and Lights
8504.4090	Constant Current Power Supply of LED Lights and Bulbs
8532.2200	Electrical Capacitors Aluminum Electrolytic for LED Bulbs and Lights
8539.9020	Base Cap for all Kinds of LED Bulbs
8539.9090	Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Bulbs.
8539.9090	Housing/Shell, Shell Cover and Base Cap for all Kinds of LED Bulbs
9001.9000	Lenses for LED Bulbs and Lights
9405.1090	Housing/Shell, Shell Cover and Base Cap for all kinds of LED Lights.
9405.9900	Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Lights.

66. Amendments made through the Tax Laws (Third Amendment) Ordinance, 2021

The President promulgated the Tax Laws (Third Amendment) Ordinance, 2021 and the Income Tax (Amendment) Ordinance, 2022 to introduce certain amendments in the Ordinance. The Bill now presents these amendments to the National Assembly for enactment, a summary of which is as follows:

- Exemptions and tax concessions in the Second Schedule - Section 53
- Powers to enforce filing of returns - Section 114B
- National Database and Registration Authority (NADRA) - Section 175B

Income Tax

- Offences and Penalties - Section 182
- Disclosure of Information by a Public Servant - Section 216
- Amendments in the Thirteenth Schedule

Changes Introduced Directly Through Finance Act, 2022

67. Change in Taxation of Oil Marketing Companies Under Minimum Tax:

Section 113, Division IX, Part I of the First Schedule

The Finance Act, 2022 has reduced the rate of minimum tax applicable to oil marketing companies under Section 113 of the Ordinance from 0.75% to 0.5%.

68. Exemption in respect of allowances or perquisites paid by the Government outside Pakistan

Clause (5), Part I of the Second Schedule

By virtue of Clause (5) of Part I of the Second Schedule the allowances or perquisite paid or allowed outside Pakistan by the Government to a citizen of Pakistan for rendering of services were exempt from tax. The Act has omitted aforesaid Clause (5) whereby the exemption on such allowances or perquisites stands withdrawn.

69. Reduced withholding tax rate

Clauses (31) of Part-II of the Second Schedule

read with Section 153(1Xa) and Division-III of Part-III of the First Schedule

The Amended Bill proposes insertion of a new Clause (31) to Part-II of the Second Schedule to the Ordinance to specify a reduced withholding tax rate of 1% on payment for sale of gold and silver and article thereof as adjustable tax.

70. Advance tax on motor vehicles

Section 231B

The Amended Bill proposes to remove the term 'private' from the scope of advance tax collection. Additionally, the sub-Section (7) and the explanation provided thereafter has been modified by re-defining the term 'motor vehicle' to include car, caravan, automobiles, jeep, limousine, pickup, sports utility vehicle, trucks, vans, wagon, and any other automobile excluding -

- (1) Motor vehicle used for public transportation, carriage of goods and agriculture machinery;
- (2) Rickshaw or a motorcycle rickshaw; and
- (3) Any other motor vehicle having engine capacity up to 200 cc.

Table of Contents**Capital Value Tax**

- Our updated comments to highlight the changes made in the Finance Act, 2022 against the original proposal are in red

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Capital Value Tax

1. Background

Section 7 of the Finance Act, 1989 introduced a tax on the capital value of assets referred to as the Capital Value Tax (CVT), which was subsequently amended from time to time. CVT was levied on every individual, association of persons, firm or a company on the following:

- Asset acquired by purchase, gift, exchange, power of attorney other than revocable and time bound (not exceeding sixty days) executed between spouses, father and son or daughter, grandparents and grandchildren, brother and sister;
- Asset acquired by surrender or relinquishment of rights by the owner (whether affected orally or by deed or obtained through Court decree) except by inheritance or gift from spouse, parents, grand-parents, brother and sister;
- Purchase of an asset or a right to use thereof for more than twenty years or renewal of lease, or any premium paid thereon; or
- Purchase of modaraba certificate or any instrument of redeemable capital or shares of a public company listed on a registered stock exchange in Pakistan.

Through the Tax Laws (Amendment) Ordinance No.1 of 2020, Sub-section (1) of Section 7 of the Finance Act, 1989 ceased to apply with effect from 17 April 2020. Later, this was also legislated through the Finance Act, 2020. This meant that the CVT was no more payable to the Federal Government.

2. Scope of Tax

Sub-section (1) and (2) of Section 8

Through Section 8 of the Bill, a tax is proposed to be levied, charged and collected on the value of certain assets at the rates provided for in the First Schedule to this section. CVT is proposed to be charged on the following assets.

- Motor vehicle held in Pakistan having value in excess of PKR 5 million;
- Assets of a resident individual, whether movable or immovable, held abroad having value in excess of PKR 100 million; or
- Assets or class of assets as specified by the Federal Government through a notification in the official Gazette, at such rates and in such manner as may be specified. However, the Federal Government may, by notification in the official Gazette, exempt any asset or class of assets from tax subject to such conditions as may be specified.

Position after Finance Act, 2022

The Amended Bill proposes to levy CVT on the following assets-

- (a) Motor vehicle held in Pakistan where -
 - (i) The engine capacity exceeds 1300cc; or
 - (ii) In case of electric vehicles, the battery power capacity exceeds 50kwh;

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- (b) Foreign assets of a resident individual, whether directly or indirectly, where the value of such assets on the last day of the tax year in aggregate exceeds Rupees 100 Million; and
- (c) Such assets or class of assets as specified by the Federal Government through a notification in the official Gazette at rates not exceeding 5% of the value in such manner as may be specified.

3. Value of Assets for the Purpose of CVT

Sub-section (3) of Section 8

For the purposes of CVT, the value of assets is proposed to be determined in the following manner.

- In case of motor vehicle held in Pakistan -
 - where the vehicle is imported in Pakistan, the import value assessed by the Customs authorities as increased by customs duties
 - where the vehicle is manufactured or assembled locally in Pakistan, the value at which the motor vehicle is sold by the local manufacturer or assembler
 - where the vehicle is auctioned, the auction price; or
 - in any other case, the total consideration paid to acquire, alter or improve the vehicle.
- It is, however, proposed that the value of the motor vehicle shall be reduced by 10% for each year from the end of financial year in which the motor vehicle is acquired. It is also proposed that the value shall be treated as zero -
 - after ten years from the end of financial year in which the motor vehicle is acquired; or
 - where the value after reduction as mentioned above, is less than or equal to PKR 5 million.
- In case of assets of a resident individual, whether movable or immovable, held abroad, the value is proposed to be the higher of -
 - the total consideration paid to acquire, alter or improve the asset; or
 - the fair market value of the asset.
- In case of assets notified by the Federal Government, the value will be as specified in such notification.

Position after Finance Act, 2022

For the purposes of CVT, the value of assets is proposed to be determined in the following manner.

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

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- where the vehicle is auctioned, the auction price inclusive of all duties and taxes; or
- It is, however, proposed that the value of the motor vehicle shall be reduced by 10% for each year from the end of financial year in which the motor vehicle is acquired. It is also proposed that the value shall be treated as zero after five years from the end of financial year in which the motor vehicle is imported, sold by local manufacturer or auctioned.
- In case of foreign assets of a resident individual, whether movable or immovable, held abroad, the value is proposed to be the higher of -
- the total cost of foreign assets on the last day of the tax year, in the relevant foreign currency converted into Rupees as per exchange rates notified by State Bank of Pakistan for the said day.
- Where the cost of foreign asset cannot be determined with reason able accuracy, the fair market value of the asset on the last day of the tax year, in the relevant foreign currency converted into Rupees as per exchange rates notified by State Bank of Pakistan for the said day.

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

In case of assets notified by the Federal Government, the value will be as specified in such notification.

4. Collection and Payment of CVT Sub-section (4) and (6) of Section 8

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

Asset/ Description	Collection of CVT
Imported motor vehicle	Collector of Customs shall collect tax at the time of import of motor vehicle on the import value as increased by customs duties. The provisions of the Customs Act, 1969, in so far as relevant, are proposed to apply to the collection and payment of tax.
Locally manufactured/ assembled motor vehicle	Local manufacturer or assembler is proposed to collect tax from the buyer of the motor vehicle on sale value.
Sale by public auction or auction by a tender of motor vehicle	The person making sale by public auction or auction by a tender of motor vehicle is proposed to collect tax from the person to whom such motor vehicle is sold on the sale value 'auction price' of motor vehicle.
Assets of a resident individual held abroad	The person holding the assets, whether movable or immovable, is proposed to pay tax at the time of filing of income tax return for the Tax Year in the manner prescribed.
Assets notified by the Federal Government	The tax shall be to be collected or paid in the manner as specified in such notification.

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In case of locally manufactured/ assembled motor vehicle or public auction/ tender of motor vehicle, the CVT shall be collected at the time of sale or where the payment is made in installments at the time of payment of first installment. The CVT collected is proposed to be paid to the credit of the Federal Government through remittance to the Government treasury or deposit in an authorized branch of the State Bank of Pakistan (SBP) or the National Bank of Pakistan (NBP) within seven days from the date of collection. However, the tax collected by the Federal Government, Provincial Government or a local government shall be paid to the credit of the Federal Government on the day the tax is collected.

Additionally, every motor vehicle registering authority of Excise and Taxation Department at the time of collecting motor vehicle tax is proposed to also collect tax on the value of motor vehicle. However, this would not apply in case of a person, in the financial year in which CVT has been paid or collected from the said person under this section, at the time of import, purchase from local manufacturer or assembler or auction.

The Bill also proposes that where a person fails to collect tax or pay tax to the credit of the Federal Government, the person shall be personally liable to pay the amount of CVT as well as the default surcharge at a rate equal to 12% per annum on the tax unpaid computed for the period commencing on the date on which the tax was due and ending on the date on which it was paid.

Position after Finance Act, 2022

The Amended Bill proposes that CVT shall be collected or paid in the following manner:

Asset/ Description	Collection of CVT
Imported motor vehicle	Collector of Customs shall collect tax at the time of import of motor vehicle on the import value as increased by customs duties. The provisions of the Customs Act, 1969, in so far as relevant, are proposed to apply to the collection and payment of tax.
Locally manufactured/ assembled motor vehicle	Local manufacturer or assembler is proposed to collect tax from the buyer of the motor vehicle on sale value.
Sale by public auction or auction by a tender of motor vehicle	The person making sale by public auction or auction by a tender of motor vehicle is proposed to collect tax from the person to whom such motor vehicle is sold on the sale value 'auction price' of motor vehicle.
Foreign assets of a resident individual held abroad	The person holding the assets, is proposed to pay tax at the time of filing of income tax return for the Tax Year in the manner prescribed.
Assets notified by the Federal Government	The tax shall be to be collected or paid in the manner as specified in such notification.

In case of locally manufactured/ assembled motor vehicle or public auction/ tender of motor vehicle, the CVT shall be collected at the time of sale or where the payment is made in installments at the time of payment of first installment. The CVT collected is proposed to be paid to the credit of the Federal Government through remittance to the Government Treasury or deposit in an authorized branch of the State Bank of Pakistan (SBP) or the National Bank of Pakistan (NBP) within seven days from the date of collection. However, the tax collected by the Federal Government, Provincial Government or a local government shall be paid to the credit of the Federal Government on the day the tax is collected.

Additionally, every motor vehicle registering authority of Excise and Taxation Department at the time of collecting motor vehicle tax is proposed to also collect tax on the value of motor vehicle. However, this would not apply in case of

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a person, in the financial year in which CVT has been paid or collected from the said person under this section, at the time of import, purchase from local manufacturer or assembler or auction.

The Amended Bill also proposes that where a person fails to collect tax or pay tax to the credit of the Federal Government, the person shall be personally liable to pay the amount of CVT as well as the default surcharge at a rate equal to 12% per annum on the tax unpaid computed for the period commencing on the date on which the tax was due and ending on the date on which it was paid.

5. Powers of the Commissioner Inland Revenue *Sub-sections (7), (8), (9) and (10) of Section 8*

The Bill proposes that the Officer of Inland Revenue may pass an order after giving the person an opportunity of being heard, and proceed to recover the tax under the provisions of the Ordinance and the Rules, as if the tax were an arrear of income tax. For this purpose, the relevant provisions of the Ordinance and the Rules will apply to the collection and recovery of CVT.

The Bill also proposes that the CIR, on an application made by the person, may revise any order made under this section. Any person dissatisfied with the order passed by the CIR or an Officer of Inland Revenue may prefer an appeal before the CIR (Appeals) against the order as provided in Section 127 of the Ordinance and all provisions of Part III of Chapter X of the Ordinance shall apply accordingly.

Position after Finance Act, 2022

The Amended Bill proposes that the Officer of Inland Revenue may pass an order after giving the person an opportunity of being heard and proceed to recover the tax under the provisions of the Ordinance and the Rules, as if the tax were an arrear of income tax. For this purpose, the relevant provisions of the Ordinance and the Rules will apply to the collection, payment, recovery or refund of CVT.

The Amended Bill also proposes that the CIR, on an application made by the person, may revise any order made under this section. Any person dissatisfied with the order passed by the CIR or an Officer of Inland Revenue may prefer an appeal before the CIR (Appeals) against the order as provided in Section 127 of the Ordinance and all provisions of Part III of Chapter X of the Ordinance shall apply accordingly.

6. Rate of CVT *First Schedule to Section 8*

The rate of CVT is proposed to be as follows.

Sr.	Asset/ Description	Rate
1	Motor vehicle held in Pakistan where the value of motor vehicle exceeds PKR 5 million	2% of the value
2	Assets of a resident individual, whether movable or immovable, held abroad where the value of such assets exceeds PKR 100 million	1% of the value

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Position after Finance Act, 2022

The Amended Bill proposes the rate of CVT as follows.

Sr.	Asset/ Description	Rate
1	Motor vehicle held in Pakistan where the engine capacity exceeds 1300 cc or in case of electric vehicles the battery power capacity exceeds 50 kwh	1% of the value
2	Foreign assets of a resident individual, where the value of such assets exceeds PKR 100 million	1% of the value
3	Such assets or class of assets as specified by the Federal Government through a notification in the official Gazette	As specified by the Federal Government, not exceeding 5% of the value

SALES TAX

- Our updated comments to highlight the changes made in the Finance Act 2022, against the original proposal are in red

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1.	Production, Transmission and Distribution of Electricity	Section 2(12) and Section 2(33)	58
2.	Fee and Service Charges	Section 2(29A)(b) and Section 76	58
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4.	Further Tax	Section 3(1A)	59
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6.	Retailers	Section 3(9)	59
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8.	Time and Manner of Payment	Section 6(5)	60
9.	Invoicing and Tax Credit not Allowed	Section 23(1)(b) and Section 8(1)(m)	61
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Changes Introduced Directly Through Finance Act, 2022

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18.	Proceedings Against Authority & Persons	Section 33A	69
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20.	Condonation of Time Limit	Section 74	69
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22.	Eleventh Schedule	Section 3(7)	70

Sales Tax

1. Production, Transmission and Distribution of Electricity

Section 2(12) and Section 2(33)

The Bill seeks to add the expression 'production, transmission and distribution of electricity' in the definitions of "Goods" and "Supply" under Section 2(12) and under Section 2(33) of the ST Act, respectively.

Electricity, being a moveable property, is always considered for inclusion in the definition of goods. However, distribution and transmission of electricity is classified as a taxable service under certain Provincial Sales Tax on service laws. Moreover, pursuant to a recent decision of the Sindh High Court, the distribution of goods was classified as a service in certain conditions.

Apparently, the proposed amendments may have been introduced to strengthen the case of the Federal Government i.e., the mere distribution and transmission of electricity is liable to Federal Sales Tax, being a supply of taxable goods.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

2. Fee and Service Charges

Section 2(29A)(b) and Section 76

Section 2(29A) defines the term Sales Tax, which includes any amount of tax, additional tax, default surcharge, a fine, penalty or fee, or any other sum payable under the provisions of the ST Act.

The Bill now seeks to exclude fees and service charges levied under Section 76 from the scope of sales tax. This step appears to be aimed at providing legal protection to the fee of PKR 1, recently levied by the FBR under Section 76 of the ST Act on issuance of PoS invoices.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

3. Tier-1 Retailer

Section 2(43A)

Section 2(43A) defines the term Tier-1 Retailer. The Bill now seeks to broaden the scope of Tier-1 retailer by including persons engaged in the supply of articles of jewelry, or parts thereof, of precious metal, or of metal clad with precious metal.

Position after Finance Act, 2022

Persons engaged in supply of jewelry were proposed to be brought into definition of Tier-I Retailer. Through the Act aforesaid retailers whose shop area does not exceed to the extent of three hundred square feet are excluded from the purview of Tier-I Retailer.

Sales Tax

4. Further Tax Section 3(1A)

Further tax at the rate of 3% is charged, levied and paid on taxable supplies made to a person who has not obtained a Sales Tax Registration Number. The Bill seeks to broaden the scope of further tax on supplies made to registered persons who are not active taxpayers.

From the above proposal, it appears that where taxable supplies are made to a registered person who is not an active taxpayer, a further tax at the rate of 3% would also be levied on such transactions. This would practically create undue hurdles for suppliers, who would now be required to check each invoice at the time of its issuance, out of a voluminous number of invoices, and confirm whether the registered customer is active or not an active taxpayer. Further, the active taxpayer status varies on the FBR Portal on a real time basis, and therefore, it is difficult to track the status of any customer from the date of issuance of the invoice to the declaration of such invoice. It is recommended that FBR considers the removal of this hardship for the benefit of taxpayers.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

5. Online Market Place Section 3(7)

A proviso was inserted in Sub-section 7 of Section 3 of the ST Act vide the Tax Laws (Third Amendment) Ordinance, 2021 dated 15 September 2021, to clarify that in case of sale of third-party goods through an online marketplace, the liability to withhold sales tax on goods shall be on the operator of such marketplace, at the rate provided under the Eleventh Schedule to the ST Act.

The aforementioned amendment is now proposed to be inserted through the Bill to make it part of the law by an Act of the Parliament.

Position after Finance Act, 2022

Section 3(7) requires any person being purchaser of goods or services to act as a withholding agent. Now a new amendment has been introduced through the Act in Section 3(7) and requirement of withholding on purchase of services liable to pay sales tax under the provincial enactment is excluded. This amendment is clarificatory in nature to avoid disputes created by the tax officers for payment of sales tax on non-withholding of sales tax on services subject to the levy of provincial sales tax.

Other proposals adopted as above.

6. Retailers Section 3(9)

Currently, sales tax is charged from retailers (other than Tier-1 retailers) through monthly electricity bills as per the rates applicable on the value of supply of electricity as prescribed below:

Sales Tax

Monthly Electricity Bill	Existing Rate of Sales Tax
Does not exceed PKR 20,000	5%
Exceeds PKR 20,000	7.5%

The Bill now seeks to substitute the rates of sales tax with the following fixed slabs of Sales Tax:

Monthly Electricity Bill	Proposed Monthly Sales Tax
Does not exceed PKR 30,000	PKR 3,000 per month
Exceeds PKR 30,000 but does not exceed PKR 50,000	PKR 5,000 per month
Exceeds PKR 50,000	PKR 10,000 per month

The Bill also seeks to insert a proviso to Sub-section 9 of Section 3, whereby FBR, through a general order, may prescribe any persons or class of persons who would pay sales tax of PKR 50,000 per month through their electricity bills.

Position after Finance Act, 2022

Aforesaid newly introduced proviso has been substituted through the Act and now FBR through a general order may prescribe persons or class of persons who shall pay tax up to Rs. 200,000 per month through their monthly electricity bills.

A new proviso has been introduced through the Act in sub-section 3(9) whereby it is provided that the above tabulated rates of tax shall be increased by one hundred percent if the name of person is not appearing in active taxpayers list issued by FBR for income tax purposes, under section 181A of the Ordinance, on the date of issuance of monthly electricity bill.

7. Online Integration*Section 3(11)*

Through the Tax Laws (Third Amendment) Ordinance, 2021 dated 15 September 2021, Sub-section 10 was inserted in Section 3 of the ST Act to provide a general power to the FBR to require any person or class of persons, to integrate their invoice issuing machines with the FBR's Computerized System for real-time reporting of sales.

The aforementioned provision is now proposed to be inserted as Sub-section 11 to Section 3 of the ST Act through the Bill to make it part of the law by an Act of the Parliament.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

8. Time and Manner of Payment*Section 6(5)*

The Bill seeks to insert a new Sub-section 5 to Section 6 of the ST Act, whereby the Federal Government, through a notification, may allow the payment of Sales Tax on an installments basis by the Federal or Provincial Governments, or any public sector organization on the import or supply of any goods or class of goods. The proposed facility may be allowed subject to any conditions, limitations and from any previous date, as specified in the notification.

Sales Tax**Position after Finance Act, 2022**

No further changes, proposal adopted as above.

9. Invoicing and Tax Credit not Allowed*Section 23(1)(b) and Section 8(1)(m)*

Clause (b) of Sub-section 1 of Section 23 of the ST Act requires a registered person to mention the NIC number or the NTN of the recipient in case of supplies made to unregistered persons. Moreover, Section 8(1)(m) of the ST Act provides that a registered person is not entitled to claim or deduct input tax paid on goods or services attributable to supplies made to unregistered persons, on a pro-rata basis, where the sales invoices do not mention the NIC number or NTN, as stipulated under Section 23 of the ST Act. These provisions were introduced for documentation of the economy and to target unregistered business segments to register under the ST Act.

The Bill now proposes to omit both the provisions as provided under Section 23(1)(b) and Section 8(1)(m) of the ST Act.

Position after Finance Act, 2022

Now through the Act, requirements of mentioning NTN or NIC number under Section 23(1)(b) is now restricted to supplies made by a manufacturer or importer to unregistered distributors. Similarly, bar on deduction of input tax as placed under Section 8(1)(m) has been restricted to supplies made to unregistered distributors.

10. Adjustable Input Tax*Section 8B(1)*

Section 8B(1) restricts the adjustment of input tax to the extent of 90% of the output tax in relation to a tax period. Through the Finance Act, 2021, an exception to the above restriction was introduced for public limited companies listed on the Pakistan Stock Exchange.

The Bill now seeks to remove the above exception and public limited companies listed on the Pakistan Stock Exchange will also not be able to adjust their input tax, in excess of 90% of their output tax, for a tax period.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

11. Discontinuance of Gas and Electricity Connections*Section 14AB*

Through the Tax Laws (Third Amendment) Ordinance, 2021 dated 15 September 2021, a new Section 14A was inserted empowering the FBR to discontinue the supply of gas and electricity to the following persons, while notifying the gas and electricity distribution companies:

Persons	Reasons
Any person including Tier-1 retailers	Fails to register for Sales Tax purposes
Registered Tier-1 retailers	Not integrated with the FBR's Computerized System

Sales Tax

Subsequently, upon due registration or integration by such persons, FBR may also issue orders for restoration of their gas and electricity connections.

The aforementioned provision is now proposed to be inserted as Section 14AB of the ST Act through the Bill to make it part of the law by an Act of the Parliament.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

12. Offences and Penalties

Sr No.24 of the Table in Section 33

Serial No.24 of the Table in Section 33 to the ST Act stipulates the penalty on integrated persons, who avoid monitoring, tracking and reporting or recording of transactions, or issue an invoice which does not carry the prescribed invoice number or bar code or which bears a duplicate invoice number or counterfeit bar code.

The Bill seeks to amend Serial No.24, by including the requirement of a QR code when issuing an invoice. In addition to the above, the Bill also proposes that defacing the prescribed invoice number or barcode or QR code, will be considered an offence.

Position after Finance Act, 2022

An amendment was introduced in Serial No. 25 of the Table of Section 33 whereby expression "Sub-section (9A)" was replaced with expression "Section 40C" through the Tax Laws (Third Amendment) Ordinance, 2021. The aforementioned amendment is now part of the law through the Act.

Moreover, through the Finance (Supplementary) Act, 2022, Serial no. 25A was omitted which levied heavy penalties on Tier-I retailers who fail to integrate their business with the FBR's system in the manner prescribed under the Act. Now penalties have been re-introduced through the Act as Serial no. 25AB to the Table of Section 33 of the ST Act -

Offence	Penalty	Section of The Act to Which Offence Has Reference
25AB. A person required to integrate his business as stipulated under Subsection (9A) of section 3, who fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required	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: Notwithstanding above, the business premises of such person shall be liable to be sealed by an officer of Inland Revenue in the manner prescribed.	Sub-section (9A) of section 3

Other proposals adopted as above.

Sales Tax

13. Third Schedule

Section 3(2)(a)

The Third Schedule lists down the goods that are subject to sales tax at retail price.

Serial No 7 of the Third Schedule specifies “Detergent” falling under tariff heading “3402.2000”. The Bill proposes to replace the tariff heading reference with the wording ‘Respective Heading’. The proposed amendment would be extending scope for taxing all kind of detergents at retail price.

Position after Finance Act, 2022

In addition to the above, following has been omitted from the Third Schedule of the Act:

Fertilizer - Serials No. 32, 168 of Sixth Schedule and 52 of the Eighth Schedule

Fertilizers were subject to reduced rate of 2% through Serial No 52 of the Eighth Schedule and subject to payment of sales tax at retail price as per Serial No. 32 of the Third Schedule.

Through the Act Serial No. 32 of the Third Schedule and Serial No 52 of the Eighth Schedule has now been omitted. Moreover, the Act has provided exemption on the import or local supply of fertilizers by introducing Serial No. 168 in the Sixth Schedule to the ST Act.

14. Sixth Schedule

Section 13

The Sixth schedule deals with exemptions of goods from levy of sales tax.

Table 1 (on import and local supplies)

The Bill seeks to amend the following serials numbers (introduced amendments are highlighted):

S. No.	Existing		Proposed	
	Description	Tariff Heading	Description	Tariff Heading
32	Newsprint and educational textbooks but excluding brochures, leaflets and directories	4801.0000, 4901.9100, 4901.9990 and 4903.0000	Newsprint and books but excluding brochures, leaflets and directories	Respective headings
137	Paper weighing 60 g/m ² , art paper and printing paper for printing of Holy Quran imported by Federal or Provincial Governments and Nashiran-e-Quran as per quota determined by IOCO	4802.5510, 4810.1990, 4810.1910 and 4802.6990	Paper weighing 60 g/m ² , art paper, printing paper and art card for printing of Holy Quran imported by Federal or Provincial Governments and Nashiran-e-Quran as per quota determined by IOCO	4802.5510, 4810.1990, 4810.1910, 4802.6990 and 4810.2900

Further, the Bill seeks to amend the reference to tariff headings in Serial 45, 120 and 133. Accordingly, scope of exemption available on dextrose and saline infusion, diagnostic kits and pesticides would be extended to other classifications of these goods.

Sales Tax

Through the Supplementary Act, exemption from levy of sales tax on import and local supply of following items were withdrawn. Now, the Bill seeks to restore the exemption with certain modifications by inserting following entries in Table 1, Sixth Schedule to the ST Act:

S. No.	Description	Tariff Heading
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 CD under the Customs Act, and the conditions laid therein. Provided further that exemption under this serial shall be available with effect from the 15 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.	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 CD such goods under the Customs Act.	99.19, 99.20 and 99.21
169	Seeds for sowing	Respective Heading

Imports by Export Processing Zone

The Bill proposes to insert Serial No.170 of Table-1 to the Sixth Schedule to exempt 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. Currently, imports of goods into Export Processing Zone are not subject to sales tax in terms of the Export Processing Zone Rules.

Apparently, above exemption is provided to harmonize exemption which is already provided in the Export Processing Zone Rules.

Supply of Tractor - Serial No.168

Supply of agricultural tractor is subject to sales tax at reduced rate of 5% under Serial No.25 of Eighth Schedule to the ST Act. The Bill now seeks to exempt the import or local supply of tractors from levy of sales tax.

Sales Tax

Position after Finance Act, 2022

Fertilizer has been exempted through the Act by substitution of proposed Serial No. 168.

Exemption provided to tractors has now been re-numbered to Serial No. 170 instead of 168.

Exemption provided to seeds for sowing has now been re-numbered to Serial No. 171 instead of 169.

Exemption proposed to be given on machinery, equipment and materials has now been re-numbered to Serial No. 172 instead of 170.

Oil Cake and Other solid residues

Oil Cake and Other solid residues were exempted through Serial No. 155 of Sixth Schedule. Such exemption was withdrawn through the Finance (Supplementary) Act, 2022. Now, the Act has restored exemption on import and local supplies of Oil Cake and Other solid residues.

Re-importation of locally manufactured goods - Serial No. 173

Earlier, re-importation of locally manufactured goods was exempted which was withdrawn through the Finance (Supplementary) Act, 2022. Now, the Act has restored exemption on re-importation of locally manufactured goods.

Exemption for cinematographic equipment- Serial No. 174

Import of various cinematographic machinery and equipment which fall under Serial no 32 of the Table-I of Fifth Schedule to the Customs Act 1961 has been declared as exempt through the Act.

Other proposals adopted as above.

Table 2 (Local Supplies)

Supply by Restaurants and Caterers

The Finance Act, 2018 provided a reduced rate of sales tax on food supplied by restaurants, bakeries and caterers. Subsequently, the aforesaid reduced rate was withdrawn vide the Supplementary Act thereby resulting in tax at the standard rate.

However, such businesses were also covered under the provincial sales tax laws and paying sales tax with the respective provincial sales tax authorities. Aforesaid amendment led to a dispute among the businesses and revenue authorities.

The Bill now seeks to exempt prepared food or foodstuff supplied by restaurants and caterers by insertion of Serial 53 in Table-2 of the Sixth Schedule. Moreover, services of restaurant and caterers including supply of foods is proposed to be taxed under the ICT Ordinance as services. Apparently the suggested amendments would now rest the dispute between the Federal and Provincial tax authorities.

Position after Finance Act, 2022

Exemption already available through Serial no. 7 of Table II to the Sixth Schedule on supply of breads, nans and chapattis is continued by insertion of new Serial no. 54 to Table II to the Sixth Schedule.

Table 3 (Plant, Machinery, Equipment and Apparatus, including Capital Goods)

The Bill has proposed to insert the following entry in Table 3 of the Sixth Schedule for granting exemption on imports:

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

Position after Finance Act, 2022

No further changes, proposal adopted as above.

15. Eighth Schedule Section 3(2Xaa)

The Eighth Schedule lists down the goods that are subject to sales tax at reduced rate or specified rate subject to such conditions and limitations as specified therein.

The Bill seeks to amend the rate of sales tax in case of following entries in Table 1, Eighth Schedule to the ST Act:

Sales Tax

S. No.	Description	Tariff Heading	Existing rate	Proposed rate
56	Potassium Chlorate (KClO ₃)	Respective headings	17% alongwith PKR 90/ kg	17% alongwith PKR 60/ kg

The Bill also seeks to insert following entries in Table 1 of the Eighth Schedule for providing reduced rates:

S. No.	Description	Tariff Heading	Rate	Condition
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.

Local supply of the above jewelry articles is proposed to be taxed at 3%. However, import of the aforesaid articles is proposed to be taxed at 4% at import stage while its onward supply would be exempt.

The Bill further proposes to omit the following entries from Table 1 of the Eighth Schedule to the ST Act:

S. No.	Description	Tariff Heading	Rate
47	Locally produced coal	27.01	PKR 425 per metric tonne or 17% ad valorem, whichever is higher
75	Import of electric vehicle in CBU conditions	8703.8090	12.5%

As a result of omission of the above, both these products will now be liable to standard sales tax at 17%.

Position after Finance Act, 2022

Locally produced coal

The Bill proposed to withdraw fixed rate on locally produced coal. While through the Act, fixed rate for locally produced coal has been enhanced to 700 per metric tonne or 17% ad valorem, whichever is higher.

Jewelry Articles

The Bill proposed to provide reduced rate on local supply of jewelry articles at 3% whereas imported articles is proposed to be taxed at 4% at import stage and exempting its onward supply. Through the Act, reduced rate on local supplies of jewelry articles has been restricted to locally manufactured articles only. However, proposal regarding imported jewelry articles has been withdrawn through the Act. Effectively, import of jewelry articles and their onward supply would be subject to sales tax at standard rate.

Sales Tax

Electric Vehicles

Electric vehicles in CBU condition were taxable at reduced rate of 12.5% through Serial No. 75. The Bill proposed to omit this entry, resultantly all EV in CBU condition became taxable at 17%. However, the Act, has retained the reduced rate facility at 12.5% on EV in CBU condition of 50 kwh battery or below, through insertion of new Serial No. 79.

EV Transport

EV transport buses of 25 seats or more in CBU condition are taxed at 1% through insertion of a new Serial No. 80 to the Eighth Schedule.

Pharma Sector

Serial no. 19 of the Fifth Schedule

Serial no. 81 and 82 of the Eight Schedule

Substance registered as drug under the Drugs Act, 1976 and raw materials for the basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products were earlier exempt from the sales tax on import and local supply under Serial no. 104 & 105 of the Sixth Schedule. Through the Finance (Supplementary) Act, 2022, exemption available to pharmaceutical companies was withdrawn and import & supply of pharmaceutical products became subject to zero rating by means of insertion under Serial No. 19 to the Fifth Schedule of the Act whilst the active pharmaceutical ingredients or raw materials for manufacture of drugs had become taxable at standard rate of 17%. Resultantly, significant refunds became due to pharmaceutical sector and their cashflows were directly affected.

Now through the Act, Serial No. 19 of the Fifth Schedule has been omitted and new Serial Nos. 81 & 82 have been introduced in Table 1 of the Eighth Schedule to levy sales tax on active pharmaceutical ingredients meant for the manufacturing of drugs or raw materials for the basic manufacture of pharmaceutical active ingredients at the rate of 1% without adjustment of input tax. Similarly, the import of substances registered as drugs would also be subject to 1% sales tax at import stage. The supply of locally manufactured or imported drugs are also now subject to sales tax at the rate of 1% without adjustment of input tax.

Moreover, the tax charged or deposited by manufacturer or importer would be the final discharge of tax in the supply chain. Effectively, wholesalers/distributors or retailers dealing only in supply of drugs once again have been excluded from the sales tax regime.

Other proposals adopted as above.

16. Twelfth Schedule

Section 7A(2)

Twelfth Schedule to the ST Act levies minimum value addition tax at the rate of 3% at import stage. The Procedure and Condition of Clause (2) under the Schedule provides exemption from levy of minimum value addition tax. Sub-clause (i) exempts levy of minimum value addition tax on import of raw materials and intermediary goods imported by a manufacturer for in-house consumption. The Bill now seeks to withdraw the foregoing exemption on import of compressor scrap (tariff heading 7204.4940), motor scrap (tariff heading 7204.4990) and copper cable cutting scrap (tariff heading 7404.0090).

Position after Finance Act, 2022

No further changes, proposal adopted as above.

Changes Introduced Directly Through Finance Act, 2022

17. Value of Supply

Section 2(46)(i)

Value of supply of electric power and gas by distribution company is defined in Section 2(46)(i) as total billed amount. The Act has added an explanation that value of supply does not include the amount of subsidy provided by the Federal or Provincial Government to the electricity consumers. The said insertion has been made in an explanatory manner, resultantly it may help in resolving the pending litigations.

18. Proceedings Against Authority & Persons

Section 33A

Through Section 33A of the ST Act, FBR is required to prescribe rules for initiating criminal proceedings against authorities, including any officer or official subordinate to the authorities established under Section 30 to 30DDD for any willful or deliberate commitments, omissions of acts which result in undue benefit or advantage to the authority or the officer or official or to any other person.

Now through the Act, Section 33A is omitted.

19. Alternative Dispute Resolution

Section 47A

The concept of Alternative Dispute Resolution (ADR) was first introduced in the ST Act vide the Finance Act, 2004 since then the very provisions have been subjected to amendments from time to time. Similar concept was also provided in the Ordinance.

The Bill proposed to revamp concept of ADR in the Ordinance however, no amendment was proposed in the ST Act. Through the Act, Section 47A has now been substituted and synchronized in line with the provision as introduced in the Ordinance.

The provisions of this section are in line with our comments in point 8 above provided under income tax portion of this document.

20. Condonation of Time Limit

Section 74

Section 74 empowers the Board to condone time limits provided in the ST Act or rules thereunder within which any application is to be made or any act or thing is to be done. Now, the Act has introduced a new amendment in Section 74 thereby authorizing FBR to condone the time limit before or after the expiry of such time limit or period.

Apparently, the amendment has been introduced to offset the effect of various Court's order including recent judgment of Supreme Court of Pakistan in case of FBR Vs Abdul Ghani (2021 PTCL 254) whereby the Court has held that power of condoning time limit in Section 74 cannot be interpreted as authorizing unchecked reversal of statutory limitation period. Therefore, such power cannot be applied for seeking extension or condonation to revive the past and closed transactions wherein time limit has already lapsed.

Sales Tax**21. Fifth Schedule***Section 4***Fat Filled Milk - Serial No. 17**

Fat filled milk, other than sold in retail packing under a brand name or a trademark, was subject to zero rating through Serial No. 17 of the Fifth Schedule and whereas fat filled milk, in retail packing, were subject to reduced rate vide the Serial No. 60 of the Eighth Schedule. Subsequently, through the Tax Laws (Third Amendment) Ordinance, 2021 an amendment was introduced whereby fat filled milk sold in retail packing under a brand name or a trademark was also brought into the zero-rating regime.

The aforementioned amendment is now part of the law through the Act.

Local Supplies to Registered Exporters - Serial No. 21

The Finance Act, 2021 has zero rated the local supplies of raw materials, components, parts and plant and machinery made to registered exporters authorized under Export Facilitation Scheme, 2021. Such benefit was withdrawn through the Finance (Supplementary) Act, 2022.

The Act has now restored the aforesaid zero rating by inserting Serial No. 21 to the Fifth Schedule of the ST Act.

22. Eleventh Schedule*Section 3(7)*

The Eleventh Schedule lists out the person who are considered to be withholding agents for sales tax purposes.

Serial No.4 of the Table to the Eleventh Schedule specifies that "Companies as defined in the Ordinance" are withholding agents. Through the Act under the above serial, the companies exporting surgical instruments have been excluded from the scope of withholding agents.

Online Market places are required to withhold sales tax at the rate of 2% on the value of supply made by persons (vendors) other than active taxpayers through their online platform/market. The Act has now reduced the withholding rate of sales tax from 2% to 1%.

Table of Contents**ISLAMABAD CAPITAL TERRITORY TAX**

- Our updated comments to highlight the changes made in the Finance Act, 2022 against the original proposal are in red

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Islamabad Capital Territory Tax

1. Amendments in The Schedule Section 3(2)

Reduction in the Rate of Sales Tax

The Bill seeks to reduce the rate of sales tax to 15% on the services listed in Table 1 of the Schedule that are currently subject to sales tax at the rate of 16%.

The Bill also seeks to reduce the rate of sales tax from 17% to 15% on Call Centre services listed at Serial No. 42 of Table 1 of the Schedule.

Position after Finance Act, 2022

The "Services provided by software or IT-based system development consultants" provided at Sr. No. 11 of the Table-1 shall remain subject to Sales Tax at the rate of 16%.

The aforesaid services are also provided in the Table-2 of the Schedule, subject to 5% Sales Tax without any condition.

Insertion of Services in the Schedule

The Bill seeks to substitute the following entry in Table 1 of the Schedule:

S.No.	Existing			Proposed		
	Description	PCT Heading	Rate of Tax	Description	PCT Heading	Rate of Tax
1	Services provided or rendered by hotels, motels, guest houses, marriage halls and lawns (by whatever name called) including "pandal" and "shamiana" services, clubs including race clubs, and caterers.	9801.1000 9801.3000 9801.4000 9801.5000 9801.6000	16%	Services provided or rendered by hotels, motels, guest houses, farmhouses, restaurants, marriage halls, lawns, clubs and caterers. Services provided or rendered by hotels, motels, guest houses and farmhouses. Services provided or rendered by restaurants. Services provided or rendered by marriage halls and lawns. Services provided or rendered by clubs. Services provided or rendered by caterers, suppliers of food and drinks	98.01	15%

Islamabad Capital Territory Tax

Through the above proposed amendment, the Bill seeks to add services of farmhouses, restaurants and suppliers of food and drinks within the purview of sales tax under the ICT Ordinance.

Withdrawal of reduced rate

The Services provided by software or IT-based system development consultants were subject to sales tax at the rate of 16% under the Schedule to the ICT Ordinance. The Federal Government had issued S.R.O 495(I)/2016, dated 04 July 2016, wherein the rate of sales tax on "IT services and IT-enabled services" was reduced to 5%. Through the Finance Supplementary Act, 2022, this category of service and the reduced rate of 5% was added to the newly introduced Table 2 of the Schedule. Subsequently, S.R.O 495(I)/2016 was rescinded vide S.R.O 251(I)/2022, dated 16 February 2022. Inconsistent with other services included in Table 2 of the Schedule, the description of IT services and IT-enabled services did not correspond with the description of services provided in Table 1 of the Schedule i.e., "Services provided by software or IT-based system development consultants". Accordingly there is a general view that IT-enabled services are not taxable in Islamabad.

The Bill now seeks to withdraw IT services and IT-enabled services and the reduced rate of 5% thereon from Table 2 of the Schedule. After the proposed amendments in the Schedule, the rate of sales tax on services provided by software or IT-based system development consultants will be 15%.

Position after Finance Act, 2022

Sr. No. 11 has been reinstated with a change in the description of services and the PCT heading similar to Table-1 i.e., "Services provided by software or IT-based system development consultants-9815.6000". Consequently, such services shall now be subject to the reduced rate of Sales Tax of 5%.

Table of Contents**FEDERAL EXCISE DUTY**

- Our updated comments to highlight the changes made in the Finance Act, 2022 against the original proposal are in red

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Changes Introduced Directly Through Finance Act, 2022

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6.	Removal of difficulties and condonation of time limit etc.	Section 43(2)	79

Federal Excise Duty

1. Definitions

Section 2(9)

Section 49 was inserted in the FE Act through the Finance Act, 2019, whereby the FBR, with the approval of the Federal Minister-in-charge, is empowered to levy fee and service charges for valuation in respect of any other service or control mechanism provided by any formation under the control of the FBR, including ventures of public-private partnership.

Section 2(9) of the FE Act provides the definition of “duty”, means any sum payable under the provisions of the FE Act or the rules made thereunder, and includes default surcharge and the duty chargeable at the rate of 0%.

The Bill seeks to exclude the fee and service charges imposed and collected under Section 49 of the FE Act from the definition of “duty”.

This step appears to be taken in relation to provide legal protection to the fee of PKR 1 recently levied by the FBR under Section 76 of the ST Act on issuance of POS invoices in order to avail protection against challenge to any levy for any other required services.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

2. Appointment of Federal Excise officers and delegation of powers

Section 29(2)(c)

It is proposed to rename the “Directorate General of Training and Research”, the “Inland Revenue Services Academy”.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

3. Amendments in the First Schedule

Section 3, First Schedule, Table I and Table II

TABLE-I (GOODS)

The Bill proposes amendments in Table I of the First Schedule to the FE Act:

S.No.	Description	Existing		Proposed	
		Tariff Heading	Duty	Tariff Heading	Duty
8a	E-liquids by whatsoever name called, for electric cigarette kits.	Respective heading	PKR 10 per ml	Respective heading	PKR 10,000 per kg
9	Locally produced cigarettes if their on-pack printed retail price exceeds PKR 5,960 per 1000 cigarettes.	24.02	PKR 5,200 per 1,000 cigarettes	24.02	PKR 5,600 per 1,000 cigarettes

Federal Excise Duty

S.No.	Description	Existing		Proposed	
		Tariff Heading	Duty	Tariff Heading	Duty
10	Locally produced cigarettes if their on-pack printed retail price does not exceed PKR 5,960 per 1,000 cigarettes.	24.02	PKR 1,650 per 1,000 cigarettes	24.02	PKR 1,850 per 1,000 cigarettes
56	Filter rod for cigarettes.	5502.909	PKR 1 per filter rod	Respective headings	PKR 1,500 per kg

Position after Finance Act, 2022

The Act has amended the following entries in Table I of the First Schedule to the FE Act:

S.No.	Existing			Revised		
	Description	Tariff Heading	Duty	Description	Tariff Heading	Duty
8a	E-liquids by whatsoever name called, for electric cigarette kits.	Respective heading	PKR 10 per ml	E-liquids by whatsoever name called, for electric cigarette kits.	Respective heading	PKR 10,000 per kg
8c	Tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without combustion	2403.9990	PKR 5,200 per kg	Tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without combustion	Respective heading	PKR 5,200 per kg
9	Locally produced cigarettes if their on-pack printed retail price exceeds five thousand nine hundred and sixty rupees per thousand cigarettes.	24.02	PKR 5,200 per thousand cigarettes	Locally produced cigarettes if their on-pack printed retail price exceeds six thousand six hundred and sixty rupees per thousand cigarettes.	24.02	PKR 5,900 per thousand cigarettes

Federal Excise Duty

S.No.	Existing			Revised		
	Description	Tariff Heading	Duty	Description	Tariff Heading	Duty
10	Locally produced cigarettes if their on-pack printed retail price does not exceed five thousand nine hundred and sixty rupees per thousand cigarettes.	24.02	PKR 11,650 per thousand cigarettes	Locally produced cigarettes if their on-pack printed retail price does not exceed six thousand six hundred and sixty rupees per thousand cigarettes.	24.02	PKR 1,850 per thousand cigarettes
35	Other Liquefied petroleum Gases and gaseous hydrocarbons	2711.1900	PKR 17.18 per hundred cubic meters.	Other Liquefied petroleum Gases and gaseous hydrocarbons	2711.1900	PKR 60 hundred metric tonne.
56	Filter rod for cigarettes.	5502.9090	PKR 1 per filter rod	Filter rod for cigarettes.	Respective headings	PKR 1,500 per kg

TABLE 2 (SERVICES)

The Bill proposes amendments in Table 2 of the First Schedule to the FE Act:

S.No.	Description	Existing	Proposed
		Duty	Duty
3	Facilities for travel		
	(b) Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan,-		
	(i) Economy and economy plus	PKR 5,000	PKR 5,000
	(ii) Club, business and first class	PKR 10,000	PKR 50,000
6	Telecommunication services, excluding such services in the area of a Province where such Province has imposed Provincial sales tax and has started collecting the same through its own Board or Authority, as the case may be.	16% of charges	19.5% of charges

Position after Finance Act, 2022

No further changes, proposal adopted as above.

Changes Introduced Directly Through Finance Act, 2022**4. Proceedings against authority and persons**
Section 19A

The Act omitted Section 19A of the FE Act that was not proposed in the Bill.

Through the Finance Act 2019, a new section was inserted whereby, the FBR was provided with the power to prescribe rules for initiating criminal proceedings against its officials, who willfully and deliberately commits or omits an act which results in undue benefit or advantage to the officials or to the taxpayers or any other person.

5. Alternative Dispute Resolution
Section 38

The Act substituted section 38 of the FE Act that was not proposed in the Bill.

The concept of Alternative Dispute Resolution (ADR) is the part of FE Act since its enactment, however, provisions have been subjected to amendments and have also been substituted from time to time.

Following are the significant changes in the substituted Section.

- A monetary limit of dispute of liability of duty or admissibility of refund of rupees one hundred million has now been specified.
- The committee may now also be constituted in respect of the disputes that involves interpretation of questions of law having an effect on identical cases.
- The application for constitution of committee shall now be accompanied by an initial proposition for resolution of the dispute.
- The period of constitution of committee is now extended to forty-five days as compare to existing sixty days.
- The nominated person of the registered person will now include retired officers of Inland Revenue from BS-21 or above.
- The registered person shall not nominate a Chartered Accountant or an Advocate who is or has been an auditor or an authorized representative of the registered person.
- The Chief Commissioner and the person nominated by the applicant may nominate a person through consensus, otherwise, the FBR may nominate eligible person proposed by the registered person.
- The taxpayer shall withdraw his pending appeal as soon as the FBR constitutes a Committee for ADR. The Committee shall not commence the ADR proceedings unless the order of withdrawal is communicated to the FBR. This amendment appears to be a deal-breaker for, under the current provisions, the condition of withdrawal of the appeal is attracted only after the Committee decides the application for ADR, whereas the amendment does not give this breathing space to the taxpayer to evaluate the outcome of the ADR proceedings.
- According to the substituted section, the decision of the ADR is binding both on the aggrieved person and the Commissioner as opposed to the erstwhile section whereby this was not binding on the aggrieved person.
- The decision of the Committee shall not be cited or taken as a precedent in any other case or in the case of the taxpayer for a different period.
- A positive amendment that has been introduced that as opposed to the erstwhile provisions that required the order of the Committee to be taken by consensus, the Act introduced for a majority decision by the Committee for dispute resolution.

Federal Excise Duty**6. Removal of difficulties and condonation of time limit etc.**
Section 43(2)

The Act amended Section 43(2) of the FE Act that was not proposed in the Bill.

Sub-section (2) deals with the powers of the FBR to permit any application or act or thing to be done, within period as it may consider appropriate.

The Act has amended sub-section whereby the FBR may now permit such applications at any time before or after the expiry of any time or period, specified under any of the provisions of the FE Act or the rules made thereunder.

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CUSTOMS

- Our updated comments to highlight the changes made in the Finance Act, 2022 against the original proposal are in red

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Customs

1. Definitions

Section 2

The Bill seeks to amend and improve the following definitions:

Documents

Section 2(kka)

The Bill seeks to broaden the definition of Documents, by adding the words “standardized information and documents lodged with a single entry point through the Pakistan Single Window”.

Risk Management System

Section 2(qb)

The Bill seeks to broaden the definition of Risk Management System, by including the term “Trade Controls”.

Smuggle

Section 2(s)(iv)

The Bill seeks to broaden the definition of Smuggle, by including in it the essential commodities, as notified by the FBR.

The Bill seeks to insert the following new definitions:

- **Essential Commodities**

Section 2(kkd)

“Essential commodities” means those items, the availability of which is considered vital for domestic use or consumption, as notified by the FBR from time to time, in consultation with the Ministries concerned.

- **Bordering and Coastal Areas**

Section 2(bbc)

“Bordering and coastal areas” means all districts located along international borders including coastal areas of Pakistan as notified by Provincial Governments.

Position after Finance Act, 2022

“Bordering and coastal areas” means areas along international borders as notified by the Board”.

The Bill seeks to adopt the following new definitions as provided under the Pakistan Single Window Act, 2021 to align with it:

- **Other Government Agencies** - *Section 2(oa)*
- **Pakistan Single Window** - *Section 2(pb)*
- **Trade Controls** - *Section 2(sa)*
- **Un-authorized Access** - *Section 2(sb)*

Customs

Position after Finance Act, 2022

- The Act has amended section 3CCA of the Customs Act. This section deals with the constitution of the Directorate General of Law and Prosecution which shall consist of a Directorate General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors, Special Prosecutors and such other officers as the Board may, by notification in the official Gazette, appoint.

2. Directorate General of Training and Research Section 3C

It is proposed to rename the “Directorate General of Training and Research”, the “Pakistan Customs Academy (PCA)”.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

3. General Powers to Exempt Customs Duties Section 19(5)

It is proposed that all notifications issued after 01 July 2016, if not rescinded earlier and placed before the National Assembly, shall be continued and enforced up to 30 June 2023. Previously, the period of enforcement was up to 30 June 2022. The said amendment will provide legal coverage to the notifications issued during the aforementioned extended period.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

4. Power to Deliver Certain Goods Without Payment of Duty and to Repay Duty on Certain Goods Section 21(c)

The FBR is now empowered to clear certain types of goods without payment of CD, as well as repayment of CD paid on import of goods meant for export. The Bill seeks to delete the words “or for supplies against international tenders” from this section, which it may be inferred that the duty drawback facility has been abolished on such supplies.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

5. Provisional Determination of Liability Section 81(2)

This section deals with provisional determination of liability by the officer, if the correctness of a goods declaration is not possible, due to the reason that the goods require a chemical or other test or a further inquiry. The final determination of liability is currently required to be made within six months of the date of provisional determination, which may be extended by a further ninety days. The Bill seeks to curtail the period of final determination of goods from six months to ninety days, and reduce the extension period from ninety days to thirty days. Accordingly, the overall period of nine months will be reduced to four months and result in early realization of government revenue.

Customs

Position after Finance Act, 2022

Section 81(1)

The Act has inserted a third proviso in section 81(1), which shall be deemed to have always been so added. It states that no provisional determination of liability shall be allowed in those cases where a Valuation Ruling (VR) is in field, regardless of the fact that any review or revision against such VR is pending under section 25D of the Customs Act.

6. Period for which Goods may remain in Warehouse

Section 98(1)(a)

The perishable and non-perishable goods may remain in a warehouse for a period of one month and six months, respectively. Currently, the Collector of Customs may extend the period of warehousing up to six months for these goods and the Chief Collector has the power to extend the said period beyond six months.

It is now proposed to empower the Additional Collector of Customs to extend the warehousing period up to one month, and the Collector of Customs may extend the period from one month to six months; however, no change is proposed in the powers of the Chief Collector. The proposed amendment will facilitate the taxpayers and ease the process of warehousing.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

7. Frustrated Cargo

Section 138(1)

A frustrated cargo for which the consignee is not identifiable, may be exported without payment of duties, on an application made by the consignor or the person-in-charge of conveyance which brought such goods to the customs-station.

The Bill seeks to provide an additional option whereby such frustrated cargo may be assigned to a new consignee, on an application made by the aforementioned persons. The objective of the proposed amendment seems to be an alignment with the Import Policy Order, 2020.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

8. Punishment for Offences

Section 156

Penalties are imposed on smuggling of goods under Sr. No. 8(i) of Table. The Bill seeks to increase the scope of these penalties to include essential commodities as well. Further, the following new penalties are proposed under Sr. No. 105, which mainly relates to unauthorized access and use of the Pakistan Single Window system.

Customs

Offence	Proposed Penalties
Sr. No. 105(i) Un-authorized access to information, data or personal details of registered user of Pakistan Single Window systems or systems connected or ancillary thereto.	Imprisonment - up to 6 months; or Fine - up to PKR 100,000; or both
Sr. No.105(ii) Un-authorized copy, transmission or cause of transmit any data, information or detail in relations to Pakistan Single Window systems or systems connected or ancillary thereto.	
Sr. No.105(iii) Un-authorized interference, or attempt to interfere, damage or attempt to damage any part of whole of Pakistan Single Window systems or data or systems connected or ancillary thereto.	Imprisonment - up to 3 years Fine - PKR 500,000; or both
Sr. No.105(iv) Use of any information systems, device or data to make any illegal claim or title or cause any person to part with property or to enter any express or implied contract or intent to commit fraud by any input, alteration, deletion or suppression of data, resulting in unauthentic data with the intent that such data be considered or acted upon for legal purpose, as if it were authentic in relations to the Pakistan Single Window systems or data or systems connected or ancillary thereto.	Imprisonment - up to 4 years; or Fine - PKR 1 million; or both
Sr. No.105(v) Use, make, supply, retain, obtain device, systems or software or software for offences under section 13 of the Pakistan Single Window Act, 2021 (III of 2021).	Imprisonment - up to 6 months; or Fine - PKR 100,000; or Both
Sr. No.105(vi) Obtain, sell, process, use or transmit another person's Unique User Identifier or make an attempt thereof without authorization.	Imprisonment - up to 4 Years; or Fine - PKR 1 million; or both
Sr. No.105(vii) Tamper with or attempt to tamper with, alter, re-programme any Pakistan Single Window systems or systems connected or ancillary thereto for un-authorized use.	Imprisonment - up to 4 years; or Fine - PKR 1 million; or both and any devices or systems used in offence shall be liable to confiscation.
Sr. No.105(viii) Write, offer, make available, distribute or transmit a malicious code or abet in the same, with the intent to cause harm to Pakistan Single Window system or data resulting in or intending to result in corruption, destruction, alteration, suppression, theft or loss to the Pakistan Single Window systems or data or any attempt thereof;	Imprisonment - up to 4 years; or Fine - PKR 5 million; or Both

Customs

Position after Finance Act, 2022

Offence	Proposed Penalties
Sr. No. 105(i) If any person makes or attempts to make un-authorized access to information, data or personal details of registered user of Pakistan Single Window systems or systems connected or ancillary thereto.	Imprisonment - up to 6 months; or Fine - up to PKR 100,000; or both
Sr. No.105(ii) If any person makes or attempts to make un-authorized copy, transmission or cause of transmit any data, information or detail in relations to Pakistan Single Window systems or systems connected or ancillary thereto.	
Sr. No.105(iii) If any person makes un-authorized interference, or attempt to interfere, damage or attempt to damage any part of whole of Pakistan Single Window systems or data or systems connected or ancillary thereto.	Imprisonment - up to 3 years Fine - PKR 500,000; or both
Sr. No.105(iv) If any person makes or attempts to make use of any information systems, device or data to make any illegal claim or title or cause any person to part with property or to enter any express or implied contract or intent to commit fraud by any input, alteration, deletion or suppression of data, resulting in unauthentic data with the intent that such data be considered or acted upon for legal purpose, as if it were authentic in relations to the Pakistan Single Window systems or data or systems connected or ancillary thereto.	Imprisonment - up to 4 years; or Fine - PKR 1 million; or both
Sr. No.105(v) If any person uses, makes, supplies, retains, obtains device, system or software for offences under section 13 of the Pakistan Single Window Act, 2021 (III of 2021).	Imprisonment - up to 6 months; or Fine - PKR 100,000; or Both
Sr. No.105(vi) If any person obtains, sells, processes, uses or transmits another person's Unique User Identifier or makes an attempt thereof without authorization.	Imprisonment - up to 4 Years; or Fine - PKR 1 million; or both
Sr. No.105(vii) If any person tampers with or attempts to tamper with, alters, re-programmes any Pakistan Single Window systems or systems connected or ancillary thereto for un-authorized use.	Imprisonment - up to 4 years; or Fine - PKR 1 million; or both and any devices or systems used in offence shall be liable to confiscation.
Sr. No.105(viii) If any person writes, offers, makes available, distributes or transmits a malicious code or abets in the same, with the intent to cause harm to Pakistan Single Window system or data resulting in or intending to result in corruption, destruction, alteration, suppression, theft or loss to the Pakistan Single Window systems or data or any attempt thereof;	Imprisonment - up to 4 years; or Fine - PKR 5 million; or Both

Customs

9. Extent of Confiscation

Section 157(2)

A conveyance seized by an officer of Customs for confiscation may be temporarily released during the pendency of the adjudication process, upon submission of sufficient bank guarantee. Through the Finance Act, 2021, a proviso was added stating that if a conveyance is apprehended a third time, it shall not be released against a redemption fine. The Bill seeks to propose to delete the said proviso since the matter has already been dealt with under SRO 499(I)/2009 dated 13 June 2009.

Position after Finance Act, 2022

No further changes, proposal adopted as above.

10. Power to Stop and Search Conveyances

Section 164(3)

This section deals with the power of an officer to stop and search any conveyance, which he believes or has reason to believe is carrying smuggled goods within the territories and territorial waters of Pakistan. The Bill seeks to insert a proviso after Sub-section (3), stating that the aforementioned powers shall only be exercised in case of essential commodities within bordering and coastal areas **as notified by the Board**.

Position after Finance Act, 2022

Changes are highlighted above

11. Procedure in Case of Seizure of Essential Commodities

Section 170A

The Bill seeks to insert a new section, which states that seized essential commodities shall be deposited in the nearest customs house or the nearest place appointed by the Collector of Customs.

Position after Finance Act, 2022

Changes are highlighted above

12. Power of Adjudication

Section 179(1)

Power of adjudication and jurisdiction of officers of Customs for the cases involving confiscation of goods, recovery of duty and other taxes not levied, short levied or erroneously refunded, imposition of penalty, or any other contravention, is mentioned in Section 179 of the Customs Act. The Bill seeks to enhance the pecuniary jurisdiction of the Additional Collector and Deputy Collector as under:

- (a) Additional Collector - PKR 5 million (currently PKR 3 million)
- (b) Deputy Collector - PKR 2 million (currently PKR 1 million).

Customs

Position after Finance Act, 2022

Changes are highlighted above

13. Reference to High Court

Section 196(1)

Under Section 194B(3), the order of the Appellate Tribunal is served upon the officer of Customs; whereas, Section 196(1) states that a reference can be filed against the order of the Appellate Tribunal served upon the Collector or Director of Intelligence and Investigation, or Director of Valuation, as the case may be. In order to align both sections, it is now proposed to substitute the aforementioned authorities with the officer of Customs.

Position after Finance Act, 2022

Changes are highlighted above

14. Wharfage or Storage Fees and Port Charges

Section 203

This section deals with levy of wharfage or storage fee by the Collector of Customs. The Bill seeks to enhance the scope of this section to include the levy of port charges on import and export of goods for services rendered by terminal operators. It is also proposed that the Collector of Customs may fix charges, fee for storing of seized and confiscated goods, vehicles etc., in a declared State warehouse.

Position after Finance Act, 2022

Proposal has not been adopted in the Act.

15. Protection of Action Taken Under the Act

Section 217

This section provides protection from action taken under the Act, to the Federal Government or any public servant. It is now proposed to enhance the scope of protection to the Provincial Government as well.

Position after Finance Act, 2022

Proposal has not been adopted in the Act.

16. Amendments in First Schedule/ Fifth Schedule

- The amendments in HS nomenclature issued by World Customs Organization (WCO) are in place since 01 January 2022. Pakistan has adopted the same, which will be effective from 01 July 2022.
- Exemption from CD is proposed on the following items to incentivize their respective industries:
 - Farm Mechanization and Logistics including agricultural machinery pertaining to irrigation, drainage, harvesting/ post- harvest handling and processing, plant protection equipment as well as machinery, equipment and other capital goods for miscellaneous agro-based setups (agricultural industry)

Customs

- Aluminum paste and powder (coating industry)
- Aluminum electrolytic capacitor, SMT Electrical Transformer, aluminum alloy sheet, tantalum capacitors (DIP/SMD) and other inductors, small transformer, coil (DIP/SMD), parts of LED light and Bulbs (LED lights and bulbs manufacturers)
- Poly-butylene terephthalate (brush ware industry)
- Stamping foils (cable industry)
- Guts, bladders and stomachs of animals etc., and membrane for filtering/ purifying water (food industry)
- Raw materials for first aid bandages, Irisvision devices with its complete components, various pharma ingredients (pharma industry)
- Raw materials of aluminum conductor composite core manufacturers
- Raw material of paper sizing industry and chlorinated paraffin wax industry

- Reduction from CD is proposed on the following items to incentivize their respective industries:
 - Aluminum, polymers of ethylene, BOPP (packaging industry)
 - Direct and reactive dyes, organic composite solvents and thinners for the manufacturers of Dibutyl Orthophthalates (chemical industry)
 - Adhesive, Epoxide resins, Filter media/ paper, Non-woven fabric media and Steel plates/ sheets of prime quality (auto industries)
 - Other woven fabrics and artificial flowers / foliage of other materials (footwear industry)
 - Synthetic filament yarn, monofilament, staple fibers of polypropylene (textile industry)
 - Plywood, veneered panels and similar laminated wood, poly (methyl methacrylate), cyanoacrylate, medium-density fiberboard (MDF) and high-density fiberboard (HDF) (furniture industry)
 - IV Leaves extract powders (pharma industry)
 - Flavoring powders for food preparation for snacks manufacturers (FMCG industry)
 - Glycerol crude and glycerol (coating industry)

- Regulatory Duties (RD) imposed/ rationalized to protect local industry -
 - Withdrawal of 15% RD on import of chrome yellow
 - Reduced RD on hardening steel from 30% to 20%
 - 10% customs duty replaced with RD on import of motor spirit
 - 10% CD imposed on import of other paper, paperboard, cellulose wadding and webs of cellulose fibres
 - RD on import of optical fibre cables has been increased from 10% to 20%
 - Withdrawal of RD exemption available on import of High Carbon Wire Rod

Position after Finance Act, 2022

Almost all proposals have been adopted, subject to following changes:

- CD on liquid, acid dyes, direct and reactive dyes has been increased from 11% to 16%.

Customs

- CD on synthetic organic products of a kind used as fluorescent brightening agents has been increased from 16% to 20%.
- To incentivize film making and media industry, CD on the import of Cinematographic equipment imported during the period from 01 July 2018 to 30 June 2023 has been reduced from 3% to 0%.
- CD on smart phones shall be 0%

CD on CKD/ SKD of smart phones shall be 0%, if imported by local assembler /manufacturer duly certified by Pakistan Telecommunication Authority (PTA) subject to quota determination by IOCO department. Further, the local assembler/ manufacturer shall also furnish, type approval certificate and consignment wise NOC from PTA

Mobile Handset Levy**MOBILE HANDSET LEVY****Mobile Handset Levy***Section 10*

The Finance Act, 2018 levied a mobile handset levy on import of smart phones of different categories at the rates specified therein. The Bill proposes to substitute the rates as per the following schedule.

Sr.	Mobile Phones having C&F Value (USD)	Rate of levy per set in PKR
1	Up to 30	100
2	Above 30 and up to 100	200
3	Above 101 and up to 200	600
4	Above 201 and up to 350	1800
5	Above 351 and up to 500	4000
6	Above 501 and up to 700	8000
7	Above 701 and above	16000

Position after Finance Act, 2022

Changes are highlighted above

List of Abbreviations

ADR	Alternative Dispute Resolution
AoP	Association of Persons
ATIR	Appellate Tribunal Inland Revenue
ATL	Active Taxpayers' List
BEPS	Base Erosion and Profit Sharing
CbC	Country by Country
CD	Customs Duty
CFC	Controlled Foreign Company
CIR	Commissioner Inland Revenue
CIR(A)	Commissioner Inland Revenue (Appeals)
CNIC	Computerized National Identity Card
CPEC	China-Pakistan Economic Corridor
CRS	Common Reporting Standards
DTA	Double Tax Agreements
EDB	Engineering Development Board
EPCC	Engineering, Procurement, Construction and Commissioning
FBR	Federal Board of Revenue
FCVA	Foreign Currency Value Account
FED	Federal Excise Duty
FTR	Final Tax Regime
GD	Goods Declaration
ICT	Islamabad Capital Territory
IOCO	Input Output Coefficient Organization
KIBOR	Karachi Inter-Bank Offer Rate
NBP	National Bank of Pakistan
NCCPL	National Clearing Company of Pakistan Limited

List of Abbreviations

NICOP	National Identity Card for Overseas Pakistani
NPO	Non-Profit Organization
NRVA	Non-resident Pakistan Rupee Value Account
NTR	Normal Tax Regime
OECD	Organization for Economic Cooperation and Development
POC	Pakistan Origin Card
PoS	Point of Sale
PTA	Pakistan Telecommunication Authority
RD	Regulatory Duty
SBP	State Bank of Pakistan
SCRA	Special Convertible Rupee Account
SECP	Securities and Exchange Commission of Pakistan
SEZ	Special Economic Zone
SME	Small and Medium Enterprises
The Amendment Ordinance	The Income Tax (Amendment) Ordinance, 2022
The Amnesty Rules	The Assets Declaration (Procedure and Conditions) Rules, 2019
The Amnesty Act	The Assets Declaration Act, 2019
The Benami Act	The Benami Transactions (Prohibition) Act, 2017
The Benami Rules	The Benami Transactions Rules, 2019
The Bill	The Finance Bill, 2022
The Customs Act	The Customs Act, 1969
The FE Act	The Federal Excise Act, 2005
The ICT Ordinance	The Islamabad Capital Territory (Tax on Services) Ordinance, 2001
The Management Act	The Public Finance Management Act, 2019
The Ordinance	The Income Tax Ordinance, 2001
The Punjab WPF Act	The Companies Profits (Workers' Participation) (Amendment) Act, 2021
The Punjab WWF Act	The Punjab Workers' Welfare Fund Act, 2019

List of Abbreviations

The Rules	The Income Tax Rules, 2002
The Sindh WPPF Act	The Sindh Companies Profits (Workers' Participation) Act, 2015
The Sindh WWF Act	The Sindh Workers' Welfare Fund Act, 2014
The ST Act	The Sales Tax Act, 1990
The ST Rules	The Sales Tax Rules, 2006
The Supplementary Act	The Finance (Supplementary) Act, 2022
The WPPF Act	The Companies Profit (Workers' Participation) Act, 1968
The WWF Ordinance	The Workers' Welfare Fund Ordinance, 1971
WPPF	Workers' Profit Participation Fund
WWF	Workers' Welfare Fund

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