



BUDGET COMMENTARY 2023



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This commentary has been prepared for our clients and staff for information and guidance only and is available for interested persons at our website <http://www.bdo.com.pk>. The notes contained herein are based on the Finance Act, 2023.

Clients are advised to consult the actual text of the Act while interpreting the specific provisions and to consult our tax department for clear advice on specific issues. The budget provisions are applicable for tax year 2024 unless otherwise stated.

BDO EBRAHIM & CO.
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HIGHLIGHTS
THE INCOME TAX ORDINANCE, 2001

- The progressive rates for super tax on high-earning individuals, ranging from 1% to 10% has been approved by Finance Act 2023 [the Act]. Amendments have now been approved vide the Act in sections 4C, 147 and Eight schedule to facilitate the collection of super tax as an advance tax.
- The Act has approved the re-introduction of 10% final tax on bonus shares issue by the companies.
- The Act has enhanced the scope of Permanent Establishment (PE) by adding a new clause (bb) in clause 41 of section 2 whereby virtual business presence in Pakistan including any business where transactions are conducted through internet or any other electronic medium with or without having physical presence may also constitute as forming a PE in Pakistan.
- The Act has made amendments in section 7E wherein exclusion from tax on such properties as appearing in clauses (a), (e), (f) and (g) will not be available to the persons whose name is not appearing in ATL. However, if any person is not required to file a return of income and that person obtains certificate to that effect as provided under the Tenth Schedule then such person would not be liable to pay tax on deemed income under section 7E despite not appearing on the ATL.
- Cash salary payments exceeding Rs. 25,000 per month were not allowed as admissible deduction while computing income from business. The said limit has now been enhanced to Rs. 32,000 per month vide the Act.
- The disposal of the shares of the listed companies made otherwise through registered stock exchange and which are not settled through NCCPL will be taxable under section 37 at the normal rate of tax.
- The disposal through initial public offering during listing process except where the details of such disposal provided to NCCPL will be subject to tax under section 37 of the Ordinance at the normal rate of tax.
- The 0.6% advance tax on cash withdrawals by non-filers on amount exceeding Rs. 50,000 in a single day has been reintroduced.
- The definition of associates for income tax purposes has been expanded to include transactions with individuals residing in zero-taxed jurisdictions.
- The Act has approved the imposition of additional tax on income of every person being a company during the last three tax years preceding the tax year 2023 and onwards arisen due to any economic factor or factors that resulted in windfall income, profits or gains.
- The Act has approved that if the Commissioner does not respond to the application for exemption of withholding from taxes on payment made to non-resident under section 152(5A), then the same shall be auto granted after expiry of 30 days from the date of filing the application.

- The Act has approved that the condition to file sales tax return by exporter of IT services for availing the reduce tax rate benefit under section 154 A has been omitted.
- The Act has approved that advance tax of Rs. 200,000 would be collected for employing foreign domestic worker by the authority responsible for issuing or renewing domestic aide visas to these individuals will collect this tax from the respective agency, sponsor, or employer.
- Through the Act, If the tax liability under section 7E is not discharged, then the registrar or the person registering the transfer is required not to register the transfer of the subject property.
- Through the Act, the rate of tax for tax year 2024 and onwards for salaried and non-salaried individuals has been increased as under:
- Flat increase of 2.5% in the tax rates applicable on salaried individuals earning more than Rs. 2.4 Million per annum with highest slab rate of 35% starting from Rs. 6 Million per annum (previously Rs. 12 Million).
- Flat increase of 2.5% in the tax rates applicable on non-salaried individuals and AOPs earning more than Rs. 600,000 per annum with highest slab rate of 35% starting from Rs. 4 Million (previously Rs. 6 Million).
- Through the Act, capital gains arising on disposal of securities acquired before July 1, 2013 will be subject to tax at 0%.

SALES TAX ACT, 1990

The Act has made the following amendments in Section 2 "Definition" of the Sales Tax Act 1990. These are as follows:

Definitions:

- Through this amendment, now the production, transmission and distribution of electricity will not be classified as goods.
- The Finance Act, 2022 included 'production, transmission, and distribution of electricity' in the definition of 'goods' and 'supply' to assert the Federal Government's authority to impose sales tax.
- Which initiated the legal dispute regarding whether the transmission of electricity, considered a 'service,' could be taxed by the Federal Government following the Eighteenth Amendment to the Constitution of Pakistan. As 'electricity' had already been deemed 'goods' by higher courts, the specific inclusion in the definition of supply and goods was deemed unnecessary.
- The Act seeks to revoke the earlier amendment and restore the previous definition. Additionally, the Islamabad Capital Territory (Tax on Services) Ordinance, 2001 has been amended to include the taxation of electric power transmission services.
- The Act excluded retailers with specified shop sizes and jewelers from the definition of 'Tier-1 retailer'. As a result, these individuals, if they do not meet any other Tier-1 criteria, will no longer be required to

integrate their outlets with the FBR's real-time sales reporting system.

- As a result, individuals not meeting any other Tier-1 retailer criteria will be exempted from integrating their outlets with the FBR's real-time sales reporting system, leading to increased ease for local businesses.

Further Tax

- Further tax is required to be charged on supply of taxable goods to person who has not obtained registration or not an active taxpayer, subject to certain exclusions.
- The Act has increased rate of further tax from 3% to 4%

Amendments in Fifth Schedule:

- Currently, the supply of geometry boxes categorized under PCT heading 9017.2000 and their manufacturing materials are subject to a 0% sales tax rate.
- The amendment extends the zero-rating benefit to all items listed under the mentioned PCT heading, including "other drawing, marking out or mathematical calculating instruments," along with their associated raw materials, packing materials, and components.
- Similarly the preparations suitable for infants, put up for retail sale not exceeding rupees five hundred per two hundred grams under the PCT Heading 1901.1000 is also included.
- The current sales tax regulations allow for zero-rated treatment of local supplies of raw materials, components, parts, and plants and machinery to registered exporters under the Export Facilitation Scheme, 2021.
- The Act has extended the zero-rated regime to include local supplies of 'commodities' to the same exporters, subject to specified conditions and limitations.

Amendments in Sixth Schedule:

- Currently, the supply of certain goods, such as red chillies, ginger, turmeric, yogurt, butter, desi ghee, cheese, processed cheese, meat products, and fish, is exempt from sales tax, except when supplied in retail packing under a brand name or trademark.
- The amendment restricts the scope of this exemption and suggests that all supplies, regardless of whether they are in retail packing, under a brand name or trademark, should be subject to taxation.

Exemptions relating to erstwhile tribal areas:

- The current sales tax exemption, valid until June 30, 2023, for supplies and imports related to plant, machinery, equipment for installation in tribal areas, industrial inputs by industries in tribal areas, electricity supply to residential and commercial consumers in tribal areas, and electricity supply to industries in tribal areas established and commenced production before March 31, 2018

(excluding steel and ghee or cooking oil industries), is proposed to be extended for one more year until June 30, 2024.

Textile & Leather retailers

- Currently, Tier-1 retailers are subject to a reduced rate of 12% for supplies of finished fabric, locally manufactured finished articles of textile and textile made-ups, leather, and artificial leather, provided that a 4% value addition has been maintained in the last six months.
- The Act has enhanced the rate from 12% to 15%.

Pharma sector

- Currently, the reduced rate of 1% is applicable to the manufacturing or import of substances registered as drugs under the Drugs Act, 1976, subject to specific conditions.
- The Act has enacted to apply this on other drugs that are classifiable under Chapter 30 of the First Schedule to the Customs Act, 1969 retrospectively, starting from July 1, 2022, with certain exceptions.
- The Act has introduced a significant change stating that no person involved in the supply chain of drugs/medicaments would be eligible for input tax adjustment.
- Further, the reduced rate of sales tax at 1% is restricted on raw materials / ingredients, including excipients, which are liable to customs duty not exceeding 11% ad valorem. The Act has approved the said restriction was made effective from July 1, 2022. As a result, the standard rate of sales tax would have been applicable on aforesaid goods subject to customs duty above 11% retrospectively. The Act has removed the retrospective application of aforesaid amendment. Now this rate would apply prospectively.
- Further, bar on adjustment of input tax relating to these supplies, earlier specified by reference to importer and manufacturer only, has been made applicable in case of all the persons in the supply chain.

Fertilizers

- The previous exemption on the import or supplies of DAP from sales tax has been repealed by the Act. Instead, it is now taxable at a reduced rate of 5% without any provision for refunding excessive input tax.

FEDERAL EXCISE ACT, 2005

- The Act has made the following amendments

PUBLICATION OF RULES, GENERAL ORDERS AND DEPARTMENTAL INSTRUCTIONS

- The Act has added a new sub-section that requires all rules made under the Act should be periodically published, including general orders and departmental instructions. These publications can be made available for sale to the public or accessed on the official website of the Board.

DUTIABLE GOODS

- The Act has approved new serial numbers after serial number 59 to discourage the usage of high-energy-consuming electric appliances. Serial number 60 targets energy inefficient fans, both domestically manufactured and imported, which fail to comply with the Minimum Energy Performance Standards (MEPS) notified by the Pakistan Standards and Quality Control Authority (PSQCA).
- A penalty of Rs. 2,000 per fan is applicable under the respective heading. Serial number 61 pertains to incandescent bulbs, both domestically manufactured and imported, categorized under heading 8539.2200 and 8539.9010. A twenty percent ad valorem penalty is imposed on these bulbs.
- The Act has approved to charge FED on the franchise and fee for technical services at the rate of ten percent of the total fees.

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE 2001

The Act has amended the following:

Scope of taxation:

- As 'electricity' had already been deemed 'goods' by higher courts the Bill has proposed include the transmission of electricity as services and proposed to impose sales tax at the rate of 15%.
- In alignment with other legislations the Foreign Investment (Promotion and Protection) Act, 2022, the Act has made amendments to extend the same benefits to foreign investors.
- Services provided by hotels, motels, guest houses, farmhouses, marriage halls, lawns, clubs, and caterers remain subject to 15% sales tax. However, has also reduced the sales tax rate from 15% to 5% for restaurants, cafes, food establishments, and similar outlets if payment is made digitally, with cash payments still subject to the 15% rate.
- The sales tax rate for services provided by software or IT-based system development consultants is elaborated and made in line with the Income Tax Ordinance by defining the IT and IT-Enabled services and also reduced sales tax from 16% to 15% in order to promote the growth of this industry.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
2(29), 236Z AND 39	<p>SECTION 2(29) – DEFINITION</p> <p>In the definition of “Income” as provided in clause 29 of the section 2, the Finance Act 2023 (the Act) has inserted “section 236Z” after the expression “section 234”</p>
236Z	<p>Section 236Z.-Bonus shares issued by companies. –</p> <p>The Act has reintroduced tax on bonus shares and introduced a withholding tax provision (i.e., section 236Z) which will take effect from July 1, 2023. This section is inserted after section 236Y.</p> <p>Following is the brief of the said section:</p> <p>Every company will be required to collect 10% tax from each shareholder at the time of issuance of bonus shares.</p> <ol style="list-style-type: none">1. The value for such purpose shall be taken as equivalent of day-end price on the first day of book closure in the case of listed company. In case of unlisted company, the value shall be taken as prescribed.2. Tax shall be deposited by the company, within fifteen days of closure of books, whether or not tax has been collected by the company.3. A company liable to deposit tax under this section shall be entitled to collect and recover the tax deposited from the shareholder, on whose behalf the tax has been deposited, before the issuance of bonus shares.4. If a shareholder neither makes payment of tax to the company nor collects its bonus shares, within fifteen days of the date of issuance of bonus shares, the company may proceed to dispose off its bonus shares to the extent it has paid tax on its behalf.5. Issuance of bonus shares shall be deemed to be the income of the shareholder and the tax collected by a company under this section or proceeds of the bonus shares disposed off and paid under this section shall be treated to have been paid on behalf of the shareholder.6. Such tax will be treated as final tax.
Section 39	<p>Section 39 – Other Sources of Income</p> <p>Within the ambit of “Other sources of Income”, the Act has included the amount of income arising to the shareholders of a company, from the issuance of bonus shares.</p>
Section 2(41)	<p>Permanent establishment – definition</p> <p>In the definition of “Permanent Establishment” given in clause 41 of section 2, the Act has substituted the word “Fixed place of business” to “Place of business”.</p> <p>Further, in sub- clause (d), the Act the added expression “or entity” after the word “personnel”.</p> <p>Further, the Act has inserted a clause (bb) after sub-clause (ba), in order to enhance the scope of PE. The aforesaid clause read as under:</p> <p>“(bb) virtual business presence in Pakistan including any business where transactions are conducted through internet or any other electronic medium, with or without having any physical presence;”</p> <p>The purpose of the said changes is to enhance the scope of PE for non-residents particularly in situation where the non-resident is acquiring back office services from personnel working remotely from Pakistan. However, where there is a double tax treaty between</p>

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Pakistan and the country where the non-resident is situated in that case the treaty provision will prevail over the provisions of the Ordinance.

Section 4C

Super tax on high earning persons

The Act introduced new slab rates for super tax for taxpayers having income in excess of Rs. 300 million. As a result, the highest slab rate of 10% will be applicable on taxpayers from all sectors having income in excess of Rs. 500 million. The revised table for super tax rates is as under:

S.no.	Income under section 4C	For tax year	For tax year
		2022	2022
1.	Upto Rs 150 million	0%	0%
2.	Exceeding Rs 150 million but does not exceed Rs 200 million	1%	1%
3.	Exceeding Rs 200 million but does not exceed Rs 250 million	2%	2%
4.	Exceeding Rs 250 million but does not exceed Rs 300 million	3%	3%
5.	Exceeding Rs 300 million but does not exceed Rs 350 million		4%
6.	Exceeding Rs 350 million but does not exceed Rs 400 million	4%	6%
7.	Exceeding Rs 400 million but does not exceed Rs 500 million		8%
8.	Exceeding Rs 500 million		10%

Note: The proviso to the existing table has not been omitted meaning thereby that the enhanced rate of 10% applicable for specified sectors for tax year 2022 remain intact. For Banking companies, there has been no change relating to tax year 2023 i.e. 10% of income exceeding Rs. 300 million.

SECTION 4C

Advance tax calculation include super tax

The Act has introduced the collection of super tax as advance tax. Henceforth, after sub-section (5), the following new sub section has been added. Which is as under:

“(5A) The provisions of section 147 shall apply on tax payable under this section.”

Collection of Super tax by NCCPL on disposal of securities

The Act has introduced that Super Tax shall also be collected on capital gains on disposal of such securities under the Eighth Schedule through NCCPL. Hence, in sub section (2), in clause (iv), for the words “and Seventh”, the words “Seventh and Eighth” has been substituted.

Section 7E

Tax on deemed income under section 7e

The said tax is not applicable on certain immovable properties which inter alia appearing in following clauses :

- a) one immovable property owned by the resident person;
- e) any property from which income is chargeable to tax under the Ordinance and tax leviable is paid thereon;
- f) immovable property in the first tax year of acquisition where tax under section 236K has been paid;
- g) where the fair market value of the properties in aggregate excluding certain specified properties does not exceed Rupees twenty-five million

Vide the Act the abovementioned the immovable properties will only be excluded from the purview of tax on deemed income if the name of the person holding such properties is appearing on the Active Taxpayers' List (ATL).

However, if any person is not required to file a return of income and that person obtain certificate to that effect as provided under the Tenth Schedule then such person would not be liable to pay tax on deemed income under section 7E despite not appearing on the ATL.

SECTION
(CLAUSE)
Section 21(m)

THE INCOME TAX ORDINANCE, 2001

Deductions not allowed

Earlier to the promulgation of the Act, cash salary payments exceeding Rs. 25,000 per month are not allowed as admissible deduction while computing income from business. The said limit has now been enhanced to Rs. 32,000 per month.

Section 37A

Capital gain on disposal of securities

Through the Act, capital gains arising on disposal of shares of listed company, which is made, otherwise than through stock exchange and which are not settled through NCCPL, is taxed under section 37 of the Ordinance i.e. at the normal tax rates.

Further, through the Act, disposal of shares through initial public offer during the listing process will remain subject to tax under section 37A of the Ordinance provided the details of such disposal are furnished to NCCPL for the computation of Capital Gains and tax thereon. If the details not provided then then the disposal of shares through initial public offer during the listing process will be subject to tax under section 37 of the Ordinance at the normal tax rates.

Section 44AA

The Act has inserted a new section after section 44 which is as follows:

Exemption under Foreign Investment (Promotion and Protection) Act, 2022 (xxxv of 2022). –

(1) Taxes on income (including capital gains), advance tax, withholding taxes, minimum and final taxes under this Ordinance shall, for the period and to the extent provided in the Second and Third Schedules to the Foreign Investment (Promotion and Protection) Act, 2022 (XXXV of 2022) in respect of qualified investment as specified at Sr. No.1 of the First Schedule to the said Act or investors, be exempt or subject to tax at the rate and in the manner specified under the said Act.

(2) All investors and shareholders of the qualified investment, their associates and companies specified in the Second and Third Schedules to the said Act including third party lenders on account of any loan shall also be exempt from taxes and other provisions of this Ordinance or subject to tax at the rate and in the manner specified under the said Act for the period and to the extent provided in the Second and Third Schedules to the said Act.

(3) Provisions of this Ordinance relating to Anti-Avoidance, for the period and to the extent specified in the said Act including sections 106, 106A, 108, 109 and 109A, shall not apply to the persons and amounts mentioned in sub-sections (1) and (2).

(4) Rates of depreciation, initial allowance and pre-commencement expenditure under sections 22, 23 and 25 as on the 20th day of March, 2022 shall continue to be applicable for thirty years as provided in the Third Schedule to the said Act in respect of persons mentioned in sub-sections (1) and (2).

(5) For the purpose of this section, the terms defined under the Second and Third Schedules to the said Act shall apply mutatis mutandis to this Ordinance.”;

85(1)

Associates

The Act has substituted section 85(1). The new and old sub-section (1) is as under:

Old sub-section (1)	New sub-section (1)
Subject to sub-section (2), two persons shall be associates where the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person.	Subject to sub-section (2), two persons shall be associates where – (i) the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person;

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	<p>(ii) one person sufficiently influences, either alone or together with an associate or associates, the other person;</p> <p>Explanation. - For the purpose of this section, two persons shall be treated as sufficiently influencing each other, where one or both persons, directly or indirectly, are economically and financially dependent on each other and, decisions are made in accordance with the directions, instructions or wishes of each other for common economic goal; or</p> <p>(iii) one person enters into a transaction, directly or indirectly, with the other who is a resident of jurisdiction with zero taxation regime.”</p>
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85(5)

The Act has substituted section 85(5). The new and old sub-section (5) is as under:

Old sub-section (5)	New sub-section (5)
<p>(5) In this section, “relative” in relation to an individual, means –</p> <p>(a) an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or</p> <p>(b) a spouse of the individual or of any person specified in clause (a).</p>	<p>(5) In this section, –</p> <p>(i) “relative” in relation to an individual, means –</p> <p>(a) an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or</p> <p>(b) a spouse of the individual or of any person specified in clause (a);</p> <p>(ii) jurisdiction with zero taxation regime means jurisdiction as may be prescribed.”</p>

99D

Additional tax on certain income profits and gains. –

The Act has introduced additional revenue measure to tax certain income, profits and gains in addition to any tax charged or chargeable, paid or payable under any of the provisions of the Income Tax Ordinance 2001 for any of the last three years preceding the tax year 2023 and onwards, on every person being a company who has any income, profit or gains that have arisen due to economic factor or factors that resulted in windfall income, profits or gains.

The Federal Government may, by notification in the official Gazette,

- (a) specify sector or sectors, for which this section applies;
- (b) determine windfall income, profits or gains and economic factor or factors including but not limited to international price fluctuation having bearing on any commodity price in Pakistan or any sector of the economy or difference in income, profit or gains on account of foreign currency fluctuation;
- (c) provide the rate not exceeding fifty percent of such income, profits or gains;
- (d) provide for the scope, time and payment of tax payable under this section in such manner and with such conditions as may be specified in the notification; and
- (e) exempt any person or classes of persons, any income or classes of income from the application of this section, subject to any conditions as may be specified in the notification.

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The Federal Government shall place before the National Assembly the notification issued under this section within ninety days of the issuance of such notification or by the 30th day of June of the financial year, whichever is earlier.

Section 100B

Special provision relating to capital gain tax

The Act has inserted in sub section 1, after the words “thereon”, the words “including super tax under section 4C”.

Section 113

Minimum tax on the income of certain persons

The Act inserted new explanation in sub section 2 in clause c, after the second proviso which is as under :

“Explanation. – For the removal of doubt it is clarified that the aforesaid Part referred to in this clause means clause (1) of Division I or Division II of Part I of the First Schedule. This explanation clarifies that adjustment of carried forward minimum tax for three years can only be against the normal tax payable by the taxpayer.

Section 134A

Alternative dispute resolution (ADR)

To make this forum effective, following amendments have been made through the Act:

-Under the revised mechanism, the committee shall include a retired judge, not below the rank of a judge of a High Court, who shall also be the Chairperson of the Committee. The retired judge would be nominated by FBR from the panel notified by the Law and Justice Division. The other two members of the Committee shall be the concerned Chief Commissioner Inland Revenue and a person to be nominated by the taxpayer from the panel notified by FBR.

-Presently, the taxpayer needs to withdraw his appeal for seeking relief under the ADR. Under the revamped procedure, the taxpayer, if satisfied with the ADR decision, is required to withdraw appeal and communicate the withdrawal to the Commissioner within 60 days of the ADR decision.

-Presently, the offer of tax payment made by taxpayer in initial proposal for resolution of dispute, accompanied with the application for ADR, is irrevocable. Through amended provisions, such offer would not be binding.

-Under the amended mechanism, the decision of the Committee shall only be binding upon the Commissioner if the taxpayer has withdrawn the appeal and has communicated the same to the Commissioner within 60 days of service of decision of the Committee. In such circumstances,

Commissioner is also required to withdraw his appeal within 30 days of appeal withdrawal notice from the taxpayer.

-Time period for the appointment of Committee as well as time period prescribed for the decision of the dispute has also been reduced in the following manner:

Description	Current	Amended
Constitution of committee	45 days of receipt of application	15 days of receipt of application
Decision in dispute	120 days	45 days, extended by 15 days

146D

The Act has introduced a new section 146D into the Ordinance which is as under:

146D. Recovery of liability outstanding under other laws. –

(1) Where any outstanding liability in or under any other statute or law for the time being in force, enacted through an Act of Parliament, in respect of any defaulter is –

- (a) treated as Income Tax arrears in that law;
- (b) required to be recovered or collected by Commissioner (Inland Revenue); or
- (c) is referred to Commissioner (Inland Revenue) for the recovery –

SECTION (CLAUSE)	<p>THE INCOME TAX ORDINANCE, 2001</p> <p>the Commissioner (Inland Revenue) shall recover the said liability and deposit the receipts in the designated account specified in that law.”</p>
147	<p>Advance tax to include super tax</p> <p>The Finance Act of 2022 introduced section 4C, which required the payment of super tax along with the tax return. Additions have now been made to sections 4C and 147 to facilitate the collection of super tax as an advance tax. The additions are as under:</p> <p>(i) in sub-section (4), in the explanation, after the word “sections”, the expression “4C,” shall be inserted;</p> <p>(ii) in sub-section (4AA), after the word “sections”, the expression “4C,” shall be inserted;</p> <p>(iii) in sub-section (4B), after the full stop occurring at the end, the following new explanation shall be added, namely: –</p> <p>“Explanation. – For removal of doubt, it is clarified that tax assessed includes tax liability under section 4C.”;</p> <p>Further , the Act inserted new sub section 5C , after sub- section 5B, which is as under:</p> <p>“(5C) Notwithstanding anything contained in this section, every person deriving income from the business of –</p> <p>(i) construction and disposal of residential, commercial or other buildings; or</p> <p>(ii) development and sale of residential, commercial or other plots for itself or otherwise, shall be liable to pay adjustable advance tax on Project-by-Project basis, as may be prescribed, for the tax year as per the rates specified in Part IIB of the First Schedule in four equal installments:</p> <p>Provided that such advance tax shall be payable to the Commissioner in accordance with sub-sections (5) and (5A): Provided further that the provisions of sub-sections (7) to (10) shall mutatis mutandis apply.”;</p>
152(5A)	<p>Payment to Non-Residents – Issuance of Exemption Certificate</p> <p>The Act has inserted proviso to section 152(5A) wherein if the Commissioner fails to make a decision within the thirty-day period (excluding any adjournment periods requested by the taxpayer), the certificate will be automatically processed and issued through the IRIS web-portal. However, the Commissioner may modify or cancel such a certificate that was automatically issued. This can only be done after providing written reasons and giving the taxpayer an opportunity to be heard.</p>
154(3B)	<p>The Act inserted the expression of “Export Facilitation Scheme, 2021” after the expression of “Customs Rules 2001”.</p>
154(A)	<p>The Act has inserted a proviso in section 154A (2)(C), which is as under</p> <p>Provided that this condition shall not apply in case of an exporter mentioned in clause (a) of sub-section (1) of this section.</p> <p>The impact of this insertion is that the exporter of IT and IT enabled services are not required to file sales tax return for availing the benefit of reduce rate of tax of FTR under section 154A.</p>
164A	<p>The Act has substituted in the marginal note the words “Payment of tax collected or deducted by SWAPS agents” for the words “Settlement of transactions liable to Withholding Tax by SWAPS agents”</p>
168	<p>The Act has introduced new clause (k) in sub section 3 of section 168 which is as under: “ (K) under sub-section 7 of section 236Z “. This is an enabling amendment pertaining to the tax collected on Bonus shares.</p>
169	<p>The Act has inserted in section 169 in sub section (1) in clause (b) after the expression “156A or” the expression “under sub-section (7) of section 236Z “.This is an enabling amendment pertaining to the tax collected on Bonus shares.</p>
218	<p>The Act has omitted the word “ or” occurring at the end of clause (b) of sub section 2</p>

SECTION
(CLAUSE)
230J

THE INCOME TAX ORDINANCE, 2001

International Centre of Tax Excellence. –

The Act has introduced a new section 230J into the Ordinance which is as under:

(1) There shall be established an Institute to be known as International Centre of Tax Excellence.

(2) The functions of the Institute shall be to help contribute to the development of tax policy, prepare model national tax policy, deliver interdisciplinary research in tax administration and policy, international tax cooperation, revenue forecasting, conduct international seminars, workshops and conferences on the current issues faced by tax authorities in the field of international taxation, capacity building of Inland Revenue Officers, tax analysis, improve the design and delivery of tax administration for maximizing revenue within existing provisions to close the tax gap or any other function as directed by the Board or the Federal Government.

(3) There shall be a Nominating Committee comprising the Minister-in-Charge, Secretary Revenue Division and Secretary Finance which shall be responsible for recommending a panel to the Federal Government for the appointment of an Executive Director and independent members of the Executive Committee.

(4) There shall an Executive Committee, comprising Chairman, Federal Board of Revenue, Member (IR-Policy), Member (IR-Operations) and two independent members to be appointed by the Federal Government. Executive Director shall act as Secretary of the Executive Committee.

(5) The Nominating Committee shall apply the prescribed criteria for making recommendations of the panel for Executive Director and independent members of the Executive Committee.

(6) Executive Director and independent members of the Executive Committee shall be appointed by the Federal Government.

(7) Executive Director shall also be the Chief Executive of the Institute and shall work to ensure efficient functioning and day to day administrative functions of the Institute and shall be independent in the discharge of its functions specified under sub-section (8).

(8) Executive Committee, for every fiscal year, shall assign the requirements of the Board to be undertaken by the Institute, during the year.

(9) The Executive Committee shall prescribe rules for recruitment of the employees of the Institute and Executive Director shall act in accordance with the rules. At least fifty per cent of the employees shall be serving Inland Revenue officers having at least 5 years of experience of tax policy or tax administration.

(10) The remuneration and term of employment of the employees of the Institute shall be as prescribed by the Federal Government.

(11) The Board may establish a committee to monitor the establishment of the Institute including appointment of the Project Director for the purpose.

(12) The Board may, provide such data to the Institute as is necessary for processing and analysis and for discharging its obligations under sub-section (8):

Provided that such data shall be anonymized before transmission to the Institute and identifying particulars of the taxpayers shall be kept confidential and provisions of sub-section (7) of section 216 shall apply accordingly.

(13) The Executive Committee may by notification in the official gazette make rules for carrying out the purposes of this section.”

231AB

Advance tax on cash withdrawal from non-filers

The Act has reintroduced the concept of adjustable advance tax on cash withdrawals made by non-filers. This tax will be imposed at a rate of 0.6% when the total payments made through cash withdrawals in a single day exceed Rs. 50,000.

231C

Advance Tax on Foreign Domestic Workers

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

A new section 231C has been added regarding the employment of foreign nationals as domestic workers, which involves the introduction of an advance tax provision. The authority responsible for issuing or renewing domestic aide visas to these individuals will collect this tax from the respective agency, sponsor, or employer. The specified amount for the advance tax is Rs. 200,000 which can be offset against the tax liability incurred on the income of the agency, sponsor, or employer, depending on the circumstances.

236C

Advance Tax on sale or transfer of immovable Property

The Act has substituted in sub section 1 for the words "Any person", the expression "Subject to sub section 2A, any person"

After sub section 2 the following new sub-section (2A) shall be inserted, namely: -

"(2A) Notwithstanding anything contained in any other law, for the time being in force, any person responsible for registering, recording or attesting transfer of any immovable property shall not register, record or attest transfer unless the seller or transferor has discharged its tax liability under section 7E and evidence to this effect has been furnished to the said person in the prescribed mode, form and manner.";

SECTION THE INCOME TAX ORDINANCE, 2001
(CLAUSE)

FIRST SCHEDULE RATES OF TAX

Part I Rates of tax

Division I Rates of Tax for Individuals and Association of Persons

The Finance Act, 2023 (the Act) has substituted the clause 1 & 2 of Division I OF Part I of First Schedule for non-salaried individual and associations of persons as follows:

Clause 1 Rates of tax for Association of Persons / Non-Salaried Individuals

The rates of tax imposed on the taxable income of every Association of Persons shall be as follows:

Taxable Income	Rate of tax
Where taxable income does not exceed Rs. 600,000/-	0%
Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	7.5% of the amount exceeding Rs. 600,000
Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 15,000 + 15% of the amount exceeding Rs. 800,000
Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 75,000 + 20% of the amount exceeding Rs. 1,200,000
Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 315,000 + 25% of the amount exceeding Rs. 2,400,000
Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 465,000 + 30% of the amount exceeding Rs. 3,000,000
Where taxable income exceeds Rs. 4,000,000	Rs. 765,000 + 35% of the amount exceeding Rs. 4,000,000

Clause 2 Rates of tax for Salaried Individual

The rates of tax imposed on the taxable income of every salaried individual Persons shall be as follows:

Taxable Income	Rate of tax
Where taxable income does not exceed Rs. 600,000/-	0%
Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	2.5% of the amount exceeding Rs. 600,000
Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 15,000 + 12.5% of the amount exceeding Rs. 1,200,000
Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 165,000 + 22.5% of the amount exceeding Rs. 2,400,000
Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 435,000 + 27.5% of the amount exceeding Rs. 3,600,000
Where taxable income exceeds Rs. 6,000,000	Rs. 1,095,000 + 35% of the amount exceeding Rs. 6,000,000

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Division IIB

Super Tax on High Earning Persons

The Finance Act, 2023 has approved a new slab rates for super tax for taxpayers having income in excess of Rs 300 million. As a result, the highest slab rate of 10% will be applicable on taxpayers from all sectors having income in excess of Rs 500 million, thus, eliminating the discrimination. The revised table for super tax rates is as under:

S. No.	Income under section 4C	Rate of tax	
		For tax year 2022	For tax year 2023 and onwards
(1)	(2)	(3)	(4)
1.	Where income does not exceed Rs. 150 million	0% of the income	0% of the income
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1% of the income	1% of the income
3.	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2% of the income	2% of the income
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3% of the income	3% of the income
5.	Where income exceeds Rs. 300 million but does not exceeds 350 million	4% of the income	4% of the income
6.	Where income exceeds Rs. 350 million but does not exceeds 400 million		6% of the income
7.	Where income exceeds Rs. 400 million but does not exceeds 500 million		8% of the income
8.	Where income exceeds Rs. 500 million		10% of the income

Division VII

Capital gains on disposal of securities

The Finance Act, 2023 has substituted in Division VII for Paragraph II as under:

(ii) The rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the first day of July, 2013 but on or before the 30th day of June, 2022; and

(iii) The rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the first day of July, 2013

Part II

Rates of advance tax

The Finance Act, 2023 has approved the insertion of the expression after the words "federal excise duty" with the words "and 6% of the import value as increased by customs duty sales tax and federal excise duty in case of a commercial importer".

Part IIB

Rates of Advance Tax

The Finance Act, 2023 has inserted of new Part "IIB" after the omitted Part "IIA" as under:

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

	Rate in respect of			
	(1) Area in	(2) Karachi, Lahore and Islamabad	(3) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Sialkot, Bahawalpur, Peshawar, Mardan, Abbottabad, Quetta	(4) Urban Areas not specified in columns (2) and (3)
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(i) FOR COMMERCIAL BUILDINGS				
Sq. Ft.	-	-	-	-
Any size		Rs.250 per Sq.ft.	Rs. 230 per Sq. ft.	Rs. 210 per Sq. ft.
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(i) FOR RESIDENTIAL BUILDINGS				
Sq. Ft.	-	-	-	-
upto 3000		Rs.80 per Sq.ft.	Rs. 65 per Sq. ft	Rs. 50 per Sq. ft
3000 and above		Rs. 125 per Sq.ft.	Rs. 110 per Sq. ft	Rs. 100 per Sq.ft.
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(ii)				
Sq. Yds.	-	-	-	-
Any size		Rs.150 per Sq.yd.	Rs. 130 per Sq.yd.	Rs. 100 per Sq.yd.
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(ii) FOR DEVELOPMENT OF INDUSTRIAL AREA				
Sq. Yds.	-	-	-	-
Any size		Rs. 20 per Sq.yd.	Rs. 20 per Sq.yd.	Rs. 10 per Sq.yd.

Provided that in case of mixed use buildings having both commercial and residential areas, respective rates mentioned above shall apply:

Provided further that in case of development of plots and constructing buildings on the same plots as one project, both rates shall apply

Part III

Deduction of tax at source

Division II

Payment to non-resident persons

The Finance Act, 2023 has approved to enhance withholding tax rates by 1% for payments covered by sections 152(2A) as follows:

Description	Existing Rate	New Rate
Sale of goods:		
• In case of company	4%	5%
• All other cases	4.5%	5.5%
Provision or rendering of:		
• Certain specified services	3%	4%
• Other services:		
➤ by company	8%	9%
➤ any other case	10%	11%
Description	Existing Rate	New Rate
Execution of contract		
• other than sports persons:	7%	8%

Division III

Payment to resident persons

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

The Finance Act, 2023 has approved to enhance withholding tax rates by 1% for payments covered by sections 153 as follows:

Sale of goods:

- | | | |
|----------------------|------|------|
| • In case of company | 4% | 5% |
| • All other cases | 4.5% | 5.5% |

Provision or rendering of:

- | | | |
|------------------------------|-----|-----|
| • Certain specified services | 3% | 4% |
| • Other services: | | |
| ➤ by company | 8% | 9% |
| ➤ any other case | 10% | 11% |

Execution of contract other than sports persons:

- | | | |
|------------------|------|------|
| • by company | 6.5% | 7.5% |
| • any other case | 7% | 8% |

Division IVA

Export of Services

The Finance Act, 2023 has approved the insertion of the expression in serial no. 1 in column (3) after the words “proceeds” with the words “for tax years 2024 up to tax year 2026”.

By this change, tax on export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board is fixed till tax year 2026.

Part IV

Deduction or collection of advance tax

Division VII

Advance tax on purchase, registration and transfer of motor vehicles

The Finance Act, 2023 has substituted a new table of tax on car purchase under section 231B as follows:

S. No.	Engine capacity	Existing Rate	New Rate
1	Upto 850 cc	Rs.10,000	Rs.10,000
2	851cc to 1000cc	Rs.20,000	Rs.20,000
3	1001cc to 1300cc	Rs.25,000	Rs.25,000
4	1301cc to 1600cc	Rs.50,000	Rs.50,000
5	1601cc to 1800cc	Rs.150,000	Rs.150,000
6	1801cc to 2000cc	Rs.200,000	Rs.200,000
7	2001cc to 2500cc	Rs.300,000	6% of the value
8	2501cc to 3000cc	Rs.400,000	8% of the value
9	Above 3000cc	Rs.500,000	10% of the value

Provided that the value for the purpose of S. Nos. 7 to 9 of the above Table shall be in case of motor vehicle –

(i) imported in Pakistan, the import value assessed by the Customs authorities as increased by customs duty, federal excise duty and sales tax payable at import stage;

(ii) manufactured or assembled locally in Pakistan, the invoice value inclusive of all duties and taxes; or

(iii) auctioned, the auction value inclusive of all duties and taxes:

SECTION (CLAUSE)	<p>THE INCOME TAX ORDINANCE, 2001</p> <p>Provided further that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles.</p>
Division VIII	<p>Advance tax at the time of sale by auction</p> <p>The Finance Act, 2023 has inserted the expression after the words “auction” with the words “and sale by auction of train management services by Pakistan Railways”.</p>
Division X	<p>Advance tax on sale or transfer of immoveable property</p>
Section 236C	<p>The Finance Act, 2023 has approved to enhance withholding tax rates by 1% for payments covered by sections 236C from 2% to 3%.</p>
Division XVIII	<p>Advance tax on purchase of immoveable property</p>
Section 236K	<p>The Finance Act, 2023 has approved to enhance withholding tax rates by 1% for payments covered by sections 236K from 2% to 3%.</p>
Division XXVII	<p>Advance tax on amount remitted abroad through credit, debit or prepaid cards</p> <p>The Finance Act, 2023 has approved to substitute the withholding tax rate 1% to 5%</p>
SECOND SCHEDULE	<p>EXEMPTIONS AND TAX CONCESSIONS</p>
Part I	<p>Exemptions from total income</p>
Clause 66	<p>The Finance Act, 2023 has approved insertion in clause (66) in Table 1 after serial no. (lxii) Part I of Second Schedule provides a list of Charitable Institutions, any income of which is exempt from tax.</p> <ul style="list-style-type: none"> (lxiii) The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5th August, 2022. (lxiv) Film and Drama Finance Fund (lxv) Export-Import Bank of Pakistan (lxvi) Shaheed Mohtarma Benazir Bhutto Institute of Trauma, Karachi (lxvii) Shaheed Zulfikar Ali Bhutto Institute of Science and Technology <p>The Finance Act, 2023 has approved insertion in clause (66) in Table 2 after serial no. (xlv) Part I of Second Schedule provides a list of Charitable Institutions, of any income derive for claiming 100C tax credits by the following:</p> <ul style="list-style-type: none"> (xlv) Balochistan Bar Council (xlvii) Islamabad Bar Council (xlviii) Khyber Pakhtunkhwa Bar Council (xlix) Punjab Bar Council (l) Sindh Bar Council (li) Shaheed Zulfikar Ali Bhutto Foundation (SZABF)
Clause 145A	<p>The Finance Act, 2023 has approved to extend the time limit of exemption for erstwhile Tribal area residents Clause (145A), Part I, 2nd Schedule till 30th June 2024.</p>
Clause 150	<p>The Finance Act, 2023 has inserted to insert the expression after the words “Limited” with the words “and Alteraz Engineering Consultant”.</p>
Part IV	<p>Exemption from specific provisions</p>

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
	The Finance Act, 2023 has approved in clause (11A) a new sub-clause “(xlv)” after the sub-clause “(xlv)” as under:
	(xlv) The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5th August, 2022
Clause 100	The Finance Act, 2023 has approved omission of clause 100 as under: The provisions of section 236U shall not apply to an insurance collecting premium under:- (a) Crop Loan Insurance Scheme (CLIS); and (b) Livestock Insurance Scheme (LIS)
Clause 109A	The Finance Act, 2023 has approved to extend the time limit of exemption for erstwhile Tribal area residents Clause (109A), Part IV, 2nd Schedule till 30th June 2024.
Clause 110	The Finance Act, 2023 has approved to extend the time limit of exemption for erstwhile Tribal area residents Clause (110), Part IV, 2nd Schedule till 30th June 2024.
Clause 121, 122, 123 and 124	The Finance Act, 2023 has approved insertion of new clause “121,122, 123 and 124” after the clause “120” as under: 121 The provisions of section 151 shall not apply to the Prime Minister's Relief Fund for Flood, Earthquake and other calamities with effect on and from the 5th August, 2022. 122 The provisions of section 236 shall not apply on the amount donated through SMS to the Prime Minister's Relief Fund for Flood, Earthquake and other calamities with effect on and from the 5th day of August, 2022. 123 The provisions of section 148 shall for a period of three months from the 1st day of December, 2022 not apply to goods required and imported for relief operation for flood affectees, duly certified by the National Disaster Management Authority or the Provincial Disaster Management Authority. 124 The provisions of section 148 shall not apply to tomato (PCT heading 0702.0000) and onion (PCT heading 0703.1000) imported till the 31 st day of December, 2022
FOURTH SCHEDULE	Rules for the computation of the profits and gains of insurance business
Rule 6DB	The Finance Act, 2023 has approved insertion of new rule “6DB” after the rule “6DA” as under: The provisions of section 99D shall apply to the taxpayers under this Schedule.
FIFTH SCHEDULE	Rules for the computation of the profits and gains from the explorations and productions of petroleum
Rule 4AC	The Finance Act, 2023 has approved insertion of new rule “4AC” after the rule “4AB” as under: The provisions of section 99D shall apply to the taxpayers under this Schedule.
SEVENTH SCHEDULE	Rules for the computation of the profits and gains of a banking companies and tax payable thereon
Rule 7CA	The Finance Act, 2023 has approved to substitute the expression after the figure “2022” with the figure “2023”.
Rule 7CB	The Finance Act, 2023 has approved insertion of new rule “7CB” after the rule “7CA” as under: The provisions of section 99D shall apply to the taxpayers under this Schedule.

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

Rule 8

The Finance Act, 2023 has approved insertion of new sub-rule “4 and 5” after the rule “3” as under:

- (4) Profit on debt and capital gains from Federal Government’s sovereign debt or a sovereign debt instrument shall be exempt from tax chargeable under this Ordinance, derived by any non-resident banking company approved by the Federal Government under a sovereign agreement for the purpose of this sub-rule
- (5) The provisions of sub-rule (6A) of rule 6C shall not apply to a banking company for tax year 2024

Through the Finance Act, 2019, higher rate of tax on income of banking companies from additional investments in government securities was introduced. The Finance Act, 2022 amended the provisions to make it applicable for tax year 2022 and onwards whereby the mechanism of taxation was changed from additional investment to entire income arising from such investments where the advance to deposit ratio did not exceed 50%.

Through SRO 226(I)/2023 dated February 27, 2023, the aforesaid provisions were made inapplicable for tax year 2024. The Bill now proposes to incorporate the said amendment.

EIGHT SCHEDULE

Rules for the computation of the capital gains on listed securities

The Finance Act, 2023 has approved the insertion of new rule “4A” after the rule “4” as under:

- 4A Computation, collection and payment of tax under section

In addition to capital gains tax, NCCPL shall also compute and collect tax under section 4C at the rates specified in Division IIB of Part I of the First Schedule on the amount of capital gains computed under this Schedule in the manner specified in this Schedule and rules made thereunder

TENTH SCHEDULE

Rules for persons not appearing in active taxpayers’ list

The Finance Act, 2023 has inserted a new sub-rule “ga” after the omitted sub-rule “g” as under:

Sub-rule “ga”

“tax deducted under section 231AB” i.e. tax deducted on cash withdrawal.

THIRTEENTH
SCHEDULE

Charitable Donations

The Finance Act, 2023 has approved the insertion of new serial no “64 and 65” after serial no “63” shall be as follows:

- 64 The Prime Minister’s Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5th August, 2022
- 65 Film and Drama Finance Fund

SECTION (CLAUSE) SALES TAX ACT, 1990

2(12) &2(33)(e) Finance Act, 2022 amended the definition of ‘goods’ and ‘supply’ and included ‘production, transmission and distribution of electricity’ so that the provincial authorities cannot claim the right of charging sales tax on such services. This led to a legal question that whether the activity of transmission of electricity, being in the nature of a ‘service’, can be taxed by Federal Government consequent to the Eighteenth Amendment in the Constitution of Pakistan.

However, the higher courts have held that ‘electricity’ was in the nature of ‘goods’, specific inclusion thereof in definition of supply and goods was not essentially required.

Now, through the Act, it has been enacted that such earlier amendment is done away and the earlier applicable definition is restored.

Consequential amendments has been made in the Islamabad Capital Territory (Tax on Services) Ordinance, 2001 to tax Electric power transmission services.

2(43A) The Act excludes the following persons from the definition of ‘Tier-1 retailer’:

Existing	Amendment
<p>[(e) a retailer, whose shop measures one thousand square feet in area or more [or two thousand square feet in area or more in the case of retailer of furniture;] [(ga) a person engaged in supply of articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal excluding a person whose shop measures three hundred square feet in area or less;]</p>	<p>Sub-clauses (e) and (ga) shall be omitted.</p>

As a result of the above, such persons (not falling under any other criteria of Tier-1 retailer) will no longer be required to integrate their outlets with FBR’s computerized system for real-time reporting of sales. Which would further ease the local business.

3(1A) The Act introduces an amendment to the existing provision, changing the rate of the further tax imposed on taxable supplies made to unregistered or inactive taxpayers from 3% to 4% percent.

33 (23) Penalty has been specified in case of a person who manufactures, possesses, transports, distributes, or sells cigarette packs with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes.

The Act has enacted that such penalty is made applicable in case of all the persons who are required by the FBR to affix tax stamps, banderole, stickers, labels, barcodes etc. on taxable goods in the prescribed manner but commit the above referred offence.

47A The significant change introduced in the amended provisions is the establishment of a committee for the resolution of tax disputes. Unlike the previous framework, which allowed the appointment of a committee by the aggrieved person, the revised provisions now empower the Board to appoint the committee within fifteen days of receiving the application. Additionally, the composition of the committee has been refined to include a retired judge of a High Court as the Chairperson, along with the Chief Commissioner Inland Revenue and a nominee from a panel of experienced professionals in taxation.

This alteration ensures a more structured and impartial approach to resolving disputes. Moreover, the revised provisions set a specific timeframe of forty-five days for the committee to reach a majority decision, with a possible extension of fifteen days for justified reasons. These changes streamline the dispute resolution process, enhance transparency, and foster greater confidence in the outcomes of tax dispute cases.

SECTION
(CLAUSE)

SALES TAX ACT, 1990

Fifth Schedule

Zero Rates

SUPPLIES TO REGISTERED EXPORTERS AUTHORIZED UNDER EXPORT FACILITATION SCHEME, 2021

The Act has amended the following:

SNo.	Existing	Amendment
8A	The Act has incorporated this proposed insertion as a corresponding amendment to link all related tax laws in line with the Foreign Investment (Promotion and Protection) Act, 2022.	
	N/A	Imports or supplies made by, for or to a qualified investment as specified at Serial No.1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act.”
12	At present, supply of geometry box covered under the PCT heading 9017.2000 as well as raw materials, packing materials, components etc. used in manufacturing thereof are subject to sales tax at the rate of 0%. Now, the benefit of zero-rating is to be extended to all the items specified under the aforesaid PCT heading, i.e. ‘other drawing, marking out or mathematical calculating instruments’, and the related raw materials, packing materials, components etc. Similarly, the recent amendment to the Act for clause (xvii) has revised the previously specified value of "not exceeding rupees five hundred per two hundred grams" to "not exceeding rupees six hundred per two hundred grams" for preparations suitable for infants, put up for retail sale.	
	(xxv) Geometry boxes (PCT heading 9017.2000).	The Act has amended as follow: “(xxv) Other drawing, marking out or mathematical calculating instruments (geometry box) (PCT heading 9017.2000).
	(xvii) Preparations suitable for infants, put up for retail sale not exceeding rupees five hundred per two hundred grams (PCT Heading 1901.1000)	The word “six” shall be substituted, for the word “five”
21	Currently, local supplies of raw materials, components, parts and plants and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 are covered under the zero-rated regime of sales tax subject to conditions/ limitations as specified therein. With the enactment of the Act, zero-rating is also made applicable in respect of local supplies of ‘commodities’ to aforementioned exporters.	
	Local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions as specified therein.]	The Act has included the provision that after the words “supplies of”, the expression “commodities,” shall be inserted;

SECTION
(CLAUSE)
Sixth Schedule

SALES TAX ACT, 1990

Exemptions

Presently, supply of following goods is exempt from sales tax unless these are supplied in retail packing under the brand name/ trademark:

TABLE	S.No	Existing	Amendment
		The Act has restricted the scope of above exemption and all supplies (whether or not supplied in retail packing) under a brand name/ trademark are to be made taxable.	
Table -1	16-18	<ul style="list-style-type: none"> • red chillies • ginger and • turmeric Excluding those sold in retail packaging with specific brand names and trademarks.	The word “under” shall be substituted in place of “in retail packing bearing”
Table -2	Against serial numbers 32, 34, 35, 35, 36, 37, 39, 41, and 42	<ul style="list-style-type: none"> • Yogurt; • Butter; • Desi ghee; • Cheese; • Processed cheese not grated or powdered; • Products of meat or meat offal; • Meat of bovine animals, sheep, goat and uncooked poultry; and • Fish and crustaceans. 	
Table -1		Presently, import and supply of blood bags CPDA-1 with blood transfusion set pack in aluminum foil with set is exempt from sales tax. Through the Act, it is to be clarified that the aforesaid exemption is also available in respect of blood transfusion sets not packed in aluminum foil, if the same are imported with blood bags CPDA-1 in corresponding quantity in the same consignment.	
	121	Blood Bag CPDA-1 with blood transfusion set pack in aluminum foil with set.	the following Explanation shall be added, namely:- “Explanation.- For removal of doubt, it is clarified that the blood transfusion sets not packed in aluminum foil imported with blood bags CPDA-1, in corresponding quantity in same consignment are also exempt;”
Exemptions relating to erstwhile tribal areas			
Sales tax exemption presently available, till June 30, 2023, in respect of following supplies and import is to be extended by one year i.e. till June 30, 2024:			
Table -1	151	The mentioned provision pertains to the supplies and imports of plant, machinery, equipment, and industrial inputs by industries in tribal areas as defined in the Constitution of Islamic Republic of Pakistan. These supplies and imports are exempted from the provisions of the Act or notifications issued under it until June 30, 2023. For imports, clearance by Customs authorities is allowed upon presentation of a post-dated cheque for the amount of sales tax payable. The cheque is returned to the importer after submitting a consumption or installation certificate. If the exempted items are transferred or supplied outside the tribal areas, the tax exemption is revoked, and the applicable tax rate is imposed on the residual value.	For the expression “30th June, 2023” the expression “30th June, 2024” shall be substituted;

SECTION
(CLAUSE)

SALES TAX ACT, 1990

	152	The mentioned provision states that from the day of assent to the Constitution (Twenty-fifth Amendment) Act, 2018, until June 30, 2023, electricity supplies are provided to residential and commercial consumers in tribal areas. Additionally, industries in tribal areas established and commenced production before May 31, 2018, are also included, except for steel and ghee or cooking oil industries.	
Exemptions withdrawn			
Exemption in respect of following goods is to be withdrawn:			
Table -1	159	Import of auto disable Syringes till 901[31st December, 2021] (i) with needles (ii) without needles	Omitted
	160	Import of following raw materials for the manufacturers of auto disable syringes till 902 [31st December, 2021] (i) Tubular metal needles (ii) Rubber Gaskets	
The previous exemption on the import or supplies of DAP from sales tax has been repealed by the Act. Instead, it is now taxable at a reduced rate of 5% without any provision for refunding excessive input tax.			
Table -1	168	Fertilizers	after the word "Fertilizers", the words "excluding DAP" shall be added

The Act has inserted an amendment to add the following expression:

TABLE	S.No	Existing	Amendment
Table -2	27	Wheat Bran	After the words "Wheat Bran", the expression "[This exemption shall apply from the 1st day of July, 2018]" shall be added

Table -1

Textile & Leather retailers		
Presently, reduced rate of 12% is chargeable in case of supplies of finished fabric, locally manufactured finished article of textile and textile made ups, leather and artificial leather (subject to the condition that 4% value addition has been maintained during the last six months) made by Tier-1 retailers. It is now amended to enhance the rate from 12% to 15%.		
SNo.	Existing	Amendment
66	Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales are charged at the rate of 12%.	The new chargeability rate will be "15%".
Pharma sector		
At present, reduced rate of 1% is chargeable on manufacture or import of substances registered as drugs under Drugs Act, 1976, subject to certain conditions. It is enacted that such reduced rate is made applicable retrospectively, with effect from July 1, 2022, in respect of 'only' those drugs that are classifiable under Chapter 30 of the First Schedule to the Customs Act, 1969 with certain exceptions:		
SNo.	Existing	Amendment
81	Manufacture or import of substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976) are charged at 1%.	Under the proposed amendments, substances classified as drugs under the Drugs Act, 1976, as well as medicaments falling under Chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969), will be subject to taxation at 1% except for specific items as follows: (a) Filled infusion solution bags, whether imported

SECTION
(CLAUSE)

SALES TAX ACT, 1990

		with or without infusion given sets. (b) Scrubs, detergents, and washing preparations. (c) Soft soap or no soap. (d) Adhesive plaster. (e) Surgical tapes. (f) Liquid paraffin. (g) Disinfectants. (h) Cosmetics and toilet preparations. Further, the Act has introduced a significant change stating that no person involved in the supply chain of drugs/medicaments would be eligible for input tax adjustment.		
82	Under the existing finance law, active pharmaceutical ingredients, excluding excipients, used for manufacturing drugs registered under the Drugs Act, 1976 (XXXI of 1976), or raw materials for the basic manufacture of pharmaceutical active ingredients, are charged at a rate of 1%.	Under the proposed amendments, raw materials for the basic manufacture of pharmaceutical active ingredients and pharmaceutical products will be entitled to a reduced rate as specified in column (4). However, for imported raw materials to qualify for reduced rate, they must be subject to customs duty not exceeding eleven percent ad valorem, as determined by the First Schedule or Fifth Schedule to the Customs Act, 1969 (IV of 1969), or under a notification issued under section 19 thereof. Further, the Act has introduced a significant change stating that no person involved in the supply chain of drugs/medicaments would be eligible for input tax adjustment.		
	Currently, Active Pharmaceutical Ingredients (APIs), excluding excipients, for manufacture of drugs registered under the Drugs Act, 1976 and raw materials for the basic manufacture of such ingredients are chargeable to tax at a reduced rate of 1%. The Act has approved that the reduced rate is made applicable retrospectively, with effect from July 1, 2022 in case of 'only' those raw materials/ ingredients, including excipients, which are liable to customs duty not exceeding 11% ad valorem, either under the First Schedule or Fifth Schedule to the Customs Act, 1969 or under a notification issued under section 19 thereof.			
	New insertion			
	The Act has introduced a new serial that specifies the following provisions:			
SNo.	Description	Heading no.	Rate of Sales Tax	Condition
83	DAP	Respective Heading	5%	Subject to the condition that no refund of excessive input tax, if any, shall be Admissible.

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE

 SECTION
(CLAUSE)

SECTION (CLAUSE) ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE

3 Scope of Tax

3(2A) Foreign Investment (Promotion and Protection) Act, 2022

The Act has amended the following in the scope of taxation:

Existing	Amendment
Serial number 2, in column (1), and the entries related thereto of the fifth schedule read with section 4	Serial number 2 and serial number 8A, in column (1), and the entries related thereto of the fifth schedule read with section 4

In line with other laws, this change has been incorporated under Foreign Investment (Promotion and Protection) Act, 2022 to extend the benefit to foreign investors.

The Schedule Table I REDUCED SALES TAX RATE ON SERVICES PROVIDED BY RESTAURANTS

S.No	Description	PCT heading, if applicable	Rate of Tax (Existing)	Rate of Tax (Substituted)
1	(i) Services provided or rendered by hotels, motels, guest houses, farmhouses, marriage halls, lawns, clubs and caterers.	98.01	Sixteen percent	Fifteen percent
	(ii) (Services provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc.			(a) Five percent where payment against services is received through debit or credit cards, mobile wallets or QR scanning subject to the condition that no input tax adjustment or refund shall be admissible; and (b) Fifteen percent where payment received in cash.”.

Services provided or rendered by hotels, motels, guest houses, farmhouses marriage halls, lawns, clubs and caterers is still subject to 15%

However, it has reduced sales tax on services provided by restaurants including cafes, food (including ice cream parlors), coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc. from 15% to 5%, where payment made through debit or credit cards, mobile wallets or QR scanning with restriction of input adjustment, In case if payment is made in cash then 15% will be applicable.

SECTION
(CLAUSE)

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE

IT SERVICES AND IT-ENABLED SERVICES

The Act has amended the description of the services provided by the software and IT based system development and further elaborated it as under:

TABLE I

S. No	Description	Rate of Tax
11	IT services and IT-enabled services. Explanation: For the purpose of this entry, (a) "IT services" include but not limited to software development, software maintenance, system integration, web design, web development, web hosting and network design; and (b) "IT enabled services" include but not limited to bound or outbound call centers, medical transcription, remote monitoring, graphics design, accounting services, human resources (HR) services, telemedicine centers, data entry operations, cloud computing services, data storage services, locally television programs and insurance claims processing.	Fifteen Percent

ELECTRIC POWER TRANSMISSION SERVICES:

Electric power transmission services were previously classified as goods and chargeable to tax under the Sales Tax Act, 1990.

The Act has added to tax a new serial under Islamabad Capital Territory Sales Tax on Services Ordinance, 2001 as follows:

S.No	Description	PCT heading, if applicable	Rate of Tax (Existing)	Rate of Tax (Substituted)
60.	Electric Power Transmission Services		N/A	Fifteen percent

SECTION (CLAUSE)	FEDERAL EXCISE ACT, 2005
	FED (Federal Excise Duty) is currently collected upon the supply of excisable goods and services. However, for applicability of FED on goods, the person has to be either manufacturer or importer of such goods. Further, FED is applicable to excisable services when they are provided or rendered within the jurisdiction of Pakistan. The specific excisable goods and services are specified in the First Schedule as per the relevant legal provisions.
3(1)	<p>The Act has omitted the word "and" at the end of clause (c), adding the word "and" after the semi-colon at the end of clause (d), and introducing a new clause as under</p> <p>“(e) any item not covered in clause (a) to (d) above and specified in the First Schedule.”</p> <p>This omission intends to resolve any confusion of applicability of FED on excisable goods by distributor, dealer or retailer.</p>
29(2)	<p>Directorate General of Digital Initiatives</p> <p>The Act has omitted the word "and" at the end of clause (b) and added a new clause (d) to include the composition of the Directorate General of Digital Initiatives, consisting of a Director General and as many directors and other officers as the Board may appoint.</p>
38	<p>Alternative Dispute Resolution</p> <p>The amended provisions introduce a significant change by establishing a committee to resolve tax disputes. Unlike before, the Board now appoints the committee within fifteen days of receiving the application. The committee consists of a retired High Court judge as Chairperson, along with the Chief Commissioner Inland Revenue and a nominee from a panel of experienced taxation professionals.</p> <p>This alteration ensures a more structured and impartial approach to resolving disputes. The revised provisions set a specific forty-five-day timeframe for the committee to reach a majority decision, with a possible fifteen-day extension for justified reasons. These changes streamline the dispute resolution process, enhance transparency, and foster confidence in the outcomes of tax dispute cases.</p>
40	<p>Publication of rules, general orders and departmental instructions</p> <p>A new sub-section (4) is added, stating that all rules made under the Act should be published periodically along with general orders and departmental instructions. These publications can be sold to the public or made available on the official website of the Board.</p>

First Schedule

TABLE I Through the Act, following amendments have been made:

S. no	Description	Existing	Amendment
8c	Tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without combustion	Rupees five thousand two hundred per kg [5,200 /KG]	Rupees sixteen thousand five hundred per kg [16,500 /KG]
59	Sugary Fruit juices, syrups and squashes, waters whether or not containing added sugar or artificial sweeteners excluding mineral and aerated waters	Ten percent [10%]	Twenty percent [20%]

SECTION (CLAUSE) FEDERAL EXCISE ACT, 2005

New insertions

EXCISABLE GOODS

TABLE I The Act has inserted new serial numbers after serial 59 to discourage use of high energy consuming electric appliances:

S. no.	Description	Heading	Rate of duty
60	Energy inefficient fans both locally manufactured and imported which do not comply with the MEPS, notified by PSQCA	Respective heading	Rupees two thousand per fan with effect from 1 st day of January, 2024
61	Incandescent bulbs both locally manufactured and imported	8539.2200 and 8539.2990	Twenty percent ad valorem with effect from 1 st day of January, 2024
62	Fertilizers	Respective heading	Five percent ad valorem

TABLE II In serial no. 11, in column(1) and entries relating thereto in columns (2), (3) and (4), the following shall be substituted, namely

	Franchise services, royalty and fee for technical services	Respective heading	Ten percent of the charges

Earlier, franchise services have been subject to FED at the rate of 10%. The Finance Act proposes to extend the scope to include royalty and fee for technical services as well at the rate of 10%.

Third Schedule Conditional Exemptions

TABLE I After serial 25, following new serial numbers shall be added

S. no.	Description	Heading
26	Imports or supplies made by, for or to a qualified investment as specified at Serial No.1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act.	Respective heading

TABLE II after serial 14, following new serial numbers shall be added

15	Services provided or rendered by, for or to a qualified investment as specified at Serial No.1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act.	Respective heading
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SECTION (CLAUSE)	CUSTOMS ACT, 1969
2(s)	<p>Definitions</p> <p>The Finance Act, 2023 amends section 2(s) to enable Pakistan Customs to conduct anti-smuggling operations within the territorial limits of the country.</p>
3C	<p>Pakistan Customs Academy (PCA)</p> <p>In the Finance Act, 2023, Customs Academy of Pakistan (CAP) shall be substituted.</p>
7	<p>Assistance to the officers of customs</p> <p>Provincial levies and Khasadar Force have been inserted to be added in the list of Government agencies mandated to assist Customs whenever required.</p>
19	<p>General power of Federal Government to exempt customs duties</p> <p>The Finance Act, 2023 extend the general power of Federal Government to allow exemption from customs duties from 30 June 2023 to 30 June 2024 through amendment in the second proviso of sub-section 5 of section 19 (b).</p>
25A	<p>Power to determine the customs value</p> <p>Under the proviso to section 25A while determining customs value, the Director was empowered to incorporate values from internationally acclaimed publications, periodicals, bulletins or official websites of manufacturers or indenters of such goods. This has conferred The Director of Customs Valuation with wide powers for valuation of goods, whereby he can straightaway incorporate customs value from internationally acclaimed publications, periodicals, bulletins or official websites of manufacturers or indenters of goods.</p> <p>Such provisions are now to be amended so as to harmonize these with the section 25 and 'World Trade Organization Valuation Agreement' and it has been proposed that the Director of Customs Valuation may consult prices of goods from the aforesaid sources for valuation purposes.</p>
79	<p>Declaration and assessment for home consumption or warehousing</p> <p>The Finance Act, 2023 introduced the new proviso has been inserted namely:</p> <p><i>"In case of land customs station at border, the owner of any imported goods shall file the Goods Declaration within three days of the arrival of goods at border customs station for home consumption or warehousing or transshipment or any other approved purpose".</i></p>
98	<p>WAREHOUSING PERIOD</p> <p>Presently, perishable items can be kept at Customs warehouses for a period of up to one month.</p> <p>In order to facilitate trade, The Finance Act 2023 has amended to enhance the said warehousing period to three months.</p>
139	<p>Declaration by passenger or crew of baggage</p>
156	<p>The owner of any baggage, whether a passenger or crew member, is required to make verbal or written declaration of the contents of the baggage, individually to an appropriate officer in the prescribed manner.</p> <p>In order to facilitate passengers travelling as a group who cannot file their own declarations, The Finance Act, 2023 has amended section 139(1) to allow filing of declaration by a representative on behalf of the group passengers.</p>

SECTION
(CLAUSE)

CUSTOMS ACT, 1969

Punishment for offences.

Serial No.	Offences	Penalties
(1) (iii)	(iii) If any person fails to attach or electronically upload mandatory documents required under section 79 or 131 of the Customs Act, 1969;	Such person shall be liable to a penalty not exceeding Rs. 50,000/-.

179

Power of adjudication

Under the Finance Act, 2023, in order to reduce sanction time and human interface, the proviso to section 179(2) shall be added to provide the respondents with the option of adjudication through Customs computerized system, with respect to such goods and offences as may be notified by the FBR.

182

Confiscation of property

Presently the FBR is empowered to authorize the Customs officials to use the confiscated vehicles for operational purposes.

The Finance Act, 2023 has amend section 182 to enable the concerned Customs officials, to utilize any confiscated conveyance and any other useful equipment for operational purposes, including anti-smuggling operations.

185D

Transfer of cases

The new sub-section (3) shall be inserted after Sect-section (2) under the Finance Act, 2023 namely:

“The Board may at any stage of investigation direct transfer of investigation of criminal case from one field formation to other formation”.

194A

Appeal to the appellate tribunal

The Act introduces the new clause (g) in Section 194A, to incorporate the provisions enabling the filing of appeal against an appellate order or a quasi-judicial order passed by the Chief Collector of Customs, before the Appellate Tribunal are proposed to be introduced to align with international standards. Such an appeal is proposed to be heard by a special bench consisting of one technical member and one judicial member.

195C

Alternative Dispute Resolution

The Finance Act, 2023 clause (C) has been inserted namely:

“a retired judge not below the rank of a judge of High Court, who shall also be the Chairperson of the Committee, to be nominated by the Board from a panel notified by the Law and Justice Division for such purpose”.

208

Advance Ruling

Presently, Advance ruling can inter-alia be sought by applicants in relation to the applicability of notifications issued in respect of duties leviable under the Customs Act, 1969 or any tax or duty chargeable under any other law for the time being in force.

The Act has supplemented the new proviso in Section 208, in sub-section (2) namely:

“the Board may make rules regarding eligibility of a person for self-filing of goods declaration as provided under sub-section (2) read with section 155C of this Act.”

SECTION
(CLAUSE)

CUSTOMS ACT, 1969

Regulatory Duty (RD) imposition

RD has been imposed on the following goods through the Act:

PCT Code	DESCRIPTION	Rate of RD
2849.1000	Calcium (Carbides)	5%
3824.9980	Chloroparaffins liquid	0% till Dec 31, 2023 and 5% from January 1, 2024 to June 30, 2024
7002.3200	Tubes of other glass having a linear coefficient of expansion not exceeding 5×10^{-6} per Kelvin within a temperature of 0 C to 300 C	10%

INFORMATION ABOUT WITHHOLDING TAXES

APPENDIX – I

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/ COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
148	(1) Import of goods	1% of the import value as increased by customs-duty, sales tax and federal excise duty	Collector of Customs	Minimum Tax
	ii. Persons importing goods classified in Part I of the Twelfth Schedule	2% of the import value as increased by customs-duty, sales tax and federal excise duty		
	iii. Persons importing goods classified in Part III of the Twelfth Schedule	5.5 % of the import value as increased by customs-duty, sales tax and federal excise duty and 6% of the import value as increased by customs-duty, sales tax and federal excise duty in case of commercial importer”		
148(A)	Manufacturers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011 and importing items covered under S.R.O. 1125(I)/2011 dated the 31st December, 2011;	1%	Collector of Customs	Minimum Tax
148(B)	Persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulatory Authority of Pakistan	4%		
148(C)	Person Importer of CKD kits of electric vehicles for small cars or SUVs with 50 kwh battery or below and LCVs with 150 kwh battery or below.	1%		
			Tax (in Rs)	
S. No.	C & F Value of mobile phone (in US Dollar)	In CBU condition PCT Heading 8517.1219	In CKD/SKD condition under PCT Heading 8517.1211	
(1)	(2)	(3)	(4)	
1	Up to 30 except smart phones	700	0	
2	Exceeding 30 and up to 100 and smart phones up to 100	100	0	
3	Exceeding 100 and up to 200	930	0	
4	Exceeding 200 and up to 350	970	0	
5	Exceeding 350 and up to 500	3000	5000	
6	Exceeding 500	5,200	11,500	

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/ COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	Rate of tax for Individual and Association of Person			
Business Individual & AOP	Taxable Income		Rate of Tax	
	Where the taxable income does not exceed Rs. 600,000		0%	
	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000		7.5% of the amount exceeding Rs. 600,000	

	Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 15,000 + 15% of the amount exceeding Rs. 800,000
	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 70,000 + 20% of the amount exceeding Rs. 1,200,000
	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 315,000 + 25% of the amount exceeding Rs. 2,400,000
	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 465,000 + 30% of the amount exceeding Rs. 3,000,000
	Where taxable income exceeds Rs. 4,000,000	Rs. 765,000 + 35% of the amount exceeding Rs. 4,000,000

		Rate of tax of Salaried Individual		
		Taxable Income	Rate of Tax	
149	Where the taxable income does not exceed Rs. 600,000		0%	
	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000		2.5% of the amount exceeding Rs. 600,000	
	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000		Rs. 15,000 + 12.5% of the amount exceeding Rs. 1,200,000	
	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000		Rs. 165,000 + 22.5% of the amount exceeding Rs. 2,400,000	
	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000		Rs. 435,000 + 27.5% of the amount exceeding Rs. 3,600,000	
	Where taxable income exceeds Rs. 6,000,000		Rs. 1,095,000 + 35% of the amount exceeding Rs. 6,000,000	
	150	Payments of dividend declared / distributed by:		
(a) In the case of dividend paid by independent power purchasers where such dividend is a pass-through item under an Implementation agreement and is required to be reimbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity.		7.5%	Every person paying dividend	Final
(b) In the case of mutual funds and other than those mentioned in clauses (a).		15%		
(ba) In the case of a person receiving dividend from a company where no tax is payable by such company due to exemption of income or carry forward of business losses under Part VIII of Chapter III or claim of tax credits under Part X of Chapter III. "	25%			
150(A)	On Payment of return on investment in Sukuks:			
	a) In case the Sukuk- holder is a company, b) In case the Sukuk- holder is a individual or an Association of person, if the return of invest is more than one million	25% 12.5%	Every person paying dividend	Final

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/ FINAL
	c) In case the Sukuk- holder is a individual or an Association of person, if the return of invest is less than one million	10%		
151	Tax on profit on debt imposed under section 7B / 151	15%	Payer of the profit or yield	FTR for Individual / AOP on amount not exceeding Rs. 5 million.
	Profit on debt on sukuk by SPV or a company under sub-section 1(A)			

	<ul style="list-style-type: none"> Company Individual / AOP return above 1 million Individual / AOP return below 1 million 	25% 12.5%		Minimum Except for <ul style="list-style-type: none"> Company U/S 7B
152	Payments to PE of non-residents:	10%	Federal Government, Company, Association of Persons (under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 100M or above), AOP (normal) (turnover of Rs. 100M or above), A person registered under the Sales Tax Act, 1990 (turnover of Rs. 100M or above), an exporter or an export house	Minimum Tax except for Company being manufacturer
	<ul style="list-style-type: none"> Sales of good in case of company 	5%		
	<ul style="list-style-type: none"> Sales of good in case of other then company 	5.5%		
	<ul style="list-style-type: none"> Transport services, Freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard service, software development services, IT services and IT enable services as defined in clause (133) of the part I of the second Schedule. tracking services, advertising services (other than by print or electronic media), share registrar services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services 	4%		
	<ul style="list-style-type: none"> Other than transport services in case of Company 	9%		
	<ul style="list-style-type: none"> Other than transport services in any other case 	11%		
	<ul style="list-style-type: none"> Execution of contract 			
	<ul style="list-style-type: none"> i) In the case of companies ii) In the case of Sportsperson 	8% 10%		
6, 7 & 152	Payment to Non-resident u/s 6:		Payment to non-resident by every person	Final
	<ul style="list-style-type: none"> Royalty or fee for technical services 	15%		
	<ul style="list-style-type: none"> Any other case 	10%		
	Payment to Non-resident u/s 7:			
	<ul style="list-style-type: none"> Shipping income Air Transport income 	8% 3%		
	Payment to Non-resident u/s 152 excluding PE		Payment to non-resident by a every person	Minimum
	<ul style="list-style-type: none"> Fee for offshore digital services 	5%		
	<ul style="list-style-type: none"> Contract or sub contract under a construction, assembly or installation project 	7% 7%		
	<ul style="list-style-type: none"> Advertisement services rendered by T.V. Satellite Channel 	5%		
	<ul style="list-style-type: none"> Advertisement services relaying from outside Pakistan 	10%		
<ul style="list-style-type: none"> Insurance premium or re-insurance premium 	5%			
<ul style="list-style-type: none"> Other cases 	20%			

153	<ul style="list-style-type: none"> • Sale of goods on amount inclusive of Sales Tax <ul style="list-style-type: none"> ➤ General <ul style="list-style-type: none"> i) In the case of companies 	5%	Federal Government, Company, Association of Persons (under law), non-profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 100M or above), AOP (normal)(turnover of Rs. 100M or above), A person registered under the Sales Tax Act, 1990 (turnover of Rs. 100M or above), an exporter or an export house	Minimum Tax Adjustable for manufacturer company or listed companies
	<ul style="list-style-type: none"> <ul style="list-style-type: none"> ii) In the case of other taxpayers 	5.5%		
	<ul style="list-style-type: none"> • Rice, cotton seed oil and edible oil other than mentioned below 	1.5%		Minimum Tax
	<ul style="list-style-type: none"> • Payment to electronic and print media for advertising services 	1.5%		Adjustable for manufacturer company or listed companies
154	<ul style="list-style-type: none"> • Rendering of services <ul style="list-style-type: none"> ➤ General <ul style="list-style-type: none"> i) In the case of companies ii) In the case of other taxpayers 	9% 11%	Any person being a withholding agent	Minimum Tax
	<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ Transport services, freight forwarding services, air cargo services, courier services, man power outsourcing services, hotel services, security guard services, software development services, IT Services and IT enabled services as defined in clause (65F) of Part I of the Second Schedule, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Ltd. & Pakistan Mercantile Exchange Ltd. , inspection, certification, testing & training services oilfield services, telecommunication services, warehousing services, collateral management services, travel and tour services. 	4%		
	Execution of contract			
	<ul style="list-style-type: none"> • In the case of companies • In the case other taxpayers • In the case of Sports person 	7.5% 8% 10%		
154	Realization of proceeds on account of:			Final

	<ul style="list-style-type: none"> Exports of goods and sales of goods by indirect exporter under inland back to back letter of credit or standard purchase order of goods specified in seventh schedule 	1%	Authorized Dealer in foreign exchange, Collector of Customs and Banking Company	
	<ul style="list-style-type: none"> Exports of goods by an industrial undertaking located in the export processing zones. 	1%	EPZ authority established under the EPZ authority Ordinance, 1980.	
	<ul style="list-style-type: none"> Payment for firm contract to an indirect exporter. 	1%	Direct exporter and an export house registered under the Duty and Tax Remission for Export Rules 2001.	
	<ul style="list-style-type: none"> Indenting commission 	5%	Authorized Dealer in foreign exchange.	
154A	The rate of tax to be deducted under section 154A on the following (a) exports of computer software or IT services or IT enabled services (b) services or technical services rendered outside Pakistan or exported from Pakistan; (c) royalty, commission or fees derived by a resident company from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise; (d) construction contracts executed outside Pakistan; and (e) other services rendered outside Pakistan as notified by the Board from time to time;	1%	Authorized Dealer in foreign exchange, Collector of Customs and Banking Company	Final
	Export proceeds for TY 2024 up to TY 2026 of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board	0.25%		
155	<ul style="list-style-type: none"> Payment of rent (including advance) on immovable property, 		Federal Government, Provincial Government, Local Authority, Company, Non-Profit Organization, Charitable Organization and Diplomatic Mission of Foreign State, Private Educational Institution, Boutique, Beauty parlor, Hospital, Clinic, Maternity Home, Individuals or AOPs paying gross rent of Rs 1.5 million or more in a year. Paid by the company	Adjustable
	<ul style="list-style-type: none"> Gross amount of rent 	Rate of tax		
	<ul style="list-style-type: none"> Where the gross amount of rent does not exceed Rs. 300,000 	NIL		
	<ul style="list-style-type: none"> Where the gross amount of rent exceeds Rs. 300,000 but does not exceed Rs. 600,000 	5 per cent of the gross amount exceeding Rs. 300, 000		
	<ul style="list-style-type: none"> Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 2,000,000 	Rs. 15,000 plus 10 per cent of the gross amount exceeding Rs. 600, 000		
	<ul style="list-style-type: none"> Where the gross amount of rent exceed Rs. 2,000,000 	Rs. 155,000 plus 25 per cent of the gross amount exceeding Rs. 2,000, 000";		
	<ul style="list-style-type: none"> Payment of rent on immovable property (In case of company) 	15%		

156	<ul style="list-style-type: none"> Payment of prize on prize bond or crosswords puzzle 	15%	Person paying the amount where the payment is not in cash	Final
	<ul style="list-style-type: none"> Payment of prize on winning of raffle, lottery, a quiz, offered by companies for promotion of sale. 	20%		
156A	<ul style="list-style-type: none"> Payment of commission or discount allowed to a petrol pump operator 	12%	Person selling petroleum products to a petrol pump operator	Final
231 AB	<ul style="list-style-type: none"> Advance tax on cash withdrawal by Non-active taxpayer exceeding Rs. 50,000 in a single day 	0.6%	Every Banking Company	Adjustable in case of filing return
231B	<ul style="list-style-type: none"> Purchase, Registration of Transfer of Motor Vehicles 	Rs. 7,500 To 250,000	Excise and Taxation (Motor Vehicle)	Adjustable
231B (2)	<ul style="list-style-type: none"> Transfer of Registration or ownership of a private motor vehicle: 	Rs. 0 To 62,500	Excise and Taxation (Motor Vehicle)	Adjustable
231B(2A)	<ul style="list-style-type: none"> Transfer of Registration or ownership of a private motor vehicle: 	Rs. 0 To 62,500	Excise and Taxation (Motor Vehicle)	Adjustable
S.No.	Engine capacity	Tax		
1.	851cc to 1000cc	Rs. 10,000	Excise and Taxation (Motor Vehicle)	Adjustable
2.	1001cc to 1300cc	Rs. 20,000		
3.	1001cc to 1300cc	Rs. 25,000		
4.	1301cc to 1600cc	Rs. 50,000		
5.	1601cc to 1800cc	Rs. 150,000		
6.	1801cc to 2000cc	Rs. 200,000		
7.	2001cc to 2500cc	6% of the value		
8.	2501cc to 3000cc	6% of the value		
9.	Above 3000cc	10% of the value		
10	If the value of vehicle is Rs. Five million or more the rate of tax collection shall be including import value custom duty, sales tax and federal excise duty in case of local manufactured value	3%	Collector of Customs	
231C	<ul style="list-style-type: none"> Advance tax to be collected from sponsors, agency or a person engaging foreign national as domestic worker under domestic aide visa 	Rs. 200,000	Authority issuing or renewing domestic aide visa	Adjustable against income of employer
233	Payment of Brokerage and Commission	10%	Federal Government, Local Government, Local Government, Company and Association of Person constituted by or under any law	Minimum Tax
	<ul style="list-style-type: none"> Advertising Agents 			
	<ul style="list-style-type: none"> Life Insurance Agents where commission received is less than Rs. 0.5 million per annum 			
234	On collection of motor vehicle tax of:	Rupees 200 for Non Air Conditions and Rs. 375 for air conditions	Person collecting motor vehicle tax	Adjustable
	<ul style="list-style-type: none"> Passenger transport vehicle with registered seating capacity of 4 to 10 persons 			
	<ul style="list-style-type: none"> Passenger transport vehicle with registered seating capacity of 10 to 20 persons 			
	<ul style="list-style-type: none"> Passenger transport vehicle with registered seating capacity of 20 or more 			
	<ul style="list-style-type: none"> Goods transport vehicle. 	per kilogram of the laden weight per annum Rs. 2.50		

	<ul style="list-style-type: none"> In the case of goods transport vehicles with minimum laden weight of 8,120 Kg, advance tax after a period of ten years from the date of first registration of vehicle in Pakistan. 	Rs. 1,200 per annum		
	<ul style="list-style-type: none"> Other private motor vehicle. 	Rs. 800 to 10,000		
	<ul style="list-style-type: none"> Where the motor vehicle tax is collected in lump sum 	Rs. 10,000 to 120,000		
235	On collection of amounts of commercial and industrial of electricity bill:		Person preparing electricity consumption bill	Adjustable for Companies (minimum for others for bill amounting to Rs. 30,000 per month / adjustable for the amount of bill which exceeds Rs. 30,000)
	Where the amount of electricity bill upto Rs.500	0		
	exceeds Rs. 500 but does not exceed Rs. 20,000	10% of the Amount		
	exceeds Rs.20,000	Rs. 1950 plus 12% of the amount exceeding Rs. 20,000 for commercial consumers Rs. 1950 plus 5% of the amount Exceeding Rs. 20,000 for industrial consumers		
	On collection of amounts of domestic electricity bill:			
	i) Where bill is less than Rs 25,000	0%		
235B	Production of steel billets, ingots and mild steel excluding stainless steel	Rs. 1/units of electricity consumed	Person preparing electricity consumption bill	Final
236	On custom of amounts of telephone charges of:		Person preparing telephone bills	Adjustable
	<ul style="list-style-type: none"> Telephone subscriber (bill exceeds Rs. 1,000) 	10		
	<ul style="list-style-type: none"> subscriber of internet, mobile telephone and pre-paid internet or telephone card 	10 for tax year 2022 and 8% on wards		
236A	<ul style="list-style-type: none"> On the sale by public auction or auction by tender 	10%	Any person making sale by public auction or auction by tender	Adjustable
	<ul style="list-style-type: none"> In case of immoveable property sold by auction 	5%		
236C	<ul style="list-style-type: none"> On sale or transfer of immovable property for: 	2%	Any person responsible for registering or attesting transfer of immovable property	Minimum Tax if property is acquired and disposed-off within the same tax year; Otherwise Adjustable.
236CA	<ul style="list-style-type: none"> Foreign produced TV drama serial or play Foreign produced TV Play (single episode) Advertisement starring foreign actor 	Rs. 1,000,000 per episode Rs. 3,000,000 Rs. 100,000 per second	Any licensing authority certifying any foreign TV serial / play / commercial for advertisement	Minimum Tax in respect of income arising from such drama serial or play or advertisement
236CB	<ul style="list-style-type: none"> Functions and gathering in marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place etc. 	10%	Federal Government, Company, Association of Persons (under law), non-	Adjustable

			profit organization, Foreign Contractor or Consultant and Consortium or Joint Venture, Individual (turnover of Rs. 100M or above), AOP (normal)(turnover of Rs. 100M or above), A person registered under the Sales Tax Act, 1990 (turnover of Rs. 100M or above), an exporter or an export house	
236G	Sales to distributors, dealers and wholesalers Fertilizers		Every manufacturer or commercial importer of occurring for the first time, the expression “pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics, IT equipment, electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector	Adjustable
	Fertilizers	0.7%		
	Other then Fertilizers	0.1%		
	Provided that the rate of advance tax on sale to distributors, dealers or wholesalers of fertilizer shall be 0.25%, if they are already appearing on both the Active Taxpayers’ Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001 (XLIX of 2001)	0.25%		
236H	Advance tax on Sales to retailers	0.5%	Every manufacturer, distributor, dealer, wholesaler or commercial importer of occurring for the first time, the expression “pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics, IT equipment, electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector	Adjustable
236K	On purchase or transfer of immovable property except purchase by non-resident individual holding <ul style="list-style-type: none"> • (POC) • (NICOP) or • CNIC acquired immovable property through FCVA or NRVA accounts maintained with authorized banks in Pakistan under Foreign Exchange Regulation issued by SBP upon submission of prescribed certificate 	3% for ATL taxpayer & 10.5% for Non-ATL taxpayers Fair Market value of Immovable Property	Any person responsible for registering or attesting transfer for local authority, housing authorities, housing society, public and private real estate projects registered/ governed under any law, joint ventures, private Commercial concerns.	Adjustable

236X	Advance tax on tobacco	5% of purchase value	Pakistan Tobacco Board	Adjustable
236Y	Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards	5%	Every banking Company shall collect advance tax	Adjustable
236Z	Advance tax on bonus shares issued to shareholders	10%	Every Company shall collect and deposit the tax within 15 days of the closure of books	Final
	Day end price on the first day of closure of books for Listed companies			
	Share value as prescribed in case of other companies			

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Panama	Gibraltar	Romania		Kazakhstan
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