



BUDGET COMMENTARY 2023



BUDGET COMMENTARY, 2023

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 Bill, 2023 which upon enactment with or without modification shall be issued as Finance Act, 2022.

Clients are advised to consult the actual text of the Bill 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 2023 unless otherwise stated.

BDO EBRAHIM & CO.

Dated: June 9, 2023

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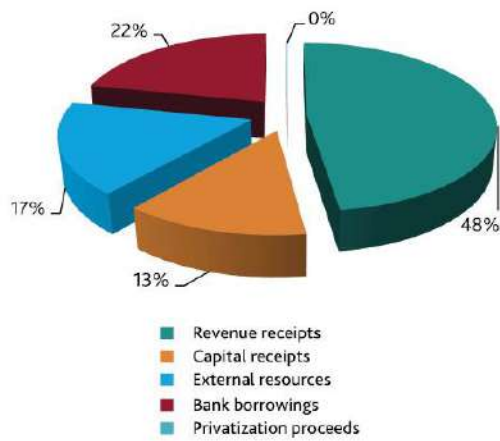
COMPARATIVE BUDGET AT A GLANCE
 (AMOUNTS ROUNDED TO NEAREST BILLION)

	2023-24		2022-23*	
	PKR	%	PKR	%
Receipts				
Revenue Receipts				
Direct taxes	3,759	31	2,573	29
Indirect taxes	5,441	45	4,431	49
	<u>9,200</u>	<u>76</u>	<u>7,004</u>	<u>78</u>
Non-tax revenue	2,963	24	2,000	22
Gross revenue receipts	12,163	100	9,004	100
Less: Provisional share	(5,276)	(36)	(4,100)	(43)
Net revenue receipts	6,887	48	4,904	52
Capital receipts	1,906	13	1,996	21
External resources	2,527	17	533	6
Cash & Bank borrowings	3,124	22	1,972	21
Privatization proceeds	15	0	96	1
Total Resources	<u>14,460</u>	<u>100</u>	<u>9,502</u>	<u>100</u>
Expenditure				
Current expenditure				
Defence	1,804	12	1,527	16
General public services	10,438	72	6,176	65
Others	1,078	7	991	10
	<u>13,320</u>	<u>92</u>	<u>8,694</u>	<u>91</u>
Development expenditure	1,140	8	808	9
Total Expenditure	<u>14,460</u>	<u>100</u>	<u>9,502</u>	<u>100</u>

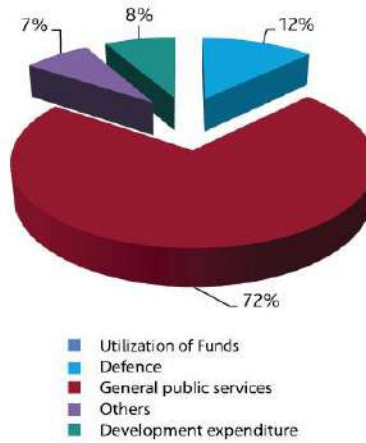
* As per original budget estimates. On Feb 14, 2023, the incumbent government introduced the Supplementary Finance Bill, 2023 announcing various amendments that featured additional taxation measures of PKR 170 billion (approximately USD 640 million), to convince the International Monetary Fund (IMF) to revive its bailout programme.

COMPARATIVE BUDGET AT A GLANCE

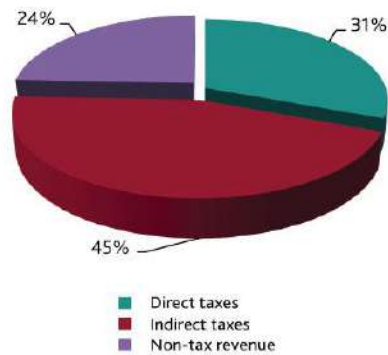
Sources of Funds



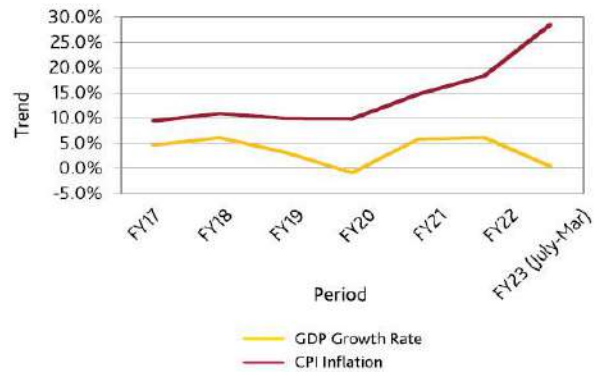
Utilisation of Funds



Breakup of Revenue Receipts

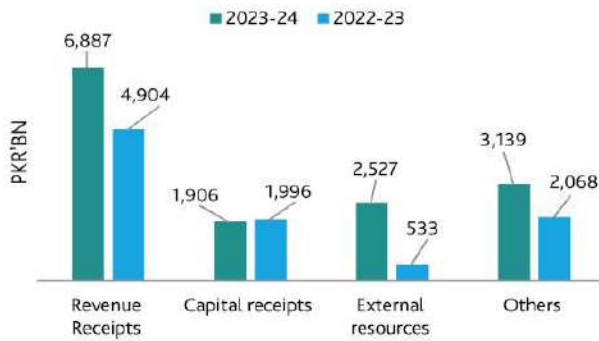


Trends in Growth and Inflation

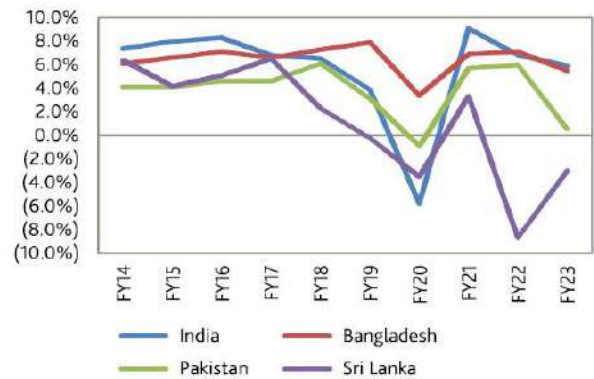


COMPARATIVE BUDGET AT A GLANCE

Comparison of Revenue

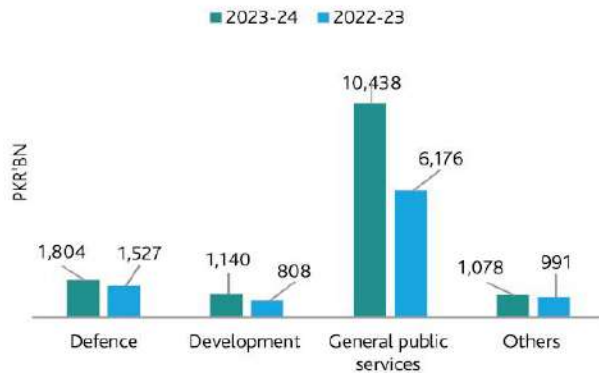


Comparative Real GDP Growth Rate

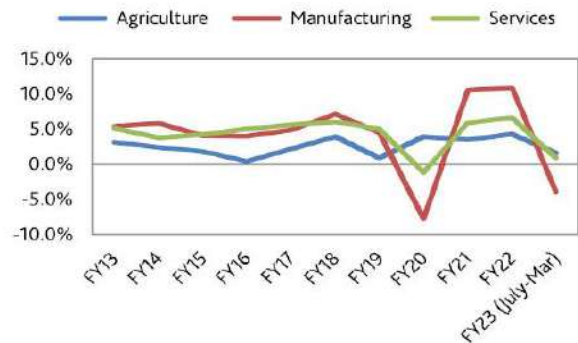


Source: IMF

Comparison of Expenses

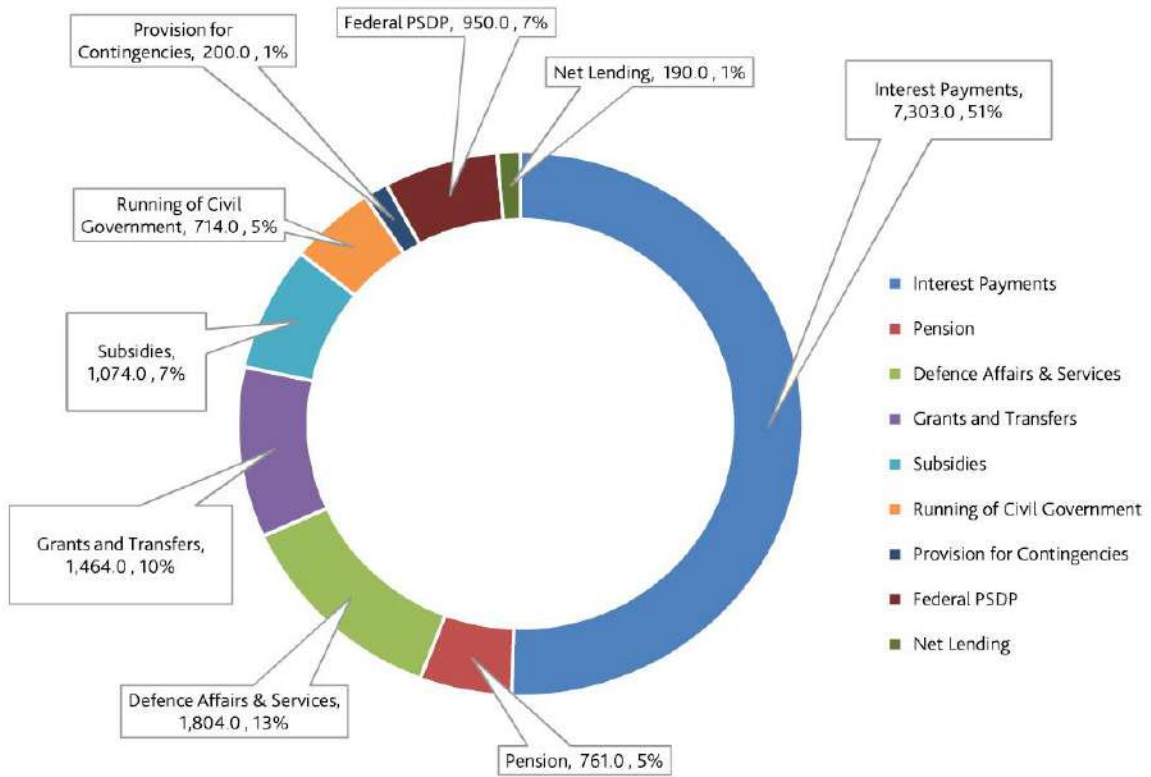


Growth Performance of Components of Gross Domestic Product



Source: PBS

Expenditures (Rs. in Billion)



On June 9, 2023, the Finance Minister, Mr. Ishaq Dar presented the second budget of the PDM government, for the fiscal year 2023-2024, amidst economic pressures, dwindling FEX reserves, questions on debt repayment, and a number of other political and regional uncertainties. The budget displayed an aggregate total outlay of PKR 14,461 billion, highlighting a significant public sector development program amounting to PKR 950 billion. This budget aims to collect tax at 9,200 billion as opposed to the revised target of PKR 7,200 billion during FY 2022-23, which is aggressive.

Overview

Pakistan's political situation in 2023 remains turbulent and unstable. The political crisis that began in 2022 with a no-confidence vote against former Prime Minister Imran Khan has continued to escalate.

The country also faces multiple internal and external conflicts, including extremism, intolerance, and deepening domestic polarization. Devastating flooding in FY22, governance, and economic weaknesses further strained Pakistan's fragile economy.

Pakistan's relations with India remain frozen, and its strategic alliance with China complicates its balancing act between global powers. The country's economic crisis marked by stalled growth, soaring inflation, and reduced reserves, has further worsened due to the ongoing political unrest. To ease the pressure, the Government announced, on June 01, 2023, a barter trade policy with Afghanistan, Iran, and Russia. The impact of this will flow in 2023-2024.

Foreseeing the elections ahead, the implementation of this budget shall be under a new Government, hence, skepticism is there about the continuity of the policies and adherence to the targets set herein.

Pakistan's Relationship with IMF

Pakistan's relationship with the International Monetary Fund (IMF) has been marked by efforts to secure financial support and overcome economic challenges. In recent developments, the United Arab Emirates (UAE) pledged USD 1 billion to Pakistan, removing key hurdle in obtaining a much-needed bailout tranche from the IMF. This commitment, along with financial assistance from Saudi Arabia and China, will help address Pakistan's balance of payments crisis. Pakistan's foreign exchange reserves have dwindled, prompting the need for external financing. However, the IMF's support program is set to expire, increasing the risk of a sovereign default.

Pakistan must meet the IMF's conditions, including securing new foreign loans, adopting a budget in line with IMF guidelines, and allowing market forces to determine the value of the rupee. Political stability and timely elections are crucial factors in Pakistan's prospects for securing an IMF bailout. Failing to obtain another IMF package for the next fiscal year could lead to a default, causing shortages of essential goods and services, hyperinflation, and social unrest.

FBR Tax Collections

FBR revenue from tax collections increased by 16.1 percent from PKR 4,855.8 billion in FY22 to 5,637.9 billion in FY23 (July to April). The net collections from the direct tax has increased from PKR 1,743.7 billion to PKR 2,514.9 billion in FY23 (July to April), compared to the previous year. The major portion of the tax revenues of direct taxes pertains to income tax. The major contributions of income tax came from contracts, imports, and profit payout. The sales tax collection grew by approx. 1.2 percent, increasing from PKR 2,064.2 billion in FY22 to PKR 2,090.0 billion in FY23. Around 64% of the total sales tax was contributed by sales tax on imports while the rest was contributed by the domestic sector. FED collection recorded a growth of 9.8% which increased from PKR 256.0 billion in FY22 to PKR 281.2 billion in FY23 (July to April). The major contributor in FED are cigarettes, cement, beverages (food), motor cars, air travel, etc. The custom duty declined by 5% which decreased from PKR 791.8 billion to PKR 751.9 billion in the current fiscal year because of import compression policy for fiscal stabilization. The major revenue contributor in custom duty are mineral fuels, vehicles, edible oil, and machinery.

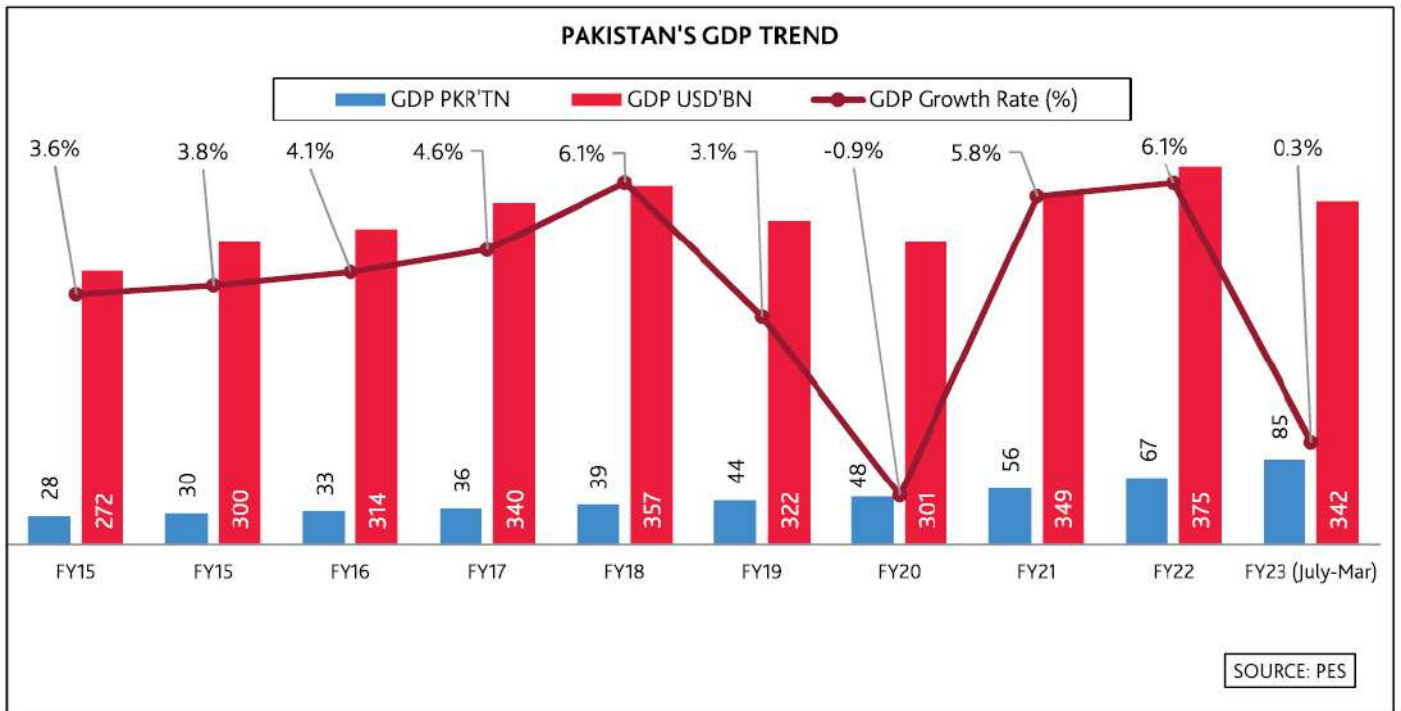
The FBR has set a target of collecting additional PKR 170 billion in FY23 through the Finance Supplementary Act, 2023, under the IMF's extended fund facility program. However, the challenges to FBR's revenue outlook are, import compression, an economic slowdown, and legal disputes in the court. The import of goods contributes 49% to the FBR's revenue mix, but import compression has had a negative impact on revenue, especially in the third and fourth quarters of FY 2023.

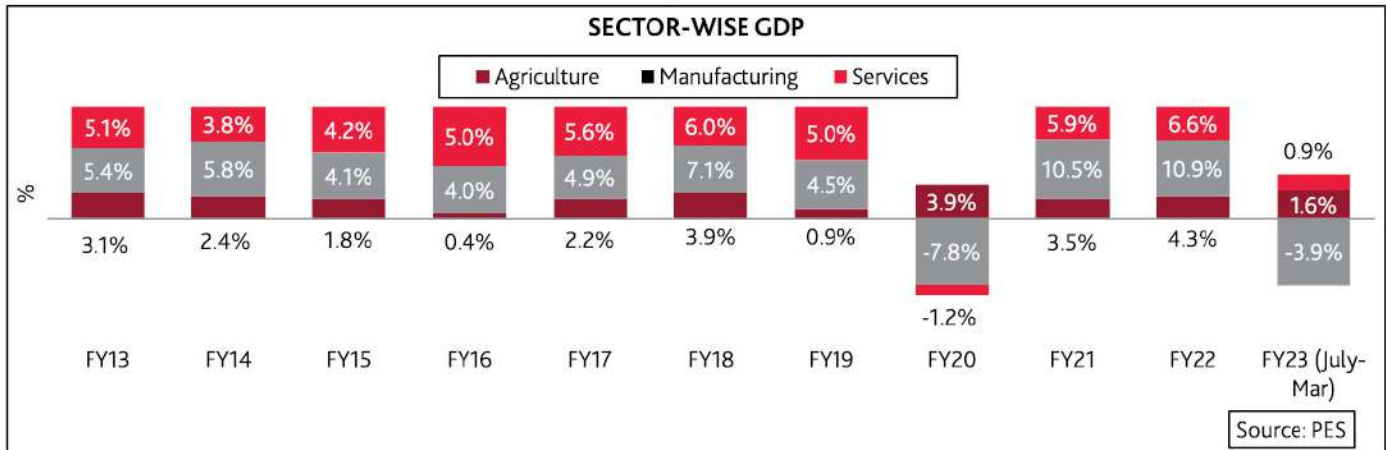


Economic Overview

GDP Growth

Pakistan's economy measured through GDP is estimated to have grown by 0.29 percent, in FY23, compared to 6.1 percent of FY22's economic growth. The agricultural sector grew by 1.55 percent, while the manufacturing sector declined by 2.94 percent. Furthermore, the services sector experienced a growth of 0.86 percent during FY23. Devastating floods, resulting in losses equivalent to 4.8 percent of the GDP, and political unrest are amongst the key factor of Pakistan's economic turnaround. Additionally, the global headwinds pursuant to geopolitical tensions (Russia- Ukraine Conflict) and high global inflationary pressures posed significant economic risks for Pakistan's economy while further aggravating the economic situation. Thus, FY23 has been a turbulent year for Pakistan's economy.

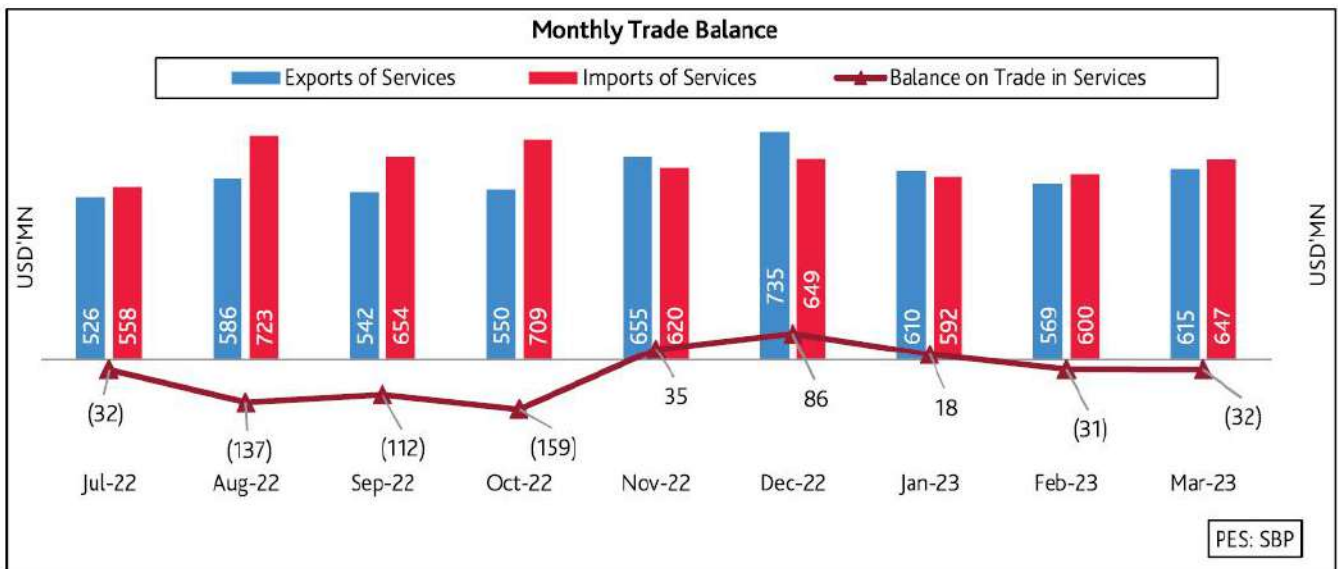




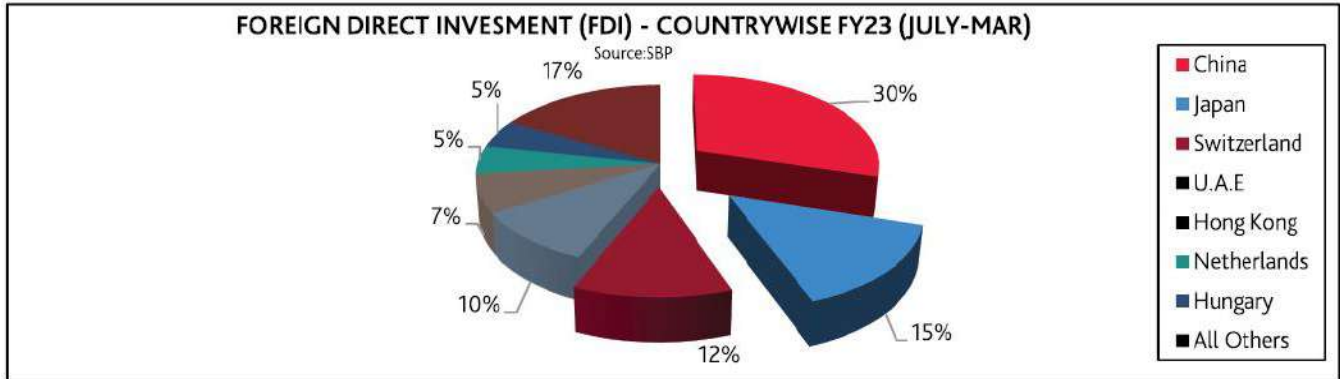
Balance of payments

Pakistan's external account faced challenges as international commodities prices increased during Jul-Mar FY23, due to which the government implemented various policy and administrative measures to manage overall demand to overcome the additional pressures. As a result, the Current Account Deficit (CAD) reduced during this period, primarily due to decreased imports, even though exports and workers' remittances experienced a decline.

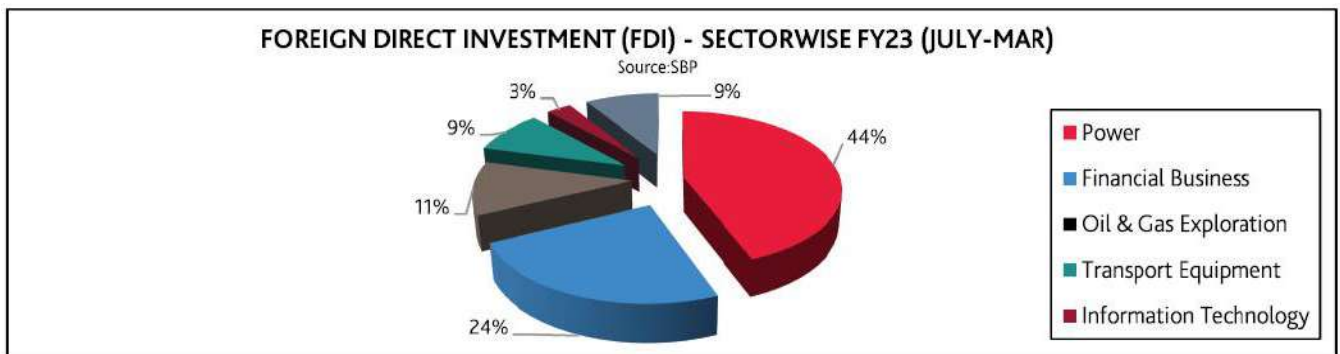
- **Current Account:** The current account balance improved by 74.1% and recorded a deficit of USD 3.4 billion during Jul-Mar FY2023, against a deficit of USD 13.0 billion in the same period last year. The predominant factor behind this improvement in CAD was the 29.7% decrease in the merchandise trade deficit on the back of a substantial decline in import payments to USD 41.5 billion in Jul-Mar FY2023 from USD 52.7 billion, last year.
- **Balance in Trade of Goods and Services:** During the period of July to March in FY2023, exports of goods experienced a decline of 11.0%, reaching a value of USD 21.1 billion. In comparison, the exports in the same period last year amounted to USD 23.7 billion. Similarly, imports of goods also witnessed a decline of 21.3%, totaling USD 41.5 billion from July to March in FY2023, as opposed to USD 52.7 billion in the same period last year. Consequently, the trade deficit exhibited an improvement of 29.7%, equivalent to USD 20.4 billion, in contrast to the USD 29.0 billion recorded in the previous year.



- **Foreign Direct Investment:** In 2022, the global momentum of foreign direct investment (FDI) experienced a decline as various crises, such as the Russia-Ukraine war, escalating food and energy prices, and financial turmoil, exerted downward pressure on investment projects. Following this global trend, Pakistan also witnessed a decrease in net FDI inflows during the period of July to March in FY2023. The inflows declined by 22.5%, amounting to USD 1.0 billion, in comparison to the USD 1.4 billion recorded in the previous year.

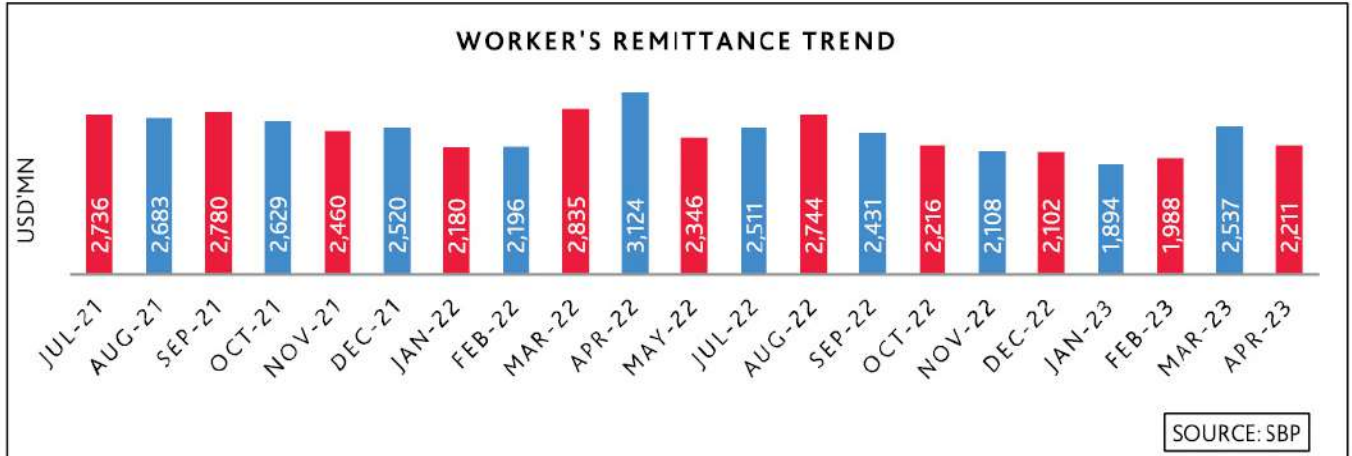


According to country-wise analysis, Pakistan received the highest foreign direct investment (FDI) from China during the period of July to March in FY2023, amounting to USD 319.2 million, which accounted for 30.4% of the total FDI inflows. This represents a decline of 16.5% compared to the previous year's FDI from China, which was recorded at USD 382.2 million. Japan contributed USD 157.3 million (15.0%) to the total FDI, while Switzerland contributed USD 123.1 million (11.7%), the United Arab Emirates contributed USD 102.6 million (9.8%), and the Netherlands contributed USD 53.8 million (5.1%).

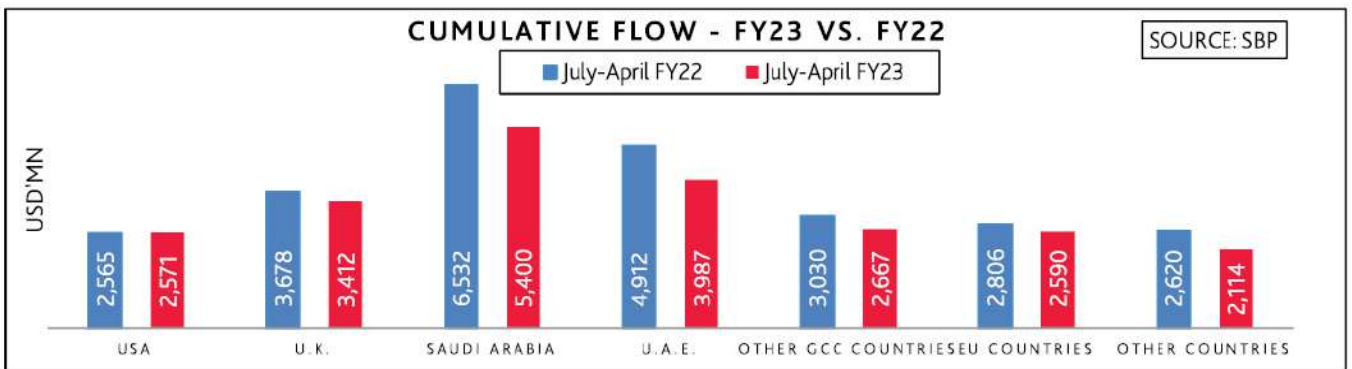


In terms of sector-wise foreign direct investment (FDI), the power sector emerged as the top recipient, attracting FDI inflows of USD 460.1 million, which accounted for 43.9% of the total FDI. However, this represents a decline of 10.2% compared to the FDI of USD 512.3 million received in the previous year. The financial business sector received USD 248.2 million (23.7%) in FDI, followed by the oil and gas exploration sector with USD 116.2 million (11.1%), and the transport equipment (automobile) sector with USD 96.3 million (9.2%).

- **Worker's Remittance:** As per the SBP, the worker's remittance decreased from USD 2.54 billion in March FY23 to USD 2.21 billion in April FY23 on a Month-on-Month basis. Similarly, the inflows went down by 29.25% Y-o-Y when compared to USD 3.12 billion received in the same month a year ago. Furthermore, inflows fell 13.00% to USD 22.74 billion during the July-April period of FY23, compared to USD 26.1 billion received in the same period a year ago.



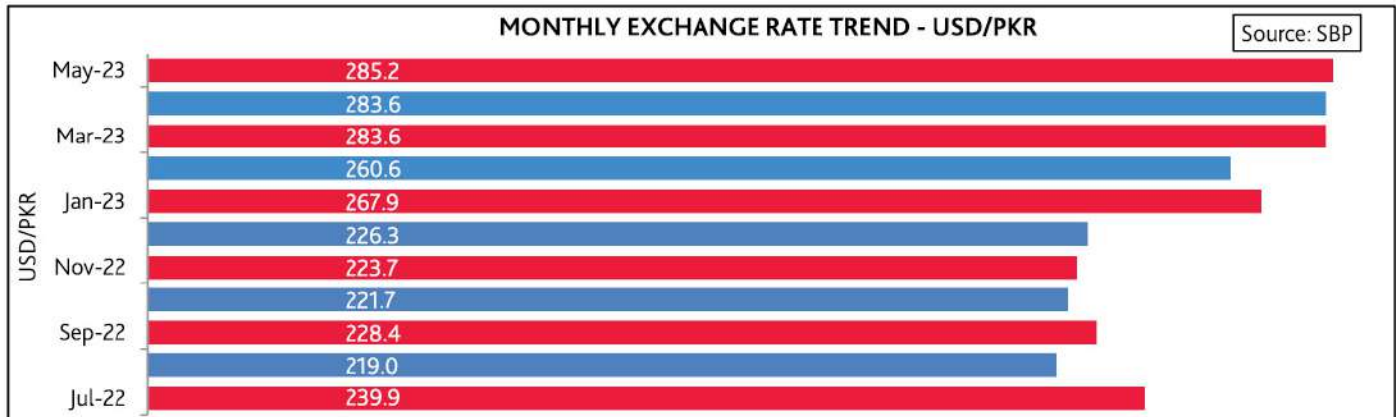
During the period of July to April in FY2023, the total remittances sent by workers amounted to USD 22.7 billion, which reflects a decrease of 13.0% compared to the previous year's figure of USD 26.1 billion. On a month-on-month basis, there was a decline of 12.8% in April 2023, with remittances reaching USD 2.2 billion, as opposed to USD 2.5 billion in March 2023.



Among the major contributors to these remittances in the period of July to April FY2023, Saudi Arabia accounted for 23.7% with USD 5,400.2 million, followed by the United Arab Emirates at 17.5% with USD 3,987.5 million, the United Kingdom at 15.0% with USD 3,411.9 million, and the United States at 11.4% with USD 2,571.4 million. Other Gulf Cooperation Council (GCC) countries contributed 11.7% with USD 2,666.9 million, the European Union accounted for 11.4% with USD 2,590.1 million, and remittances from other countries constituted 9.3% with USD 2,113.6 million. It is notable that the primary destinations for these remittances are Saudi Arabia, the United Arab Emirates, the United States, and the United Kingdom, as depicted in the accompanying graph.

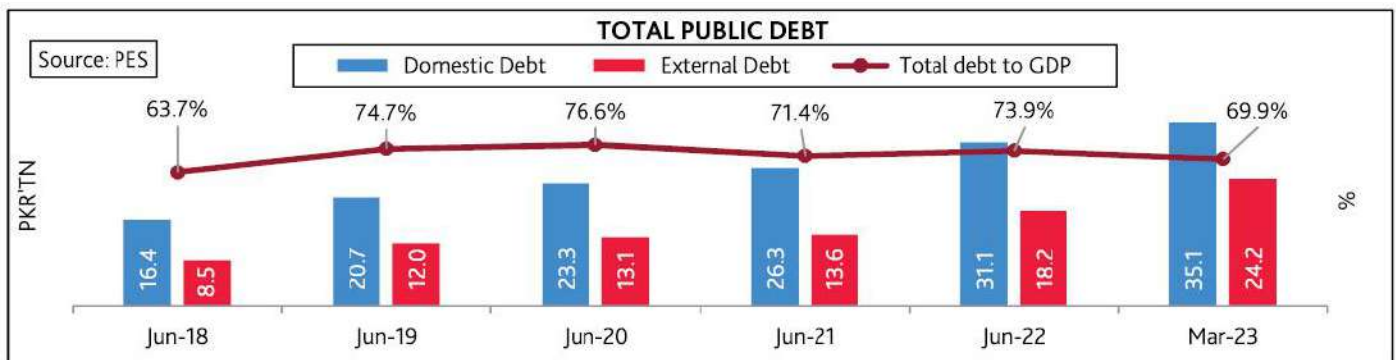
Reserves and Exchange Rate

At the end of March 2023, the foreign exchange reserves of the State Bank of Pakistan (SBP) witnessed a substantial decrease, amounting to USD 4.2 billion. This decline was on account of ongoing pressures on the external account, as indicated by net outflows of USD 2.0 billion during the period spanning July to March of the fiscal year 2023. These figures sharply contrast with the net inflows of USD 8.4 billion observed during the corresponding period in the preceding year. The Pakistan rupee experienced depreciation from USD/PKR 239.9 in July FY22 to 285.2 in May FY23, a decline of almost 20.8 percent in the parity.

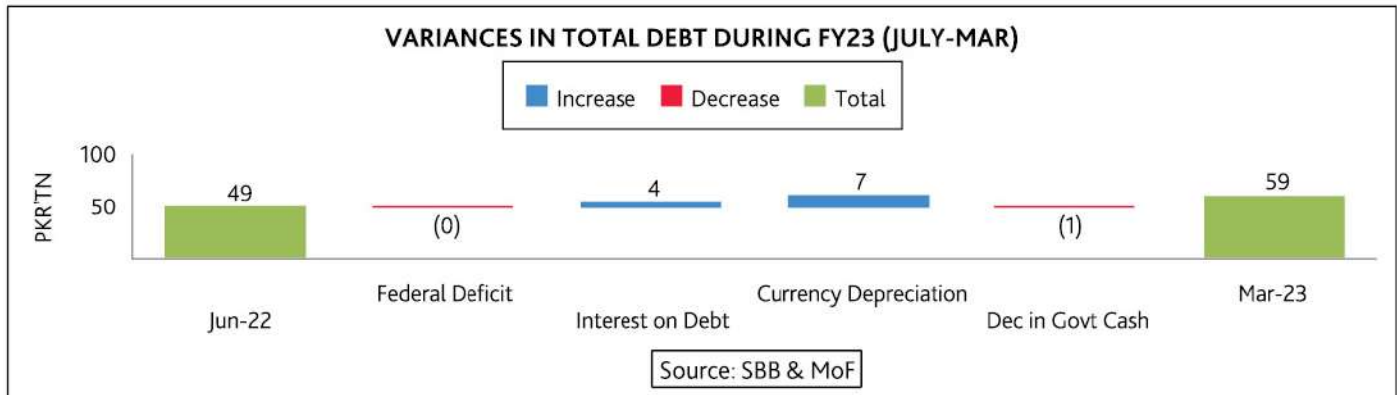


Public Debt

At the end of March 2023, the total public debt of the country had increased to PKR 59,247 billion as compared to PKR 49,242 billion in the same period. The domestic debt stood at PKR 35,076 billion, while the external debt amounted to PKR 24,171 billion. Within the domestic debt category, the government primarily relied on long-term debt securities, notably the floating rate Pakistan Investment Bonds (PIBs) and Sukuk, to finance the fiscal deficit and meet debt maturity obligations. Furthermore, the government retired treasury bills worth PKR 522 billion, resulting in a reduction of short-term maturity.



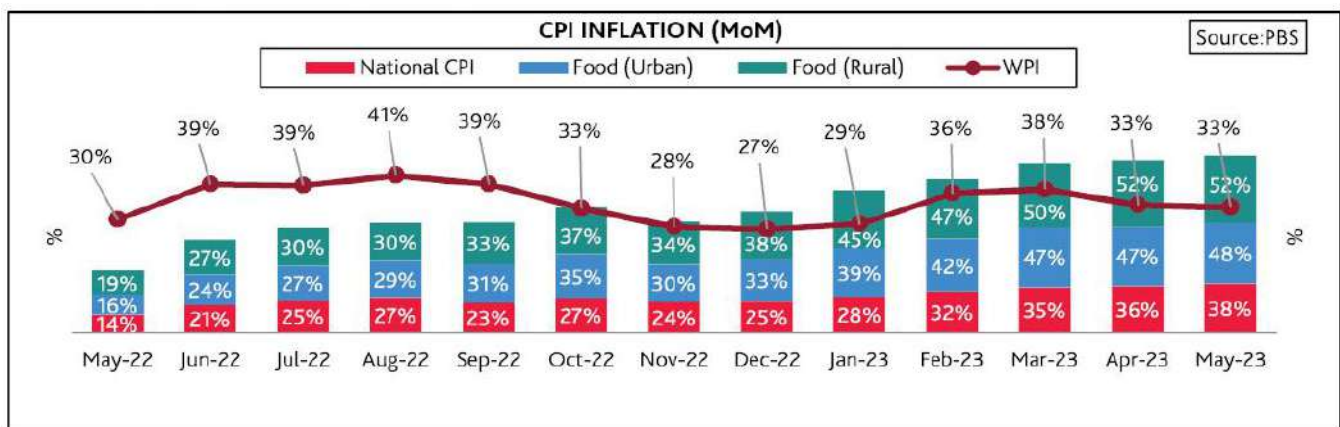
The depreciation of Pakistani rupee in exchange of USD by around 39 percent led to significant increase in the stock of external public debt when converted into Pak-Rupee.



The government made a repayment of PKR 310 billion on its debt owed to the State Bank of Pakistan, bringing the cumulative debt retirement against the SBP to PKR 2.0 trillion since July 2019. In terms of external debt, inflows from multilateral sources and foreign commercial banks remained significant contributors to gross external inflows. Under the 7th and 8th review, the IMF program disbursed USD 1,166 million, and an additional USD 1,500 million was received from the Asian Development Bank under the BRACE program. The BRACE program also received co-financing of USD 500 million from the Asian Infrastructure Investment Bank (AIIB). Furthermore, USD 1,900 million in loans from commercial banks were refinanced. The government successfully rolled over USD 3,000 million in deposits each from China and Saudi Arabia, which were utilized for budgetary support. Additionally, the Saudi oil facility amounted to approximately USD 900 million (utilized approx. USD 100 million every month). Moreover, the government repaid international commercial loans amounting to USD 5,541 million, of which USD 4,541 million were bank loans and USD 1,000 million represented the maturity of international Sukuk.

Inflation

- **CPI national** increased to 38.0% (Urban 35.1% and Rural 42.2%) on a year-on-year basis in May 2023 as compared to an increase of 36.4% (Urban 33.5% and Rural 40.7%) in the previous month and 13.8% (Urban 12.4% and Rural 15.9%) in May 2022. On a month-on-month basis, it increased to 1.6% in May 2023 as compared to an increase of 2.4% in the previous month and an increase of 0.4% in May 2022.
- **CPI food urban** increased to 48.1% on a year-on-year basis in May 2023 as compared to an increase of 46.8% in the previous month and 15.5% in May 2022. On a month-on-month basis, it increased to 1.9% in May 2023 as compared to an increase of 3.4% in the previous month and an increase of 1.0% in May 2022.
- **CPI food rural** increased to 52.4% on a year-on-year basis in May 2023 as compared to an increase of 52.2% in the previous month and 19.0% in May 2022. On a month-on-month basis, it increased to 1.4% in May 2023 as compared to an increase of 4.2% in the previous month and an increase of 1.3% in May 2022.
- **WPI inflation** on YoY basis increased to 32.8% in May 2023 as compared to an increase of 33.4% a month earlier and an increase of 29.6% in May 2022. On MoM basis, it increased by 1.0% in May 2023 as compared to an increase of 0.1% a month earlier and an increase of 1.4% in the corresponding month of last year i.e. May 2022.

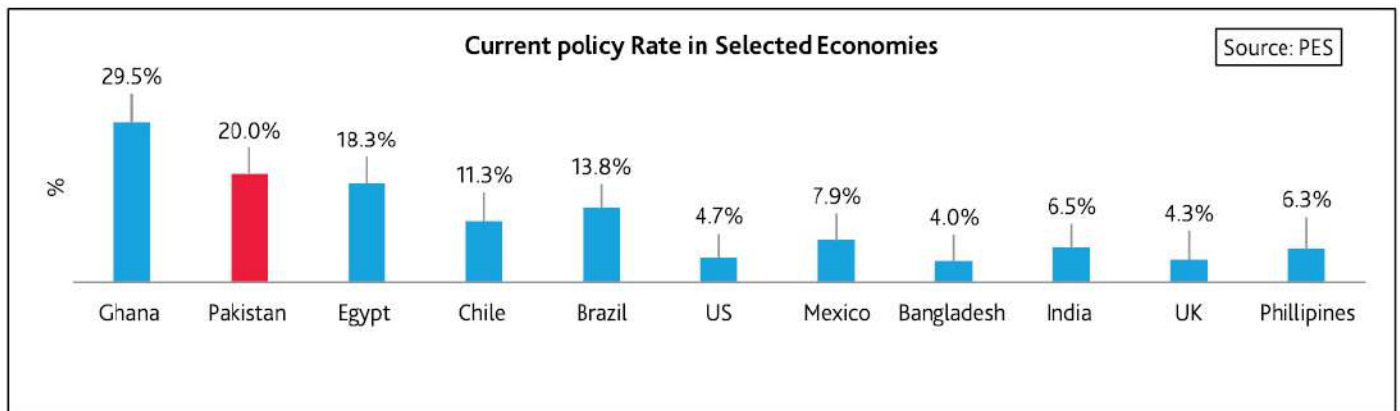


Monetary Policy

During the period from 1st July to 31st March FY2023, broad money (M2) witnessed an increase of PKR 1,193.7 billion, representing a growth rate of 4.3 percent. This compares to a growth of PKR 698.4 billion, or 2.9 percent, during the same period last year. Within the M2 framework, the Net Foreign Assets (NFA) of the banking system decreased by PKR 2,060.6 billion, contrasting with a decline of PKR 1,197.7 billion in the previous year. The NFA's contribution to M2 decreased to 7.4 percent, compared to a negative contribution of 4.9 percent during the same period last year. This indicates a deteriorated external sector position and declining foreign exchange reserves. On the other hand, the Net Domestic Assets (NDA) of the banking sector increased by PKR 3,254.2 billion, with a contribution of 11.7 percent, compared to PKR 1,896.2 billion and a contribution of 7.8 percent during the same period last year. The significant growth in NDA was offset by the negative growth of NFA, which contained the overall growth of M2 during the reviewed period.

Monetary Policy in Selected Economies

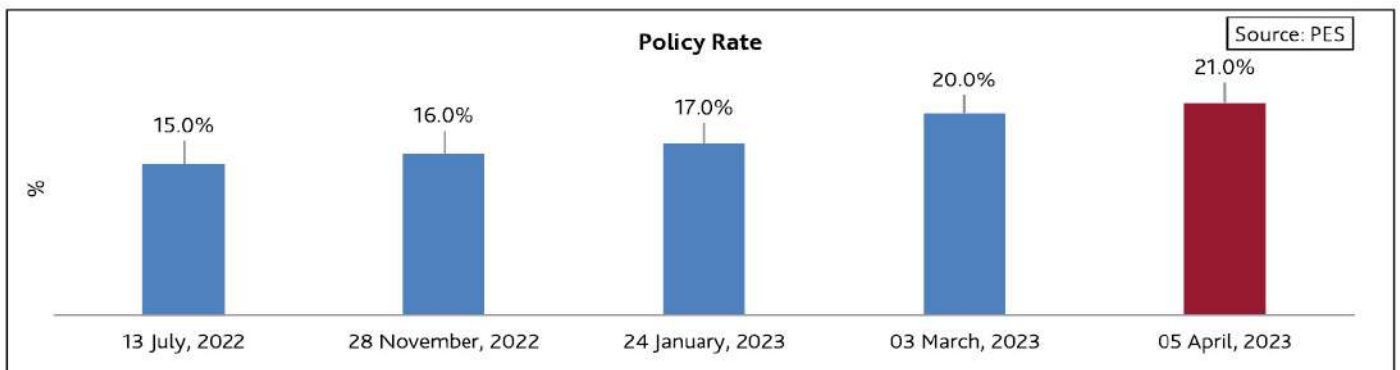
The Federal Reserve (FED) and the European Central Bank (ECB) have responded to significant inflationary pressures by embarking on their most aggressive monetary tightening cycles in decades. Inflationary pressures were initially observed in the United States, where headline inflation outpaced other major developed markets, reaching a 40-year high of 9% on a year-on-year basis in June 2022. The Euro Area experienced its peak inflation later, reaching a record high of 10.7% on a year-on-year basis in October 2022. This was primarily driven by the region's heavy exposure to gas supply disruptions and the Russia-Ukraine conflict, rather than a post-COVID surge in domestic demand.



Monetary Policy Stance in Pakistan

In the initial CFY meeting held in July 2022, the policy rate was raised by 125 basis points to 15 percent in order to manage domestic demand and stabilize inflation expectations. Subsequent meetings in November 2022 and January 2023 witnessed further increases of 100 basis points each due to strong and persistent broad-based inflationary pressures.

However, fiscal and external adjustments worsened the inflation outlook for FY2023, projecting a range of 27-29 percent compared to the previous estimate of 21-23 percent in November 2022. As a response, the policy rate was increased by 300 basis points to 20 percent in the March meeting. This was further raised by 100 basis points to 21 percent in April 2023. This cumulative adjustment of 725 basis points from July to April in FY2023 reflects the proactive approach taken by the monetary authorities to address inflation concerns and maintain economic stability.



Perspective on Economy

Pakistan's economy has faced ongoing challenges and weaknesses. It has low growth and high poverty rates, with limited improvements in education and health outcomes. The country relies heavily on consumption-driven growth, which leads to economic imbalances and frequent crises. Currently, Pakistan is experiencing low foreign reserves, a depreciating currency, and high inflation. Flooding, import controls, and policy uncertainty have further influenced economic activity. The outlook for medium-term growth is slow and below potential, because of low industrial and agricultural growth. Implementation of reforms and support from the IMF is crucial for stabilization. Recent developments include declining exports, remittances, and high inflation, along with revised GDP growth estimates.

Moving forward, Pakistan's potential for growth is substantial, with the advantages outweighing the drawbacks. To ensure sustained progress, it is vital for Pakistan to engage in negotiations with the International Monetary Fund (IMF) for a more comprehensive and extended package, while also seeking support from friendly nations. Concurrently, internal governance issues should be addressed, and confidence-building measures should be implemented to establish policy consistency and continuity. The formulation of a long-term economic charter spanning 7-10 years can serve as a guiding framework.

Several key action steps can be taken to unlock Pakistan's growth potential. Firstly, the country should capitalize on its demographic dividend by redirecting it towards the service sector through tailored professional and vocational training. Expanding the export of services, particularly through the development of e-commerce gateways and platforms, can further enhance economic opportunities. Additionally, modernizing the agricultural sector to improve per-hectare yield and addressing livestock breeding will contribute to overall growth. Aggressive privatization and restructuring plans for state-owned enterprises can enhance efficiency and productivity.

To reduce dependence on conventional energy sources, a shift towards alternate sources like solar and hydropower is essential, promoting renewable energy solutions. Revitalizing entities such as Pakistan Steel and PIA through effective management and restructuring efforts is crucial. Encouraging the incorporation of the real estate sector into the corporate sector via Real Estate Investment Trusts (REITs) will enhance transparency and professionalism. Reforms in foreign currency management and incentivizing non-resident Pakistanis to contribute to the country's development can further stimulate economic growth.

By pursuing these measures, Pakistan can navigate a path toward sustainable growth, harnessing its untapped potential and seizing the opportunities that lie ahead.

BDO EBRAHIM & CO.
DATED: JUNE 10, 2023

HIGHLIGHTS

THE INCOME TAX ORDINANCE, 2001

- The progressive rates for super tax on high-earning individuals, ranging from 1% to 10% has been proposed in the Bill. Amendments have now been made in sections 4C, 147 and eight schedule to facilitate the collection of super tax as an advance tax.
- The Bill has proposed to re-introduce 10% final tax on bonus shares issue by the companies.
- The special tax regime for Small & Medium Enterprises (SMEs) has been extended to include IT & IT-enabled services. The turnover threshold has been increased from Rs 250 million to Rs 800 million. Additionally, a five-year income tax holiday has been introduced for certain agro-based SMEs.
- The threshold for immunity for foreign remittances received through banking channel under sub-section (4) of section 111 has been raised from Rs 5 million to an equivalent of USD 100,000 per year.
- The 0.6% advance tax on cash withdrawals by non-filers has been reintroduced.
- The definition of associates for income tax purposes has been expanded to include transactions with individuals residing in zero-taxed jurisdictions.
- Non-resident Pakistanis are now exempted from the collection of a 2% advance tax on the purchase of immovable properties.
- Tax credit for construction of house has been proposed in the Bill to the individual for the tax years 2024 to 2026.
- The Bill has proposed to impose additional tax on income of every person during the preceding five-tax year from tax year 2023 and onwards arising due to economic factor or factors that resulted in unexpected income, profits or gain.
- The Bill has proposed to reduce the Minimum tax rate from 1.25% to 1% in case of listed companies if not covered in serial no. 1 to 3 of Division IX of Part I of First Schedule.
- The Bill has proposed that if the Commissioner does not respond to the application for exemption of withholding on payment 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 Bill has proposed 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 Bill has proposed 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.
- The Bill has proposed to exclude the tax under section 236K if the buyer or transferee is a non-resident individual who holds a Pakistan Origin Card (POC) or National Identity Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC).
- The bill proposes to extend the time limit of exemption on Sale of Immovable property to a REIT Scheme – Clause (99A), Part I, 2nd Schedule till 30th June 2024.
- The Bill has proposed a tax credit for youth enterprises for the tax year 2024 to 2026 on the profit and gains derived from business chargeable to tax under the head "Income from Business".
- The Bill proposes to reduce the tax rate of 20% instead of 39% for banking companies on the income of advances made to IT and IT enabled services provider

SALES TAX ACT, 1990

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

Definitions:

- Through this proposed 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 proposed Bill 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 Bill proposes excluding retailers with specified shop sizes and jewelers from the definition of 'Tier-1 retailer'. As a result, these individuals, if they don't 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.

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 proposed 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.
- 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 Bill proposed to extend 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 chilies, 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 proposed 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 Bill has proposed to enhance 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 Bill has proposed 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.

FEDERAL EXCISE ACT, 2005

- The Bill has proposed to make the following amendments in Section 2 "Definition" of the Sales Tax Act 1990. These are as follows:

Publication of Rules, General Orders and Departmental Instructions

- The proposed addition of a new sub-section (4) requires that 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 bill suggests the addition of 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 Bill has proposed 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 Bill proposes to amend 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%.
- Freelance exporters exclusively dealing in the export of IT and IT-enabled services will be granted cottage industry status, exempting them from registration, sales tax invoicing, and filing sales tax returns, provided they operate within the jurisdiction of ICT if their annual turnover remains below 8 Million Rupees.
- In alignment with other legislations, the proposed amendment to the Foreign Investment (Promotion and Protection) Act, 2022 aims 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, there is a proposal to reduce 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 proposed to be reduced from 16% to 15% in order to promote the growth of this industry.
- The bill suggests the inclusion of IT and IT-Enabled services in Table II, with a reduced tax rate of 5%, provided that no input tax adjustment or refund is allowed. Additionally, a specific definition of IT and IT-enabled services has been added, aligning it with the definition in the Income Tax Ordinance, 2001.

**SECTION
(CLAUSE)****THE INCOME TAX ORDINANCE, 2001****2(29), 236Z
AND 39****SECTION 2(29) – DEFINITION**

In the definition of "Income", the Finance Bill 2023 (the Bill) has proposed to include income subject to collection or deduction of tax under section 236Z.

Section 236Z.-Bonus shares issued by companies. –

The Bill has proposed to tax on bonus shares and introduced a withholding tax provision (i.e., section 236Z) which will take effect from July 1, 2023.

Following is the brief of the said section:

Every company will be required to collect 10% tax from each shareholder at the time of issuance of bonus shares. The rate of tax for inactive taxpayers shall be 20%.

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 of 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 – Other Sources of Income

Within the ambit of "Other sources of Income", the Bill has proposed to also include the amount of income arising to shareholders of a company, from the issuance of bonus shares.

2(41)**PERMANENT ESTABLISHMENT – DEFINITION**

In the definition of "Permanent Establishment", the Bill has proposed to substitute the word "Fixed place of business" to "Place of business".

Further, in Clause (d), the Bill has proposed to add the expression "or entity" after the word "personnel". The proposed amendment seeks 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 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
(CLAUSE)**
THE INCOME TAX ORDINANCE, 2001
2(59A)
SMALL AND MEDIUM ENTERPRISE

The Finance Bill 2023 (the Bill) has proposed following changes in the definition of SME:

1. The definition of SME is expanded to include persons engaged in providing IT services and IT enabled services as defined in the Ordinance.
2. Now the threshold limit of turnover for classifying the SME has been increased from Rs. 250 Million to Rs.800 Million

The proposal also mentions that once the threshold of turnover is breached in any tax year, than the person cannot classify itself as a SME in any of the subsequent tax years.

The updated table of tax rates is as under:

Category	Turnover	Rates	
		Normal	Final
I	Where annual business turnover does not exceed Rs 100 Million	7.5%	0.25%
ii	Where annual business turnover exceeds Rs 100 Million but does not exceed Rs 250 Million	15%	0.5%
III	Where annual business turnover exceeds Rs 250 Million but does not exceed Rs 800 Million	20%	0.75%

TAX HOLIDAY FOR SME ENGAGED IN AGRO BUSINESS IN RURAL AREAS

The Bill proposes to introduce a tax exemption from income tax for SMEs setup exclusively as Agro based industry in a rural area duly notified, subject to fulfilment of certain conditions:

1. The profits and gains shall be exempt from tax year 2024 to tax year 2028;
2. The enterprise is required to be setup on or after July 1, 2023; and
3. The enterprise should not be formed by the transfer or reconstitution or reconstruction or splitting up of an existing business.

SUPER TAX ON HIGH EARNING PERSONS

The Finance Bill 2023 (the Bill) has proposed to introduce 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 2022	For tax year 2023
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%	
7.	Exceeding Rs 400 million but does not exceed Rs 500 million		
8.	Exceeding Rs 500 million		

**SECTION
(CLAUSE)****THE INCOME TAX ORDINANCE, 2001****SECTION 4C(5)****ADVANCE TAX CALCULATION INCLUDE SUPER TAX**

The Bill has proposed to enable the collection of super tax as advance tax and an enabling amendments have been made accordingly. The amendments shall take effect from July 1, 2023.

COLLECTION OF SUPER TAX BY NCCPL ON DISPOSAL OF SECURITIES

The Bill has proposed that Super Tax shall also be collected on capital gains on disposal of such securities under the Eighth Schedule through NCCPL.

The bill proposes to insert a new section which is as follows:

44AA

“44A. Exemption under Foreign Investment (Promotion and Protection) Act, 2022 (XXXV of 2022). –

(1) Taxes on income (including capital gains), withholding taxes, minimum and final taxes under the Ordinance shall be exempt to the extent provided in Second and Third Schedule 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.

(2) All investors and shareholders of the qualified investment, their associates and companies specified in Second and Third Schedule including third party lenders on account of any loan shall also be exempt from taxes and other provisions of the Ordinance to the extent provided in Second and Third Schedule to the said Act.

(3) Provisions of the Ordinance relating to Anti-Avoidance to the extent specified in the said Act including sections 106, 106A, 108, 109 and 109A shall not apply to the persons 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 March 20th, 2022 shall continue to be applicable for thirty years as provided in Third Schedule to the said Act in respect of persons mentioned in sub-sections (1) and (2).”

65I

The Bill has proposed to introduce a new tax credit for construction of house by inserting section 65I as under:

“65I. Tax Credit for Construction of House. –

(1) For tax years 2024 to 2026, a person, being an individual, shall be entitled to a tax credit for a tax year in respect of construction of a new house, provided that the said house is completed during the said tax year and completion certificate is furnished along with return.

(2) The amount of tax credit allowed under sub-section (1) shall be lesser of –

- (a) ten percent of tax assessed to the person for the tax year; or
- (b) one million rupees.

(3) For the purpose of this section, new house means a residential house, layout plan of which is approved by the concerned authority on or after the 1st day of July, 2023.”

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

85(1)

Associates

The Bill has proposed to substitute section 85(1). The current sub-section (1) and its proposed version is mentioned as under:

Current sub-section (1)	Proposed sub-section (1)
<p>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.</p>	<p>Subject to sub-section (2), two persons shall be associates where –</p> <p>(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;</p> <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>

85(5)

The Bill has proposed to substitute section 85(5). The current sub-section (5) and its proposed version is mentioned as under:

Current sub-section (5)	Proposed 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>

SECTION
(CLAUSE)

THE INCOME TAX ORDINANCE, 2001

99D

"99D. Additional tax on certain income profits and gains. –

The Bill proposed to introduce additional revenue measure to tax certain income, profits and gains in addition to any tax charged, paid or payable under any of the provisions of the Income Tax Ordinance 2001 for any tax year preceding five tax years from tax year 2023, on every person who has any income, profit or gains that have arisen due to economic factor or factors that resulted in unexpected income, profit or gains whether or not disclosed in the financial statements.

The rate of tax shall not be exceeding 50% of the above income, profits or gains. The FBR shall separately specify the manner, conditions, scope, time, and payment details, concerning the tax payable under this section as required.

This provision has an overriding effect on the other provisions of the Ordinance and enabling amendments has been made under Fourth, Fifth and Seventh schedule indicating that this section intends to target businesses making huge profits in the past i.e. Banks, Insurance companies etc.

111

Unexplained Income and Assets – Limitation on Remittances Received from Abroad

Section 111 empowers the Commissioner to investigate the origins of any unexplained income, expenses, investments or assets. If satisfactory explanations are not provided, such amount is added to the taxpayer's income and taxed accordingly. However, this investigation cannot be conducted for remittances received from abroad through approved channels. Currently, there is a limit of Rs 5 million on such foreign remittances. Now, the Bill has proposed to increase the limit to an equivalent of USD 100,000 per year.

146D

The Bill has proposed to introduce a new section 146D into the Ordinance 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, 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

is referred to Commissioner (Inland Revenue) for the recovery – the Commissioner (Inland Revenue) shall recover the said liability and deposit the receipts in the designated account specified in that law."

147

Advance tax to include super tax

The Finance Act of 2022 introduced section 4C, which required the payment of super tax along with the tax return. Amendments have now been made to sections 4C and 147 to facilitate the collection of super tax as an advance tax. These amendments will come into effect on July 1, 2023.

152(5A)

Payment to Non-Residents – Issuance of Exemption Certificate

The Bill has inserted proviso to section 152(5A) in which it has been proposed that 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.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
154(3B)	The bill has proposed to insert the expression of "Export Facilitation Scheme,2021" after the expression of "Customs Rules 2001"
154(A)	<p>The bill has proposed to insert a proviso in section 154A (2)(C), which is as under 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	The Bill has proposed to substitute 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"
168	The bill has proposed to introduce new clause (k) in sub section 3 of section 168 which is as under: " (K) under sub-section 7 of section 236Z "
169	The bill has proposed to insert in section 169 in sub section (1) in clause (b) after the expression "156A or" the expression "under sub-section (7) of section 236Z "
218	The bill has proposed to omit the word " or" under sub section 2 of clause (b).
230J	<p>International Centre of Tax Excellence. –</p> <p>The Bill has proposed to introduce a new section 230J into the Ordinance which is as under:</p> <ol style="list-style-type: none">(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.

**SECTION
(CLAUSE)****THE INCOME TAX ORDINANCE, 2001**

- (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 or retired 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 Bill has proposed to bring back 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**

A new section 231C has been proposed 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.

236K**Advance Tax on Purchase of Immovable Property**

Advance tax under section 236K is levied on the purchaser of immovable property, amounting to 2% of the fair market value. This tax is considered final for certain Pakistani expatriates.

A new proposal suggests that the advance tax would not be applicable if the buyer or transferee is a non-resident individual who holds a Pakistan Origin Card (POC) or National Identity Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC). Additionally, the individual must have acquired the immovable property through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan, following the foreign exchange regulations issued by the State Bank of Pakistan. This exemption can be obtained by submitting the required certificate as specified therein.

SECTION (CLAUSE) **THE INCOME TAX ORDINANCE, 2001**

FIRST SCHEDULE **RATES OF TAX**

Part I **Rates of tax**

Division IIB **Super Tax on High Earning Persons**

The Bill has proposed to introduce 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 IX **Minimum Tax under section 113**

The bill proposes to reduce this turnover tax from 1.25% to 1% in case of a company listed on Pakistan Stock Exchange shall be as follows:

S. No.	Persons(s)	Minimum tax as percentage of the person's turnover for the year
4	Company listed on Pakistan Stock Exchange, if not covered in S. No.1 to 3 above	1%
5	In all other cases	1.25%

Part II **Rates of advance tax**

The bill proposed to insert 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".

SECTION (CLAUSE) **THE INCOME TAX ORDINANCE, 2001**

Part III **Deduction of tax at source**

Division II **Payment to non-resident persons**

The Bill proposes to enhance withholding tax rates by 1% for payments covered by sections 152(2A) as follows:

Description	Existing Rate	Proposed 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%
Execution of contract		
• other than sports persons:	7%	8%

Payment to resident persons

The Bill proposes to enhance withholding tax rates by 1% for payments covered by sections 153 as follows:

Description	Existing Rate	Proposed 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%
Execution of contract other than sports persons:		
• by company	6.5%	7.5%
• any other case	7%	8%

Division IVA **Export of Services**

The bill proposed to insert 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.

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
Part IV	Deduction or collection of advance tax
Division XXVII	Advance tax on amount remitted abroad through credit, debit or prepaid cards
	The bill proposed to substitute the withholding tax rate 1% to 5%
SECOND SCHEDULE	EXEMPTIONS AND TAX CONCESSIONS
Part I	Exemptions from total income
Clause 66	The Bill proposes insertion in clause (66) after serial no. (lxii) part I of Second Schedule provides a list of Charitable Institutions, any income of which is exempt from tax. <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
Clause 99A	The bill proposes to extend the time limit of exemption on Sale of Immovable property to a REIT Scheme – Clause (99A), Part I, 2nd Schedule till 30th June 2024.
Clause 145A	The bill proposes to extend the time limit of exemption for erstwhile Tribal area residents Clause (145A), Part I, 2nd Schedule till 30th June 2024.
Clause 150	The bill proposed to insert the expression after the words "Limited" with the words "and Alteraz Engineering Consultant".
Clause 154	The Bill proposes to insertion of new clause "154" after the clause "153" as under: <p>Profits and gains of a small and medium enterprise setup exclusively as agro based industry in a rural area duly notified for a period of five tax years commencing from tax year 2024 and up to tax year 2028 Provided that such enterprise is setup on or after 1st day of July, 2023 and is not formed by the transfer or reconstitution or reconstruction or splitting up of an existing business.</p>
Part III	Reduction in tax liability
Clause 21 and 22	The Bill proposes to insertion of new clause "21 and 22" after the omitted clause "20" as under:
Clause 21	<ul style="list-style-type: none"> a. For tax year 2024 to tax year 2026, tax payable on profits and gains derived from business chargeable to tax under the head "Income from Business" by a builder registered with Directorate General of Designated Non-Financial Business and Professions from a new building construction project, shall be reduced, not below zero, by ten percent or rupees five million whichever is lower for the tax year in which the builder furnishes along with return the completion certificate issued by the concerned regulatory authority; and b. New building project means a project for the construction of building excluding a land development project, layout plan of which is approved by the authority concerned on or after the 1st day of July, 2023

**SECTION
(CLAUSE)**

THE INCOME TAX ORDINANCE, 2001

Clause 22

a. For tax years 2024 to tax year 2026, tax payable by a youth enterprise on profit and gains derived from business chargeable to tax under the head "Income from Business" shall be reduced not below zero:

- (i) in case of an individual or an association of person by fifty percent or rupees two million whichever is lower; and
- (ii) in case of a company, by fifty percent or rupees five million whichever is lower

b. for the purpose of this clause:

- (i) youth enterprise means a startup established on or after first day of July, 2023 as sole proprietorship concern owned by a youth individual or an AOP all of whose members are youth or a company whose hundred percent shareholding is held or owned by youth individual:

Provided that the startup is not formed by the transfer or reconstitution or reconstruction or splitting up of an existing business; and

- (ii) youth individual means a natural person up to the age of thirty years as on first day of the commencement of the relevant tax year; and

c. This clause shall not apply where the startup is covered under clause (19) of Part III of the Second Schedule

Part IV

Exemption from specific provisions

The Bill proposes 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 Bill has completely omitted the 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 121, 122,
123 and 124**

The Bill proposes to 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

SECTION (CLAUSE)	THE INCOME TAX ORDINANCE, 2001
	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 Bill proposes to 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 Bill proposes to 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 bill proposed to substitute the expression after the figure "2022" with the figure "2023".
Rule 7CB	The Bill proposes to insertion of new rule "7CB" after the rule "7CA" as under: The provisions of section 99D shall apply to the taxpayers under this Schedule.
Rule 7D, 7E and 7F	The bill proposed to substitute the expression after the figure "2023" with the figure "2025".
Rule 7G	Reduced rate of tax on additional advances for Information Technology Services and Information Technology Enabled Services The Bill proposes to insertion of new rule "7G" after the rule "7F" as under: <ol style="list-style-type: none">1. The taxable income arising from additional advances for IT and IT Enabled Services in Pakistan for the tax years 2024 to 2025, shall be taxed at the rate of 20% instead of the rate provided in Division II of Part 1 of the First Schedule2. A banking company shall furnish a certificate from external auditor along with accounts while e-filing return of income certifying the amount of such advances made in preceding tax year, additional advance made for the tax year and net mark-up earned from such additional advances for the tax year3. Notwithstanding anything contained in this Ordinance, the Commissioner may require the banking company to furnish details of the advances made for IT and IT Enabled Services to determine the applicability of the reduced rate of tax4. For the purposes of this rule, the term "IT and IT Enabled Services" shall have the same meaning as provided in section 2 of this Ordinance5. "Additional advances" means any average advances disbursed in addition to average amount of such advances made in such sector by the bank for the immediately preceding tax year starting from 2023

**SECTION
(CLAUSE)****THE INCOME TAX ORDINANCE, 2001**

6. The taxable income arising from additional advances under sub-rule (1) shall be determined according to the following formula, namely:

Taxable income subject to reduced rate of tax = $A \times B/C$

Where

- A. is taxable income of the banking company;
B. B. is net mark-up income earned from such additional advances for the tax year as declared in the annual accounts; and
C. is total of the net mark-up and non mark-up income of the banking company as per accounts

Rule 8

The Bill proposes to 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 Bill proposes to insertion of new rule "4A and 4C" after the rule "4" as under:

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

**THIRTEENTH
SCHEDULE****Charitable Donations**

The Bill proposes 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)**

THE INCOME TAX ORDINANCE, 2001

**FOURTEENTH
SCHEDULE**

Rules for the computation of the profit and gains for small and medium enterprises

Rule 2

The bill proposed to substitute the rule 2 as follows:

- 1 Small and medium enterprise shall be required to register with FBR on its Iris web portal or Small and Medium Enterprises Development Authority on its SME registration portal (SMERP).
- 2 Small and medium enterprise engaged in IT services or IT enabled services shall be required to be registered with and duly certified by the Pakistan Software Export Board, in addition to registration on SMERP.

Rule 3

The Bill proposes insertion in rule 3 of Table a new category added in serial no "3" shall be as follows:

S. No.	Category	Turnover	Rates
3	Category-3	Where annual turnover exceeds Rupees 250 Million but does not exceed Rupees 800 Million	20% of taxable income

Rule 4

The Bill proposes insertion in rule 4 of Table a new category added in serial no "3" shall be as follows:

3	Category-3	Where annual business turnover exceeds Rupees 250 million but does not exceed Rupees 800 million	0.75% of gross turnover
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**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 Bill, it has been proposed that such earlier amendment is done away and 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 Bill proposes to exclude following persons from the definition of 'Tier-1 retailer':

Existing	Proposed
[(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 jewelry, 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;]	Sub-clauses (e) and (ga) shall be omitted.

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.

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 bill has proposed 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.

Fifth Schedule

Zero Rates

SUPPLIES TO REGISTERED EXPORTERS AUTHORIZED UNDER EXPORT FACILITATION SCHEME, 2021

The bill has proposed following:

SNo.	Existing	Proposed
8A	The bill has proposed this insertion to as 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 proposed 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.	

**SECTION
(CLAUSE)**

SALES TAX ACT, 1990

SNo. Existing

(xxv) Geometry boxes (PCT heading 9017.2000).

Proposed

The bill has proposed as follows:

“(xxv) other drawing, marking out or mathematical calculating instruments (geometry box) (PCT heading 9017.2000).

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.

Through the Bill, it has been proposed that 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 bill has proposed that after the words “supplies of”, the expression “commodities,” shall be inserted;

Sixth Schedule

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	Proposed
		It is proposed that the scope of above exemption is restricted and all supplies (whether or not supplied in retail packing) under a brand name/ trademark are proposed to be made taxable.	
Table -1	16-18	<ul style="list-style-type: none"> • red chilies • ginger and • turmeric <p>Excluding those sold in retail packaging with specific brand names and trademarks.</p>	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. 	

SECTION
(CLAUSE)

SALES TAX ACT, 1990

TABLE	S.No	Existing	Proposed
Table -1	121	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 Bill, it is proposed 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.	
		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;"
<i>Exemptions relating to erstwhile tribal areas</i>			
Sales tax exemption presently available, till June 30, 2023, in respect of following supplies and import is proposed 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;
	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.	

SECTION
(CLAUSE)

SALES TAX ACT, 1990

TABLE	S.No	Existing	Proposed
	Exemptions withdrawn		
	Exemption in respect of following goods is proposed 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	

New insertions

The Bill has proposed to insert the imports and supplies of following goods are proposed to be exempted from levy of sales tax:

TABLE	S.No	Description	Tariff Code
Table -1	175.	Contraceptive and accessories thereof	3926.9020 and 4014.1000
	176	Bovine semen	0511.1000
	177	Saplings	Respective heading
	178	Combined Harvester – Thresher	8433.5100
	179	Dryer for agricultural products	8419.3400
	180	No-till-direct seeder, planters, trans-planters and other planters	8432.3100 and 8432.3900
	181	Import of goods as mentioned under S. No. 159 of Part III of Fifth Schedule to the Customs Act, 1969 (IV of 1969) chargeable to customs duty at the rate of zero percent, subject to the editions, restrictions and limitations mentioned therein, by the software exporters registered with the Pakistan Software Export Board.	7471.3010, 8471.3020, 8471.3090, 8471.4110, 8471.6010, 8471.6020, 8471.6090, 8471.7040, 8471.9020, 8471.7020, 8471.5000 and 8517.6270.".

SECTION
(CLAUSE)

SALES TAX ACT, 1990

Eighth Schedule

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 proposed to enhance the rate from 12% to 15%.	
SNo.	Existing	Proposed
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 proposed 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 the certain exceptions:	
S.No.	Existing	Proposed
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 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.
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 eligible for exemption from taxation. However, for imported raw materials to qualify for exemption, 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. These changes are set to take effect from July 1, 2022.

SECTION
(CLAUSE)

SALES TAX ACT, 1990

	<p>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%.</p> <p>Now, it has been proposed that such 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.</p>
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**SECTION
(CLAUSE)**
ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE

3

Scope of Tax
FREELANCE EXPORTERS

3(2A)

The Bill proposes to amend the following in the scope of taxation:

Existing	Proposed
clause (b) of sub-section (2) and sub-sections (6) and (7) of section 3	"(a)sub-clause (d) of clause (5AB) of section 2 to the extent of freelance exporter exclusively dealing in export of IT and IT enabled services;" Explanation.– For the purpose of this clause, freelance exporter means a person who works on per job and on self-employed basis without being attached to or under employment of any other person, having the liberty to work on various tasks simultaneously; (aa)clause (b) of sub-section (2) and sub-sections (6) and (7) of section 3;

It is proposed to grant the status of cottage industry to the freelance exporters exclusively dealing in export of IT and IT-enabled services. Resultantly, the Freelance Exporters will not be required to obtain registration, issue sales tax invoice and file sales tax return if they fall under the jurisdiction of ICT and if their annual turnover shall not exceed 8 Million Rupees.

For this purpose, Freelance Exporter means a person who works on per job and on self-employed basis without being attached to or under employment of any other person, having the liberty to work on various tasks simultaneously.
Further

Foreign Investment (Promotion and Protection) Act, 2022

Existing	Proposed
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 proposed 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

SECTION
(CLAUSE)

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE

S.No	Description	PCT heading, if applicable	Rate of Tax (Existing)	Rate of Tax (Substituted)
	(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 is proposed to reduce 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.

SERVICES PROVIDED BY SOFTWARE OR IT BASED SYSTEM DEVELOPMENT CONSULTANTS

S.No	Description	PCT heading, if applicable	Rate of Tax (Existing)	Rate of Tax (Substituted)
11.	Services provided by software or IT-based system development consultants	9815.6000	Sixteen percent	Fifteen percent

Services provided by Software or IT based system development consultants is proposed to reduce from 16% to 15% to promote this industry.

ELECTRIC POWER TRANSMISSION SERVICES:

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

The bill has proposed to tax the same 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)

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE

The Schedule
Table II

IT AND IT-ENABLED SERVICES:

Against S. Nos. 11	Rate of Tax (Existing)	Rate of Tax (Substituted)
<p>IT services and IT-enabled services. Explanation:- For the purpose of this entry.</p> <p>(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.</p>	Five Percent	Five percent subject to the Conditions that no input tax adjustment or refund shall be admissible.

The bill has proposed to include the IT and IT-Enabled services in Table II to provide this segment of business a relive by reducing the tax rate to 5% subject to the condition that no input tax adjustment or refund shall be admissible.

A specific definition of IT and IT-enabled services has also been added which is aligned with the definition of same term as per Income Tax Ordinance, 2001.

**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)

The Bill 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

“(e) that includes any item specified in the First Schedule.”

This omission intends to resolve any confusion of applicability of FED on excisable goods by distributor, dealer or retailer.

29(2)

Directorate General of Digital Initiatives

The bill 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.

40

PUBLICATION OF RULES, GENERAL ORDERS AND DEPARTMENTAL INSTRUCTIONS

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.

New insertions

First Schedule

EXCISABLE GOODS

TABLE I

The bill has proposed to insert 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
61	Incandescent bulbs both locally manufactured and imported	8539.2200 and 8539.9010	Twenty 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
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Earlier, franchise services have been subject to FED at the rate of 10%. The Finance Bill 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

After serial 14, following new serial numbers shall be added

TABLE II	S. no.	Description	Heading
	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

SECTION (CLAUSE)	CUSTOMS ACT, 1969
2(s)	<p>Definitions</p> <p>The Bill proposes to amend section 2(s) to enable Pakistan Customs to conduct anti- smuggling operations within the territorial limits of the country</p>
7	<p>Assistance to the officers of customs</p> <p>Provincial levies and Khasadar Force have been proposed 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 Bill proposes to 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.</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 proposed to be amended so as to harmonize these with the with 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 Bill proposed that 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 in case of land customs station in order to ease out congestion at the customs land area.</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 Bill has proposed to enhance the said warehousing period to three months.</p>
139	<p>Declaration by passenger or crew of baggage</p> <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 Bill has proposed to amend section 139(1) to allow filing of declaration by a representative on behalf of the group passengers.</p>
179	<p>Power of adjudication</p> <p>In order to reduce sanction time and human interface, The proposes to add proviso to section 179(2) 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.</p>

**SECTION
(CLAUSE)**

CUSTOMS ACT, 1969

182

Confiscation of property

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

The Bill has proposed to 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 Bill empowers the Board to transfer investigation of criminal case from one field formation to other formation at any stage of investigation.

194A

APPEAL TO THE APPELLATE TRIBUNAL

The Bill has proposed 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.

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 Bill has proposed to withdraw the option of seeking advance rulings in the above scenario, based on the position that matters involving interpretation of any statute lie in the FBR's domain and thus purview of Advance Ruling is outside the domain of custom authority.

FIRST SCHEDULE

The bill has proposed to reduce the Customs Duty on the following items:

DESCRIPTION	PCT Codes	EXISTING	PROPOSED
		%	%
Liquid paraffin	2710.1995	3	0
Carbides of calcium whether or not chemically defined	2849.1000	3	11
Ultramarine and preparations based thereon	3206.4100	16	11
Industrial fatty alcohols	3823.7000	16	11
Polyvinyl Chloride (PVC) Rigid film	3920.4910	20	16
Plates, sheets, films, foils and strips of plastics	3920.9900	20	16
Testliner (recycled liner board) weighing more than 150 g / m ²	4805.2500	20	16
Other uncoated paper or paperboard weighing 150 g / m ² having dielectric strength less than 0.5 Kv per milimeter	4805.9190	20	16

Customs Duty applicable on import of In aqueous solution (soda lye or liquid soda) @ Rs 4,000 per metric ton is proposed to be levied @ 16% ad valorem.

**SECTION
(CLAUSE)**

CUSTOMS ACT, 1969

THE FOLLOWING AMENDMENTS HAS BEEN PROPOSED IN THE FIFTH SCHEDULE TO THE CUSTOMS ACT

FIFTH SCHEDULE (CONCESSION / EXEMPTION)

The Bill has proposed to following items to be exempted from custom duty on import:

- (i) Certain machinery, equipment, and inputs for manufacturing of solar panels, inverters and batteries by local assembler / manufacturer of renewable energy sector subject to certain conditions and quota determination / approvals;
- (ii) Seeds for sowing;
- (iii) Raw materials imported by manufacturers of diapers & sanitary napkins;
- (iv) Paper of certain specifications, art cards and boards used for printing the Holy Quran;
- (v) Organic composite solvents and thinners for manufacture of Butyl Acetate and Dibutyl Orthophthalates;
- (vi) Roasted peanuts for manufacturing of Ready to Use Supplementary Foods (RUSF) & Ready to Use Therapeutic Foods (RUTF), subject to certain conditions;
- (vii) Import of specified raw materials / inputs by manufacturers of Adhesive Tapes, Moulds and Dies, Mining machinery, Machine Tools and Rice mill machinery; and
- (viii) Baby shrimp/prawns/juvenile for breeding in commercial fish farms and hatcheries.

Exemptions already provided are proposed to be extended up to June 30, 2024 on the following:

- (i) import of specified goods by industries setup in erstwhile FATA areas; and
- (ii) import of Flavoring powders for food preparation.

Exemption of Additional Customs Duty

Additional customs duty is proposed to be exempted on import of raw materials of Hemodialyzers fluid / powder.

REDUCTION IN CUSTOMS DUTY

The Customs Duty of the following leviable goods is proposed to be reduced:

DESCRIPTION	EXISTING %	PROPOSED %
PET scrap, if imported for the manufacture of polyester filament yarn	20	11
Chrome yellow	16	5

The finance Bill proposes reduction in the assessed value of the IT related equipment, for the purpose of levying customs duty in case of imports by the software exporters registered with Pakistan Software Export Board subject to certain conditions.

The reduction is proposed to be capped at 1% of the export proceeds of the previous financial year cumulatively on an annual basis.

**SECTION
(CLAUSE)****CUSTOMS ACT, 1969**

The Bill has also proposed to reduce customs duty on import of non-localized (CKD) of Heavy Commercial Vehicles (HCVs) from 10% to 5%.

SECTOR OF PHARMACEUTICAL

(i) Exemption from customs duty has been proposed on import of Active Pharmaceutical Ingredients (APIs) Dextrose Anhydrous Injectable Grade (Pyrogen Free) USP, whereas concession provided to Moxifloxacin is proposed to be withdrawn.

(ii) Exemption from customs duty on import of following drugs is proposed:

S.No.	PCT Code	DESCRIPTION
1	3004.9099	Gefitinib
2	3004.9099	Caspian (Caspofungin 50 mg and 70 mg injection)
3	3004.3900	Bovine Lipid Extract Surfactant

(iii) Customs duty on import of Printed Composite Packaging of Aluminum Foil backed with Paper and Plastic used in the packaging of pharma products is proposed to be reduced from 10% to 5%.

SECTOR OF AUTOMOBILE

The finance Bill proposes few amendments provided for electric vehicles in line with the Auto Industry Development and Export Policy (AIDEP) 2021-2026 to streamline the concessions.

No changes in the rates of customs duties on import of hybrid electrical vehicles and parts of hybrid electric vehicles and plug-in hybrid vehicles however certain additional conditions are proposed in the finance bill-2023.

Secondly, reduced rate of 1% customs duty at prescribed for fully dedicated LNG, LPG and CNG buses (CBU) is proposed to be withdrawn.

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			
	ii. Persons importing goods classified in Part II 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/COLL ECTING 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		5% of the amount exceeding Rs. 600,000	
	Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000		Rs. 10,000 + 12.5% of the amount exceeding Rs. 800,000	
	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000		Rs. 60,000 + 17.5% of the amount exceeding Rs. 1,200,000	
	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000		Rs. 270,000 + 22.5% of the amount exceeding Rs. 2,400,000	
	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000		Rs. 405,000 + 27.5% of the amount exceeding Rs. 3,000,000	
	Where taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000		Rs. 680,000 + 32.5% of the amount exceeding Rs. 4,000,000	
	Where taxable income exceeds Rs. 6,000,000		Rs. 1,330,000 + 35% of the amount exceeding Rs. 6,000,000.	
	Rate of tax of Salaried Individual			
149	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. 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 + 20% 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. 405,000 + 25% of the amount exceeding Rs. 3,600,000	
	Where taxable income exceeds Rs. 6,000,000 but does not exceed Rs. 12,000,000		Rs. 1,005,000 + 32.5% of the amount exceeding Rs. 6,000,000	
	Where taxable income exceeds Rs. 12,000,000		Rs. 2,955,000 + 35% of the amount exceeding Rs. 12,000,000."	
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%			

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
150(A)	On Payment of return on investment in Sukuks:		Every person paying dividend	Final
	a) In case the Sukuk- holder is a company,	25%		
	b) In case the Sukuk- holder is a individual or an Association of person, if the return of invest is more than one million	12.5%		
	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. Minimum Except for <ul style="list-style-type: none"> Company U/S 7B
	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% 10%		
152	Payments to PE of non-residents:	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 except for Company being manufacturer
	<ul style="list-style-type: none"> Sales of good in case of company 	5.5%		
	<ul style="list-style-type: none"> Sales of good in case of other then company 			
	<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 			
	i) In the case of companies	8%		
	ii) In the case of Sportsperson	10%		

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
6, 7 & 152	Payment to Non-resident u/s 6:		Payment to non-resident by every person	Final
	• Royalty or fee for technical services	15%		
	• Any other case	10%		
	Payment to Non-resident u/s 7:			
	• Shipping income	8%		
	• Air Transport income	3%		
	Payment to Non-resident u/s 152 excluding PE		Payment to non-resident by a every person	Minimum
	• Fee for offshore digital services	5%		
	• Contract or sub contract under a construction, assembly or installation project	7%		
	• Advertisement services rendered by T.V. Satellite Channel	5%		
	• Advertisement services relaying from outside Pakistan	10%		
	• Insurance premium or re-insurance premium	5%		
• Other cases	20%			
153	• 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
	ii) In the case of other taxpayers	5.5%		
	• Rice, cotton seed oil and edible oil other than mentioned below	1.5%		
	• Payment to electronic and print media for advertising services	1.5%		
	• 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

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
	<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 Sportsperson 	7.5% 8% 10%		
154	Realization of proceeds on account of: <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 • Exports of goods by an industrial undertaking located in the export processing zones. • Payment for firm contract to an indirect exporter. • Indenting commission 	1% 1% 1% 5%	Authorized Dealer in foreign exchange, Collector of Customs and Banking Company EPZ authority established under the EPZ authority Ordinance, 1980. Direct exporter and an export house registered under the Duty and Tax Remission for Export Rules 2001. Authorized Dealer in foreign exchange.	Final

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
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%		

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
156	• Payment of prize on prize bond or crosswords puzzle	15%	Person paying the amount where the payment is not in cash	Final
	• Payment of prize on winning of raffle, lottery, a quiz, offered by companies for promotion of sale.	20%		
156A	• Payment of commission or discount allowed to a petrol pump operator	12%	Person selling petroleum products to a petrol pump operator	Final
231 AB	• 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	• Purchase, Registration of Transfer of Motor Vehicles	Rs. 7,500 To 250,000	Excise and Taxation (Motor Vehicle)	Adjustable
231B (2)	• Transfer of Registration or ownership of a private motor vehicle:	Rs. 0 To 62,500	Excise and Taxation (Motor Vehicle)	Adjustable
231B(2A)	• 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	Rs. 300,000		
8.	2501cc to 3000cc	Rs. 400,000		
9.	Above 3000cc	Rs. 500,000		
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	• 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
	• Advertising Agents	8%		
	• Life Insurance Agents where commission received is less than Rs. 0.5 million per annum	12%		
234	On collection of motor vehicle tax of:		Person collecting motor vehicle tax	Adjustable
	• Passenger transport vehicle with registered seating capacity of 4 to 10 persons	Rupees 200 for Non Air Conditions and Rs. 375 for air conditions		
	• Passenger transport vehicle with registered seating capacity of 10 to 20 persons	Rupees 500 for Non Air Conditions and Rs. 750 for air conditions		

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
	<ul style="list-style-type: none"> Passenger transport vehicle with registered seating capacity of 20 or more 	Rupees 1,000 for Non Air Conditions and Rs. 1,500 for air conditions		
	<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%		
ii) Where bill exceeds Rs 25,000	7.5%			
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%		

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
236C	<ul style="list-style-type: none"> On sale or transfer of immovable property for: 	1%	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-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	Adjustable
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%		

SECTION REFERENCE	NATURE OF PAYMENT/ TRANSACTION	TAX RATE (%/Rs)	DEDUCTING/COLLECTING AUTHORITY	WITHHOLDING TAX ADJUSTABLE/FINAL
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 	2% for ATL taxpayer & 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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Aruba	Angola	Lithuania	United Kingdom	Brunei Darussalam
Bahamas	Armenia	Luxembourg	West Bank & Gaza	Cambodia
Barbados	Austria	Macedonia	Zambia	China
Bolivia	Azerbaijan	Madagascar	Zimbabwe	Fiji
Bonaire	Bahrain	Malawi		French Polynesia
Brazil	Belgium	Malta		Hong Kong & Macao
British Virgin Islands	Botswana	Mauritius		India
Canada	Bulgaria	Moldova		Indonesia
Cayman Islands	Burundi	Mongolia		Japan
Chile	Cape Verde	Montenegro		Korea
Colombia	Comoros	Morocco		Laos
Costa Rica	Croatia	Mozambique		Malaysia
Curacao	Cyprus	Namibia		Myanmar
Dominica & Grenada	Czech Republic	Netherlands		Nepal
Dominican Republic	Denmark & Faroe Islands	Niger		New Caledonia and Wallis &
Eastern Caribbean	Egypt	Nigeria		Futuna
Ecuador	Estonia	Northern Ireland		New Zealand
El Salvador	Ethiopia	Norway		Pakistan
Guatemala	Finland	Oman		Papua New Guinea
Honduras	France	Poland		Samoa
Jamaica	Francophone West Africa	Portugal		Singapore
Mexico	French Guiana	Qatar		Sri Lanka & Maldives
Montserrat	Georgia	Republic of Srpska (Bosnia and Herzegovina)		Taiwan
Nicaragua	Germany	Reunion Island and Mayotte		Thailand
Panama	Gibraltar	Romania		Vietnam
Paraguay	Greece	Russia		Kazaqstan
Peru	Greenland	Rwanda		
Puerto Rico	Guernsey	San Marino		
St. Kitts & Nevis	Hungary	Saudi Arabia		
St. Lucia	Iceland	Serbia		
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St. Vincent & Grenadines	Isle of Man	Sierra Leone		
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Turks & Caicos	Ivory Coast	South Africa		
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Uruguay	Jordan	Sweden		
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	Kosovo	Togo		
	Kuwait	Tunisia		
		Turkey		
		Turkmenistan		

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Karachi

2nd Floor, Block - C, Lakson Square Building No. 1,
Sarwar Shaheed Road, Karachi - 74200

Phone: +92 21 3568 3030

Telefax: +92 21 3568 4239

Lahore

Office No. 4, 6th Floor, Askari Corporate Tower, 75/76 D-1,
Main Boulevard Gulberg-III, Lahore - 54660

Phone: +92 42 3587 5707-10

Telefax: +92 42 3571 7351

Islamabad

3rd Floor, 22-East, Saeed Plaza, Blue Area,
Jinnah Avenue, Islamabad - 44000. Pakistan

Phone: +92 51 2604461-4

Telefax: +92 51 260 4468

Afghanistan

2nd Floor, Muslim Business Plaza, Haji Yaqoob Square,
Shahr-e-Naw, Kabul, Afghanistan

Phone: +93 202212428

Telefax: +92 21 3568 4239

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