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2022 Finance Bill Tax Commentary



Tax Commentary 2022

An Information Guide

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Preface

This tax commentary intends to unravel the various post budget queries forthcoming by our clients. We have attempted to apprise them with a comprehensive explanation of the implications and an upshot that this Finance Bill has brought about. The tax commentary encompasses the amendments in the Income Tax Ordinance, Sales Tax Act, Federal Excise and Customs Act. The applicable amendments in the laws after enactment are effective from July 1, 2022, unless otherwise specified.

The commentary should be read in conjunction with the applicable sections of respective Ordinances, Acts and Rules along with the text of the Finance Bill, 2022. This tax commentary aims to provide a general guideline and thus should not be considered as a conclusive and enforceable document. Professional advice should be sought before acting on any newly introduced amendment in the Finance Bill or on our comments. We hope that this tax commentary enhances your perception of Budget 2022-2023.

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Although, the best efforts have been made to ensure accuracy of the information in this tax commentary, any errors and omissions are regretted.

Lahore

June 11, 2022

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Budget, 2022-2023

Budget, 2022-2023

Salient Features of the Budget 2022-2023

The salient features of the budget 2022-2023 are as follows:

Total outlay of budget 2022-23 is Rs. 9,003.89 billion. This size is 13.8 percent higher than the size of budget estimates 2021-22.

- The net revenue receipts for 2022-23 have been estimated at Rs. 4,904.12 billion indicating an increase of 9 percent over the budget estimates of 2021-22.
- The provincial share in federal taxes is estimated at Rs. 4,099.77 billion during 2022-23, which is 20.1 percent higher than the budget estimates of 2021-22.
- The net capital receipts for 2022-23 have been estimated at Rs. 2,407.68 billion against the budget estimates of Rs. 1,439.88 billion in 2021-22 reflecting an increase of 67.21 percent.
- The external receipts in 2022-23 are estimated at Rs. 3,166.33 billion. This shows an increase of 15.2 percent over the budget estimates of 2021-22.
- The overall expenditure during 2021-22 has been estimated at Rs. 7,523.24 billion, whereas the current expenditure for 2022-23 is estimated Rs. 8,663 billion.
- The expenditure on General Public Services is estimated at Rs. 6,288.93 billion, while for Defence Affairs and Services at Rs. 1,526.69 billion.
- The overall fiscal deficit for 2021-22 is estimated at 6.3 percent as opposed to the budgeted estimate of 4.9 percent for current fiscal year.

Budget, 2022-2023

Comparative Budgetary Position 2022-2023 & 2021-2022

Receipts

	2022-2023 (Rs. in Billion)	2021-2022 (Rs. in Billion)
Tax Revenue	7,004.00	5,829.00
Other Taxes	-	805.50
Non Tax Revenue	1,999.89	1,274.46
Gross Revenue Receipts	9,003.89	7,908.96
Less: Provincial Share in Taxes	(4,099.77)	(3,411.85)
Net Federal Revenue Receipts (A)	4,904.12	4,497.11
Capital Receipts (B)	2,407.68	1,439.88
External Resources (C)	3,166.33	2,747.79
Public Accounts Receipts (D)	(125.19)	74.19
Estimated Provincial Surplus (E)	800.00	570.00
Bank Borrowings (F)	1,171.82	681.34
Privatization Proceeds (G)	96.41	252.00
Total Resources (A+B+C+D+E+F)	12,421.17	10,262.31

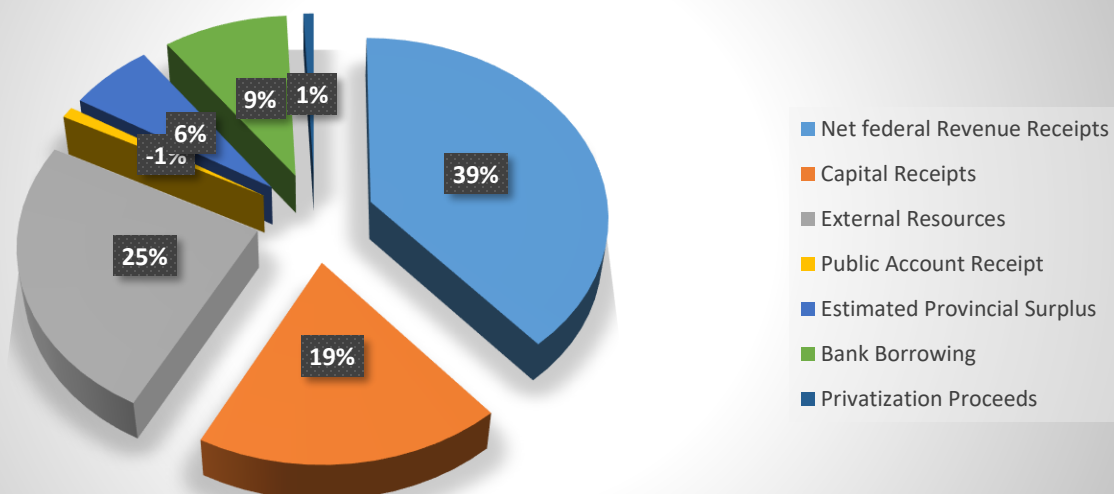
Budget, 2022-2023

Expenditures

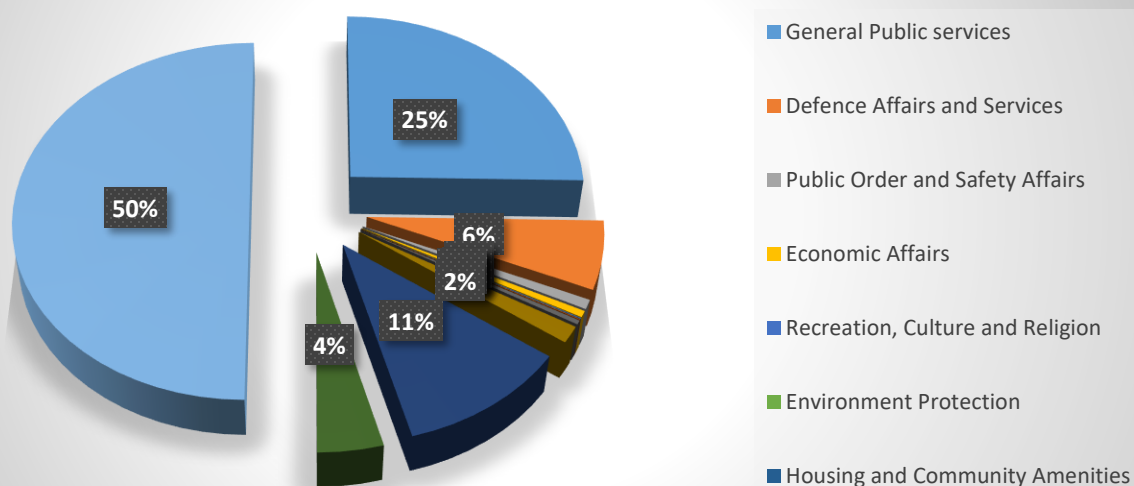
	2022-2023	2021-2022
	(Rs. in Billion)	(Rs. in Billion)
General Public Services	6,288.93	5,435.20
Defense Affairs and Services	1,526.69	1,373.27
Public Order and Safety Affairs	208.79	178.51
Economic Affairs	138.80	115.24
Environment Protection	0.75	0.44
Housing and Community Amenities	7.85	34.60
Health Affair and Services	19.58	28.35
Recreation, Culture and Religion	10.99	10.37
Education Affairs and Services	90.55	91.97
Social Protection	370.10	255.29
Current Expenditures	8,663.00	7,523.24
Servicing of Foreign Loans and Repayment	2,734.27	1,601.22
Current Expenditure on Revenue Account & Capital Account (A)	11,397.27	9,124.46
Development Expenditures (B)	1,023.87	1,137.85
Total Expenditures (A+B)	12,421.17	10,262.31

Budget, 2022-2023

Breakup of Receipts



Breakup of Expenditures



	Commentary 2022
	Finance Bill Tax Commentary, 2022

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Finance Bill 2022 Highlights

Finance Bill Highlights

Income Tax Highlights

- The Finance Bill seeks to propose to impose tax @ 2% as an initiative to poverty alleviation on high earning persons having income over Rs. 300 Million.
- The concept of taxation on deemed rental income has been introduced @ 20% of 5% of Fair Market Value of immovable property or properties owned by a resident person valuing more than Rs. 25 million.
- Taxation on capital gain arising on disposal of immovable properties has been revised for the properties held for less than six years.
- Export proceeds of Computer software or IT or IT enabled services by persons registered with Pakistan Software Export Board (PSEB) will be taxed at reduced tax rate of 0.25% of proceeds.
- Import of edible oil, packaging material, paper and paper board and plastics shall be taxed under minimum tax regime.
- Every exchange company licensed by the State Bank of Pakistan (SBP) and every banking company has been prescribed as withholding agents to collect tax on payments to non-residents @15% on royalty and fee for technical services and @10% on fee for offshore digital services, fee for money transfer operations, card network services, payment gateway services, interbank financial telecommunication services.
- The holding period enabling exemption on advance tax on sale of immovable property @1% will be extended from 4 years to 10 years.
- Payment limit of expenditures for company under a single account head other than by digital means is proposed to increase from Rs. 250,000 to Rs. 1,000,000.
- Advance Tax @ 1% will be applicable on persons remitting amounts abroad through Credit or Debit or Prepaid Cards.
- Deduction of expenses will be limited to an amount maximum up to 50% of contribution made by a person to an approved gratuity fund, an approved pension fund or an approved superannuation fund.
- Capital gain on disposal of securities shall be taxed @ 15 % if the holding period is less than one year.
- It has been clarified that share of income of partner of an AOP is exempt from tax irrespective of the fact whether the income of the AOP is taxable or exempt.
- The provision relating to the charging of 50% depreciation in the year of purchase and 50% in the year of disposal is proposed to be withdrawn.
- Income Tax paid through electricity bill is now proposed to be final tax for retailers other than Tier-1 retailers.
- The carry forward of excess tax paid in case of minimum tax liability u/s 113 is proposed to be withdrawn.
- The time limitation for amendment of assessment and best judgment assessment is proposed to be increased.
- The procedure for Alternate Dispute Resolution is proposed to be revamped.

Sales Tax Highlights

- Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal on which tax has been paid at the import stage @ 4% is proposed to be exempted from sales tax.
- Any person engaged in supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal is proposed to be included in Tier-1 retailers
- Further tax @ 3% is proposed to be charged on registered person who is not an active taxpayer.
- Sales Tax charged from retailers other than Tier-1 retailers through their monthly electricity bills is proposed to be increased up to Rs. 10,000.
- Waiver of the requirement to obtain CNIC of the unregistered person for issuing a tax invoice.
- Sales tax exemption on supply of ware potato and onions is proposed to be withdrawn.
- Local supply of prepared food or foodstuff supplied by Restaurants and caterers is proposed to be exempted from sales tax.
- Silver and gold in unworked condition, currently chargeable at reduced rate of sales tax @ 1% is proposed to be exempted.
- Sales tax exemption is proposed to be introduced on plant and machinery imported for power generation projects.
- It has been proposed to implement the requirement for payment of 10% of output tax by restricting the maximum input tax adjustment up to 90% of output tax.
- Agricultural tractors, locally produced coal and import of electric vehicle in CBU condition previously subject to reduced rate of sales tax are proposed to be charged @ 17% sales tax.
- Supply and import of jewelry, or parts thereof, of precious metal or of metal clad with precious metal are proposed to be charged @ 3% and 4% sales tax respectively.
- Reduced rate of sales tax on natural gas, phosphoric acid and fertilizers is proposed to be increased to 10%.

Customs Act Highlights

- New penal provisions are prescribed under this Bill for certain offences.
- With a proposal to include in the definition of smuggled products, the concept of essential commodities is incorporated in Customs Act, 1969.
- To increase the financial authority of Customs Officers under the Act of adjudication powers has been proposed.
- The Collector of Customs may from time to time fix the port charges on import and export of goods for services rendered by terminal operators.
- It has been proposed to reduce regulatory duty in case of hardening steel and chrome yellow.

Federal Excise Duty Highlights

- FED on tobacco including e-liquids and filters of electronic cigarettes enhanced.
- FED enhanced on telecommunication services from 16% to 19.5%.
- Services rendered within Islamabad Capital Territory to be taxed at uniform rate of 15%.
- FED on club, business and first class international flights increased from Rs. 10,000 to Rs. 50,000.

Capital Value Tax Highlights

- Capital value tax shall be levied at 1% on offshore assets of resident persons exceeding Rs. 100 million and 5% on vehicles valuing more than Rs. 5 million.
- Procedure for collection and payment of Capital Value Tax specified.

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Income Tax Ordinance, 2001

Income Tax Ordinance, 2001

Newly Inserted Definitions

(Section 2)

Following new definitions have been inserted vide the Finance Bill 2022:

Beneficial Owner

(Sub-section 7A)

Beneficial owner means a natural person who:

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

Distributor

(Sub-section 18A)

Distributor means a person appointed by a manufacturer, importer or any other person for a specified area to purchase goods from him for further supply.

SWAPS AGENTS

(Sub-section 62B, Section 164A)

SWAPS is an acronym that stands for “Synchronized Withholding Administration and Payment System”.

The Finance Bill 2022 has proposed to introduce a new mechanism for real time payment of withholding tax collected by prescribed withholding agents termed as “SWAPS Agents” through integration with Board’s “Synchronized Withholding Administration and Payment System”.

“SWAPS Agents” means any person or class of persons notified by Board to collect or deduct withholding taxes through Synchronized Withholding Administration and Payment System.

Special Tax on High Earning Persons Imposed

(Section 4C, Division IIB of Part-I of First Schedule)

By virtue of the Finance Bill 2022 a new tax @ 2% has been proposed for poverty alleviation on high earning persons having income over 300 Million in aggregate of following specified incomes:

- Profit on debt, dividend, capital gains, brokerage and commission:
- Taxable income (other than brought forward depreciation and brought forward business losses) under Section 9 of the Ordinance
- Imputable income
- Income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under Fourth, Fifth and Seventh Schedules

Tax is proposed to be collected at the following rates:

Income Tax Ordinance, 2001

Income for the Year	Rate of Tax
Where income does not exceed Rs. 300 million	0% of the income
Where income exceeds Rs. 300 million	2% of the income

Scope of Services on account of Payments to Non-residents Widened (Section 6, 152)

The Finance Bill, 2022 has extended the scope of services on account of payments to non-residents by specifying that Fee for money transfer operations, Card network services, Payment gateway services, Interbank financial telecommunication services shall be charged at 10% of the gross amount of income. Consequentially, certain payments to non-residents shall be taxed at following rates:

Nature of Income	Rate of Tax
Royalty or fee for technical services	15%
Fee for offshore digital services, Fee for money transfer operations, Card network services, Payment gateway services, Interbank financial telecommunication services	10%

Every exchange company licensed by the State Bank of Pakistan and every banking company has been prescribed as withholding agents to collect tax under this section.

Tax on Deemed Rental Income from Property Having Fair Market Value of 25 Million or More (Section 7E, Division VIII C of Part-I of First Schedule)

The Finance Bill, 2022 has proposed a parallel scheme of tax @ 20% of the amount of the deemed rental income or any rental income received in actual. Hence, after introduction of this proposed scheme tax on rental income from any property having fair market value equal to or in excess to twenty-five million Rupees will be higher of the following:

- Tax on rental income computed as per Normal rates
- Tax computed @ 20% of five percent of the fair market value of an immoveable property

Vide this proposed scheme a resident person shall be treated to have received rent equal to five percent of the fair market value of an immoveable property situated in Pakistan whether such property has actually been rented out for any consideration or not. Following properties shall be exempt from taxation under this scheme:

- One self-owned and occupied residential property and one self-owned business premises from which business is carried out (The verbal expression of the law signifies the exemption of only one self-owned business premises, however it is inferred from the intent of the law that same exemption treatment would also be accorded to one self-owned and self-occupied residential property)
- Self-owned agriculture land where agriculture activity is carried out by person but does not include farmhouse and land annexed thereto
- Where the fair market value of the property or properties, in aggregate, excluding properties mentioned in clauses (a) and (b) does not exceed twenty-five million Rupees
- A Provincial Government, a Local Government, a local authority or a development authority
- Land development and construction projects of builders and developers registered with Directorate General of Designated Non-Financial Businesses and Professions of Board
- A property which is subject to tax under section 15 of the Ordinance and the tax chargeable is more than tax chargeable under this section

Scope of Deductions not Allowed Rationalized and Widened

(Section 21)

The Finance Bill, 2022 seeks to rationalize the scope of deduction not allowed as per the following table:

Description	Exemption / Disallowance Limit
Contribution to an approved gratuity fund, an approved pension fund or an approved superannuation fund	Exemption shall be 50% of the contribution made
Expenditure under single account head	Exemption upto Rs. 1 Million
Non Integration with Board through approved fiscal electronic device	Disallowance shall be maximum of 10% of the allowable deduction

Provisions for Depreciation Rationalized

(Section 22)

The Finance Bill, 2022 seeks to rationalize the depreciation on assets as per the following table:

Description	Current	Proposed
Initial Depreciation of Assets	Year of Purchase: 50% Depreciation Year of Sale: 50% Depreciation	Year of Purchase: 100% Depreciation Year of Sale: 0% Depreciation
Cost for depreciation of vehicle not plying for hire	Rs. 2.5 Million	Rs. 5 Million

Scope of Definition of Eligible Depreciable Asset

(Section 23(5))

By virtue of the Finance Bill, 2022 “immovable property or structural improvement to the immovable property” is proposed to be excluded in the definition of ‘Eligible Depreciable Asset’ for the purpose of calculation of initial allowance.

Tax on Capital Gain on Immovable Properties Rationalized

(Section 37, Division VIII of Part 1 of First Schedule)

The Finance Bill, 2022 has rationalized the mechanism of tax on capital gain arising on disposal of immovable properties as per the table given below:

Income Tax Ordinance, 2001

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

Tax on Capital Gain on Securities Revised (Section 37A, Division VII of Part 1 of First Schedule)

Rate of tax on capital gain arising on disposal of securities is proposed to be revised as per the table below:

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

Withdrawal of Tax Credits

Finance Bill 2022 has proposed to withdraw the following tax credits:

Sr. No.	Section Reference	Description
1.	59C	Carry forward of Business Losses of Sick Industrial Units
2.	60C	Deductible Allowance for Profit on Debt
3.	62	Tax Credit for Investment in Shares and Insurance
4.	62A	Tax Credit for Investment in Health Insurance
5.	63	Contribution to an Approved Pension Fund
6.	65F(1)(C)	Income from Exports of Computer Software or IT or IT Enabled Services
7.	65H	Tax Credit for Foreign Investment for Industrial Promotion
8.	100F	Amnesty for Investment for Industrial Promotion

Exemption of Share of Partner Clarified in case of Exempt Income of AOP (Section 92)

Finance Bill, 2022 has clarified that if the income of AOP is exempt and no tax is payable, the share received by partner out of such exempt income of the AOP shall also be exempt.

Special Provisions Relating to Payment of Tax through Electricity Bills for Small Retailers (Section 99A, Division IV of Part IV of First Schedule)

By virtue of the Finance Bill 2022, a scheme of final tax collection is proposed for retailers other than Tier-I and specified service providers having monthly electricity bill in excess of the amounts prescribed as per the rates provided below:

Gross Amount of Monthly Bill	Tax (PKR)
Where the amount does not exceed Rs. 30,000	3,000
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	5,000
Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	10,000
Specified retailers and service providers through Income Tax General Order	50,000

Protection from Probe to Foreign Remittance (Section 111)

Finance Bill, 2022 has clarified that the remittance through money service bureaus, exchange companies or money transfer operators shall be deemed to constitute foreign exchange remitted from outside Pakistan through normal banking channels.

Furthermore, it is also clarified that a separate notice under Section 111 is not required in the following cases:

- any amount credited in a person's books of account
- any investment made or ownership of money or valuable article
- funds from which expenditure was made
- suppression of any production, sales, or any amount chargeable to tax
- suppression of any item of receipt liable to tax

Income Tax Ordinance, 2001
Tax Credit on Minimum Tax paid in Excess Abolished
(Section 113(2)(c))

In accordance with the provisions of Section 113 of the Income Tax Ordinance, 2001 if minimum tax exceeds the actual tax payable, the excess amount of tax paid shall be carried forward for adjustment against tax liability for six tax years. Finance Bill, 2022 has proposed to abolish this tax credit.

Powers to Enforce Filing of Returns
(Section 114)

The Finance Bill, 2022 has proposed that Board shall have the powers to issue income tax general order in respect of persons who are liable to file tax return but are not appearing on active taxpayers mentioning following consequences for not filing of tax return:

- Disabling of mobile phones or mobile phone SIMS
- Discontinuance of electricity connection
- Discontinuance of gas connection

Time Limit for Best Judgment Assessment Enhanced
(Section 121)

The Finance Bill, 2022 has proposed the following amendments in timeline to frame the 'Best Judgment Order' u/s 121 of the Income Tax Ordinance, 2001:

Description	Current Timeline	Proposed Timeline
Framing of Best Judgement Order	Within 5 years from the end of Tax Year	Within 6 years from the end of Tax Year

Time Limit for Amendment in Assessment Extended
(Section 122)

The Finance Bill, 2022 has proposed the following amendments in timeline to frame the 'Order for Amended Assessment' u/s 122 of the Income Tax Ordinance, 2001:

Description	Current Timeline	Proposed Timeline
Issuance of Order for Amendment in Assessment	Within 120 days of issuance of show cause notice	Within 180 days of issuance of show cause notice

Scope of Alternate Dispute Resolution Rationalized
(Section 134A)

The concept of Alternate Dispute Resolution (ADR) was introduced through Finance Act, 2004 however; taxpayers still hesitate to opt this forum for disposal of their tax disputes due to certain bottlenecks and complications. In order to make this forum more reliable and to remove these bottlenecks for relieving the taxpayers and swift disposal of the appeal cases, Finance Bill, 2022 has proposed certain amendments in the scope of Alternate Dispute Resolution to make it more practicable. The proposed amendment seeks to provide a mechanism whereby a committee comprising Chief Commissioner having jurisdiction and a person to be nominated by the taxpayer and a person by mutual consensus shall be set up for dispute resolution. A person may apply for ADR in any of the cases involving following disputes as per the prescribed procedure:

Income Tax Ordinance, 2001

- Tax liability of one hundred million or more
- Admissibility of a refund
- The amount of default surcharge and penalty
- Any other specific remedies required

Minimum Tax Introduced on Import of Certain Goods
(Section 148)

By virtue of the Finance Bill 2022 it is proposed that the tax required to be collected on the imports of following goods shall be minimum tax:

- Edible oil
- Packaging material
- Paper and paper board
- Plastics

Rate of Tax on Export of IT and IT Enabled Services Reduced
(Section 154A)

Finance Bill, 2022 has proposed to reduce rate of tax on export of IT and IT Enabled Services to 0.25%:

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

Sharing of Information by National Database and Registration Authority (NADRA)
(Section 175B)

Finance Bill, 2022 has proposed that 'The National Database and Registration Authority' shall, on its own motion or upon application by the Board, share its records and any information available or held by it related to income, receipts, assets, properties, liabilities, expenditures, or transactions that have escaped assessment or are under-assessed or have been assessed at a low rate, with the Board, for broadening of the tax base or re-computing the tax liability of the person.

Requirement of Issuance of Audit Report Abolished
(Section 177)

In accordance with the provisions of Section 177 of the Income Tax Ordinance, 2001, after compilation of the audit, the Commissioner is required to issue an audit report containing audit observations and findings. This requirement is proposed to be abolished by the Finance Bill, 2022.

Introduction of Penal Provisions
(Section 182)

The Finance Bill, 2022 has introduced the following penalties:

Sr. No.	Offences	Penalties
1.	Where any person fails to furnish a return of income as required under section 114 within the due date	Such person shall pay a penalty equal to higher of: (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) rupees one thousand for each day of default Provided that minimum penalty shall be: (i) rupees ten thousand in case of individual having seventy-five percent or more income from salary; or (ii) rupees fifty thousand in all other cases: Provided further that maximum penalty shall not exceed two hundred percent of tax payable by the person in a tax year: Provided also that the amount of penalty shall be reduced by 75%, 50% and 25% if the return is filed within one, two and three months respectively after the due date or extended due date of filing of return as prescribed under the law; Explanation. For the purposes of this entry, it is declared that the expression "tax payable" means tax chargeable on the taxable income on the basis of assessment made or treated to have been made under section 120, 121, 122 or 122D.
30.	Any company or Association of Persons who contravenes the provisions of Section 181E.	Such company or Association of Persons shall pay a penalty of Rs. 1,000,000/- for each default.
31.	Any person who fails to integrate or perform roles and functions as specified, after being duly notified by the Board as SWAPS Agent.	Such person shall pay a penalty of: (i) Rs. 50,000 for first default of 07 days (ii) Rs. 100,000 for second default of next 07 days (iii) Rs. 50,000 for each week after the second consecutive week of default: Provided that no penalty shall be imposed for the period for which extension from integration is granted by the Commissioner subject to the condition that, if the SWAPS Agent fails to integrate within such extended time, penalties shall be imposed as if no extension was granted."

Sr. No.	Offences	Penalties
32.	Any person, who is integrated for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or QR code or bears duplicate invoice number or counterfeit QR code, or defaces the prescribed invoice number or QR code, or any person who abets commissioning of such offence	Such person shall pay a penalty of five hundred thousand rupees or two hundred per cent of the amount of tax involved, whichever is higher.
33.	Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under law.	Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub-section (3) of section 237A, as the case may be.
34.	A person required to integrate his business as stipulated under sub-section (3) of section 237A, who fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under the law and rules made thereunder.	Such person shall be liable to pay- i) penalty of five hundred thousand rupees for first default; ii) penalty of one million rupees for second default after fifteen days of order for first default; iii) penalty of two million rupees for third default after fifteen days of order for second default; iv) penalty of three million rupees for fourth default after fifteen days of order for third default: Provided that if such person fails to integrate his business within fifteen days of imposition of penalty for fourth default, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub-section (3) of section 237A: Provided further that if the person integrates his business with the Board's computerized system before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner."

Advance Tax on Sale or Transfer of Immovable Property ***(Section 236C)***

Currently, advance tax on sale of immovable property is collected @ 1%. However, advance tax is not collected if the immovable property is held for a period exceeding four years. This limit has been proposed to be revised upward to ten years.

Advance Tax on Persons Remitting Amounts Abroad through Credit or Debit or Prepaid Cards ***(Section 236Y)***

The Finance Bill, 2022 proposes every banking company to collect advance tax, at the time of transfer of any sum remitted outside Pakistan, on behalf of any person who has completed a credit card or debit card or prepaid card transaction with a person outside Pakistan at the rate of 1% of the gross amount remitted abroad.

The advance tax collected under this section shall be adjustable.

Prize Schemes to Promote Tax Culture ***(Section 237B)***

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

Following withholding tax sections have been proposed to be omitted through the Finance Bill, 2022:

Section	Description
236I	Collection of Advance Tax by Educational Institutions
236Q	Payment to Residents for Use of Machinery and Equipment

Second Schedule

Tax Exemption on Recognized Pension Fund ***(Clause 23A of Part I of Second Schedule)***

By virtue of Finance Bill, 2022 tax exemption has been proposed on the accumulated balance received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005.

Exemption to Specific Institutions, Foundations, Societies etc. ***(Clause 66 of Part I of Second Schedule)***

The Bill proposes to exempt any income derived by the following institutions of Table 1 in Clause (66) of Part 1 of the Second Schedule of the Income Tax Ordinance, 2001.

Income Tax Ordinance, 2001

Sr. No.	Name
1	Pakistan Mortgage Refinance Company Limited.
2	The Pakistan Global Sukuk Programme Company Limited.
3	Karandaaz Pakistan from tax year 2015 onwards.
4	Pakistan Sweet Homes Angles and Fairies Place.
5	Public Private Partnership Authority for tax year 2022 and subsequent four tax years.
6	Dawat-e-Islami Trust.
7	Hamdard Laboratories (Waqf) Pakistan.

***Profits and Gains Derived by Zone Developer
Schedule)***
(Clause 126EA of Part I of Second

An exemption is proposed by virtue of the Finance Bill, 2022 on the profit and gains of:

- Zone developer as defined in the Special Technology Zones Authority Act, 2021 (XVII of 2021) from development and operations of the zones for a period of ten years starting from the date of signing of the development agreement;
- Zone Enterprises as defined in the Special Technology Zones Authority Act, 2021 (XVII of 2021) for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and
- Special Technology Zones Authority established under the Special Technology Zones Authority Act, 2021 (XVII of 2021).

Profits and Gains Derived from Electric Power Generation Project
(Clause 132(c) of Part I of Second Schedule)

The Bill has proposed that tax exemption to profit and gains derived from Electric Power Generation Project shall continue to remain available to those persons to whom exemption under this clause was available on or before 30th day of June, 2021 before insertion of sixth proviso vide Finance Act, 2021. However, the exemption under this clause shall be available for the life cycle of the project or 25 years from the date of commencement of commercial production, whichever is earlier.

Income Derived by Cinema Operations
(Clause 151 of Part I of Second Schedule)

By virtue of Finance Bill 2022, an exemption has been proposed on income derived by a person from cinema operations in a tehsil or town where there is no cinema, for five years from the commencement. However, this exemption shall only be available to those persons who start cinema construction on or before 31 day of December, 2023.

Advance Tax on Sale of Goods
(Clause 24C of Part II of Second Schedule)

The Finance Bill 2022 has proposed to widen the list of goods by adding 'steel' sold to distributors, dealers, sub-dealers, wholesalers and retailers subject to reduced tax rate of 0.25% of gross payments for deduction of advance tax under Section 153(1)(a). At the moment, FMCGs, fertilizers, electronics excluding mobile phones, sugar, cement and edible oils are subject to such a reduced rate.

Profit on investment in Behbood Savings Certificate (Clause 6 of Part III of Second Schedule)

The Finance Bill 2021 has proposed to reduce the tax liability on profit on investment in Behbood Savings Certificate or Pensioners Benefit Account and Shuhada Family Welfare Account from 10% to 5% of such profit.

Exemption from Minimum Tax (Clause 11A of Part IV of Second Schedule)

The Finance Bill, 2022 has proposed exemption from turnover tax under Section 113 to mobile phone manufacturers engaged in the local manufacturing of mobile phone devices.

Exemptions to Advance Tax on Imports (Clause 12O of Part IV of Second Schedule)

The Finance Bill, 2022 has proposed that the advance tax on import shall not apply to import of drones donated by Ministry of Agriculture and Rural Affairs (MARA), Government of China to Pakistan through Sea Route.

Exemptions to Advance Tax on Imports (Clause 12N of Part IV of Second Schedule)

The Finance Bill, 2022 has proposed that the advance tax on import shall not apply to import of cinematographic equipment as notified by the Federal Government.

Exemptions to Advance Tax on Imports (Clause 60DA of Part IV of Second Schedule)

The Finance Bill, 2022 has proposed that the advance tax on import shall not apply to import of capital equipment as defined in Special Technology Act, 2021 (XVII of 2021):

- Zone developers as defined in Special Technology Zones Authority Act, 2021 (XVII of 2021) for consumption in the special technology zones for the period of ten years commencing from the date of signing the development agreement;
- Zone enterprises as defined in Special Technology Zones Authority Act, 2021 (XVII of 2021) for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and
- Special Technology Zones Authority established under Special Technology Zones Authority Act, 2021 (XVII of 2021).

Exemptions from Capital Gain Tax and Withholding Tax on Transfer of Immovable Property (Clause 97A of Part IV of Second Schedule)

The Finance Bill, 2022 has proposed that the provisions of Sections 37, 236C and 236K shall not apply to National Highway Authority in respect of transfer of immovable property to the Pakistan Global Sukuk Programme Company Limited and in respect of transfer of immovable property to National Highway Authority from the Second Pakistan International Sukuk Company Limited or the Pakistan Global Sukuk Programme Company Limited.

Protection from Tax Audit (Clause 105A of Part IV of Second Schedule)

The Finance Bill, 2022 proposes that the provisions of Section 177 and 214C shall not apply to a person whose income tax affairs have been audited in any of the preceding four tax years provided that the Commissioner may select a person under Section 177 for audit with approval of the Board.

Exemptions to the Institutions Mentioned in Clause 66 (Clause 120 of Part IV of
Second Schedule)

The Finance Bill, 2022 seeks to propose that the provisions relating to deduction or collection of withholding tax shall not apply to the persons mentioned in Table 1 of Clause (66) of Part I of the Second Schedule as recipients, provided that such persons shall continue to perform functions as withholding and collecting agent under the aforesaid provisions.

Profits and Gains of a Banking Company (Clause 6A of Seventh Schedule)

The Finance Bill, 2022 proposes for Tax Year 2022 and onwards, the taxable income attributable to investment in the Federal Government securities shall be taxed at:

- 55% if the gross advances to deposit ratio as on last day of the tax year is up to 40%;
- 49% if the gross advances to deposit ratio as on last day of the tax year exceeds 40% but does not exceed 50%; and
- rates provided in Division II of Part I of the First schedule if gross advances to deposit ratio as on last day of the tax year exceeds 50%.

Profits and Gains of a Banking Company (Clause 7CA of Seventh Schedule)

The Finance Bill, 2022 proposes that the provisions of newly added section 4C shall apply to a Banking Company and shall be taxed at 0% if the income does not exceed Rs. 300 million and at 2% if the income exceeds Rs. 300 million for the Tax Year 2022 onwards.

Persons not Appearing in Active Taxpayers' List (Rule 1 of Tenth Schedule)

The Finance Bill, 2022 proposes that the tax required to be collected under section 231B, advance tax on private motor vehicles, shall be increased by 200% of the rate specified in First Schedule in case of persons not appearing in ATL. The tax required to be collected under section 236K, advance tax on purchase of immovable property, shall be increased by 250% of the rate specified in Division XVIII of Part IV of the First Schedule in case of persons not appearing in ATL.

Income Tax Rate Card

Income Tax Ordinance, 2001

Rate of Tax for Individual and AOP

The rates of tax imposed on the taxable income of every individual and AOP shall be as set out in the following table:

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

Rate of Tax for Salaried Individual

The rates of tax imposed on the taxable income of every salaried individual shall be as set out in the following table:

Sr. No.	Taxable Income	Rate of Tax
(1)	(2)	(3)
1.	Where taxable income does not exceed Rs. 600,000	0
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 100
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	7% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 84,000 + 12.5% of the amount exceeding Rs. 2,400,000

Income Tax Ordinance, 2001

Sr. No.	Taxable Income	Rate of Tax
5.	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 234,000 + 17.5% of the amount exceeding Rs. 3,600,000
6.	Where taxable income exceeds Rs. 6,000,000 but does not exceed Rs. 12,000,000	Rs. 654,000 + 22.5% of the amount exceeding Rs. 6,000,000
7.	Where taxable income exceeds Rs. 12,000,000	Rs. 2,004,000 + 32.5% of the amount exceeding Rs. 12,000,000.

Rate of Tax for Companies

Company Nature	Rate for the Tax Year	
	2022	2023
Small Company	21%	20%
Banking company	35%	45%
Any other company	29%	29%

Taxable Income Per Annum	Tax Liability		Saving Impact
	Current Tax	Proposed Tax	
600,000	0	0	0
1,200,000	30,000	100	29,900
1,800,000	90,000	42,000	48,000
2,400,000	180,000	84,000	96,000
3,000,000	282,500	159,000	123,500
3,600,000	390,000	234,000	156,000
4,200,000	510,000	339,000	171,000
4,800,000	630,000	444,000	186,000
5,400,000	760,000	549,000	211,000
6,000,000	895,000	654,000	241,000
6,600,000	1,030,000	789,000	241,000
7,200,000	1,165,000	924,000	241,000
7,800,000	1,300,000	1,059,000	241,000
8,400,000	1,445,000	1,194,000	251,000
9,000,000	1,595,000	1,329,000	266,000
9,600,000	1,745,000	1,464,000	281,000
10,200,000	1,895,000	1,599,000	296,000

Income Tax Ordinance, 2001

Comparison of Tax Liability for Tax Year 2022 & 2023



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Sales Tax Act, 1990

Sales Tax Act, 1990

Goods Redefined

(Section 2(12))

The Finance Bill, 2022 has defined goods as “goods include production, transmission and distribution of electricity, every kind of movable property other than actionable claims, money, stocks, shares and securities.”

Definition of Sales Tax Rationalized

By virtue of the Finance Bill 2022, any fee or service charges imposed or collected under Section 76 shall not be treated as Sales Tax.

Scope of Definition of Supply Broadened

(Section 2 (33))

The Finance Bill, 2022 has broadened the scope of the term “Supply”. It seeks to define “Supply” as sale or other transfer of the right to dispose of goods as owner, including such sale or transfer under a hire purchase agreement, and also includes:

- putting to private, business or non-business use of goods produced or manufactured in the course of taxable activity for purposes other than those of making a taxable supply;
- auction or disposal of goods to satisfy a debt owed by a person;
- possession of taxable goods held immediately before a person ceases to be a registered person;
- in case of manufacture of goods belonging to another person, the transfer or delivery of such goods to the owner or to a person nominated by him; and
- production, transmission and distribution of electricity.

Persons Engaged in Supply of Articles of Jewelry Specified as Tier-1 Retailers

(Section 2(43A))

The Finance Bill, 2022 has proposed to include persons engaged in supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal under the definition of Tier-1 Retailer.

Further Tax Levied on Supplies Made to an Inactive Taxpayer

(Section 3(1A))

In accordance with the provisions of the Sales Tax Act, 1990, further tax @ 3% is charged on supplies made to unregistered persons. By virtue of the Finance Bill 2022, it is proposed that further tax @ 3% shall also be charged on any taxable supplies made to a person who is not an active taxpayer.

Withholding Tax Agent in Case of Online Market Place Prescribed

(Section 3(7))

By virtue of the Finance Bill, 2022, the operator of online market place facilitating the sale of third party goods shall be liable to withhold tax on taxable supplies of such party.

Sales Tax Charged through Monthly Electricity Bills Rationalized

(Section 3(9))

The Finance Bill 2022 has proposed to rationalize the rate of Sales Tax charged from retailers other than Tier-1 retailers through their monthly electricity bills.

Sales Tax Act, 1990

Current Mechanism		Proposed Mechanism	
Amount of Electricity Bill	Rate of Sales Tax	Amount of Electricity Bill	Rate of Sales Tax
Where the monthly bill amount does not exceed rupees twenty thousand	5%	Where the monthly bill amount does not exceed rupees thirty thousand	Rs. 3,000 per month
Where the monthly bill amount exceeds rupees twenty thousand	7.5%	Where the monthly bill amount exceeds rupees thirty thousand but does not exceed rupees fifty thousand	Rs. 5,000 per month
		Where the monthly bill amount exceeds rupees fifty thousand	Rs. 10,000 per month

Input Tax Allowed on Supplies made to Unregistered Persons

(Section 8 (1)(m))

The Bill has proposed to allow a registered person to claim input tax on goods or services attributable to supplies made to unregistered person, on pro-rata basis, for which sale invoices do not bear the CNIC number or NTN of the recipient. The omission of such restriction will again allow the business owners to sell their goods without the need for CNIC or NTN.

Adjustable Input Tax in Case of Public Limited Companies

(Section 8B(1))

By virtue of the Finance Bill, 2022, public limited companies listed on Pakistan Stock Exchange shall not be allowed to adjust input tax in excess of ninety percent of the output tax for that tax period.

Discontinuance of Gas and Electricity Connections

(Section 14AB)

The Finance Bill, 2022 has proposed to insert a new section to empower the Board to direct the gas and electricity distribution companies for discontinuing the gas and electricity connections of any person who falls in the following categories, namely;

- Any person, including tier-1 retailers, who fails to register for sales tax purpose; or
- Notified tier-1 retailers registered but not integrated with the Board's Computerized System

Waiver of the Requirement of NIC or NTN of Unregistered Person

(Section 23(1)(b))

Currently, if supplies are made by a retailer where the transaction value inclusive of sales tax amount does not exceed rupees one hundred thousand and the sale is made to an ordinary consumer, the seller is not required to inquire about the name, address, registration number of the recipient and CNIC or NTN of the unregistered person with certain conditions.

Now, the bill proposes to withdraw all such restrictions from the seller and under the new proposed amendment, the seller is required to inquire about the name, address, and registration number of the recipient.

Sales Tax Act, 1990

Inclusion of QR Code on Invoice

(Section 33)

Section 33 provides for the penalties under the Sales Tax Act 1990. It prescribes the penalty for any person, who is integrated for monitoring, tracking, reporting or recording of sales, production, and similar business transactions with the Board or its computerized system and does not comply with the rules mentioned.

By virtue of the Finance Bill, 2022 it is proposed that all person, who are integrated for monitoring, tracking, reporting or recording of sales, production, and similar business transactions with the Board or its computerized system shall be required to include a bar code or QR code on the invoice along with other pre-requisites.

Sixth Schedule – Exempt goods

Additions in the Sixth Schedule – Table 1

Following goods are proposed to be exempt from sales tax:

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

Sales Tax Act, 1990

Deletions from the Sixth Schedule – Table 2

Following goods shall be charged @ 17% sales tax previously regarded as exempt goods under the Sixth Schedule to the Sales Tax Act, 1990:

Sr. No.	Description
11	Supply of ware potato and onions

Additions in the Sixth Schedule – Table 2

Following goods shall be exempted from sales tax:

Sr. No.	Description
45	Edible vegetables including roots and tubers whether fresh, frozen or otherwise reserved (e.g. in cold storage) but excluding those bottled or canned
52	Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal on which tax has been paid at the import stage @ 4%.
53	Prepared food or foodstuff supplied by Restaurants and caterers

Additions in the Sixth Schedule – Table 3

Following goods shall be exempted from sales tax:

Sr. No.	Description	PCT Heading	Conditions
22	<ol style="list-style-type: none"> Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through hydel, oil, gas, coal, nuclear and renewable energy sources including under construction projects entered into an implementation agreement with the Government of Pakistan prior to 15th day of January, 2022. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project. 	Respective Headings	<ol style="list-style-type: none"> This concession shall also be available to primary contractors of the project upon fulfilment of the following conditions, namely;- (a) the contractor shall submit a copy of the contract or agreement under which he intends to import the goods for the project; (b) the Chief Executive or head of the contracting company shall certify in the prescribed manner and format as per Annex-A that the imported goods are the projects bona fide requirement; and (c) the goods shall not be sold or otherwise disposed of without prior approval of the FBR on payment of sales tax leviable at the time of import; (i) temporarily imported goods shall be cleared against a security in the form of a post-dated cheque for the differential amount between the statutory rate of sales tax and the amount payable along with an undertaking to pay the sales tax at the statutory rates in case such goods are not re-exported on conclusion of the project.

Sales Tax Act, 1990

Eighth Schedule – Reduced Rates

Deletions from the Eighth Schedule – Table 1

Following goods are proposed to be charged @ 17% of sales tax previously subject to reduced rate under the Eighth Schedule to the Sales Tax Act, 1990:

Sr. No.	Description	Previous Rate of Sales Tax
25	Agricultural tractors	5%
47	Locally produced coal	Rs. 425 per metric tonne or 17% ad valorem, whichever is higher
75	Import of electric vehicle in CBU conditions	12.5%

Additions in the Eighth Schedule – Table 1

Following goods are proposed to be charged at reduced rate prescribed in the table below under the Eighth Schedule to the Sales Tax Act, 1990:

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)	Rate of Sales Tax	Condition
78	Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.	71.13	3%	No input tax shall be adjusted
79	Import of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.	71.13	4%	No input tax shall be adjusted
90	Local supply of reclaimed lead	Respective heading	1%	Subject to the conditions that: (i) Supplies are made to registered manufacturers of lead and lead batteries; and (ii) No refund of input tax shall be admissible.

Sales Tax Act, 1990

Rate of Sales Tax Increased

(Eighth Schedule (Table-1))

The Finance Bill, 2022 has proposed to increase the rate of Sales Tax on the following items:

Sr. No.	Description	Current Rate	Proposed Rate
43	Natural Gas	5%	10%
44	Phosphoric Acid	5%	10%
52	Fertilizers	2%	10%

Rate of Sales Tax on Potassium Chlorate Reduced

(Eighth Schedule (Table-1))

The Finance Bill, 2022 has proposed to reduce the rate of Sales Tax on Potassium Chlorate.

Description	Current Rate of Tax	Proposed Rate of Tax
Potassium Chlorate	17% along with rupees 90 per kilogram	17% along with rupees 60 per kilogram

Ninth Schedule

Sales Tax Chargeability on Cell Phones Rationalized

(Ninth Schedule (Table-2))

The Finance Bill, 2022 has proposed to rationalize the rate of Sales Tax on cellular mobile phones in CKD/CBU form.

Description	Current Rate of Tax	Proposed Rate of Tax
Exceeding US\$ 100 but not exceeding US\$ 200	Rs. 10	10% ad valorem
Exceeding US\$ 200 but not exceeding US\$ 350	Rs. 1,740	10% ad valorem
Exceeding US\$ 350 but not exceeding US\$ 500	Rs. 5,400	10% ad valorem
Exceeding US\$ 500	Rs. 9,270	10% ad valorem

Twelfth Schedule

The Bill has proposed to impose Value Addition Tax on compressor scrap, motor scrap, and copper cutting scrap even when imported by manufacturers.

Sales Tax Act, 1990

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

Rate of Tax Rationalized

(Schedule (Table-1))

The Finance Bill, 2022 has proposed to rationalize the rate of tax levied on the services provided in the Islamabad Capital Territory:

Sr. No.	Description	Current Rate of Tax	Proposed Rate of Tax
1	Services provided or rendered by hotels, motels, guest houses, farmhouses, restaurants, marriage halls, lawns, clubs and caterers. Services provided or rendered by hotels motels, guest houses and farmhouses. Services provided or rendered by restaurants. Services provided or rendered by marriage halls and lawns. Services provided or rendered by clubs. Services provided or rendered by caterers, suppliers of food and drinks	16%	15%
2	Advertisement on television and radio, excluding advertisements— (a) sponsored by an agency of the Federal or Provincial Government for health education; (b) sponsored by the Population Welfare Division relating to educational promotion campaign; (c) financed out of funds provided by a Government under grant-in-aid agreement; and (d) conveying public service messages, if telecast on television by the World Wide Fund for Nature (WWF) or United Nations Children's Fund (UNICEF)	16%	15%
3	Services provided by persons authorized to transact business on behalf of others— (a) stevedore; (b) customs agents; and (c) ship chandlers.	16%	15%
4	Courier services and cargo services by road provided by courier companies;	16%	15%

Sales Tax Act, 1990

Sr. No.	Description	Current Rate of Tax	Proposed Rate of Tax
5	Construction services, excluding: (i) construction projects (industrial and commercial) of the value (excluding actual and documented cost of land) not exceeding Rs. 50 million per annum. (ii) the cases where sales tax is otherwise paid as property developers or promoters. (iii) Government civil works including Cantonment Boards. (iv) construction of industrial zones, consular buildings and other organizations exempt from income tax. (v) construction work under international tenders against foreign grants-in-aid. (vi) Residential construction projects where the covered area does not exceed 10,000 square feet for houses and 20,000 square feet for apartments	16%	15%
7	Services provided by persons engaged in contractual execution of work, excluding: (i) annual total value of the contractual works or supplies does not exceed Rs.50 million; (ii) the contract involving printing or supplies of books.	16%	15%
8	Services provided for personal care by beauty parlours, clinics and slimming clinics, body massage centres, pedicure centres; including cosmetic and plastic surgery by such parlours/clinics, but excluding: (i) annual turnover does not exceed Rs.3.6 million; or (ii) the facility of air-conditioning is not installed or available in the premises.	16%	15%
9	Management consultancy services	16%	15%
10	Services provided by freight forwarding agents, and packers and movers.	16%	15%
11	Services provided by software or IT-based system development consultants.	16%	15%
12	Services provided by technical, scientific and engineering consultants	16%	15%
13	Services provided by other consultants including but not limited to human resource and personnel development services; market research services and credit rating services.	16%	15%

Sales Tax Act, 1990

Sr. No.	Description	Current Rate of Tax	Proposed Rate of Tax
14	Services provided by tour operators and travel agents including all their allied services or facilities (other than Hajj and Umrah)	16%	15%
15	Manpower recruitment agents including labour and manpower supplies.	16%	15%
16	Services provided by security agencies.	16%	15%
17	Services provided by advertisement agencies.	16%	15%
18	Share transfer or depository agents including services provided through manual or electronic book-entry system used to record and maintain securities and to register the transfer of shares, securities and derivatives.	16%	15%
19	Business support services.	16%	15%
20	Services provided by fashion designers, whether relating to textile, leather, jewellery or other product regimes, including allied services, marketing, packing, delivery and display, etc.	16%	15%
21	Services provided by architects, town planners and interior decorators.	16%	15%
22	Services provided in respect of rent a car.	16%	15%
23	Services provided by specialized workshops or undertakings (auto-workshops; workshops for industrial machinery, construction and earth- moving machinery or other special purpose machinery etc.; workshops for electric or electronic equipments or appliances etc. Including computer hard ware; car washing or similar service stations and other workshops).	16%	15%
24	Services provided for purposes including fumigation services, maintenance and repair (including building and equipment maintenance and repair including after sale services) or cleaning services, janitorial services, dredging or de-silting services and other similar services etc.	16%	15%
25	Services provided by underwriter, indenters, commission agents including brokers (other than stock) and auctioneers	16%	15%
26	Services provided by laboratories other than services relating to pathological or diagnostic tests for patients.	16%	15%

Sales Tax Act, 1990

Sr. No.	Description	Current Rate of Tax	Proposed Rate of Tax
27	Services provided by health clubs, gyms, physical fitness centres, indoor sports and games centres and body or sauna massage centres	16%	15%
28	Services provided by laundries and dry cleaners.	16%	15%
29	Services provided by cable TV operators	16%	15%
30	Technical analysis and testing services	16%	15%
31	Services provided by TV or radio program producers or production houses.	16%	15%
32	Transportation through pipeline and conduit services.	16%	15%
33	Fund and asset (including investment) management services.	16%	15%
34	Services provided by inland port operators (including airports and dry ports) and allied services provided at ports and services provided by terminal operators including services in respect of public bonded warehouses, excluding the amounts received by way of fee under any law or by-law.	16%	15%
35	Technical inspection and certification services and quality control (standards' certification) services	16%	15%
36	Erection, commissioning and installation services.	16%	15%
37	Event management services	16%	15%
38	Valuation services; competency and eligibility testing services excluding education testing services provided or rendered under a bilateral or multilateral agreement signed by the Government of Pakistan],	16%	15%
39	Exhibition or convention services	16%	15%
40	Services provided in respect of mining of minerals, oil & gas including related and allied activities	16%	15%
41	Services provided by property dealers and realtors.	16%	15%
42	Call centres.	17%	15%
43	Services provided by car/ automobile dealers.	16%	15%

Sales Tax Act, 1990

Sr. No.	Description	Current Rate of Tax	Proposed Rate of Tax
44	Advertisement on hoarding boards, pole signs and signboards, and websites or internet	16%	15%
45	Services provided by landscape designers	16%	15%
46	Sponsorship services	16%	15%
47	Services provided or rendered by legal practitioners and consultants	16%	15%
48	Services provided by accountants and auditors	16%	15%
49	Service provided or rendered by Stockbrokers, future brokers and commodity brokers, money exchanger, surveyors, outdoor photographers, event photographers, videographers, art painters, auctioneers (excluding value of goods) and registrar to an issue	16%	15%
50	Services provided by race clubs: Entry/ admission and other services	16%	15%
51	Services provided or rendered by corporate law consultants	16%	15%
52	Visa processing services, including advisory or consultancy services for migration or visa application filing services	16%	15%
53	Debt collection services and other debt recovery services	16%	15%
54	Supply chain management or distribution (including delivery) services	16%	15%
55	Services provided or rendered by persons engaged in inter-city transportation or carriage of goods by road or through pipeline or conduit	16%	15%
56	Ready mix concrete services	16%	15%
57	Public relations services	16%	15%
58	Training or coaching services other than education services	16%	15%
59	Cleaning services including janitorial services, collection of waste and processing of domestic waste	16%	15%

Deletions from Table 2

The Bill has proposed to withdraw sales tax on IT and IT-enabled services which are currently taxable @ 5%.

Sr. No.	Description	Current Rate of Sales Tax	Proposed Rate of Sales Tax
11	IT services and IT-enabled services. Explanation.- For the purpose of this entry – (a) “IT services” include software development, software maintenance, system integration, web design, web development, web hosting and network design; and (b) “IT enabled services” include inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, HR services, telemedicine centers, data entry operations, locally produced television programs and insurance claims processing.	5%	Exempt

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Federal Excise Act, 2005

Federal Excise Act, 2005

Requirement to Wear Uniform

(Section 50)

The Finance Bill, 2022 proposes to prescribe rules for officers and staff of Inland Revenue Services to wear uniforms.

Proposed Amendments in First Schedule

Following changes have been proposed in the First Schedule in the Federal Excise Act, 2005:

(Table-1)

The Finance Bill, 2022 seeks to propose the following amendments:

Sr. No.	Description	Current Rate of Duty	Proposed Rate of Duty
8a	E-liquids by whatsoever name called, for electric cigarette kits.	Rupees ten per ml.	Rupees ten thousand per kg.
9	Locally produced cigarettes if their on-pack printed retail price exceeds five thousand nine hundred and sixty rupees per thousand cigarettes.	Rupees five thousand two hundred.	Rupees five thousand and six hundred.
10	Locally produced cigarettes if their on-pack printed retail price does not exceed five thousand nine hundred and sixty rupees per thousand cigarettes.	Rupees one thousand six hundred and fifty.	Rupees one thousand eight hundred and fifty.

The Bill seeks to propose the following amendments:

Sr. No.	Description	Current	Proposed
56	Filter rod for cigarettes	5502.9090	Respective Heading
56	Filter rod for cigarettes	Rupees one per filter rod.	Rupees fifteen hundred per kg.

(Table-2)

The Bill seeks to propose the following amendments:

Sr. No.	Description	Current Rate of Duty	Proposed rate of duty
3	Club, business and first class	Ten thousand rupees	Fifty thousand rupees
6	Telecommunication services excluding such services in the area of a Province where such Province has imposed Provincial sales tax and has started collecting the same through its own Board or Authority, as the case may be.	16%	19.5%

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Customs Act, 1969

Customs Act, 1969

Definition

(Section 2)

By virtue of Finance Bill, 2022 the following new clauses are proposed to be inserted:

- “Bordering and coastal areas” means all districts located along international borders including coastal areas of Pakistan, notified as such by Provincial Governments.
- “Essential Commodities” means those items availability of which is considered vital for domestic use or consumption, as notified by the Board, from time to time, in consultation with the ministries concerned.

Reduction in Time Limit for Provisional Determination of Liability

(Section 81 (2))

The following amendments in timelines have been proposed to be reduced for provisional determination of liability:

Description	Current Timeline	Proposed Timeline
1. Where any goods are allowed to be cleared or delivered on the basis of such provisional determination, the amount of duty, taxes and charges correctly payable on those goods shall be determined within six months of the date of provisional determination:	180 Days	90 Days
1. Provided that the Collector of Customs or, as the case may be, Director of Valuation, may in circumstances of exceptional nature and after recording such circumstances, extend the period for final determination which shall in no case exceed ninety days.	90 Days	30 Days

New Penal Provisions Prescribed

(Section 156)

By virtue of the Finance Bill, 2022 certain penalties are proposed for the following offences:

S. No.	Offences	Penalties	Section of this Act to which Offence has Reference
105(i)	Un-authorised access to information, data or personal details of registered user of Pakistan Single Window system or systems connected or ancillary thereto.	Imprisonment which may extend up to six months or with fine which may extend to one hundred thousand rupees or with both.	General
105(ii)	Un-authorised copy, transmission or cause to transmit any data, information or detail in relations to Pakistan Single Window system or systems connected or ancillary thereto.	Imprisonment which may extend up to six months or with fine which may extend to one hundred thousand rupees or with both	

Customs Act, 1969

S. No.	Offences	Penalties	Section of this Act to which offence has reference
105(iii)	Un-authorized interference, or attempt to interfere, damage or attempt to damage any part of whole of the Pakistan Single Window system or data or system connected to or ancillary thereto.	Imprisonment which may extend to three years or fine which may extend to five hundred thousand rupees or with both.	
105(iv)	Use of any information system, device or data to make any illegal claim or title or cause any person to part with property or to enter into any express or implied contract or intent to commit fraud by any input, alteration, deletion or suppression of data, resulting in unauthentic data with the intent that such data be considered or acted upon for legal purpose, as if it were authentic in relations to Pakistan Single Window system or Systems connected or ancillary thereto.	Imprisonment which may extend to four years or fine which may extend to one million rupees or with both.	
105(v)	Use, make, supply, retain, obtain device, system or software for offences under section 13 of the Pakistan Single Window Act, 2021 (III of 2021).	Imprisonment which may extend to six months or with fine which may extend to one hundred thousand rupees or with both.	
105(vi)	Obtain, sell, process, use or transmit another person's Unique User Identifier or make an attempt thereof without authorisation.	Imprisonment which may extend to four years and fine which may extend to one million rupees or with both.	
105(vii)	Tamper with or attempt to tamper with, alter, re-programme any Pakistan Single Window system or system connected or ancillary thereto for un- authorised use.	Imprisonment which may extend to four years and fine which may extend up to one million rupees or with both and any devices or systems used in offence shall be liable to confiscation.	
105(viii)	Write, offer, make available, distribute or transmit a malicious code or abet in the same, with intent to cause harm to Pakistan Single Window system or data resulting in or intending to result in corruption, destruction, alteration, suppression, theft or loss to the Pakistan Single Window system or data, or any attempt thereof.	Imprisonment for a term which may extend to four years and fine which may extend to five million rupees or with both.	

Customs Act, 1969
Procedures in Case of Seizure of Essential Commodities
(Section 170A)

In case of seizure of essential commodities, as notified by the Board, such seized goods shall be deposited in the nearest custom-house or the nearest place appointed by the Collector of Customs, as the case may be, for deposit of goods so seized.

Rationalization in Pecuniary Power of Adjudication
(Section 179 (1))

The Finance Bill, 2022 proposes to amend the financial authority of Additional Collector and Deputy Collector in order to reduce the workload of adjudicating authorities and expedite the resolution of legal disputes which are given below:

Clause No.	Authorities	Current Limit	Proposed Limit
(ii)	Additional Collector	Not exceeding three million rupees	Not exceeding five million rupees
(iii)	Deputy Collector	Not exceeding one million rupees	Not exceeding two million rupees

The Jurisdiction of Fixing of Wharfage and Storage Fee Prescribed
(Section 203)

The Collector of Customs may from time to time fix the period after the expiration of which goods left in any custom-house, customs area, wharf or other authorized landing place or part of the custom-house premises, shall be subject to payment of fees, and the amount of such fees, as provided under the rules prescribed by the Board.

The Collector of Customs may from time to time fix the port charges on import and export of goods for services rendered by terminal operators, as provided under the rules prescribed by the Board.

The Collector of Customs having jurisdiction may from time to time fix charges, fees for storing of seized and confiscated goods, vehicles etc. in declared State warehouse.

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Capital Value Tax (CVT)

Capital Value Tax

Mobile Phones

Following rates of levy per set have been proposed by virtue of the Finance Bill, 2022 on mobile phones:

Sr. No.	Mobile Phones having C&F Value (US Dollars)	Rate of levy per set in Pak Rupees
1.	Up to 30	100
2.	Above 30 and up to 100	200
3.	Above 101 and up to 200	600
4.	Above 201 and up to 350	1,800
5.	Above 351 and up to 500	4,000
6.	Above 501 and up to 700	8,000
7.	Above 701 and above	16,000

Immovable Property

- Resident individual having movable or immovable assets held abroad and the value of such assets exceeds Rs. 100 million. This value shall be the higher of total consideration paid or fair market value.
- Such assets and values as specified by the Federal Government through notification in the official Gazette, at such rates and in such manner as may be specified.

Vehicles

- Capital value tax shall be charged on the following assets:
- Where motor vehicle is held in Pakistan and its value exceeds Rs. 5 million. This value shall be reduced by 10% for each year from the end of acquisition year. It shall be treated as zero after 10 years from the end of acquisition year or where the value after reduction is less than or equal to Rs. 5 million
- In case of motor vehicle, the value shall be assessed as follows:

Nature	Value for Chargeability of CVT
Vehicle imported in Pakistan	Import Value assessed by Custom authorities
Vehicle manufactured or assembled locally in Pakistan	Sale Value
Vehicle is auctioned	Auction price
Any other case	Total consideration paid to acquire, alter or improve

Procedure for Collection and Payment of CVT

The tax shall be collected or paid in the following manner:

- The Collector of Customs shall collect tax at the time of import and on value of motor vehicle at the rate specified in the First Schedule.
- The provisions of the Customs Act, 1969 (IV of 1969) shall apply to the collection and payment of tax
- Local manufacturer or assembler shall collect tax from the buyer of the motor vehicle on sale value at the rate specified in the First Schedule.
- Any person making sale by public auction shall collect tax from the person to whom such motor vehicle is sold on the sale value at the rate specified in the First Schedule.
- The tax shall be collected at the time of sale or at the time of payment of first installment. The tax collected shall be paid to the credit of the Federal Government within 7 days of the date of collection.
- Excise and Taxation Department at the time of collecting motor vehicle tax shall also collect tax its value at the rate specified in the First Schedule. However, this tax shall not be collected in the year in which tax on import, local purchase or auction has been paid.
- Tax on movable or immovable assets, person holding the assets shall be liable to pay tax at the time of filing of income tax return for the year.
- In case of assets notified by Federal Government, the tax shall be collected or paid in the manner as specified in such notification.

Penalty

- Where a person fails to collect tax, pay tax to the credit of the Federal Government and pay to the credit of the Federal Government after having collected the tax, the person shall be personally liable to pay the tax and the default surcharge at a rate equal to 12% per annum on the tax unpaid.
- The officer of Inland Revenue may pass an order after giving such a person an opportunity of being heard, and proceed to recover the tax as if the tax were an arrear of income tax.
- The Commissioner, on an application by the person, may revise any such order.
- Any person dissatisfied with any order passed by the Commissioner or an officer of Inland Revenue under this section may prefer an appeal before the Commissioner (Appeals).

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