

# 2021 Finance Act Tax Handbook



Tax Handbook 2021

An Information Guide

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## Preface

This Tax Handbook encompasses significant amendments to the Income Tax Ordinance and the Sales Tax Act, in addition to the Tax Planning Guide. The legislative amendments to the laws come into effect on July 1, 2021, unless otherwise specified.

The Tax Handbook must be read in conjunction with the relevant tax laws and regulations. This Tax Handbook is intended to provide general guidance and should therefore not be considered as a conclusive and binding document. Professional advice should be sought before acting on any newly introduced amendments to the laws or on our comments. We trust that this Tax Handbook will enhance your perception of the Finance Act, 2021.

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Although, the best efforts have been made to ensure the accuracy of the information in this Tax Handbook, any error or omission is regretted.

Lahore

July 07, 2021

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### Sales Tax

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**SIGNIFICANT INCOME TAX AMENDMENTS**

***Special Privileges for Telecommunication Sector***

***Section 2(29C), 236***

By virtue of Finance Act, 2021 telecommunication sector is now included in the definition of industrial undertaking and will enjoy following privileges

- Tax deducted on import of capital equipment and plant and machinery imported for their own use will be adjustable
- Reduced rate of withholding tax on services provided by telecommunication sector
- Advance tax on internet and mobile phone usage will be reduced to 10% for Tax Year 2022 and 8% onwards

***Tax Regime on Profit on Debt Rationalized***

***Section 7B, 151***

The Finance Act, 2021 has reduced threshold from 36 Million to 5 Million for taxation of interest income under FTR for individuals and AOP. Profit on Debt will now be taxed under the following hybrid regime:

<b><i>Profit on Debt</i></b>	<b><i>Tax Regime</i></b>	<b><i>Tax Rate</i></b>
Profit on Debt up to Five Million Rupees	FTR	15%
Profit on Debt if exceeds Five Million Rupees	NTR	As per Slab Rates

Furthermore, a uniform rate of 15% has been introduced for withholding tax u/s 151 on profit on debt.

***Allowances Paid on Fixed Basis or Percentage of Salary Income Disallowed***

***Section 12(2)***

The Finance Act, 2021 has explained that allowance which is paid on fixed or percentage of salaries shall not constitute allowance for performance of duties and thus the same is disallowed for the purpose of deduction from salary income while calculating tax on salary.

***Property Income Taxed under Normal Tax Regime***

***Section 15, 155***

By virtue of Finance Act, 2021 'Property Income' is now taxable under Normal Tax Regime with the following rules:

- Income from property will be taxed under normal tax regime after allowing admissible deductions
- Current year loss of any other head of income can be set off against 'Income from Property'
- All persons making payment on immoveable property will deduct tax at the specified rate

***Tax Credit Extended to Units of Exchange Traded Funds (ETF)***

***Section 37, 62***

Tax credits have also been allowed for investment in ETF at par with investment in shares and insurance premium. Therefore, the units of ETF have been included in the definition of security.

***Capital Gain on Disposal of Securities***

***Section 37A***

Capital gain arising as a result of sale of securities was taxable at different rates. Now the uniform reduced rate of 12.5% has been provided under the law.

***Admissibility of WWF and WPPF Contributions***

***Section 60A, 60B***

The matter of WWF and WPPF has been devolved to provinces. As per the latest amendment vide Finance Act, 2021, contributions made to Provinces under their respective Provincial Laws would be treated as deductible allowances. However, the contributions made under provincial laws are inadmissible expenses. Now contributions made to provinces have made deductible allowances. However, this section shall not apply in case of trans-provincial establishments, the admissibility of these allowances shall be subject to payment to Federal Government.

## Income Tax

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Income Tax

### *Tax credit for POS Integration for Tier 1 Retailers*

**Section 64D**

The Tier 1 retailers are required to integrate with FBR's Point of Sale (POS) a real time automated reporting system. In order to encourage integration with POS real time reporting system of FBR, tax credit for POS machines has been introduced through introduction of new section 64D. Tax credit of Rs.150, 000 or the cost of the machine whichever is lower shall be extended to the Tier 1 retailers installing and integrating machines with FBR's system.

### *Definition of Resident Individual*

**Section 82**

Criteria to come under the category of resident individual has been modified. Now in order to become a resident, a person shall be required to be in Pakistan for a period in aggregate to 183 days or more in a tax year. The other condition has been waived off by omitting clause (ab) of section 82 of the ordinance.

### *Assistance in Recovery on the Request of Foreign Jurisdictions*

**Section 107, 146C**

The Finance Act 2021, has inserted a new section 146C, enabling assistance in collection and recovery of taxes in pursuance of a request from a foreign jurisdiction under a tax treaty.

### *Introduction of Business Bank Accounts*

**Section 114**

The Finance Act, 2021 has replaced the requirement of updating taxpayer profile u/s 114A with the declaration of business bank accounts. Through this amendment it is now mandatory for taxpayer to declare its business bank accounts used for business transactions.

### *Return of income*

**Section 114(5)**

A person can be required to file the tax return within a period of 5 years and where a person is a non-filer, return can be required to be filed within a period of 10 years. From now onwards, this time limitation would not be applicable to a person who has foreign income or foreign assets.

### *Power of the Tax Authorities to Conduct Inquires Withdrawn*

**Section 122(5A)**

Tax authorities were empowered to conduct inquiries under Section 122(5A) to determine if order-in-original is prejudicial to the interest of revenue under the garb of amendment proceedings. The Finance Act, 2021 has withdrawn this unbridled power of tax authorities.

### *Time Limit to Dispose of Show Cause Notices under Section 122(9) Defined*

**Section 122(9)**

The Finance Act, 2021 has prescribed the time limit to dispose of the show cause notices for amendment of order-in-original. Order under this section shall be made within one hundred and twenty days of issuance of show cause notice or within such extended period as the Commissioner may consider appropriate but not exceeding ninety days

### *Recovery of Arrears of Taxes Extended to Foreign Jurisdictions*

**Section 146C**

The Finance Act, 2021 has extended the powers to foreign jurisdiction under a tax treaty, bilateral or a multilateral convention, and inter-governmental agreement or similar agreement or mechanism regarding assistance in collection and recovery of taxes.

### *Powers of Commissioner to Reject Estimate for Advance Tax Removed*

**Section 147**

The power of the commissioner to reject advance tax estimates has also been withdrawn. Necessary changes have been made in section 147 of the Ordinance.

## Income Tax

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### *Strengthening Alternate Dispute Resolution Mechanism*

*Section 134A*

In order to reduce litigation and disputes, the mechanism of ADRC has been strengthened. Some necessary changes have been made in section 134A of the Ordinance to this effect:

- Time limit to constitute committee has been curtailed to 30 days from 60 days.
- Time limit to decide cases has been curtailed to 60 days from 120 days by committee.
- In case of failure to decide, powers to constitute second committee have been provided.
- The committee can be constituted even if criminal proceedings have been initiated in a case or mixed question of fact and law is involved.

### *Export of Services*

*Section 154A, Division IVA of Part III of First Schedule*

By virtue of the Finance Act 2021, a special regime at par with FTR regime in case of export of goods has been introduced to promote the export of services. The service providers would be subjected to 1% withholding tax on their export proceeds remitted in Pakistan through Banks and authorized dealers of foreign exchange. This tax collected would be final discharge of tax liability. The following services are included in this regime:

- Exports of computer software or IT services or IT enabled services in case tax credit under section 65F is not available
- Services or technical services rendered outside Pakistan or exported from Pakistan
- 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
- Construction contracts executed outside Pakistan
- Other services rendered outside Pakistan as notified by the Board from time to time

### *Individual and AOPs as Withholding Agent for Commission Income*

*Section 233*

By virtue of The Finance Act, 2021 Individuals and AOPs having turnover of 100 million or more are prescribed as withholding agents while making payment on account of commission.

### *Withholding Tax on Sale and Purchase of Immoveable Property Streamlined*

*Section 236C, 236K*

The Finance Act, 2021 has included public and private real estate projects, joint ventures and private commercial concerns in the list of withholding agents for collection of tax on sale and purchase of property under Section 236C and 236K.

Furthermore, no tax would be collected on transfer where payment for purchase of property is made in installments and tax has already been collected on payment of installments.

### *Filing of Annual Withholding Statement and Tax Reconciliation Statement*

*Rule 44*

By virtue of the Finance Act, 2021 it is now mandatory for every withholding agent to file annual withholding tax statement and tax reconciliation statement in addition to quarterly statements as per the following timelines:

Statement	Deadline for Filing
Annual Withholding Tax Statement	Within 30 days of end of the Tax Year
Tax Reconciliation Statement	Along with Annual Income Tax Return

**Omission of Withholding Tax Provisions**

The Finance Act, 2021 has abolished the following withholding taxes to simplify tax laws and ease the burden of compliance on different withholding agents:

Sr. No.	Section	Description
1.	153B	Collection of tax on payment of royalty to residents
2.	231A	Collection of tax on cash withdrawal
3.	231AA	Collection of tax on banking instruments
4.	233A	Collection of tax from members by a stock exchange registered in Pakistan
5.	233AA	Collection of tax on marginal financing by NCCPL
6.	234A	Collection of tax from CNG stations
7.	236B	Collection of tax on domestic air travel
8.	236HA	Collection of tax on certain petroleum products
9.	236L	Collection of tax on international air travel
10.	236P	Collection of tax on banking transactions other than through cash
11.	236S	Dividend in Specie
12.	236V	Collection of tax on extraction of minerals
13.	236Y	Collection of tax from persons remitting amounts abroad through credit or debit prepaid card

**Streamlining and Automation of Procedures**

**a) Automated Issuance of Refunds**

**Section 170A**

The Finance Act, 2021 has introduced centralized automated refund system where there will be no requirement for application and verification. The system based verified refunds would be issued directly into the bank accounts of the taxpayers.

**b) Prompt Issuance of Exemption Certificate**

**Section 159(1)**

The Finance Act, 2021 has prescribed the time limit of 15 days for issuance of exemption certificate. The web portal would automatically issue exemption certificate to the taxpayers after the lapse of statutory time limit. However, commissioner has been empowered to cancel or modify the certificate with reasons in writing.

**c) E-hearing**

**Section 227E**

By virtue of the Finance Act, 2021 mechanism of e-hearing of the cases has been devised for the purpose of faceless tax administration, reducing compliance cost and saving precious time of the taxpayers.

**d) Electronic Filing of Appeal**

**Section 127**

The Finance Act, 2021 has introduced Legal provisions relating to the mechanism of online filing of appeals through section 127.

**e) Removal of Requirement of Multiple Notices in Concealment Cases**

**Section 111**

It has been prescribed that in case of confronting taxpayer on concealment of income, no separate notice under section 111 will be required if notice for amendment of assessment is issued.

## Income Tax

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### Capital Gain on Disposal of Immovable Properties

Division VIII, Part I, First Schedule

The amount of any gain arising on disposal of an immovable property shall be computed as per the below table:

Sr. No.	Holding period	Gain
1.	Where the holding period of an immovable property does not exceed one year	*A
2.	Where the holding period of an immovable property exceeds one year but does not exceed two years	A*3/4
3.	Where the holding period of an immovable property exceeds two years but does not exceed three years	A*1/2
4.	Where the holding period of an immovable property exceeds three years but does not exceed four years	A*1/4
5.	Where the holding period of an immovable property exceeds four years	0

\*A is the amount of gain.

### Rate for Capital Gain on Immovable Property – Tax Year 2022

Sr. No.	Amount of Gain	Rate of Tax
1.	Where the gain does not exceed Rs.5 Million	3.5%
2.	Where the gain exceeds Rs.5 Million but does not exceed Rs.10 Million	7.5%
3.	Where the gain exceeds Rs.10 Million but does not exceed Rs.15 Million	10%
4.	Where the gain exceeds Rs.15 Million	15%

### Minimum Tax on Turnover

Section 113, Division IX of Part 1 of First Schedule

By virtue of Finance Act, 2021 threshold for payment of minimum tax on turnover u/s 113 for individuals and AOPs has been increased from PKR 10 million to PKR 100 million while general rate of minimum tax has been reduced to 1.25% from 1.5%. Following are the new rates:

Sr. No.	Person(s)	Minimum Tax Rate
1.	Oil marketing companies, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited Pakistan International Airlines Corporation; and Poultry industry including poultry breeding, broiler production, egg production and poultry feed production;	0.75%
2.	Oil refineries Motorcycle dealers registered under the Sales Tax Act, 1990	0.5%
3.	Distributors of pharmaceutical products, fast moving consumer goods and cigarettes; Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; Rice mills and dealers; Tier-1 retailers of fast moving consumer goods integrated with Board Supplies through e-commerce including from running an online marketplace Persons engaged in the sale and purchase of used vehicles Flour mills	0.25%
4.	In all other cases	1.25%

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### *Incentive Introduced for REIT Schemes*

*Clause 99, Part I, Second Schedule*

By virtue of the Finance Act, 2021, the REIT schemes have been provided following further concessions:

- Exemption on profits and gains on sale of immovable property to all types of REITs is extended up to 30 June 2023; and
- Rate of tax on dividend income from REIT scheme has been reduced to 15% from 25%.

### *Exemption from Minimum Tax u/s 113 Granted to Special Economic Zones (SEZ) Enterprises*

*Clause 103D, Part I, Second Schedule*

Zone developers, Co-developers and the Zone enterprises of SEZ enjoy exemption from tax for a period of 10 years from the commencement of business but such zones were required to pay minimum tax on their turnover at the rate of 1.5% of turnover. Finance Act, 2021 has granted exemption from the minimum tax to such enterprises for the Tax Year 2021 and onwards.

### *Tax Benefits for Special Technology Zones*

*Clause 126EA of Part I, Clause 11A of Part IV, Second Schedule*

To promote technology driven industries, Finance Act, 2021 has granted the following special tax incentives to 'Technology Zones':

- Ten years' tax exemption for Special Technology Zone Authority, Zone Developers and Zone Enterprises
- Exemption from minimum tax
- Tax exemption on the import of capital goods
- Tax exemption on dividend income of private funds from investment in zone enterprises.

### *Tax Exemptions for International Buying Houses*

*Clause 149, Part I, Second Schedule*

The Finance Act, 2021 has exempted the amount remitted in foreign exchange to meet the expense of international buying houses by their principals and salary of non-resident expatriates employed/engaged by international buying houses if such expat perform duties for these buying houses.

### *Reduced Rate of Tax for Supply Chain*

*Clause 24C & 24D, Part II, Second Schedule*

The Finance Act, 2021 has introduced the reduced rate of 0.25% minimum tax and 0.25% withholding tax for distributors, dealers, sub-dealers, wholesalers and retailers of fast moving consumer goods, fertilizers, electronics excluding mobile phones, sugar, cement and edible oil subject to the following conditions:

- They appear on Active Taxpayer's List of Income Tax and Sales Tax
- In case of Tier-1 retailers, they are integrated with FBR's POS system

This reduced rate does not apply to manufacturers and importers.

### *Tax Reduction for Women Entrepreneurs*

*Clause 19, Part III, Second Schedule*

The Finance Act, 2021 has granted 25% tax reduction in tax liability in a year to any new proprietorship owned by a woman, any AOP having all women partners and a company having all women shareholder.

### *Withholding Tax Exemption for Live Animals, Meat and Hides* *Clause 46AA, Part IV, Second Schedule*

The provisions of withholding tax under section 153 shall not apply to the persons receiving payments from a company, an AOP or an individual having turnover of 50 Million Rupees or more for the supply of live animals, raw hides and unpackaged meat.

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### *Specified Rate of Tax on Income of Builders and Developers in Excess of 10 Times*

*Rule 6, Eleventh Schedule*

By virtue of the Finance Act, 2021, the income of builders and developers from a project in excess of 10 times of tax paid shall be chargeable to tax at reduced rate of 20% instead of normal rates.

### *Special Tax Regime for Manufacturing Small and Medium Enterprises*

*Fourteenth Schedule*

The Finance Act, 2021 has introduced following new tax regime for manufacturing small and medium enterprises having turnover up to 250 million rupees:

<b>Sr. No.</b>	<b>Category</b>	<b>Turnover</b>	<b>Normal Rate of Tax</b>	<b>Tax Rate in case of opting for FTR</b>
1.	Category 1	Where annual business turnover does not exceed Rupees 100 Million	7.5% of taxable income	0.25% of gross turnover
2.	Category 2	Where annual turnover exceeds Rupees 100 Million but does not exceed Rupees 250 Million	15% of taxable income	0.5% of gross turnover

## Income Tax

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### Compliance Requirement and Deadlines

#### *What Year End Can a Taxpayer Adopt?*

<b>Person</b>	<b>Tax Year Type</b>	<b>Year End</b>
Companies, AOPs and Individuals	Normal Tax Year	July 01 to June 30
Sugar	Special Tax Year	October 01 to September 30
Banking and Insurance Companies	Special Tax Year	January 01 to December 31
Ginners, Rice Huskers, Oil Mills	Special Tax Year	September 01 to August 31
Shawl Manufacturers	Special Tax Year	April 01 to March 31

#### *When to File the Return of Income?*

<b>Status</b>	<b>Year End</b>	<b>Date of Filing</b>	<b>Tax Year</b>
Salaried Individual & Non-corporate Taxpayer (falling under FTR)	June 30, 2021	September 30, 2021	2021
Other Individuals & AOPs	June 30, 2021	September 30, 2021	2021
Company (including falling under FTR)	June 30, 2021	December 31, 2021	2021
Company	September 30, 2021	September 30, 2022	2022
Company	December 31, 2021	September 30, 2022	2022

#### *When to Pay Advance Tax by an AOP or Company?*

<b>Period</b>	<b>Quarter</b>	<b>Payment Date</b>
1 <sup>st</sup> July to 30 <sup>th</sup> September	September Quarter	On or before the 25 <sup>th</sup> of September
1 <sup>st</sup> October to 31 <sup>st</sup> December	December Quarter	On or before the 25 <sup>th</sup> of December
1 <sup>st</sup> January to 31 <sup>st</sup> March	March Quarter	On or before the 25 <sup>th</sup> of March
1 <sup>st</sup> April to 30 <sup>th</sup> June	June Quarter	On or before the 15 <sup>th</sup> of June

Individuals have to pay advance tax within 15 days after the close of each quarter.

#### *Who is Required to Pay Advance Tax?*

- Every business individual whose latest assessed taxable income excluding the presumptive tax income is more than Rs. 1,000,000
- Every Association of Person
- Every Company

# Income Tax

Income Tax

## Individual and Corporate Tax Planning Guide

### Initial and First Year Allowance

- The rate of initial allowance under Section 23 shall be 25% for plant and machinery.
- The rate of first year allowance under Section 23B shall be 90%.
- From July 1, 2020, 50% depreciation will be allowed in the year of purchase and 50% in the year of disposal.

### Tax Depreciation Rates

Description	Rate
Building (all types)	10%
Furniture (including fittings) and machinery and plant (not otherwise specified), Motor vehicles (all types), ships, technical or professional books	15%
Computer hardware including printer, monitor and allied items, machinery and equipment used in manufacture of IT products, aircrafts and aero engines	30%
In case of mineral oil concerns the income of which is liable to be computed in accordance with the rules in Part-I of the Fifth Schedule: <ul style="list-style-type: none"> <li>• Offshore platform and production installations</li> </ul>	20%
A ramp built to provide access to persons with disabilities not exceeding Rs. 250,000 each	100%

### Allowances and Tax Credits

Sec	Particulars	Benefit	Limit
60	Zakat	Deductible Allowance	N/A
60A	Workers' Welfare Fund	Deductible Allowance	N/A
60B	Workers' Participation Fund	Deductible Allowance	N/A
60C	Profit on Debt	Deductible Allowance	Lower of: <ul style="list-style-type: none"> <li>• 50% percent of the taxable income; or</li> <li>• Rs. 2,000,000</li> </ul>
60D	Education Expenses	Deductible Allowance (Subject to maximum taxable income of individual for claiming deductible allowance is Rs. 1,500,000)	Lower of: <ul style="list-style-type: none"> <li>• 5% of the total tuition fee paid by the individual</li> <li>• 25% of the person's taxable income for the year; and</li> <li>• An amount computed by multiplying Rs. 60,000 with number of children of the Individual.</li> </ul>
61	Charitable Donations	Tax Credit	Tax Credit: $(A/B)*C$ A= Assessed amount of tax for the year before any tax credit. B= Taxable income for the year. C= Lower of: <ul style="list-style-type: none"> <li>• Total amount of person's donations during the year or</li> <li>• 30% of taxable income in case of individual and AOP or</li> <li>• 20% of taxable income in case of company</li> <li>• In case of Associate <ol style="list-style-type: none"> <li>1. 15% of taxable income in case of individual and AOP.</li> <li>2. 10% of taxable income in case of company.</li> </ol> </li> </ul>

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Sec	Particulars	Benefit	Limit
62	Investment in Shares and Insurance	Tax Credit (A resident person other than a company)	Tax Credit: $(A/B)*C$ A= Assessed amount of tax for the year before any tax credit. B= Taxable income for the year. C= Lower of: <ul style="list-style-type: none"> <li>• Cost of acquisition of shares / insurance premium or contribution paid or</li> <li>• 20% of Taxable income or</li> <li>• Rs.2,000,000</li> </ul>
62A	Investment in Health Insurance	Tax Credit	Tax Credit: $(A/B)*C$ A= Assessed amount of tax for the year. B= Taxable income for the year. C= Lower of: <ul style="list-style-type: none"> <li>• The total contribution or premium paid or</li> <li>• 5% of the person's taxable income or</li> <li>• Rs. 150,000</li> </ul>
63	Approved Pension Fund	Tax Credit	Tax Credit: $(A/B)*C$ A= Assessed amount of tax for the year before the allowance of tax credit under this section. B= Taxable income for the year. C= Lower of: <ul style="list-style-type: none"> <li>• The total contribution or premium paid or</li> <li>• 20% of the person's taxable income for the year as increased by 2% if an eligible person joining pension fund at the age of 41 years or above for 1<sup>st</sup> 10 years shall be allowed additional contribution of 2% per annum for each year after 40 years</li> </ul>
64B	Employment Generation by Manufacturers	Tax Credit	2% of tax payable for every 50 employees registered with The Employees Old Age Benefits Institution or the Employees Social Security Institutions of Provincial Governments subject to maximum of 10% of tax payable
64D	Point of Sale (POS)	Tax Credit	Tax Credit shall be lower of; <ul style="list-style-type: none"> <li>• Amount actually invested in purchase of point of sale machine.</li> <li>• 150,000 per machine.</li> </ul>
65E	Industrial Undertakings Established Before July 01, 2011	Tax Credit	Tax Credit: $A*(B/C)$ A= Assessed amount of tax for the year B= Equity raised through issuance of new share for cash consideration or C= Total amount invested

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Sec	Particulars	Benefit	Limit
65F	Certain persons; <ul style="list-style-type: none"> <li>• persons engaged in coal mining projects in Sindh supplying coal</li> <li>• exclusively to power generation projects.</li> <li>• Startup certified by The Pakistan Software Board for the tax year and next following 2 tax years.</li> <li>• Income from export of computer software or IT services or IT enabled services where 80% of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels.</li> </ul>	Tax Credit	100% of the tax payable under any provisions of this ordinance including; <ul style="list-style-type: none"> <li>• Minimum Tax</li> <li>• Alternate corporate tax</li> <li>• Final taxes</li> </ul>
65G	Specified Industrial Undertakings.	Tax Credit	25% of the eligible investment

# Income Tax

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## Tax Facts

### *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:

<b>Income Brackets</b>	<b>Rates</b>
Taxable income not exceeding Rs. 400,000	NIL
Taxable income exceeding Rs. 400,000 but not exceeding Rs. 600,000	5% of the amount exceeding Rs. 400,000
Taxable income exceeding Rs. 600,000 but not exceeding Rs. 1,200,000	Rs. 10,000 + 10% of the amount exceeding Rs. 600,000
Taxable income exceeding Rs. 1,200,000 but not exceeding Rs. 2,400,000	Rs. 70,000 + 15% of the amount exceeding Rs. 1,200,000
Taxable income exceeding Rs. 2,400,000 but not exceeding Rs. 3,000,000	Rs. 250,000 + 20% of the amount exceeding Rs. 2,400,000
Taxable income exceeding Rs. 3,000,000 but not exceeding Rs. 4,000,000	Rs. 370,000 + 25% of the amount exceeding Rs. 3,000,000
Taxable income exceeding Rs. 4,000,000 but not exceeding Rs. 6,000,000	Rs. 620,000 + 30% of the amount exceeding Rs. 4,000,000
Taxable income exceeding Rs. 6,000,000	Rs. 1,220,000 + 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:

<b>Income Brackets</b>	<b>Rates</b>
Taxable income not exceeding Rs. 600,000	NIL
Taxable income exceeding Rs. 600,000 but not exceeding Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
Taxable income exceeding Rs. 1,200,000 but not exceeding Rs. 1,800,000	Rs. 30,000 + 10% of the amount exceeding Rs. 1,200,000
Taxable income exceeding Rs. 1,800,000 but not exceeding Rs. 2,500,000	Rs. 90,000 + 15% of the amount exceeding Rs. 1,800,000
Taxable income exceeding Rs. 2,500,000 but not exceeding Rs. 3,500,000	Rs. 195,000 + 17.5% of the amount exceeding Rs. 2,500,000
Taxable income exceeding Rs. 3,500,000 but not exceeding Rs. 5,000,000	Rs. 370,000 + 20% of the amount exceeding Rs. 3,500,000
Taxable income exceeding Rs. 5,000,000 but not exceeding Rs. 8,000,000	Rs. 670,000 + 22.5% of the amount exceeding Rs. 5,000,000
Taxable income exceeding Rs. 8,000,000 but not exceeding Rs. 12,000,000	Rs. 1,345,000 + 25% of the amount exceeding Rs. 8,000,000
Taxable income exceeding Rs. 12,000,000 but not exceeding Rs. 30,000,000	Rs. 2,345,000 + 27.5% of the amount exceeding Rs. 12,000,000
Taxable income exceeding Rs. 30,000,000 but not exceeding Rs. 50,000,000	Rs. 7,295,000 + 30% of the amount exceeding Rs. 30,000,000
Taxable income exceeding Rs. 50,000,000 but not exceeding Rs. 75,000,000	Rs. 13,295,000 + 32.5% of the amount exceeding Rs. 50,000,000
Taxable income exceeding Rs. 75,000,000	Rs. 21,420,000 + 35% of the amount exceeding Rs. 75,000,000

## Income Tax

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### Tax Rate on Rental Income for Individuals and AOP

In Division V, Part III of First Schedule the following new rates have been inserted:

Sr. No.	Gross Amount of Rent	Rate of Tax
1.	Where the gross amount of rent does not exceed Rs. 300,000	Nil
2.	Where the gross amount of rent exceeds Rs. 300,000 but does not exceed Rs. 600,000	5% of the gross amount exceeding Rs. 300, 000
3.	Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 2,000,000	Rs. 15,000 + 10% of the gross amount exceeding Rs. 600, 000
4.	Where the gross amount of rent exceed Rs. 2,000,000	Rs. 155,000 + 25% of the gross amount exceeding Rs. 2,000, 000

Every person making payment to a company on account of rent is required to deduct tax @ 15%.

### Capital Gain on Disposal of Securities

The rate of tax to be paid under section 37A shall be as follow:

Sr. No.	Holding Period	Tax Year 2021
1.	Where holding period of a security is less than 12 months	12.5%
2.	Where holding period of a security is 12 months or more but less than 24 months	12.5%
3.	Where the holding period of a security is 24 months or more, but the security was acquired on or after 1st July, 2013	12.5%
4.	Where the security was acquired before 1st July, 2013	0%
5.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%

### Capital Gain on Disposal of Immovable Properties

Division VIII, Part 1, First Schedule

The amount of any gain arising on disposal of an immovable property shall be computed as per the below table:

Sr. No.	Holding period	Gain
1.	Where the holding period of an immovable property does not exceed one year	*A
2.	Where the holding period of an immovable property exceeds one year but does not exceed two years	A*3/4
3.	Where the holding period of an immovable property exceeds two years but does not exceed three years	A*1/2
4.	Where the holding period of an immovable property exceeds three years but does not exceed four years	A*1/4
5.	Where the holding period of an immovable property exceeds four years	0

\*A is the amount of gain.

### Rate for Capital Gain on Immovable Property – Tax Year 2022

Sr. No.	Amount of Gain	Rate of Tax
1.	Where the gain does not exceed Rs.5 Million	3.5%
2.	Where the gain exceeds Rs.5 Million but does not exceed Rs.10 Million	7.5%
3.	Where the gain exceeds Rs.10 Million but does not exceed Rs.15 Million	10%
4.	Where the gain exceeds Rs.15 Million	15%

## Income Tax

Income Tax

### Minimum Tax

Persons	Threshold of Turnover	Rate Application
Individual	100 million	1.25%
Association of Persons	100 million	1.25%
Companies	N/A	1.25%

### Rate for Computation of Tax Liability

The rates of tax imposed on builder and developer are given in the table below:

#### Rate of Tax for Builder

Area	Commercial Building Any Size	Residential Building up to 3000 square feet	Residential Building more than 3000 square feet
Karachi, Lahore, Islamabad	Rs. 250	Rs. 80	Rs. 125
Hyderabad, Sukker, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta	Rs. 230	Rs. 65	Rs. 110
Urban Areas not specified	Rs. 210	Rs. 50	Rs. 100

#### Rate of Tax for Developer

Area	Entire Project other than Industrial Area (Any Size)	Development of Industrial Area (Any Size)
Karachi, Lahore, Islamabad	Rs. 150	Rs. 20
Hyderabad, Sukker, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta	Rs. 130	Rs. 20
Urban Areas not specified	Rs. 100	Rs. 10

- In case of mixed use buildings having both commercial and residential areas, the respective rates mentioned above shall apply.
- In case of development of plots and constructing buildings on the same plots as one project both rates shall apply.
- In case of development of plots and construction of buildings on the same plots for low cost housing and all the projects developed by NAPHDA the higher rates shall apply.

#### Tax Rate for Companies

Company	Rate for the Tax Year	
	2021	2022
Banking Company	35%	35%
Public Company (other than a banking company)	29%	29%
Private Company (other than a banking company)	29%	29%
Small Company having turnover up to Rs. 250 million	22%	21%
Modaraba	25%	25%

**WITHHOLDING TAX RATE CARD**

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
<b>Section 148 – Imports</b>		
Import of goods classified in Part I of the Twelfth Schedule	1% of import value	MTR - Commercial Imports Adjustable - Industrial Undertaking Usage
Import of goods classified in Part II of the Twelfth Schedule	2% of import value	
Import of goods classified in Part III of the Twelfth Schedule	5.5% of import value	
Manufacturer covered under SRO. 1125(i)/2011 dated 21.12.2011 and importing items covered under this SRO.	1%	MTR
Persons importing finished pharmaceutical products not manufactured in Pakistan as certified by Drug Regularity Authority of Pakistan	4%	MTR
<b>Section 149 – Salary</b>		
Salary paid by Employer	Average Rate of Tax	NTR
<b>Section 150 – Dividend</b>		
Dividend paid by independent power purchaser	7.5%	FTR
Other Companies and Mutual funds	15%	FTR
Dividend paid by a company where no tax is payable by such company due to exemption of income etc.	25%	FTR
<b>Section 151 - Profit on Debt</b>		
Profit on debt	15%	FTR- upto Rs. 5M NTR- if exceeds Rs. 5M
<b>Section 152 - Payment to Non-Resident</b>		
Royalty or Fee for technical services	15%	FTR
Offshore digital services	5%	FTR
Contract for construction, assembly, installation projects, supervisory activities and advertisement services by TV satellite channel	7%	MTR
Payment of insurance or re-insurance premium	5%	MTR
Payment for advertisement services to media person	10%	MTR
Payment for foreign produced commercial for advertisements on any television channel or any other media	20%	FTR
Other payments to non-resident except payments covered under section 149, 150, 156 and 233.	20%	FTR
Sale of goods to companies	4%	MTR
Sale of goods to other persons	4.5%	MTR
Rendering of transport, freight forwarding, air cargo, courier, manpower, hotel, security guard, software development, IT, tracking, advertising (other than by print or electronic media), share register, engineering, car rental, building maintenance services and services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services	3%	MTR

<b>Nature of Payment / Transaction</b>	<b>Standard Tax Rate</b>	<b>Tax Regime/Adjustable</b>
Rendering of Services: <ul style="list-style-type: none"> <li>• Company</li> <li>• Other than company</li> </ul>	8% 10%	MTR
Execution of Contract (other than for supply of goods & rendering of service): <ul style="list-style-type: none"> <li>• Sportsperson</li> <li>• Other than sportsperson</li> </ul>	10% 7%	MTR
Profit on debt paid to Individual	10%	FTR
<b>Section 153 - Payments for Goods, Services and Contracts</b>		
<b>Sale of Goods:</b> <ul style="list-style-type: none"> <li>• Sale of rice, cotton seed or edible oil</li> <li>• Sale by distributors, dealers, sub dealers, wholesalers and retailers of FMCG goods, fertilizers, electronics excluding mobile phones, sugar, cement and edible oil</li> <li>• Sale by distributors of cigarettes and pharmaceutical products</li> <li>• Sale of any other goods including Toll Manufacturing:               <ul style="list-style-type: none"> <li>i. Company</li> <li>ii. Other than company</li> </ul> </li> </ul>	1.5%  0.25%  1%  4% 4.5%	MTR  MTR  MTR  NTR MTR
<b>Rendering of Services:</b> <ul style="list-style-type: none"> <li>• Rendering of transport, freight forwarding, air cargo, courier, manpower, hotel, security guard, software development, IT, tracking, advertising (other than by print or electronic media), share register, engineering, car rental, building maintenance services and services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services.</li> <li>• Other services:               <ul style="list-style-type: none"> <li>i. Company</li> <li>ii. Other than company</li> </ul> </li> <li>• Payment to electric or printing media for advertisement service</li> </ul>	3%    8% 10% 1.5%	MTR
<b>Execution of Contract (other than supply of goods &amp; rendering of services):</b> <ul style="list-style-type: none"> <li>• Sportsperson</li> <li>• Company</li> <li>• Other case</li> </ul>	10% 6.5% 7%	MTR NTR MTR
Exporter or export house for rendering of service of stitching, dying, printing, embroidery, washing, sizing and weaving	1%	MTR

<i>Nature of Payment / Transaction</i>	<i>Standard Tax Rate</i>	<i>Tax Regime/Adjustable</i>
<b>Section 154 – Exports</b>		
Export of goods	1%	FTR
Proceeds on account of indenting commission	5%	FTR
For sale proceeds of goods to exporter under Back to Back LC or any other arrangement	1%	FTR
Export processing zone	1%	FTR
Direct exporter and registered export house	1%	FTR
Collector of customs	1%	FTR
<b>Section 154A - Export of Services</b>		
Export of Services	1%	FTR
<b>Section 155 - Income from Property</b>		
<ul style="list-style-type: none"> <li>• <i>In case of Individual and AOP</i> <ul style="list-style-type: none"> <li>i. Where the gross amount of rent does not exceed Rs. 300,000</li> <li>ii. Where the gross amount of rent exceeds Rs. 300,000 but does not exceed Rs. 600,000</li> <li>iii. Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 2,000,000</li> <li>iv. Where the gross amount of rent exceeds Rs. 2,000,000</li> </ul> </li> <li>• <i>In case of Company</i></li> </ul>	<p style="text-align: center;">Nil</p> <p style="text-align: center;">5% of the gross amount exceeding Rs. 300,000</p> <p style="text-align: center;">Rs. 15,000 + 10% of the gross amount exceeding Rs. 600,000</p> <p style="text-align: center;">Rs. 155,000 + 25% of the gross amount exceeding Rs. 2,000,000</p> <p style="text-align: center;">15%</p>	<p style="text-align: center;">NTR</p> <p style="text-align: center;">NTR</p>
<b>Section 156 - Prizes and Winnings</b>		
Prize on prize bonds or crossword puzzle	15%	FTR
Prize on winning of the quiz, winning from raffle, lottery & prize offered by companies for promotion on sales	20%	FTR
<b>Section 156A - Petroleum Products</b>		
Payment of commission to petrol pump operators	12%	FTR

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
<b>Section 231B - Advance Tax on Private Motor Vehicles</b>		
<b>Purchase of motor vehicle having engine capacity:</b> <ul style="list-style-type: none"> <li>• Up to 850CC</li> <li>• 851CC to 1000CC</li> <li>• 1001CC to 1300CC</li> <li>• 1301CC to 1600CC</li> <li>• 1601CC to 1800CC</li> <li>• 1801CC to 2000CC</li> <li>• 2001CC to 2500CC</li> <li>• 2501CC to 3000CC</li> <li>• Above 3000CC</li> </ul>	Rs. 7,500 Rs. 15,000 Rs. 25,000 Rs. 50,000 Rs. 75,000 Rs. 100,000 Rs. 150,000 Rs. 200,000 Rs. 250,000	Adjustable
Leased Motor Vehicles	4% the of Value of Motor Vehicle (Only in case of In-Active Taxpayers)	Adjustable
<b>Transfer of registration or ownership of a private motor vehicle manufactured locally having engine capacity:</b> <ul style="list-style-type: none"> <li>• Up to 850CC</li> <li>• 851CC to 1000CC</li> <li>• 1001CC to 1300CC</li> <li>• 1301CC to 1600CC</li> <li>• 1601CC to 1800CC</li> <li>• 1801CC to 2000CC</li> <li>• 2001CC to 2500CC</li> <li>• 2501CC to 3000CC</li> <li>• Above 3000CC</li> </ul>	Nil Rs. 5,000 Rs. 7,500 Rs. 12,500 Rs. 18,750 Rs. 25,000 Rs. 37,500 Rs. 50,000 Rs. 62,500	Adjustable
<b>Sale of locally manufactured motor vehicle prior to registration having engine capacity:</b> <ul style="list-style-type: none"> <li>• Up to 1000CC</li> <li>• 1001CC to 2000CC</li> <li>• 2001CC and Above</li> </ul>	Rs. 50,000 Rs. 100,000 Rs. 200,000	Adjustable
<b>Section 233 - Brokerage and Commission</b>		
Advertising agents	10%	MTR
All others	12%	MTR
Life Insurance Agents where commission received is less than Rs. 0.5 Million per annum	8%	MTR

## Income Tax

Income Tax

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
<b>Section 234 - Tax on Motor Vehicles</b>		
<b>In case of passenger transport vehicle having seating capacity of:</b> <ul style="list-style-type: none"> <li>• 4 or more people but less than 10 person</li> <li>• 10 or more people but less than 20 person</li> <li>• 20 or more people</li> </ul>	Rs. 50 per Seat Rs. 100 per Seat Rs. 300 per Seat	Adjustable
<b>Other private motor car having engine capacity of:</b> <ul style="list-style-type: none"> <li>• Up to 1000CC</li> <li>• 1001CC to 1199CC</li> <li>• 1200CC to 1299CC</li> <li>• 1300CC to 1499CC</li> <li>• 1500CC to 1599CC</li> <li>• 1600CC to 1999CC</li> <li>• 2000CC and above</li> </ul>	Rs. 800 Rs. 1,500 Rs. 1,750 Rs. 2,500 Rs. 3,750 Rs. 4,500 Rs. 10,000	Adjustable
<b>Where the motor vehicle tax is collected in lump sum:</b> <ul style="list-style-type: none"> <li>• Up to 1000CC</li> <li>• 1001CC to 1199CC</li> <li>• 1200CC to 1299CC</li> <li>• 1300CC to 1499CC</li> <li>• 1500CC to 1599CC</li> <li>• 1600CC to 1999CC</li> <li>• 2000CC and above</li> </ul>	Rs. 10,000 Rs. 18,000 Rs. 20,000 Rs. 30,000 Rs. 45,000 Rs. 60,000 Rs. 120,000	Adjustable
<b>Section 235 - Electricity Consumption</b>		
<b>Where the amount of bill:</b> <ul style="list-style-type: none"> <li>• Does not exceed Rs. 500</li> <li>• Exceeds Rs. 500 but does not exceed Rs. 20,000</li> <li>• Exceeds Rs. 20,000               <ul style="list-style-type: none"> <li>○ For Commercial Consumer</li> <li>○ For Industrial Consumer</li> </ul> </li> </ul>	Nil 10% of Amount  Rs. 1,950 + 12% exceeding Rs. 200,000 Rs. 1,950 + 5% exceeding Rs. 200,000	<u><b>Other than company</b></u>  MTR-up to bill amount Rs. 360,000/annum  Adjustable-bill amount exceeding Rs. 30,000/month
<b>Domestic Electricity Consumption:</b> Where the amount of bill <ul style="list-style-type: none"> <li>• Less than Rs. 25,000</li> <li>• Rs. 25,000 or more</li> </ul>	Nil 7.5%	Adjustable

<b>Nature of Payment / Transaction</b>	<b>Standard Tax Rate</b>	<b>Tax Regime/ Adjustable</b>
<b>Section 236 - Telephone and Internet Users</b>		
Telephone subscriber where the monthly bill exceeds Rs. 1,000	10%	Adjustable
Subscriber of internet, mobile telephone and pre-paid internet or telephone cards	10%	Adjustable
<b>Section 236A – Advance Tax at the Time Sale by Auction</b>		
Sale of any property or goods by auction	10%	Adjustable
Tax collected on the lease of the right to collect tolls	10%	Final
Sale of immovable property by auction	5%	Adjustable
<b>Section 236C - Advance Tax on Sale or Transfer of Immovable Property</b>		
Sale or transfer of immovable property	1%	NTR
<b>Section 236G - Advance Tax on Sales to Distributors, Dealers and Wholesalers</b>		
<ul style="list-style-type: none"> <li>• Fertilizers (If Person appears in ATLS)</li> <li>• Fertilizers Other than above</li> <li>• Other than Fertilizers</li> </ul>	0.25% 0.7% 0.1%	NTR
<b>Section-236H Advance Tax on Sales to Retailers</b>		
Sales to retailers	0.5%	NTR
<b>Section-236I Collection of Advance Tax by Educational Institutions</b>		
Tax on fee paid by a resident person to an educational institution	5% of the amount of fee exceeding Rs. 200,000 (Only in case of In-Active Taxpayers)	Adjustable
<b>Section-236K Advance Tax on Purchase or Transfer of Immovable Property</b>		
Fair market value of immovable property	1%	Adjustable
<b>Section-236Q Payment to Residents for Use of Machinery and Equipment</b>		
Payment to residents for use of machinery and equipment	10% of the amount of payment	MTR

**Notes:**

- NTR = Normal Tax Regime, MTR = Minimum Tax Regime, FTR = Final Tax Regime
- For Inactive Taxpayers, withholding tax rate will be increased by 100%

**SIGNIFICANT SALES TAX AMENDMENTS*****Cottage Industry Qualification Threshold Rationalized******Section 2(5AB)***

The Finance Act, 2021 has enhanced the threshold of supplies from Rupees 3 Million to Rupees 10 Million to qualify as a cottage industry.

***Scope of Online Market Place Widened******Section 2(18A)***

In view of the on-going advancement in online businesses and in the wake of recent inclusion of Pakistan in Sellers' List of e-commerce giant, Amazon, a new definition relates to Online Market Place has been introduced as follows:

**"Online market place"** includes an electronic interface such as a market place, e-commerce platform, portal or similar means which facilitate sale of goods, including third party sale, in any of the following manner, namely:

- by controlling the terms and conditions of the sale
- authorizing the charge to the customers in respect of the payment for the supply
- ordering or delivering the goods.

***Definition of Tier 1 Retailer Broadened******Section 2(43A)***

The definition of Tier-1 Retailers has been broadened with the inclusion of online market place and retailers accepting debit/ credit cards or any other digital payments. In case of furniture retail outlet, the area basis for falling under the Tier-1 Retailer category has been increased from 1000 square feet to 2000 square feet.

***Anomaly in Definition of Time of Supply Removed******Section 2(44)***

Anomaly in definition of 'Time of Supply' has been removed whereby the expression "or the time when any payment is received by the supplier in respect of that supply, whichever is earlier" has been omitted. After the proposed amendment, following would be the 'Time of Supply':

"Time of Supply", in relation to

a supply of goods, other than under hire purchase agreement, means the time at which the goods are delivered or made available to the recipient of the supply.....

***Scope of Tax Broadened******Section 3(9AA)***

The Finance Act, 2021 has broadened the scope of tax of specific sector by considering the minimum production for the month of goods specified in Thirteenth Schedule on basis of goods consumed in production process as per criterion specified in Thirteenth Schedule. Moreover, minimum production shall be treated as quantity supplied if minimum production determined exceeds the actual supplies for the month and the tax liability shall be paid accordingly.

***Scope of Input Tax Adjustment******Section 8B***

Adjustment of input tax in excess of 90% of the output tax was not allowed to any person other than capital goods or fixed assets. For the public limited companies listed on Pakistan Stock Exchange, this restriction of 90% adjustment is no longer applicable.

Moreover, the Finance Act, 2021 has reduced the adjustable input tax on Tier-I retailers to 60% for the tax period if that retailer does not integrate his retail outlet with FBR's computerized system for real-time reporting of sales.

***Retention of Electronic Records Mandated******Section 22***

The Finance Act, 2021 mandatorily require all registered persons to maintain electronic records in addition to manual records.

## Sales Tax

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Sales Tax

### *Transactions between Associates*

**Section 25(AA)**

The Finance Act, 2021 has empowered the Board to prescribe transfer pricing rules for transactions between associates based upon the arm's length principle.

### *Power of Extension of Time for Furnishing Returns Granted*

**Section 26(AB)**

The Finance Act, 2021 has granted the registered person facility of seeking extension in time to furnish the sales tax return. The Commissioner may grant extension for a period of fifteen days' maximum due to any of the following reasons provided by the registered person:

- i. absence from Pakistan;
- ii. sickness or other misadventure; or
- iii. any other reasonable cause.

### *Recovery of Arrears of Taxes Extended to Foreign Jurisdictions*

**Section 48**

The Finance Act, 2021 has extended the powers to foreign jurisdiction under a tax treaty, bilateral or a multilateral convention, and inter-governmental agreement or similar agreement or mechanism regarding assistance in collection and recovery of taxes.

### *Assistance in Recovery of Taxes and Exchange of Information*

**Section 56A**

The Board now has the powers to share data or information including real time data videos, images with any other Ministry or Division of the Federal/Provincial Government. Furthermore, the Federal Government may enter into bilateral or multilateral convention, and inter-governmental agreement or similar agreement or mechanism for assistance in the recovery of taxes.

### *Concept of Mystery Shopping Introduced*

**Section 56C**

The Finance Act, 2021 has introduced the concept of "Mystery Shopping" for sample checking to evaluate the authenticity of the system to check the evasion in respect of invoices issued by Tier-1 retailers integrated with FBR online system.

### *Compensation in Case of Delayed Refunds*

**Section 67**

Refunds due in the consequence of any order passed under section 66 if not made within forty-five days of date of such order, there shall be paid to the claimant in addition to the amount of the refund due to him, a further sum equal to KIBOR per annum of the amount of refund, due from the date of the refund order.

### *Concept of Constructive Payment Amounts Receivable/Payable to the Same Person*

**Section 73**

The Finance Act has incorporated the concept of constructive payment under for the admissibility of the transaction. The provisions of section 73 seeks to encompass adjustments made by a registered person in respect of amounts payable and receivable to and from the same party shall be treated as payments satisfying the provisions of this sub-section subject to following conditions, namely:

- i. sales tax has been charged and paid by both parties under the relevant provisions of this Act and rules prescribed thereunder, wherever applicable; and
- ii. the registered person has sought prior approval of the Commissioner before making such adjustments.

## Sales Tax

Sales Tax

### Taxation of Sugar Revised

The Finance Act, 2021 took initiative to put effective control mechanism for sugar to ensure the due payment of tax by including the sugar in Third Schedule to Sales Tax Act, 1990 which allows to charge sales tax on actual retail price at manufacturing stage.

### Tax Facts for Jewelry Sector

Description	Rate	Condition
Gold, in unworked condition	1%	
Silver, in unworked condition	1%	
Articles of Jewelry, or parts thereof, of precious metal or of metal clad with precious metal	1.5% of value of gold, plus 2% of value of diamond, used therein, plus 3% of making charges	No input tax adjustment to be allowed except of the tax paid on gold

### Fifth Schedule - Zero Rated Goods

#### Deletions from Fifth Schedule

Sr. No.	Description
1	<ul style="list-style-type: none"> <li>• Supply, repair or maintenance of any ship which is neither;               <ul style="list-style-type: none"> <li>○ a ship of gross tonnage of less than 15 LDT; nor</li> <li>○ a ship designed or adapted for use for recreation or pleasure.</li> </ul> </li> <li>• Supply, repair or maintenance of any aircraft which is neither;               <ul style="list-style-type: none"> <li>○ an aircraft of weight - less than 8000 kilograms; nor</li> <li>○ an aircraft designed or adapted for use for recreation or pleasure.</li> </ul> </li> <li>• Supply of spare parts and equipment for ships and aircraft mentioned above.</li> <li>• Supply of equipment and machinery for pilot age, salvage or towage services.</li> <li>• Supply of equipment and machinery for air navigation services.</li> <li>• Supply of equipment and machinery for other services provided for the handling of ships or aircraft in a port or Customs Airport.</li> </ul>
6	Supplies of such locally manufactured plant and machinery to petroleum and gas sector Exploration and Production companies, their contractors and sub-contractors] as may be specified by the Federal Government, by notification in the official Gazette, subject to such conditions and restrictions as may be specified in such notification.]
10	Petroleum Crude Oil (PCT heading 2709.0000).
11	Raw materials, components, sub-components and parts, if imported or purchased locally for use in the manufacturing of such plants and machinery as is chargeable to sales tax at the rate of zero percent, subject to the condition that the importer or purchaser of such goods holds a valid sales tax registration showing his registration category as "manufacturer"; and in case of import , all the conditions, restrictions, limitations and procedures as are imposed by notification under section 19 of the Customs Act, 1969(IV of 1969)

## Sales Tax

*Sales Tax*

### Addition in Fifth Schedule

Sr. No.	Description
15	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
16	Milk (PCT heading 04.01).
17	Fat filled milk excluding that sold in retail packing under a brand name or a trademark (PCT heading 1901.9090).
18	<ul style="list-style-type: none"> <li>• Supply, repair or maintenance of any ship which is neither;               <ul style="list-style-type: none"> <li>○ a ship of gross tonnage of less than 15 LDT;</li> <li>○ nor a ship designed or adapted for use for recreation or pleasure.</li> </ul> </li> <li>• Supply of spare parts and equipment for ships falling under (i) above.</li> <li>• Supply of equipment and machinery for salvage or towage services.</li> <li>• Supply of equipment and machinery for other services provided for the handling of ships in a port.</li> </ul>

### Sixth Schedule-Exempt Goods

#### Deletions in Sixth Schedule

Sr. No.	Description
22	Beet Sugar
24	Edible oils and vegetable ghee, including cooking oil, on which Federal Excise Duty is charged, levied and collected by a registered manufacturer or importer as if it were a tax payable under section 3 of the Act.
26	Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged.
27	Ice and waters excluding those for sale under brand names or trademarks.
29	Table salt including iodized salt excluding salt sold in retail packing bearing brand names and trademarks.
29 C	Glass bangles
73	Milk
73 A	Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name
74	Flavored milk, excluding that sold in retail packing under a brand name
75	Yogurt, excluding that sold in retail packing under a brand name
76	Whey, excluding that sold in retail packing under a brand name
77	Butter, excluding that sold in retail packing under a brand name
78	Desi ghee, excluding that sold in retail packing under a brand name
79	Cheese, excluding that sold in retail packing under a brand name
80	Processed cheese not grated or powdered, excluding that sold in retail
82	Frozen prepared or preserved sausages and similar products of poultry meat or meat offal, excluding those sold in retail packing under a brand name or a trademark
83	Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish, excluding those sold in retail packing under a brand name or a trademark
85	Fat filled milk excluding that sold in retail packing under a brand name
91	Energy saver lamps
93	Bicycles
101	Raw and pickled hides and skins, wet blue hides and skins, finished leather, and accessories, components and trimmings, if imported by a registered leather goods manufacturer, for the manufacture of goods wholly for export, provided that conditions, procedures and restrictions laid down in rules 264 to 278 of the Customs Rules, 2001 are duly fulfilled and complied with.

## Sales Tax

*Sales Tax*

<b>Sr. No</b>	<b>Description</b>
103	Import and supply thereof, up to the year 1 [2030], of ships and all floating crafts including tugs, dredgers, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity and flying the Pakistan flag, except ships or crafts acquired for demolition purposes or are designed or adapted for use for recreation or pleasure purposes, subject to the condition that such ships or crafts are used only for the purpose for which they were procured and in case such ships or crafts are used only for the purpose for which they were procured, and in case such ships or crafts are used for demolition purposes within a period of five years of their acquisition, sales tax applicable to such ships purchased for demolition purposes shall be chargeable.
106	Import of Halal edible offal of bovine animals
108	Components or sub-components of energy saver lamps, namely: <ul style="list-style-type: none"> <li>• Electronic Circuit</li> <li>• Plastic Caps (upper and lower)</li> <li>• Base Caps B22 and E27</li> <li>• Tungsten Filaments</li> <li>• Lead-in-wire</li> <li>• Fluorescent powder (Tri Band Phosphor)</li> <li>• Adhesive Additive</li> <li>• Al-oxide Suspension</li> <li>• Capping Cement</li> <li>• Stamp Pad Ink</li> <li>• Gutter for Suspension</li> </ul>
115	Plant, machinery and equipment imported for setting up fruit processing and preservation units in Gilgit-Baltistan, Baluchistan Province and Malakand Division subject to the same conditions and procedure as are applicable for import of such plant, machinery and equipment under the Customs Act, 1969 (IV of 1969).
123	Aircraft, whether imported or acquired on wet or dry lease
124	Maintenance kits for use in trainer aircrafts of PCT headings 8802.2000 and 8802.3000
125	Spare parts for use in aircrafts, trainer aircrafts or simulators
128	Aviation simulators imported by airline company recognized by Aviation Division
153	Steel billets, ingots, ship plates, bars and other long re-rolled profiles, on such imports and supplies by the manufacturer on which federal excise duty is payable in sales tax mode

### Additions in Sixth Schedule –Table-1

<b>Sr. No.</b>	<b>Description</b>
133	White spirit Solvent oil
157	Import of CKD (in kit form) of following electric vehicles (4 wheelers) by local manufacturers till 30th June, 2026: <ul style="list-style-type: none"> <li>• Small cars/SUVs with 50 Kwh battery or below; and</li> <li>• Light commercial vehicles (LCVs) with 150 kwh battery or below</li> </ul>
158	Goods temporarily imported into Pakistan by International Athletes which shall be subsequently taken by them within 120 days of temporary import
159	Import of auto disable Syringes till 30th June, 2021 <ul style="list-style-type: none"> <li>• with needles</li> <li>• without needles</li> </ul>
160	Import of following raw materials for the manufacturers of auto disable syringes till 30th June, 2021 <ul style="list-style-type: none"> <li>• Tubular metal needles</li> <li>• Rubber Gaskets</li> </ul>
161	Import of plant, machinery, equipment and raw materials for consumption of these items within Special Technology Zone by the Special Technology Zone Authority, zone developers and zone enterprises
162	Import of raw materials, components, parts and plant and machinery by registered persons authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions

## Sales Tax

Sales Tax

### Deletions in Sixth Schedule-Table-2

Sr. No.	Description
17	Raw and pickled hides and skins, wet blue hides and skins
18	Supplies made by manufacturers of marble and granite having annual turnover less than five million rupees even if their annual utility bill is more than eight hundred thousand rupees
19	Bricks (up to 30th June, 2018)
20	Crushed stone (up to 30th June, 2018)
24	LED or SMD lights and bulbs meant for conservation of energy
25	Cotton seed oil

### Addition in Sixth Schedule-Table-2

Sr. No.	Description
26	Supply of locally produced silos till 30.06.2026
27	White Bran
28	Beet Sugar
29	Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged
30	Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name
31	Flavored milk, excluding that sold in retail packing under a brand name
32	Yogurt, excluding that sold in retail packing under a brand name
33	Whey, excluding that sold in retail packing under a brand name
34	Butter, excluding that sold in retail packing under a brand name
35	Desi ghee, excluding that sold in retail packing under a brand name
36	Cheese, excluding that sold in retail packing under a brand name
37	Processed cheese not grated or powdered, excluding that sold in retail packing under a brand name
38	Sausages and similar products of poultry meat or meat offal excluding sold in retail packing under a brand name or trademark
39	Products of meat or meat offal excluding sold in retail packing under a brand name or trademark

### Addition in Sixth Schedule Table-3

Sr. No.	Description
21	Import of POS Machine POS machines imported for installation on retail outlets as are integrated with the Board's computerized system for real-time reporting of sales

### Eighth Schedule-Reduced Rate

#### Omissions in Table-1

Sr. No.	Description
1	Soya Bean meal
5	Raw cotton and ginned cotton
19	Waste paper
22	Soya been and Seed
50	LNG/RNG
51	LNG/RNG
65	Ginned Cotton
67	LNG imported for servicing CNG sector and local supplies thereof

## Sales Tax

Sales Tax

### Additions in Table 1

Sr. No.	Description	Sales Tax Rate	Condition
71	Following locally manufactured or assembled electric vehicles (4 wheelers) till 30th June, 2026: (i) Small cars/ SUVs with 50 Kwh battery or below; and (ii) Light commercial vehicles (LCVs) with 150 kwh battery or below	1%	If Supplied locally
72	Motor Cars	12.5%	Locally manufactured or assembled motorcars of cylinder capacity up to 1000cc
73	Import and local supply of Hybrid Electric Vehicles: (a) Up to 1800 cc (b) From 1801 cc to 2500 cc	8.5% 12.75%	
74	Goods supplied from tax-exempt areas of erstwhile FATA/PATA to the taxable areas	16%	

#### Withdrawal of Fixed Sales Tax on SIM Card

#### Ninth Schedule (Table-I)

Fixed sales tax on SIM cards charged at Rs. 250/- per SIM card under the provision of Table-I of Ninth Schedule of the Sales Tax Act, 1990 has been abolished with effect from July 1, 2020.

#### Withholding Regime for Suppliers of Lead

#### Eleventh Schedule

In order to collect sales tax and avoid any tax evasion, 75% of the applicable sales tax is required to be withheld on Lead and used Lead Batteries.

#### Withholding Regime for Online Market Places

#### Eleventh Schedule

Online market places are required to withhold sales tax at the rate of 2% of gross value of supplies made by inactive taxpayers.

#### Exemption from VAT to Electric Vehicles and Motor Vehicle

#### Clause 2, Twelfth Schedule

Finance Act, 2021 has withdrawn minimum VAT under Twelfth Schedule from the following vehicles:

- Electric vehicles (4 wheelers) CKD kits for small cars/SUVs, with 50 kwh battery or below and LCVs with 150 kwh battery of below till 30th June, 2026;
- Electric vehicles (4 wheelers) small cars/SUVs, with 50 kwh battery or below and LCVs with 150 kwh battery of below in CBU condition till 30th June, 2026;
- Electric vehicles (2-3 wheelers and heavy commercial vehicles) in CBU condition till 30th June, 2025;
- Motor cars of cylinder capacity up to 850CC.



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