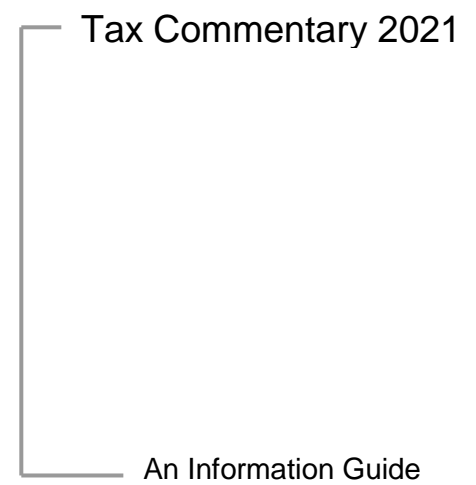




2021 Finance Bill  
Tax Commentary





—— This page is intentionally left blank ——

## 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, 2021, 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, 2021. 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 2021-2022.

This publication is the property of Crowe Pakistan and is compiled for the exclusive use of its clients and employees. No part of this publication may be reproduced except with prior permission of Crowe Pakistan.

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, 2021

[www.crowe.pk](http://www.crowe.pk)

———— This page is intentionally left blank ————

## Table of Contents

<b>Salient Features of the Budget 2021-2022 .....</b>	<b>8</b>
Comparative Budgetary Position .....	9
<b>Finance Bill 2021 Highlights .....</b>	<b>14</b>
<b>Income Tax Ordinance, 2001 .....</b>	<b>17</b>
<b>Sales Tax Act, 1990 .....</b>	<b>42</b>
<b>Federal Excise Act, 2005 .....</b>	<b>53</b>
<b>Customs Act, 1969 .....</b>	<b>56</b>

———— This page is intentionally left blank ————



## Budget, 2021-2022

---

*Budget, 2021-2022*

### **Salient Features of the Budget 2021-2022**

The salient features of the budget 2021-2022 are as follows:

- The total outlay of budget 2021-22 is Rs 7,909 billion, 20 percent higher than the size of budget estimates of 2020-21.
- The net revenue receipts for 2021-22 have been estimated at Rs 4,497.11 billion indicating an increase of 21.5 percent over the budget estimates of 2020-21.
- The provincial share in federal taxes is estimated at Rs 3,411.85 billion during 2021-22, which is 18.7 percent higher than the budget estimates of 2020-21.
- The net capital receipts for 2021-22 have been estimated at Rs 1,439.88 billion against the budget estimates of Rs 1,326.05 billion in the year 2020-21 reflecting an increase of 8.6 percent.
- The external receipts in 2021-22 are estimated at Rs 2,747.79 billion, this shows an increase of 23.6 percent over the budget estimates of 2020-21.
- The overall expenditure during 2021-22 has been estimated at Rs 6,345.12 billion, out of which current expenditure is Rs 7,523.24 billion.
- The expenditure on General Public Services is estimated at Rs 5,435.20 billion, which is 72.2 percent of the current expenditure.
- The overall fiscal deficit for 2021-22 is estimated at 6.3 percent as opposed to the revised estimate of 7.1 percent for the current fiscal year.
- The allocation for Ehsaas program, including that for Pakistan Bait al Maal and Poverty Alleviation Fund, has been increased from revised estimate of FY 2020-21 of Rs 210 billion to Rs 260 billion, reflecting an increase of 24 percent. This is by far the highest amount allocated for the lower income segments of our society. This is an important measure when the poor and vulnerable groups are affected because of ravages wrought by the pandemic.

## Comparative Budgetary Position 2021-2022 & 2020-2021

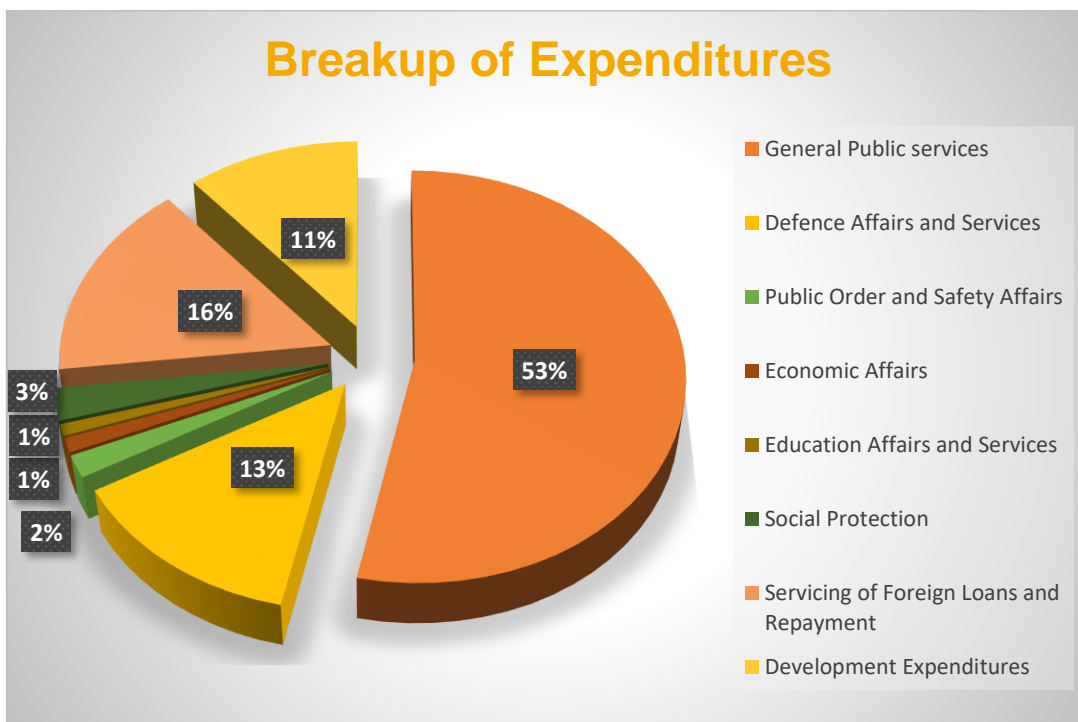
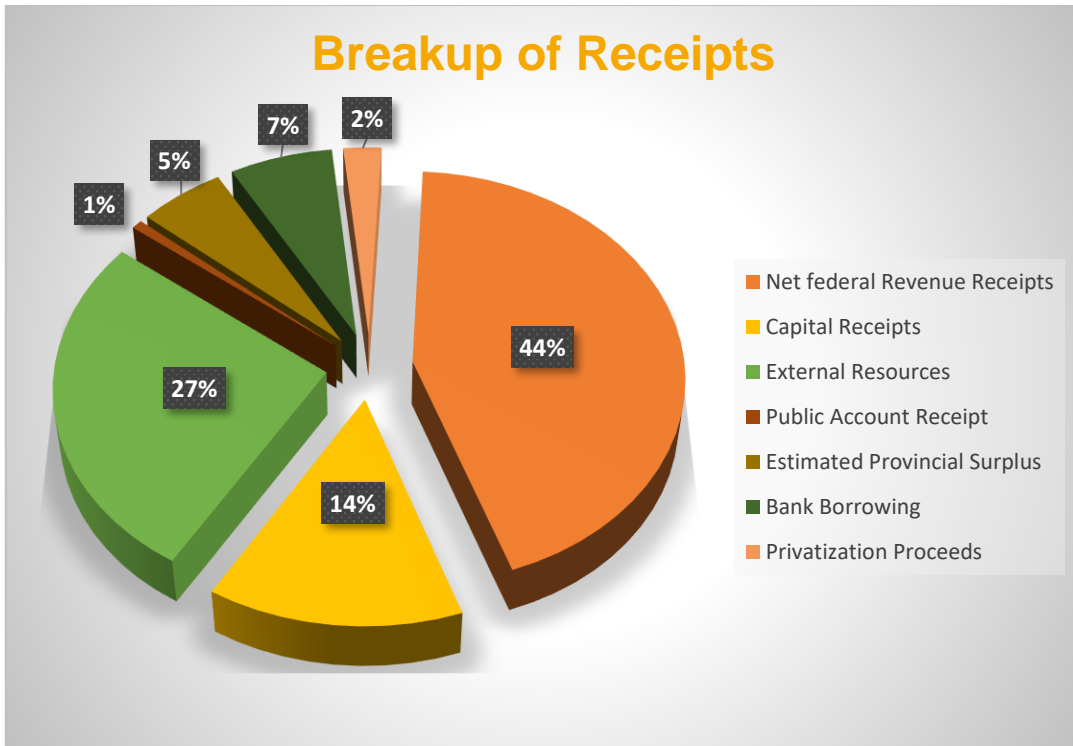
### Receipts

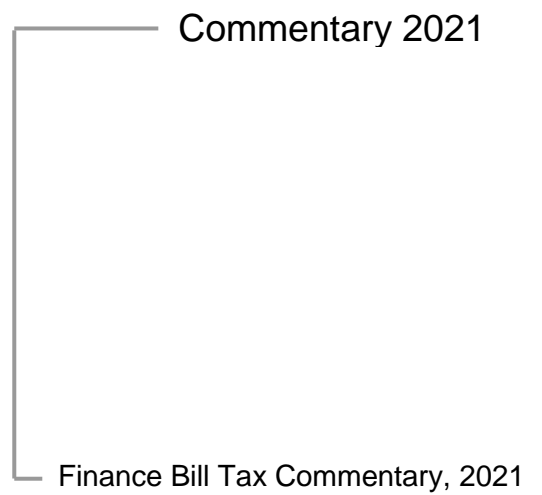
	<b>2021-2022</b>	<b>2020-2021</b>
	<b>(Rs. in Billion)</b>	<b>(Rs. in Billion)</b>
Tax Revenue	5,829.00	4,963.00
Other Taxes	805.50	501.30
Non Tax Revenue	1,274.46	1,108.92
Gross Revenue Receipts	7,908.96	6,573.22
Less: Provincial Share in Taxes	(3,411.85)	(2,873.7)
Net Federal Revenue Receipts <b>(A)</b>	4,497.11	3,699.52
Capital Receipts <b>(B)</b>	1,439.88	1,326.05
External Resources <b>(C)</b>	2,747.79	2,222.91
Public Accounts Receipts <b>(D)</b>	74.19	215.61
Estimated Provincial Surplus <b>(E)</b>	570.00	242.47
Bank Borrowings <b>(F)</b>	681.34	979.38
Privatization Proceeds <b>(G)</b>	252.00	100.00
<b>Total Resources (A+B+C+D+E+F)</b>	<b>10,262.31</b>	<b>8,785.94</b>

---

*Budget, 2021-2022*
**Expenditures**

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>(Rs. in Billion)</b>	<b>(Rs. in Billion)</b>
General Public Services	5,435.20	4,428.64
Defense Affairs and Services	1,373.27	1,289.13
Public Order and Safety Affairs	178.51	169.92
Economic Affairs	115.24	71.75
Environment Protection	0.44	0.43
Housing and Community Amenities	34.60	35.68
Health Affairs and Services	28.35	25.49
Recreation, Culture and Religion	10.37	9.82
Education Affairs and Services	91.97	83.36
Social Protection	255.29	230.90
Current Expenditures	7,523.24	6,345.12
Servicing of Foreign Loans and Repayment	1,601.22	1,951.21
Current Expenditure on Revenue Account & Capital Account <b>(A)</b>	9,124.46	8,296.33
Development Expenditures <b>(B)</b>	1,137.85	489.61
<b>Total Expenditures (A+B)</b>	<b>10,262.31</b>	<b>8,785.94</b>





———— This page is intentionally left blank ————

## Finance Bill 2021 Highlights

---

*Finance Bill Highlights*

### Income Tax Highlights

- Separate block taxation of property income shifted to normal tax regime.
- Cloud computing and data storage services proposed to be included within the scope of IT enabled services.
- Profit on debt up to PKR 5,000,000 to be taxed @15% of the gross amount received. The amount exceeding PKR 5,000,000 to be taxed under the head 'income from other sources'.
- SME is defined as a person engaged in manufacturing and whose annual business turnover does not exceed PKR 250,000,000.
- Export of services at par with export of goods to be taxed @1% under the final tax regime.
- Telecommunication sector having the license of PTA are proposed to be included under the ambit of an industrial undertaking.
- Expansion of scope of advance tax applicable on sales made to dealer, distributor, wholesalers and retailers under Section 236G and 236H.
- Withholding of electricity bill threshold reduced from PKR 75,000 to PKR 25,000 for domestic user whose name not appearing in the Active Taxpayer list.
- The Finance Bill proposes withholding tax on rental income of sub-lessor.
- Proposal to make withholding tax function more robust and strong through approval to automate the withholding statements and the required reconciliation.
- Reduction in capital gain tax on disposal of securities from 15% to 12.5%
- Extension of time limitation for issuance of notice for filing of return in case of foreign income or foreign assets.
- Ten years' exemption for Special Technology Zone Authority, Zone Developers and Zone Enterprises.
- Withdrawal of power of tax authorities to conduct inquiries for amendment of an order.
- The requirement to furnish a "taxpayer" profile and related penalties for non-submission of such profile proposed to be withdrawn.
- The Bill proposes that withholding tax under Section 153 shall not apply in respect of purchase of used motor vehicles from general public.
- Proposed exemption from levy of minimum tax under section 113 to Zone Developers and Zone Enterprises established and operating under the Special Economic Zones Act, 2012 and Special Technology Zones Authority Ordinance, 2020.

## Sales Tax Highlights

- Online market place and retailers having acquired point of sale for accepting payment through debit or credit cards included in the purview of Tier-1 Retailers for the chargeability of sales tax applicability.
- A registered person required to furnish a return may apply to the Commissioner for an extension of time to furnish the return.
- Manufacturers of the specified goods shall be required to obtain brand license.
- Government may enter into bilateral or multilateral convention for assistance in the recovery of taxes.
- 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.
- Sugar included in the Third Schedule except supplied as an industrial raw material to pharmaceutical, beverage and confectionery industries.
- Local supplies of raw materials, components, parts and plant and machinery are proposed to be charged at zero rated to registered exporters authorized under the Export Facilitation Scheme, 2021.
- The concept of “Mystery Shopping” for monitoring of POS integrated with FBR introduced.
- Exemptions other than relating to basic food items, health and education proposed to be withdrawn from Sixth Schedule.
- The reduced rate other than relating to basic food items, health and education proposed to be subjected to standard regime in Eighth Schedule.
- The reduced sales tax regime for jewelers is proposed to be withdrawn.
- Certain goods exempted from chargeability of VAT under Twelfth Schedule.
- Entire amount of sales tax in respect of sales of reclaimed lead and used lead batteries proposed to be withheld at source under Eleventh Schedule.

## FED Highlights

- The rate of FED on telecommunications services is proposed to be reduced from 17% to 16%. It is also proposed to levy additional FED on mobile phone calls of duration exceeding 3 minutes, internet services and SMS services.
- Waiver of the requirement to obtain the approval of the CIR for the revision of a return, subject to fulfillment of certain conditions.
- It is proposed to levy FED on electrically heated tobacco products using non-combustive tobacco heating systems.
- The Finance Bill proposes to introduce new Export Facilitation Scheme, 2021, exemption on import and zero-rating on local supplies in respect of raw materials, components, parts and plant and machinery to registered persons.



- The Finance Bill proposes that small cars up to engine capacity of 850cc may be exempted from federal excise duty.
- Payment on account of Merchant Discount Rate (MDR) is to be excluded from the preview of FED.
- In order to facilitate the people of tribal area and encourage investment and economic growth in these areas, exemption is being proposed from levy of FED to the industrial units located in FATA and PATA.
- Exemption from FED is proposed to be granted on food related and other consumable goods.
- Manufacturers of specified goods are required to obtain license for a brand or SKU.
- Officer of Inland Revenue shall provide assistance to a foreign jurisdiction in collection and recovery of duties under a tax treaty or other agreements.

### **Customs Act Highlights**

- The Finance Bill proposes that possession of smuggled goods by retailer now also fall under the purview of smuggling.
- Discouraging smuggling by denying release of vehicles used repeatedly for smuggling against redemption fine.
- Making shipping lines responsible for re-export of banned items imported in commercial quantities consequentially.
- Increasing the period of validity of advance ruling from the current one year to three years.
- A new Uniform Export Facilitation Scheme is proposed to be implemented in next two years.
- Bond to Bond Transfer of goods through WeBOC without prior approval of the Collector is being proposed to be allowed.
- Concept of Common bonded warehousing is proposed to encourage Small and Medium Enterprises.
- Removal of fine in case of delay in filing of goods declaration.
- Criteria for determination of customs value of goods is upgraded.

## Income Tax Ordinance, 2001

Income Tax Ordinance, 2001

### *Newly Inserted Definitions*

*Section 2(10, 13AA, 30AD, 30AE, 59A*

The Finance Bill, 2021 has proposed to define certain terms as per following:

**Business Bank Account** means bank account utilized by the taxpayer for business transaction declared to the commissioner through original or modified registration form under section 181.

**Concealment of Income** means:

- The suppression of any item of receipt liable to tax in whole or in parts, or failure to disclose income chargeable to tax
- Wrongful claim of any deduction or expenditure
- Any act referred to in section 111(1)

**IT Services** include software development, software maintenance, system integration, web design, web development, web hosting, and network design.

**IT Enabled Services** means inbound/outbound call centers, medical transcription, remote monitoring, graphic design, accounting services, Human Resource services, telemedicine centers, data entry operations, cloud computing services, data storage services, locally produced TV Programs, and insurance claims processing.

**Small and Medium Enterprise** means a person engaged in manufacturing as defined in section 153(7) clause (iv) Income Tax Ordinance, 2001 and whose business turnover in a tax year does not exceed 250 million rupees.

If such turnover exceeds the threshold, it shall not qualify as a small and medium business in the tax year in which such turnover exceeds and the subsequent tax year.

Such SME shall be chargeable to tax under the provisions of Fourteenth Schedule.

Board may prescribe a simpler return for SME.

### *Industrial Undertakings Redefined*

*Section 2(29C)*

By the virtue of Finance Bill, 2021, it is proposed to include telecommunication companies operating under the license of PTA under the definition of Industrial Undertakings

### *Power to Declare Startup Delegated to Board*

*Section 2(62A)*

The Bill has proposed that the authority to declare business of any individual or AOP a “startup” through official Gazette to be devolved from Federal Government to Board with the Approval of Federal Minister-in-Charge.

### *Profit on Debt Revised*

*Section 7B, Division IIIA of Part-I of First Schedule*

Currently, Profit on Debt received by Individuals and AOPs is being charged at rates specified in Division-III A of Part-I of First Schedule of Income Tax Ordinance, 2001 up to the Profit on Debt amounting to Rs. 36 million.

The Bill has proposed to reduce the threshold for inclusion of Profit on Debt under this section to Rs. 5 million. Further, it is proposed to charge the profit on debt at the fixed rate of 15% of the gross amount of profit on debt.

Following are the existing and proposed rate of taxes chargeable on Profit on Debt:

Profit on Debt	Current Rate	Proposed Rate
Amount does not exceed Rs. 5,000,000	15%	15%
Amount exceeding Rs. 5,000,000 but does not exceed Rs. 25,000,000	17.5%	NTR
Amount exceeding Rs. 5,000,000 but does not exceed Rs. 25,000,000	20%	NTR

**Income from Salary Reclassified**

**Section 12, 56(1)**

By virtue of Finance Bill, 2021, it is proposed to include the following allowances in the Income under the head Salary:

- Allowances paid in monthly salary on a fixed basis or percentage of salary
- Allowances not wholly, exclusively or necessarily spent on behalf of the employer

Further, currently losses sustained by any person against the person's income, if any, chargeable under any head of income set off except Income from Salary and Income from Property. The Bill has proposed to allow such setting off of losses against the Income from Property as well.

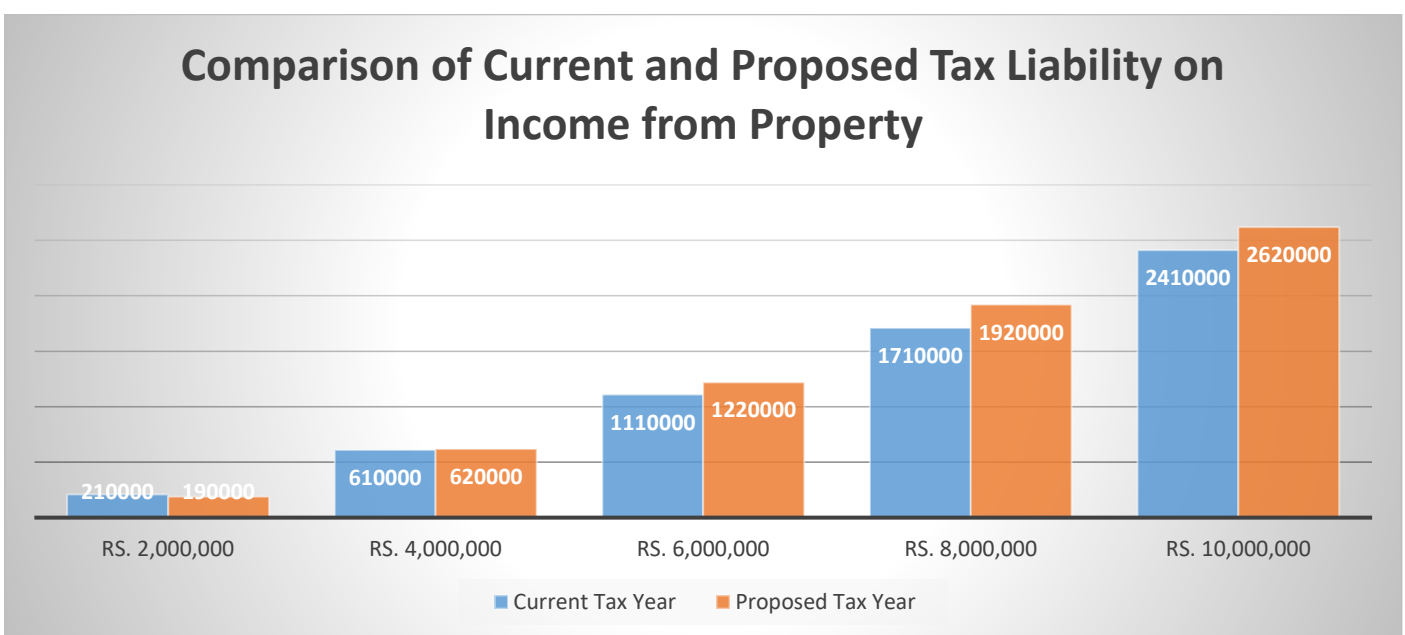
**Chargeability of Tax on Income from Property Revised**

**Section 15, 15A, Division-VIA of Part-I of First Schedule**

The Bill has proposed to charge tax on income from property under Normal Tax Regime on tax applicable under the Division-I of Part-I of First Schedule of Income Tax Ordinance, 2001.

Further, it is proposed to remove the threshold of income from property amounting to Rs. 200,000 being exempt from tax.

Further, the allowable deductions from income from property currently available only to corporate taxpayers are proposed to be extended to non-corporate taxpayers as well.



***Chargeability of Consideration Received from Disposal of Immovable Property Revised*** ***Section 22(13) (D)***

By virtue of Finance Bill, 2021, it is proposed to charge the excess of the consideration received from disposal of immovable property from the cost of the property by the business under the head Capital Gain under Section 37 of Income Tax Ordinance, 2001; previously being charged as Income from Property.

***First Year Allowance for Industrial Undertakings Withdrawn*** ***Section 23A, Part II of the Third Schedule***

Under the provisions of section 23A of the Income Tax Ordinance, 2001 any industrial undertaking set up in specified rural and underdeveloped areas and managed by a company is allowed first year allowance @ 90% on the cost of any plant, machinery and equipment installed by such undertaking. The Finance Bill, 2021 has withdrawn such allowance.

***Capital Gain on Immovable Property Reduced*** ***Section 37, Division-VIII of Part-I of First Schedule***

The Bill proposed that the taxable gain arising from the disposal of immovable property shall be chargeable to tax at the rate of 5% subject to the holding period of the immovable property.

Further, it is clarified that for individuals habitually engaged in transaction of sale and purchase of immovable property, the income from such transactions shall be chargeable to tax under head "Income from Business".

***Cost of Capital Asset Prescribed*** ***Section 37(4A), 39(1) (1a))***

By virtue of Finance Bill, 2021, cost of acquiring Capital Asset is proposed to be equal to the cost of the asset for the person disposing of the asset at the time of the disposal subject to the following conditions:

- The gift is disposed of within two years of acceptance
- The Commissioner is satisfied that such gift is part of Tax Avoidance Scheme

Further, it is proposed by Finance Bill 2021 that any other amount or fair market value of any property received without consideration or as gift other than gifts received from relatives as defined under section 85 of the Income Tax Ordinance, 2001 shall be chargeable to tax under head "Income from Other Source".

***Power to amend Second Schedule Delegated to the Board*** ***Section 53(2)***

The Bill has proposed that the authority to make amendment in the Second Schedule of the Income Tax Ordinance, 2001 by addition or omission or changing any clause or condition therein for the reasons mentioned in section 53(2) through official Gazette to be devolved from Federal Government to Board with the Approval of Federal Minister-in-Charge, who may, from time to time, pursuant to the approval of the Economic Coordination Committee of the Cabinet.

***Provincial WWF & WPPF Declared Allowable Deductions*** ***Section 60A, 60B***

By virtue of Finance Bill, 2021, it is proposed to allow a deduction to the businesses for amount of any Workers' Welfare Fund or any Workers' Profit Participation Fund paid by the person in the tax year under any law relating to the Workers' Welfare Fund and Workers' Profit Participation Fund enacted by the Provinces after the 18th Constitutional Amendment Act, 2010 along with Workers' Welfare Fund Ordinance, 1971 and Companies Profit (Workers' Participation) Act, 1968 respectively.

***Tax Benefit of Straight Deduction on Donations Withdrawn******Section 61, Clause 61 of Part-I of Second Schedule, Thirteenth Schedule***

Currently donation made to organizations falling under Clause 61 of the Second Schedule is eligible for straight deduction from taxable income of donor. This clause has now been omitted and the eligible organizations have been enlisted under the newly inserted Thirteenth Schedule where tax credit on donations made to such organizations would be allowed instead of straight deduction.

This tax credit shall also be available to the persons eligible for tax credit u/s 100C of this Ordinance.

***Tax Credit for Point of Sale Machine******Section 64D***

The Finance Bill, 2021 has proposed to allow tax credit in respect of amount invested in the purchase of point of sale machine for a person required to integrate with Board's Computerized System for real time reporting of sale or receipt. The point of sale machine means a machine meant for processing and recording the sale transactions for goods and services, either in cash or through credit or debit cards or online payment.

**Criteria**

The amount of tax credit on such investment must be lesser of;

- Actual amount invested for purchase of such machine, or
- Rs. 150,000 per machine.

***Tax Credits Withdrawn******Section 65C, 65D***

The Bill has proposed to withdraw following tax credits:

- Tax credit for a company that opts for enlistment on any stock exchange of Pakistan.
- Tax credit for company formed for establishing and operating a new industrial undertaking.

***Tax Exemption for Startups and I.T Sector Switched over to 100% Tax Credit******Section 65F, Clause 132B, 133, 143 of Part-I, Second Schedule***

By virtue of Finance Bill, 2021, tax credit equal to one hundred percent of the tax payable including minimum taxes and final taxes payable under any of the provisions of the Income Tax Ordinance, 2001 shall be available to the following persons:

Persons	Conditions
A startup as defined in clause 62A of section 2 for the tax year in which the startup is certified by the Pakistan Export Board and the following two tax years	Return has been filed  Tax required to be deducted or collected has been deducted or collected and paid
Persons deriving income from exports of computer software or IT services or IT enabled services up to the period ending on the 30th day of June, 2025 where eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels	Withholding tax statements for the immediately preceding tax year have been filed
Persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects	Sales tax returns for the tax periods corresponding to relevant tax year have been filed.

No such credit will preclude the applicability of the provisions of section 214C and section 177.

**Tax Holiday for Greenfield Industrial Undertaking and Renewable Energy Projects Withdrawn**  
(Section 65G, Clause 126I, 126O of Part-I, Second Schedule)

The Finance Bill, 2021 has withdrawn the tax holiday available to the Greenfield Industrial Undertaking and Renewable Energy Projects under the second schedule of the Income Tax Ordinance, 2001.

However, it has allowed **25% tax credit** of the eligible Investments made by eligible persons against the tax payable under the Income Tax Ordinance, 2001 including minimum and final taxes. Any such tax credit not fully adjusted during the year of investment shall be carried forward up to two tax years.

• **Eligible Investment**

Investment made for the purchase and installation of new machinery, buildings, equipment hardware and software, except self-created software and used capital goods.

• **Eligible Person**

**Greenfield Industrial Undertaking**

Greenfield industrial undertaking, as defined in clause (27A) of section 2 of the Income Tax Ordinance, 2001, engaged in:

- The manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition; or
- Ship building

Provided that the person has been incorporated between the 30th day of June, 2019 and the 30th day of June, 2024; and not formed by the splitting up or reconstitution of an undertaking already in existence or by transfer of machinery, plant or building from an undertaking established in Pakistan.

**Other Industrial Undertaking**

Industrial undertaking set up by the 30th day of June 2023 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind, for a period of five years beginning from the date such industrial undertaking is set up.

**Certain Powers of Federal Government Devolved to Board**

**Section 99B, 99C**

The Bill seeks to prescribe special procedures through notification in the official Gazette to be devolved from Federal Government to Board;

- for scope and payment of tax, filing of return and assessment in respect of such small traders and shopkeepers, in such cities or territories, as may be specified therein and,
- for scope and payment of tax, record keeping, filing of return and assessment in respect of small businesses, construction businesses, medical practitioners, hospitals, educational institutions and any other sector specified by the Board with the Approval of Minister-in-Charge, in such cities or territories, as may be specified therein.

**100% Tax Credit for Charitable Organizations and NPO's Rationalized**

**Section 100C**

<b>Persons Eligible to Claim Tax Credit</b>	<b>Income Eligible for Tax Credit</b>	<b>Conditions to Claim Tax Credit</b>
<ul style="list-style-type: none"> <li>• Persons specified in Table II of Clause 66 of Part I of the Second Schedule of Income Tax Ordinance, 2001</li> <li>• A trust administrated under a scheme approved by Federal Government and established in Pakistan exclusively for the purposes of carrying out such activities as are for the welfare of ex-employees and serving personnel of Federal Government or a Provincial Government or Armed Forces including civilian employees of armed forces and their dependents where the said trust is administered by a committee nominated by the Federal Government or Provincial Government</li> <li>• A trust</li> <li>• A welfare institution registered with Provincial or Islamabad Capital Territory social welfare department</li> <li>• A Not for Profit Company registered with SECP under section 42 of Companies Act, 2017</li> <li>• A welfare society registered with Provincial or Islamabad Capital Territory laws related to registration of Cooperative Societies</li> <li>• A <i>Waqf</i> registered under Mussalman Waqf Validating Act, 1913 or any other law for the time being in force or in the instrument relating to the trust or the institution</li> <li>• A university or education institution being run by NPO existing solely for education purposes and not for the purposes of profit</li> <li>• A religious or charitable institution for the benefit of public registered under any law for the time being in force</li> <li>• International Non-Governmental Organizations approved by Federal Government.</li> </ul>	<ul style="list-style-type: none"> <li>• Income from donations, voluntary contributions and subscriptions</li> <li>• Income from house property</li> <li>• Income from investments in the securities of the Federal Government</li> <li>• Profit on Debt from Scheduled Bank and Microfinance Banks</li> <li>• Grants received from Federal, Provincial Local or Foreign Government</li> <li>• So much of Income chargeable under the head "Income from Business" as is expended in Pakistan for the purposes of carrying out welfare activities</li> <li>• Any income of persons mentioned in Clause a, b and h of sub-section (2) of this section</li> </ul>	<ul style="list-style-type: none"> <li>• Return has been filed</li> <li>• Tax required to be deducted or collected has been deducted or collected and paid</li> <li>• Withholding tax statements for the relevant tax year have been filed</li> <li>• The administrative and management expenditure does not exceed 15% of the total receipts:</li> <li>• Provided that clause (d) shall not apply to a non-profit organization, if- <ul style="list-style-type: none"> <li>○ Charitable and welfare activities of the non-profit organization have commenced for the first time within last three years; or</li> <li>○ Total receipts of the non-profit organization during the tax year are less than one hundred million Rupees</li> </ul> </li> <li>• Approval of the Commissioner has been obtained as per the requirement of clause (36) of section 2 (provided that this clause shall take effect from the first day of July 2022)</li> <li>• None of the assets of trusts or welfare institution confers, or may confer, a private benefit to the donors or family, children or author of the trust or his descendants or the maker of the institution or to any other person</li> <li>• Provided that where such private benefit is conferred, the amount of such benefit shall be added to the income of the donor</li> <li>• A statement of voluntary contributions and donations received in the immediately preceding tax year which has been filed in the prescribed form and manner</li> <li>• Notwithstanding anything contained in sub-section (1), surplus funds of non-profit organizations, trusts or welfare institutions shall be taxed at a rate of 10% when the surplus exceeds 25% of the gross receipts.</li> </ul>

**Amendments made in Special Provisions related to Builders and Developers****Section 100D**

The Finance Bill 2021, proposes to reinforce the amendments made by virtue of the Finance Bill, 2020 as per the proposed provisions:

**Fixed Tax Regime for Builders & Developers****Section 100D****Applicability:**

- Builders and developers have an option to be taxed on 'Fixed Tax Regime' as per 11th Schedule with effect from tax year 2020
- Tax shall be payable on project to project basis on the income, profits and gains derived from the sale of buildings or sale of plots from:
  - A new project to be completed by the 30th day of September, 2023
  - An incomplete existing project to be completed by the 30th day of September 2023
- Any income, profits and gains of a builder or developer of an incomplete existing project earned up to tax year 2019 or tax year 2020, as the case maybe shall be subject to the provisions of the Ordinance as being in force prior to the commencement of the Tax Laws (Amendment) Ordinance, 2020
- Any income of a builder or developer other than income, profits and gains shall be subject to tax.

**Exclusions**

- No deduction shall be allowed for any expenditure incurred in deriving the income
- The income shall not be reduced by any deductible allowance or set off of any loss
- No tax credit shall be allowed except credit for tax under Section 236K collected from the builder and developer on purchase of immovable property utilized in the project
- There shall be no refund of any tax collected or deducted
- If the tax has not been paid or short paid, the amount shall be recovered
- Minimum Tax under Section 113 and Alternative Corporate Tax under Section 113C shall not be applied on the turnover, income, profits and gains of a builder or developer for a project

**Protection from Probe into Source for Builders and Developers**

Builders and developers are exempt from the probe into the source as per the provisions of Section 111 on capital investment made in a new project in the form of money or land subject to the following conditions:

**Investment by an Individual**

- **Cash Investment** - money is deposited in a new bank account on or before December 31st, 2021
- **Investment of Land** - individual to have ownership title of the land at the time of promulgation of this amendment

**Investment through a Company / AOP**

- Company or AOP shall be a single object entity registered under the Companies Act, 2017 or the Partnership Act, 1932 by December 31, 2020
- The person shall be a member or shareholder of such AOP or company
- Capital investment in the form of money shall be invested through a crossed banking instrument deposited in the bank account of such AOP or company by December 31, 2020
- Capital investment in the form of land shall be transferred to such AOP or company by December 31, 2020 and the person shall have the ownership title of the land at the time of promulgation of this amendment



### *Valuation of Building under the Scheme*

The value or price of land or building shall be higher of:

- 130% of the fair market value as determined by the Board; or
- At the option of the person making investment, the lower of the values as determined by at least two independent valuers from the list of valuers approved by the State Bank of Pakistan.

### *Valuation of Building under the Scheme*

- Holder of public office as defined in the Voluntary Declaration of Domestic Assets Act, 2018 or his benamidar.
- Public listed company, real estate investment trust (REIT) or company whose income is exempt
- The proceeds derived from the commission of a criminal offence, including the crimes of money laundering, extortion or terror financing but excluding the offence of the Ordinance.

### *Exempt Dividend Income*

Dividend income paid to a person by a builder or developer being a company out of the profits and gains derived from the project shall be exempt from tax.

### *Consequences for Noncompliance*

Filing a return or declaration based on misrepresentation or suppression of facts, such return or declaration shall be void and all the provisions of the Ordinance shall apply.

No action shall be taken if such misrepresentation has been made on account of a bona fide mistake.

No action shall be taken without providing opportunity of being heard and without prior approval of the board

### *Key Definitions*

- “builder” means a person who is registered as a builder with the Board and is engaged in the construction and disposal of residential or commercial buildings;
- “capital investment” means investment as equity resources and does not include borrowed funds;
- “developer” means a person who is registered as a developer with the Board and is engaged in the development of land in the form of plots of any kind either for itself or otherwise;
- “existing project” means a construction or development project, which –
  - Has commenced before the date of commencement of the Tax Laws (Amendment) Ordinance, 2020;
  - Is incomplete;
  - Is completed on or before the 30th day of September, 2023; and
  - A declaration is provided in the registration form under Eleventh Schedule to the effect of percentage of the project completed up to the last day of the accounting period pertaining to tax year 2019 or tax year 2020, as the case maybe.

### *Investment made on account of 1st Purchaser*

- Protection from the probe into source shall be available for the first purchase or a unit of the building purchased from the builder in respect of the purchase price of the building.
- A purchase is made from the new project - full payment shall be made through a crossed banking instrument to the builder during a period starting from the date of registration with the board and ending on September 30, 2020.

- A purchase is made from an existing incomplete project - full or balance payment shall be made through a crossed banking instrument to the builder during a period starting from the date of registration with the board and ending on March 31, 2023

#### *The Investment made by the Purchaser of Plot for the purpose of Construction*

- The purchase is made by June 30, 2021
- The full payment shall be made by June 30, 2021 through a crossed banking instrument
- Construction of such plot is commenced by December 31, 2021 and completed by September 30, 2023
- The person registers himself with the board on the online IRIS portal

#### *Certification for availing the Protection from Probe into Source*

The following conditions must be mandatory for availing the protection of a probe into the source:

- A person making investment shall submit a prescribed form on IRIS portal
- The money or land invested shall be utilized in a project
- Completion of the project shall be certified as per followings:

#### Builders

The map approving authority or NESPAK shall certify that grey structure as per the approved map has been completed by September 30, 2023.

#### Developers

- The map approving authority or NESPAK shall certify that landscaping has been completed by September 30, 2023
- A firm of chartered accountant having an ICAP QCR rating of 'satisfactory' shall certify that at least 50% of the plots have been booked for sale and at least 40% of the sale proceeds have been received by September 30, 2022
- At least 50% of the roads have been laid up to sub - grade level as certified by the approving authority or NESPAK.

#### *Key Terms*

“Foreign-controlled resident company” means a resident company in which fifty per cent or more of the underlying ownership of the company is held by a non-resident person either alone or together with an associate or associates;

“Foreign profit on debt” means interest paid or payable to a non-resident person or an associate of the foreign-controlled resident company and includes-

- interest on all forms of debt;
- payments made which are economically equivalent to interest;
- expenses incurred in connection with the raising of finance;
- payments under profit participating loans;
- imputed interest on instruments such as convertible bonds and zero coupon bonds;
- amounts under alternative financing arrangements such as Islamic finance;
- the finance cost element of finance lease payments;

***Requirement of Issuance of Separate Notice under Section 111 Abolished***

***Section 111***

By virtue of Finance Bill, 2021, requirement of issuance of separate notice under section 111 in concealment cases has been proposed to be eliminated where the same has been confronted under notice for amendment of assessment.

The amendment has been made in the light of a recent judgement of ATIR where it was held that where a show cause notice u/s 122(9)/122(5) of Income Tax Ordinance, 2001 has been issued, encapsulating the violations of section 111 of Income Tax Ordinance, 2001, there is no separate requirement to issue a notice under Section 111.

***Threshold of Applicability on Minimum Tax on Turnover Enhanced***

***Section 113***

The Finance Bill has proposed to rationalize the threshold limit for applicability of minimum tax on Individuals and AOPs.

Following are the existing and proposed thresholds:

<b>Existing</b>		<b>Proposed</b>	
<b>Category</b>	<b>Threshold Limit</b>	<b>Category</b>	<b>Threshold Limit</b>
Individual	PKR 10 million	Individual	PKR 100 million
AOP	PKR 10 million	AOP	PKR 100 million

***Definition of ‘Turnover’ for Chargeability of Minimum Tax Clarified***

The Finance Bill seeks to clarify the definition of turnover for charging minimum tax. It has been clarified that the definition of turnover covers receipts from all business activities in line with expression “turnover from all sources” including but not limited to receipts from sale of immoveable property where such receipt is taxable under the head ‘Income from Business’.

***Carry Forward of Minimum Tax Paid under Section 113 Allowed***

The Finance Bill seeks to allow carrying forward of minimum tax paid for adjustment in subsequent five years in cases of net loss as well. This explicit provision seems to be inserted in the light of a judgment of Honorable High Court where it was held that only that portion of the minimum tax paid could be carried forward that was the differential of the minimum tax under Section 113 and normal tax liability computed on Taxable Income. The proposal seeks to make carry forward of minimum tax very exclusive right irrespective of the fact the person is making profit or sustaining loss.

***Time Limit to Issue Notice to File Return Removed***

***Section 114***

The Finance Bill proposes to remove time limit for Commissioner to issue notice for furnishing of return to persons having foreign income or foreign assets. This provision seems to aim at the goal of aligning the prevailing tax regime in country with global tax regime.

***Waiving off the Condition to File the Revised Accounts***

***Section 114***

The Commissioner has been empowered to waive off the condition of filing the revised audited accounts at the time of filing the revised return.

***Requirement to File Taxpayer's Profile Omitted******Section 114A***

The Bill proposes to omit Section 114A requiring taxpayers to regularly update their profile.

***Power of the Tax Authorities to Conduct Inquires under Section 122(5A) Withdrawn*** ***Section 122(5A)***

The Bill seeks to withdraw the unbridled powers of tax authorities to conduct inquiries under Section 122(5A) under the garb of amendment proceedings.

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

The Finance Bill proposes to prescribe the time limit to dispose of the show cause notices for amendment of assessment. 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.

***Due Date of Payment of Tax******Section 137***

The Bill proposes to make tax demand immediately payable in case of appeal effect orders.

***Tax Recovery on Request of Foreign Jurisdiction******Section 146C***

The Finance Bill proposes to institutionalize an enabling mechanism for recovery and collection of tax upon the request of a foreign jurisdiction under a tax treaty, a multilateral convention, an inter-governmental agreement or similar arrangement or mechanism.

***Restricted to Reject Taxpayer's Estimate for Advance Tax******Section 147***

Currently, where the Commissioner is not satisfied with the documentary evidence provided or the related details are not accompanied by the desired details, the Commissioner may reject the estimate of the taxpayer. The Finance Bill seeks to withdraw the power of the Commissioner to reject the estimation of advance tax.

***Mechanism for Issuance of Automated Exemption Certificates Proposed******Section 153(4)***

The Finance Bill seeks to provide mechanism for the automated issuance of exemption certificates to corporate entities if application is not disposed of by the Commissioner within fifteen days.

***Withholding Tax on Royalty Withdrawn******Section 153B***

The Finance Bill seeks to omit withholding tax on payment of royalty to resident persons.

***Legal Framework for Charging Tax on Exports of Services Introduced******Section 154A***

A comprehensive mechanism for taxation of exports of services has been introduced. Following are the salient features of the proposed scheme:

- The rate of tax to be deducted at the rate of one percent of the proceeds of the export shall be final tax;
- Following services would fall under the purview of the proposed Section:
  - Exports of computer software or IT services or IT enabled services in case tax credit 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;
- Construction contracts executed outside Pakistan; and
- Other notified services rendered outside Pakistan.
- The following conditions must be fulfilled to be taxed under the proposed novel scheme:
  - return has been filed
  - withholding tax statements for the relevant tax year have been filed; and
  - sales tax returns under Federal or Provincial laws have been filed, if required.
- No credit for foreign taxes paid shall be allowed.
- The option shall be exercised every year at the time of filing of return.
- Where a taxpayer, while explaining the nature and source of any amount, investment, money, valuable article, expenditure, referred to in section 111, takes into account any source of income which is subject to final tax in accordance with the provisions of this section, he shall not be entitled to take credit of a sum that can be reasonably attributed to the business activity or activities mentioned in this Section.

#### ***Timeframe for Issuance of Exemption Certificate Defined***

#### ***Section 159***

The Commissioner shall issue exemption or lower rate certificate under this section within 15 days of filing of application by the company provided further that the Commissioner shall be deemed to have issued the exemption certificate upon the expiry of 15 days from filing of application by the aforesaid company and the certificate shall be automatically processed and issued by IRIS; However, the Commissioner may modify or cancel the certificate issued automatically by IRIS on the basis of reasons to be recorded in writing after providing an opportunity of being heard.

#### ***Mechanism for Electronic Processing and Electronic Issuance of Refunds Defined***

#### ***Section 170A***

It has been proposed that FBR would process and issue refund to the taxpayer who has filed the return of income without requiring refund application by the taxpayer to the extent of tax credit verified by the Board's computerized system as may be prescribed. The refund amount sanctioned under this section shall be electronically transferred in the taxpayer's notified bank account.

**Penal Provisions Rationalized**
**Section 182**

By virtue of the Finance Bill, 2021 revised penalties on the following non-compliance have been proposed:

Sr. No.	Description	Relevant Section of Ordinance	Current Penalty	Proposed Penalty
1.	Late/Non Filing of Income Tax Return where the Taxable Income is up to Rs. 800,000	114	0.1% of the tax payable in respect of that tax year for each day of default subject to a maximum penalty of 50% of the tax payable up to maximum of Rs. 25,000	Minimum Penalty of Rs. 5,000.  Provided 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.
2.	Late/Non Filing of Withholding Tax Statement in case it is established that no tax was required to be deducted or collected during the relevant period	115, 165, 165A and 165B	Rs.2500 for each day of default from the due date subject to a minimum penalty of Rs. 10,000	Minimum Penalty of Rs. 10,000.
3.	Penalty on the repeated erroneous calculations in the return for more than one year to the extent of the tax shortfall occurring.	137	Higher of: <ul style="list-style-type: none"> <li>Rs. 30,000</li> <li>3% of Amount of Tax Involved</li> </ul>	Higher of: <ul style="list-style-type: none"> <li>Rs. 30,000</li> <li>3% of Amount of Tax Involved</li> </ul> Provided that No penalty shall be charged as result of taxpayer taking arguable position on the application of the Ordinance to the Taxpayer's position.
4.	Penalty on making false or misleading statement to Inland Revenue Authority or omission from a statement or information made to Income Tax Authority	114, 114A, 118, 116, 174, 176 and 177	Higher of: <ul style="list-style-type: none"> <li>Rs. 25,000</li> <li>100% of the amount of tax shortfall</li> </ul>	Higher of: <ul style="list-style-type: none"> <li>Rs. 25,000</li> <li>50% of the amount of tax shortfall</li> </ul>
5.	Penalty on obstructing the commissioner or any officer authorized by the commissioner to the premise, place, accounts, documents etc.	175 and 177	Higher of: <ul style="list-style-type: none"> <li>Rs. 50,000</li> <li>100% of the amount of tax involved</li> </ul>	Higher of: <ul style="list-style-type: none"> <li>Rs. 50,000</li> <li>50% of the amount of tax involved</li> </ul>
6.	Penalty on any person who fails to collect or deduct tax as required under any provision of this Ordinance or fails to pay the tax collected or deducted as required under section 160.	Division II or Division III of Part V of Chapter X or Chapter XII	Higher of: <ul style="list-style-type: none"> <li>Rs. 40,000</li> <li>10% of the amount of tax</li> </ul>	Higher of: <ul style="list-style-type: none"> <li>Rs. 40,000</li> <li>10% of the amount of tax</li> </ul>
7.	Penalty on any person who fails to display his business license on place of business in addition to the NTN Certificate.	181C and 181D	No Penalty	Rs. 5,000

**Concept of E-Hearing Introduced**

**Section 227E**

The Finance Bill, 2021 has introduced the concept of e-hearing opportunity and electronic submission of information. The recording of e-hearing proceedings is to be admissible as evidence before any forum and court of law for the purpose of Income Tax Ordinance, 2001.

**Directorate General of Compliance Risk Management**

**Section 230I**

The Bill has proposed to introduce Directorate General of Compliance Risk and Management with as many Director General, Directors, Additional Directors, Deputy Directors, Assistant Directors, and other officers as well as the functions, duties, and powers of said Directorate may have notified by Board in its Official Gazette.

**Advance Tax on Registration of Motor Vehicles**

**Section 231B, (2A)**

The Finance Bill 2021 has proposed for every motor vehicle registration authority to collect advance tax on registration of locally manufactured motor vehicles sold before registration by the person who originally purchased it from the local manufacturer at the following rates:

Sr. No.	Engine Capacity	Tax (PKR)
1	Up to 1000 cc	50,000
2	1001 cc to 2000 cc	100,000
3	2001 cc and above	200,000

**Withholding Agents on Payment for Brokerage and Commission Prescribed**

**Section 233(1)**

The Finance Bill, 2021 has proposed for AOP's and Individuals having turnover of Rs. 1 million or more to deduct withholding tax on payment of brokerage and commission under section 233(1).

**Advance Tax on Domestic Electricity Consumption Introduced**

**Section 235**

Advance tax applicable at 7.5% on the amount of monthly electricity bill of Rs. 75,000 or more on Industrial and Commercial Consumer shall also be applicable on the Domestic Consumer of electricity if his name does not appear on the Active Taxpayer List.

Moreover, it is proposed not to collect advance tax from a person who produces a certificate from the Commissioner that his income during the tax year is exempt from tax or who has paid advance tax under section 147 or whose entire income is subject to final tax regime or minimum tax regime under any provision of the Income Tax Ordinance 2001.

**Advance tax on Sales to Distributors, Dealers, and Wholesalers**

**Section 236G**

The Finance Bill 2021 has proposed that the advance tax collected at 0.1% from distributors, dealers, and wholesalers by manufacturers and commercial importers shall also be applicable on sale of pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyres, varnishes, chemicals, cosmetics, and IT equipment.

**Advance Tax on Sales to Retailers**

**Section 236H**

The Finance Bill 2021 has proposed that the advance tax collected at 0.5% from retailer shall also be applicable on sale of pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyres, varnishes, chemicals, cosmetics, and IT equipment.

**Advance Tax Abolished**

The Finance Bill 2021 has proposed the following omissions on advance tax applied under Part IV of First Schedule:

Sr. No.	Section	Description
1.	231A	Advance Tax on Cash Withdrawal from a Bank
2.	231AA	Advance Tax on Transactions in Bank
3.	233A	Collection of Tax by a Stock Exchange registered in Pakistan from its Members from Commission Income
4.	233AA	Collection of Tax by the NCCPL from the Members of Stock Exchange registered in Pakistan
5.	236B	Advance Tax on purchase of Air Tickets
6.	236 HA	Tax on sale of certain Petroleum Products.
7.	236 L	Advance Tax on purchase of International Air Ticket.
8.	236 P	Advance Tax on Banking Transaction otherwise than through Cash.
9.	236 S	Dividend in Specie.
10.	236 V	Advance Tax on Extraction of Mineral.
11.	236 Y	Advance Tax on persons Remitting Amounts abroad through Credit, Debit or Prepaid cards.

**Super Tax Applicability Extended**

**Division-IIA, Part-I, First Schedule**

It is proposed by Finance Bill, 2021 to extend the chargeability of super tax on banking companies and persons having income of Rs. 500 million or more to the Tax Year 2022 and onwards.

**Applicability of Tax on Capital Gains on Disposal of Securities Revised**

**Division-VII, Part-I, First Schedule**

The Finance Bill 2021 has proposed to extend the tax applicability timescale on gains arising from the sale of shares and other securities. However, the rate of tax will change from the Tax Year 2022 and onwards as follows.

Sr. No.	Period	Tax Year 2020 and 2021	Tax Year 2022 and onwards
1.	Where holding period of security is less than 12 months	15%	12.5%
2.	Where holding period of security is 12 months or more but less than 24 months		
3.	Where holding period of a security is twenty - four months or more but the security was acquired on or after 1st July, 2013.		
4.	Where the security was acquired before 1st July, 2013	0%	0%
5.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	5%



**Rate of Minimum Tax Rationalized**
**Division-IX, Part-I, First Schedule**

Sr. No.	Person's	Minimum Tax as a percentage of the person(s) turnover for the year
1.	a) Oil marketing Companies, Sui Southern Gas Company Limited and Sui Northern Gas Pipeline Limited (for the cases where annual turnover exceeds one billion). b) Pakistan International Airlines Corporation; and c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production	0.75%
2.	a) Oil refineries b) Motorcycle dealers registered under the Sales Tax Act, 1990	0.5%
3.	a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes; b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; c) Rice mills and dealers; d) Tier-1 retailers of fast moving consumer goods who are integrated with Board or its Computerized system for real time reporting of sales and receipts; e) Person's turnover from supplies through e-commerce including from running an online marketplace as defined in clause (36B) of section 2; f) Persons engaged in the sale and purchases of used vehicles	0.25%
4.	In all other cases	1.25%

**Withholding Tax on Supplies made by the Distributor of Fast Moving Consumer Goods Abolished**  
**Division-III, Part-III, First Schedule**

The Finance Bill 2021 proposes to omit the withholding tax on supplies made by the distributor of fast moving consumer goods currently applicable at 2% in the case of the company and 2.5% in any other case of the gross amount payable.

**Reduced Tax Rates on New Specified Services**
**Division-III, Part-III, First Schedule**

The Finance Bill 2021 has proposed to expand the benefit of the reduced rate of 3% withholding tax under section 153(1)(b) on oilfield services, telecommunication services, warehousing services, collateral management services, and travel and tour services.

Moreover, the reduced rate of 3% on specified services under section 153(1)(b) only to be applicable to a service provider whose services are subject to withholding tax on gross receipts and the service provider has not agitated taxation of gross receipts before any court of law.

**Withholding Tax on Royalty Paid to Resident Person Abolished**
*Division-III B, Part-III, First Schedule*

The Finance Bill 2021 has proposed to abolish the withholding tax applicable at 15% on royalty paid to resident persons.

**Tax on Exports of Services**
*Division IVA of Part-III of First Schedule*

The Finance Bill 2021 has proposed a new section 154A for deduction of tax on proceeds of export to be 1%.

**Rates of Withholding Tax on Income from property Revised**
*Section 155, Division V of Part-III of First Schedule*

The Finance Bill 2021 has proposed the revised rates of withholding tax on rent payments to be as follow:

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

Such withholding tax shall be deducted from the non-adjustable amounts received in relation to buildings on account of rent of immoveable property irrespective of head of income.

**Rate of Advance Tax on Commercial and Industrial Electricity Consumption**
*Division IV of Part-IV of First Schedule*

The Bill has proposed rate of collection of advance tax from commercial and industrial consumers from gross amount of bills to be as follow:

Sr. No.	Gross Amount of Bill	Tax
1	Up to Rs. 500	Nil
2	Exceeds Rs. 500 but does not exceeds Rs. 20,000	10% of amount
3	Exceeds Rs. 200,000	<b>For Commercial Consumer</b> Rs. 1,950 + 12% exceeding Rs. 200,000 <b>For Industrial Consumer</b> Rs. 1,950 + 5% exceeding Rs. 200,000

### *Rate of Advance Tax on Domestic Electricity Consumption*

The Finance Bill has proposed rate of advance tax to be collected on domestic electricity consumption to be:

<b>Sr. No.</b>	<b>Amount of Monthly Bill</b>	<b>Tax</b>
1	Less than Rs. 25,000	0%
2	Rs. 25,000 or more	7.5%

### *Revised Rate of Tax for Telephone Users*

### *Section 236*

The rate of collection of tax mentioned in Division-V, Part-IV of First Schedule proposed to be 10% for the tax year 2022 and 8% onwards, instead of 12.5%.

### *Tax on Profit on Debt of Provident Fund and Recognized Pension Fund*

### *Clause 22, 23 of Part I of Second Schedule*

By virtue of Finance Bill 2021, profit on debt earned on provident fund and profit on debt earned on accumulated balance in a recognized pension fund exceeding Rs. 500,000 are proposed to be chargeable to tax @ 10% as Separate block.

### *Exemption to Specific Institutions, Foundations, Societies etc.*

### *Clause 66 of Part I of Second Schedule*

The Finance Bill 2021 has proposed to exempt any income derived by following by insertion of Table 1 in Clause (66) of Part 1 of Second Schedule of the Income Tax Ordinance, 2001.

<b>Sr. No.</b>	<b>Name</b>
1	Abdul Sattar Edhi Foundation.
2	Patient's Aid Foundation.
3	Indus Hospital and Health Network.
4	Securities and Exchange Commission of Pakistan.
5	Dawat-e-Hadiya, Karachi.
6	Privatization Commission of Pakistan.
7	The Citizens Foundation.
8	Sundus Foundation.
9	Ali Zaib Foundation
10	Fauji Foundation.
11	Make a Wish Foundation.
12	Audit Oversight Board.
13	Supreme Court Water Conservation Account.
14	Political Parties registered with Election Commission of Pakistan.

***Profits and Gains on sale of Immovable Property******Clause 99A of Part I of Second Schedule***

By virtue of Finance Bill 2021, the exemption on profits and gains accruing to a person on sale of immovable property to a REIT Scheme is proposed to be extended up to 30 June 2023.

***Dividend Income and Long Term Capital Gains******Clause 103D of Part I of Second Schedule***

The Bill has proposed exemption on dividend income and long term capital gains of any venture capital fund from investments in zone enterprises as defined in clause (p) of section 2 of the Special Technology Zones Authority Ordinance, 2020 for a period of ten years commencing from issuance of license by the Authority to the Zone enterprise.

***Tax Exemption for Newly Established Refinery Provided******Clause 126B, Part I, Second Schedule***

The Finance Bill, 2021 has provided the exemption on profits and gains of newly establish refineries subject to the following conditions:

- The refinery is approved by Federal Government before December 31, 2021
- It produces at least 100,000 barrels from deep conversion refinery per day

The existing refineries can enjoy the same benefit by providing an undertaking to Federal Government in writing before December 31, 2021.

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

An exemption is proposed by the virtue of Finance Bill 2021 on the profit and gains of:

- Zone Developer from development and operations for a period of 10 years starting from date of development agreement.
- Zone Enterprises for a period of ten years from the date of issuance of License.

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

The Bill has proposed removal of exemption available to persons enter into agreement or to whom letter of intent is issued by Federal or Provincial Government for setting up an electric power generation project in Pakistan after the 30th day of June, 2021.

***Profits and Gains derived by National Power Parks Management Company Limited******Clause 132AA of Part I of Second Schedule***

By virtue of Finance Bill 2021, an exemption has been proposed on profit and gains derived from sale of electricity by National Power Parks Management Company Limited commencing from the date of change of ownership as a result of privatization.

**Profits and Gains from Bagasse/Biomass Based Cogeneration Power Project**  
**Clause 132C of Part I of Second Schedule**

The Finance Bill 2021 has proposed an exemption on profits and gains derived by a taxpayer from a bagasse/biomass based cogeneration power project having one or more boilers of not less than 60 bar (kg/CM<sup>3</sup>) pressure each, commissioned after the first day of January 2013.

**A Complete List of Withdrawn Exemptions**

**Part I, Second Schedule**

The Finance Bill, 2021 has withdrawn the following tax exemptions available under the Second Schedule:

Sr. No.	Clause Reference	Description
1	57(1) (iii)	Income from voluntary contributions, house property and investments in securities of Federal Government derived by Sheikh Sultan Trust, Karachi
2	64A	Donation to Prime Minister's Special Fund for Victim of Terrorism
3	64B	Donation to Chief Minister's (Punjab) Relief for Internally Displaced Persons of NWFP
4	64C	Donation to Prime Minister's Flood Relief Fund 2010 and Provincial Chief Minister's Relief Funds, for victims of flood 2010
5	65	Donations made by non-official or private sector sources in Pakistan to the Waqf for Research on Islamic History, Art and Culture, Istanbul set up by the Research Centre for Islamic History, Art and Culture (IRCICA)
6	72A	Any income derived by Sukuk holder in relation to Sukuk issued by "The Second Pakistan International Sukuk Company Limited"
7	74	Profit on debt derived by Hub Power Company Limited on or after July 01, 1991
8	90	Profit on debt payable by an industrial undertaking in Pakistan on: <ul style="list-style-type: none"> <li>• Money borrowed under loan agreement with an approved financial institution in foreign country</li> <li>• moneys borrowed or debts incurred by person in foreign country in respect of the purchase outside Pakistan of capital plant and machinery in any case where the loan or debt is approved by the Federal Government, having regard to its terms generally and in particular to the terms of its payment, from so much of the tax payable in respect thereof as exceeds the tax or taxes on income paid on such interest in the foreign country</li> </ul>
9	90A	Profit on Debt on bonds issued by Pakistan Mortgage Refinance Company for a period of five years with effect from the 1st day of July, 2018
10	91	Income of a text-book board of a Province established under any law for the time being in force
11	98	Income derived by any Board or other organization established in Pakistan for the purposes of controlling, regulating or encouraging major games and sports recognized by Government
12	99A	Profits and gains accruing to a person on sale of immovable property: <ul style="list-style-type: none"> <li>• to a REIT Scheme up to June 30, 2015</li> <li>• to a Developmental REIT Scheme with the object of development and construction of residential buildings and to rental REIT up to June 30, 2023</li> </ul>
13	100	Income other than income from manufacturing or trading activity, of a Modaraba registered under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980
14	101	Profits and gains derived by a venture capital company and venture capital fund registered under Venture Capital Companies and Funds Management Rules, 2000 and a Private Equity and Venture Capital Fund from July 01,2000 to June 30, 2024
15	103	Distribution received by a taxpayer from a collective investment scheme registered by the Securities and Exchange Commission of Pakistan under the Non-Banking Finance Companies and Notified Entities Regulations, 2007, including National Investment (Unit) Trust or REIT Scheme or a Private Equity and Venture Capital Fund out of the capital gains of the said Schemes or Trust or Fund.
16	103C	Dividend income derived by a company, if the recipient of the dividend, for the tax year, is eligible for group relief under section 59B
17	104	Dividend income of the Pak-Libya Holding Company derived by the Libyan Arab Foreign Investment Company
18	105	Dividend income of the Saudi-Pak Industrial and Agricultural Investment Company Limited derived by the Government of Kingdom of Saudi Arabia

Sr. No.	Clause Reference	Description
19	105A	Dividend income of the Pak-Kuwait Investment Company in Pakistan from the year of incorporation of Pak-Kuwait Investment Company derived by Kuwait Foreign Trading Contracting and Investment Company or Kuwait Investment Authority
20	110B	Gain on transfer of a capital asset, being a membership right held by a member of an existing stock exchange, for acquisition of shares and trading or clearing rights acquired by such member in new corporatized stock exchange in the course of corporatization of an existing stock exchange
21	110C	Gain by a person on transfer of a capital asset, being a bond issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market from July 01, 2018 to June 30, 2023
22	114	Income chargeable under the head "capital gains" derived by a person from an industrial undertaking set up in an area declared by the Federal Government to be a "Zone" within the meaning of the Export Processing Zones Authority Ordinance, 1980 (IV of 1980).
23	126BA	Profits and gains derived by a refinery set up between the 1st day of July, 2018 and the 30th day of June, 2023 with minimum 100,000 barrels per day production capacity for a period of twenty years beginning in the month in which the refinery is set up or commercial production is commenced, whichever is later. Exemption under this clause is also available to existing refineries, if: <ul style="list-style-type: none"> <li>• existing production capacity is enhanced by at least 100,000 barrels per day;</li> <li>• the refinery maintains separate accounts for income arising from aforesaid additional production capacity; and</li> <li>• the refinery is a deep conversion refinery.</li> </ul>
24	126G	Profit and gains derived for a period of five years from the date of start of commercial production by the companies from specified projects that have been declared 'Pioneer Industry' by Economic Coordination Committee of the Cabinet. The Companies and projects are: <ul style="list-style-type: none"> <li>• M/s. Astro Plastics (Pvt.) Ltd. from their Biaxially Oriented Polyethylene, Terephthalate (BOPET) Project</li> <li>• M/s. Novatex Ltd. from their Biaxially Oriented Polyethylene Terephthalate (BOPET) Project</li> </ul>
25	126I	Profits and gains derived by a taxpayer, from an industrial undertaking set up by 31st day of December, 2016 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind, for a period of five years beginning from first day of July, 2015. This exemption is also available to such undertaking set up between the 1st March, 2019 and the 30th June, 2023 for a period of five years beginning from the date such industrial undertaking is set up.
26	126O	Profits and gains of a company from a green field industrial undertaking for a period of five years incorporated on or after the first day of July, 2019 provided that the green field industrial undertaking is not formed by the splitting up or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan before the commencement of the new business
27	131	<ol style="list-style-type: none"> <li>1. Any income of company registered under the Companies Ordinance 1984 (XLVII of 1984), and having its registered office in Pakistan, as is derived by it by way of: <ul style="list-style-type: none"> <li>• Royalty</li> <li>• Commission</li> <li>• fees</li> </ul> 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 by the company or in the consideration of technical services rendered outside Pakistan to such enterprise by the company under an agreement in this behalf </li> <li>2. Any Income of any other taxpayer as is derived by him, in the income year relevant to assessment year beginning with the first day of July, 1982 and any assessment year thereafter, by way of fees for technical services rendered outside Pakistan to a foreign enterprise under an agreement entered into in this behalf: - The exemption is available subject to condition that income is received in Pakistan</li> </ol>
28	132A	Profit and gains derived by Boscior Oil Pakistan Limited for a period of seven and half years beginning from the day on which the refinery is set up or commercial production is commenced whichever is later
29	132B	Profits and gains derived by a taxpayer from a coal mining project in Sindh, supplying coal exclusively to power generation projects
30	133	Income from exports of computer software or IT services or IT enabled services up to the June 30, 2025
31	135A	Income derived by a non-resident from investment in OGDCL exchangeable bonds issued by the Federal Government
32	136	Income of a special purpose vehicle as defined in the Asset Backed Securitization Rules, 1999 made under the Companies Ordinance, 1984. Provided that, if there is any income which accrues or arises in the accounts of the special purpose vehicle, after completion of the process of the securitization or redemption of sukuks, it shall be returned to the Originator as defined by the said rules within the income year next following the year in which the income has been determined and such income shall be taxable in the hands of the Originator.

Sr. No.	Clause Reference	Description
33	141	Profit and gains derived by LNG Terminal Operators and Terminal Owners for a period of five years beginning from the date when commercial operations are commenced
34	143	Profit and gains derived by a start-up as defined in clause (62A) of section 2 for the tax year in which the start-up is certified by the Pakistan Software Export Board and the following two tax years
35	146	Income which was not chargeable to tax prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 of any individual domiciled or company and association of persons resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June 2018 to the 30th day of June, 2023.
36	148	Income derived by the Federal Government Employees Housing Authority and Naya Pakistan Housing and Development Authority for the tax year 2020 and the following four tax years

### *Collection of Advance Tax on Import of Sugar Clause 9AA, 9AB, 9AC of Part II of Second Schedule*

The Finance Bill 2021 has proposed exemptions on the following:

- Advance tax on import of white sugar at the rate of 0.25% from August 25, 2020 to November 15, 2020 as per quantity, quality, mode and manner prescribed by Ministry of Commerce during the said period.
- Advance tax on commercial import of white sugar at the rate of 0.25% from January 26, 2021 to June 30, 2021.
- Advance tax on raw sugar @ 0.25% imported by sugar mills from January 26, 2021 to June 30, 2021 subject to the quota allotment of Commerce Division.
- Provided that such imports not to be exceed 50,000 metric tons per sugar mill and 300,000 metric tons by the sugar industry in aggregate.

### *Dividend Declared by a Company and Gains Derived from a Bagasse and Biomass Clause 18C of Part II of Second Schedule*

The Finance Bill 2021 has proposed rate of tax as specified in Division-III of Part-I of First Schedule reduced to 7.5% in case of dividend declared by company as are attributable to profits and gains derived from a bagasse and biomass based cogeneration power project qualifying for exemption under clause 132C of Part-I of this Schedule.

Amount of attributable dividends shall be computed in accordance with the following formula:

#### **AxB/C**

Where:

- A is the total amount of dividend for the year  
 B is the accounting profit for the year  
 C is the total accounting profit before tax for the year

**Relief in Tax Rates Withdrawn**
**(Part II, Second Schedule)**

The Finance Bill, 2021 has omitted the following reduction in tax rates previously allowed under Part-II of Second Schedule of Income Tax Ordinance, 2001:

Sr. No	Clause Reference	Description	Current Rate of Tax	Proposed Rate of Tax								
1.	3	<ul style="list-style-type: none"> <li>Income from services rendered outside Pakistan</li> <li>Income from construction contracts executed outside Pakistan</li> </ul>	<ul style="list-style-type: none"> <li>1.5%</li> <li>3.5% in case of Company</li> <li>3.75% in Other Cases</li> </ul>	<ul style="list-style-type: none"> <li>3%</li> <li>7% in case of Company</li> <li>7.5% in Other Cases</li> </ul>								
2.	3B	Income of Pakistan Cricket Board derived from sources outside Pakistan	4%	Normal Rates								
3.	5B	Capital Gains derived by a person from sale of shares or assets by a private limited company to Private Equity and Venture Capital Fund	10%	Rates u/s 37A								
4.	18	Total income of Modaraba excluding such part of total income to which Division III of Part I of the First Schedule or section 153 or section 154 applies	25%	Normal Rates								
5.	18B	Income of Company whose shares are traded on stock exchange if: <ol style="list-style-type: none"> <li>It fulfills prescribed shari'ah compliant criteria approved by State Bank of Pakistan, Securities and Exchange Commission of Pakistan and Board;</li> <li>Derives income from manufacturing activities only</li> </ol>	27%	Normal Rates								
6.	24AA	The Rate of Income Tax in case of M/S CR-NORINCO JV (Chinese Contractor) as recipient, on payments arising out of commercial contract agreement signed with the Government of Punjab for installation of electrical and mechanical (E&M) equipment for construction of the Lahore Orange Line Metro Train Project.	6%	7%								
			<table border="1"> <thead> <tr> <th>Engine Capacity</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>Up to 1200 CC</td> <td>100%</td> </tr> <tr> <td>1201 CC to 1800 CC</td> <td>50%</td> </tr> <tr> <td>1801 CC to 2500 CC</td> <td>25%</td> </tr> </tbody> </table>		Engine Capacity	Rate	Up to 1200 CC	100%	1201 CC to 1800 CC	50%	1801 CC to 2500 CC	25%
			Engine Capacity		Rate							
			Up to 1200 CC		100%							
1201 CC to 1800 CC	50%											
1801 CC to 2500 CC	25%											
7.	28A	Income Tax on Import of hybrid cars.		Rates specified in Twelfth Schedule of Income Tax Ordinance, 2001								
8.	28B	Income Tax on cash withdrawal by an exchange company, duly licensed and authorized by the State Bank of Pakistan, exclusively dedicated for its authorized business related transactions, Subject to the condition that a certificate issued by the concerned Commissioner Inland Revenue for a financial year mentioning details and particulars of its Bank Account being used entirely for business transactions is provided.	0.15%	0	If Company is in ATL							
				0.6%	If Company is not in ATL							



***Extension in 50% Reduced Tax Liability on Low Cost Housing Project******Clauses 9 &9 (A), Part III Second Schedule***

The Finance Bill, 2021 has extended the date to avail the benefit of reduced tax liability on income derived from low cost housing project. Under the proposed amendment projects commencing on or before June 30, 2024 can also avail this benefit.

***Tax on Cotton Ginners******Clause 17 of Part III of Second Schedule***

The Finance Bill 2021 has proposed withholding tax on income and profits of cotton ginners to be 1% of turnover from cotton lint, cotton seed, cotton seed oil and cotton seed cake. Such tax payable shall be final tax in respect of their cotton ginning and oil milling.

***Incentives for Sub-dealers, Wholesalers and Retailers of Locally manufactured Mobile Phones******Clause 24D, Part II, Second Schedule***

Sub-dealers, wholesalers and retailers of fast moving consumer goods, fertilizers, sugar, cement and edible oil shall pay tax at reduced rates of 0.25% subject to the condition that they are already registered or get themselves registered under Sales Tax Act, 1990 within 60 days of promulgation of The Finance Bill, 2021. The Finance Bill, 2021 has proposed that such reduced rate shall also be applicable on sub-dealers, wholesalers and retailers of locally manufactured mobile phones.

———— This page is intentionally left blank ————

## Sales Tax Act, 1990

---

Sales Tax Act, 1990

### *Cottage Industry Threshold Rationalized*

*Section 2 (5AB)*

The Bill seeks to increase the threshold of supplies to PKR 10 million from the existing threshold of PKR 3 million to qualify as a cottage industry. The amended definition is as follows:

“**Cottage industry**” means a manufacturing concern, which fulfils each of following conditions, namely;

- does not have an industrial gas or electricity connection
- is located in a residential area
- does not have a total labor force of more than ten workers, and
- annual turnover from all supplies does not exceed ten million rupees.

### *Scope of Online Market Place Widened*

*Section 2 (18A)*

In view of the great advancement in online businesses and in the wake of recent inclusion of Pakistan in Sellers' List of e-commerce giant, Amazon, a new definition 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 or
- ordering or delivering the goods.”

### *Definition of Tier 1 Retailer Broadened*

*Section 2 (43A)*

In the definition of Tier 1 retailer in case of furniture retail outlet has been increased to two thousand square feet. Furthermore, online market place and retailers accepting debit/ credit cards or any other digital payments have now has been included. The definition is as under:

“**Tier-1 retailer**” means a retailer falling in any one or more of the following categories, namely;

- a retailer operating as a unit of a national or international chain of stores
- a retailer operating in an air-conditioned shopping mall, plaza or center, excluding kiosks
- a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds Rupees twelve hundred thousand
- a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers”
- a retailer, whose shop measures 1,000 square feet in area or more or 2,000 square feet in area or more in the case of retailer of furniture
- a retailer operating an online market place supplying goods through e-commerce platform, whether or not the goods are owned by him
- a retailer who has acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan, and
- any other person or class of persons as prescribed by the Board.

**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 Widened****Section 3 (3)**

The scope of payment of sales tax now includes online supplies. The amended section reads as under;

(3) The liability to pay the tax shall be:

- in the case of supply of goods of the person making the supply
- in the case of goods imported into Pakistan, of the person importing the goods
- in the case of supply of goods through online market place, of the person running online market place
- whether or not the goods are owned by him."

**Scope of Tax****Section 3 (9A)**

Currently, the customers of a Tier-1 retailer are entitled to receive a cash back of up to five percent of the tax involved. The concessions in the rate of sales tax and cash back to customers have been proposed to be withdrawn.

**Restricted Input Tax Adjustment Relaxed for Listed Companies****Section 8B**

Adjustment of input tax in excess of ninety per cent of the output tax was not allowed to any person other than capital goods or fixed assets. This restriction of ninety percent adjustment is no longer applicable to public limited companies listed on Pakistan Stock Exchange.

**Limitation of Time of Passing an Order****Section 11(5)**

In view of the fact, audits for income tax and sales tax for the same financial or tax year are undertaken concurrently, the demand in case of sales tax may get time-barred one to two years earlier as compared to demand for income tax. In order to streamline the said provision, the words "relevant date", is proposed to be changed with the words "end of the financial year in which the relevant date falls".

The time limitation of passing an order is now proposed to be linked to the end of the financial year instead of the relevant date of the show cause notice.

**Common Identifier Number****Section 21B**

In order to link various databases for identification of a registered person a common identification number is proposed to be introduced from tax period July 2021:

- in the case of individual, having Computerized National Identity Card (CNIC) issued by the National Database and Registration Authority (NADRA), CNIC shall be common identifier number in addition to sales tax registration number (STRN).

- in the case of association of persons or company, having National Tax Number (NTN), NTN shall be common identifier number in addition to sales tax registration number (STRN).

### *Records*

### *Section 22*

The Bill seeks to mandatorily require all registered persons to maintain electronic records in addition to manual records.

### *Transactions Between Associates*

### *Section 25(AA)*

The Board has been empowered 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 26AB*

A new section is sought to be introduced to facilitate the tax payer for seeking extension of time to furnish a return. Following is the new section.

- A registered person required to furnish a return under section 26 may apply, in writing, to the Commissioner for an extension of time to furnish the return.
- An application under sub-section (1) shall be made by the due date for furnishing the return in terms of section 2(9) for the period to which the application relates.
- Where an application has been made under sub-section (1) and the Commissioner is satisfied that the applicant is unable to furnish the return to which the application relates by the due date because of:
  - absence from Pakistan;
  - sickness or other misadventure; or
  - any other reasonable cause,
- the Commissioner may, by order in writing, grant the applicant an extension of time for furnishing the return
- An extension of time under sub-section (3) shall not exceed fifteen days from the due date for furnishing the return, unless there are exceptional circumstances justifying a longer extension of time
- Provided that where the Commissioner has not granted extension for furnishing the return under sub-sections (3) or (4), the Chief Commissioner may on an application made by the registered person for extension or further extension, as the case may be, grant extension or further extension for a period not exceeding fifteen days, unless there are exceptional circumstances justifying a longer extension of time
- An extension or further extension of time granted under sub-sections (3) or (4), as the case may be, shall not, for the purpose of charge of default surcharge under section 34, change the due date for payment of sales tax under section 6."

### *Border Sustenance Markets Categorized under Tax Exempt Areas*

### *Section 40D*

In view of recent MoU arrangement between Pakistan and Afghanistan the two countries aimed at boosting trade and economic activity in border regions through setting up of the proposed Border Sustenance Markets. The proposed insertion seeks to include the Border Sustenance Markets in the exempt areas category.

### *Licensing of Brand Name Prescribed*

### *Section 40E*

A new section is proposed to be inserted to eliminate the production of counterfeit goods as follows:

- Manufacturers of the specified goods shall be required to obtain brand license for each brand or stock keeping unit (SKU) in such manner as may be prescribed by the Board.

- Any specified brand and SKU found to be sold without obtaining a license from the Board shall be deemed counterfeit goods and liable to outright confiscation and destruction in the prescribed manner and such destruction and confiscation shall be without prejudice to any other penal action which may be taken under this Act.”;

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

***Section 48***

The Bill seeks to extend 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 48***

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 48***

The Bill seeks to introduce 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 Bill proposes to incorporate 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:

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

***Third Schedule – Sales tax paid by manufacturers on retail price***

**Additions in Third Schedule**

50	Sugar except where it is supplied as an industrial raw material to pharmaceutical, beverage and confectionery industries	Respective heading
----	--	--------------------

**Fifth Schedule – Zero rated goods**

Deletions from Fifth Schedule

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 falling under (i) and (ii) 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 6[***7[***] 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), shall apply.

Addition in Fifth Schedule

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.”
----	---

**Sixth Schedule – Exempt goods**

Deletions from Sixth Schedule – Table I

The following entries are deleted from Sixth Schedule:

Sr. No.	Description
11	Eggs including eggs for hatching
19	Cereals and products of milling industry excluding the products of milling industry, other than wheat and meslin flour, as sold in retail packing bearing brand name or a trademark.
22	Sugar beet.
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 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 2[, 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
84	Preparations suitable for infants, put up for retail sale
85	Fat filled milk excluding that sold in retail packing under a brand name or a trademark]
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.
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 up to the 30th June, 2019 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



	Provided that in case of import or acquisition on wet or dry lease by Pakistan International Airlines Corporation, this exemption shall be available with effect from 19th March, 2015.
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 I

- Import of CKD (in kit form) of following electric vehicles (4 wheelers) by local manufacturers 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
- Goods temporarily imported into Pakistan by International Athletes which shall be subsequently taken by them within 120 days of temporary import
- Import of auto disable Syringes till 30th June, 2021 25 (i) with needles (ii) without needles
- Import of following raw materials for the manufacturers of auto disable syringes till 30th June, 2021 (i) Tubular metal needles (ii) Rubber Gaskets
- 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 one enterprises
- Import of raw materials, components, parts and plant and machinery by registered persons authorized under Export Facilitation Scheme, 2021 notified by the Board Respective headings 26 with such conditions, limitations and restrictions.”;

#### Deletions in Sixth Schedule - Table 2

- Raw and pickled hides and skins, wet blue hides and skins
- Bricks (up to 30th June, 2018)
- LED or SMD lights and bulbs meant for conservation of energy
- Cottonseed oil

#### Additions in Sixth Schedule - Table 2

- Supply of locally produced silos till 30.06.2026
- Eggs including eggs for hatching
- Cereals and products of milling industry excluding the products of milling industry, other than wheat and meslin flour, as sold in retail packing bearing brand name or a trademark
- Sugar beet
- Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged.
- Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name
- Flavored milk, excluding that sold in retail packing under a brand name.
- Yogurt, excluding that sold in retail packing under a brand name
- Whey, excluding that sold in retail packing under a brand name
- Butter, excluding that sold in retail packing under a brand name
- Desi ghee, excluding that sold in retail packing under a brand name
- Cheese, excluding that sold in retail packing under a brand name
- Processed cheese not grated or powdered, excluding that sold in retail packing under a brand name
- Sausages and similar products of poultry meat or meat offal excluding sold in retail packing under a brand name or trademark
- Products of meat or meat offal excluding sold in retail packing under a brand name or trademark
- Preparations suitable for infants, put up for retail sale
- Fat filled milk excluding that sold in retail packing under a brand name or a trademark

#### Additions in Sixth Schedule - Table 4

The goods specified below when supplied within the limits of the Border Sustenance Markets, established in cooperation with Iran and Afghanistan, shall be exempted from the whole of the sales tax, subject to the following conditions, namely:

- Such goods shall be supplied only within the limits of Border Sustenance Markets established in cooperation with Iran and Afghanistan;
- If the goods, on which exemption under this Table has been availed, are brought outside the limits of such markets, sales tax shall be charged on the value assessed on the goods declaration import or the fair market value, whichever is higher;
- Such items in case of import, shall be allowed clearance by the Customs Authorities subject to furnishing of bank guarantee equal to the amount of sales tax involved and the same shall be released after presentation of consumption certificate issued by the Commissioner Inland Revenue having jurisdiction
- The said exemption shall only be available to a person upon furnishing proof of having a functional business premises located within limits of the Border Sustenance Markets
- Breach of any of the conditions specified herein shall attract relevant legal provisions of this Act, besides recovery of the amount of sales tax along with default surcharge and penalties involved.

**Eighth Schedule – Reduced rates**
Deletions from Eighth Schedule

Serial No.	Description
1	Soyabean meal
5	Raw cotton and ginned cotton
6	Plant and machinery not manufactured locally and having no compatible local substitutes
7	Flavored milk
8	Yogurt
9	Cheese
10	Butter
11	Cream
14	Milk and cream, concentrated or containing added sugar or other sweetening matter
15	Ingredients of poultry feed, cattle feed, except soya bean meal of PCT heading 2304.0000 and oil-cake of cotton-seed falling under PCT heading 2306.1000
19	Waste paper
20	Plant, machinery, 2[and equipment] used in production of bio-diesel
22	Soya been and Seed <ul style="list-style-type: none"> <li>● Wheat thresher</li> <li>● Maize or groundnut thresher or sheller</li> <li>● Groundnut digger</li> <li>● Potato digger or harvester</li> <li>● Sunflower thresher</li> <li>● Post hole digger</li> <li>● Straw balers</li> <li>● Fodder rake</li> <li>● Wheat or rice reaper</li> <li>● Chaff or fodder cutter</li> <li>● Cotton picker</li> <li>● Onion or garlic harvester</li> <li>● Sugar harvester</li> <li>● Tractor trolley or forage wagon</li> <li>● Reaping machines Combined</li> </ul>
45	Following machinery for poultry sector: <ul style="list-style-type: none"> <li>● Import and supply</li> <li>● Machinery for preparing feeding stuff</li> <li>● Incubators, brooders and other poultry equipment</li> <li>● Insulated sandwich panels</li> <li>● Poultry sheds</li> <li>● Evaporative air cooling system</li> <li>● Evaporative cooling pad</li> </ul>
50	Lng/Rng
51	Lng/Rng
60	Fat filled milk
61	Silver, in unworked condition
62	Gold, in unworked condition

63	Articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.
64	Prepared Food, foodstuff and sweetmeats supplied by restaurants, bakeries, caterers and sweetmeat shops
65	Ginned cotton
67	LNG imported for servicing CNG sector and local supplies thereof

### Additions in Eighth Schedule

71. Following locally manufactured or assembled electric vehicles (4 wheelers) till 30th June, 2026:

- Small cars/ SUVs with 50 Kwh battery or below; and
- Light commercial vehicles (LCVs) with 150 kwh battery or below

72. Motorcars

73. Import and local supply of Hybrid Electric Vehicles:

- Up to 1800 cc
- From 1801 cc to 2500 cc

### *Eleventh Schedule – Withholding of Sales Tax*

	Withholding agent	Supplier category	Rate or extent of deduction
<b>7</b>	Registered persons manufacturing lead batteries	Persons supplying reclaimed lead or used lead batteries	Whole of the sales tax applicable".

### *Twelfth Schedule – Exemption from Minimum Value Added Tax*

In the Twelfth Schedule, in clause (2), after sub-clause (x), under Procedure and conditions, the following new clauses shall be added, namely:

- 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; and
- motor cars of cylinder capacity up to 850cc

———— This page is intentionally left blank ————

## Federal Excise Act, 2005

*Federal Excise Act, 2005*

### *Manual Filing of Revised Return Relaxed*

**Section 4(4)**

By virtue of the Finance Bill, 2021, it is proposed that the approval of Commissioner Inland Revenue shall not be required if the following conditions are met:

- revised return is filed within 60 days of filing of the original return;
- the duty payable is more than the amount paid;
- the refund claimed is less than the amount as claimed in the original return.

### *Assistance to a Foreign Jurisdiction in Collection and Recovery of Duties*

**Section 14(4)**

The Officer of Inland Revenue shall recover any amount of duty levied, penalty imposed or any other amount payable to a foreign jurisdiction under a tax treaty, a multilateral convention and inter-governmental agreement as the case may be, in such manner as prescribed under this Act or rules made thereunder.

### *Licensing of Brand Name or SKU Made Mandatory*

**Section 45AA (1,2)**

Finance Bill, 2021 has proposed that manufactures of the specified goods are required to obtain brand license from the Board. If a brand or stock keeping unit (SKU) is found to be sold without obtaining a license, then goods shall be considered counterfeit. It shall also be completely seized or destroyed in the prescribed manner without prejudice to any other penal action.

### *Agreement for the Exchange of Information or Assistance in Recovery of Duties*

**Section 47A (1A)**

By virtue of the Finance Bill, 2021, the Board shall have power to share data or information including real time data videos or images with any Ministry or Division of the Federal Government or Provincial Government subject to such limitations and conditions as may be specified by the Board.

### *Assistance in Recovery of Duties*

**Section 47A (3)**

In order to facilitate in recovery of duties, the Federal Government may enter into bilateral or multilateral agreements with governments of foreign countries, and inter-governmental agreements or similar agreements or mechanism.

### *Board Authorized for Fee and Service Charges Spending*

**Section 49 (2)**

By virtue of Finance Bill, 2021, the Board may authorize and prescribe the manner in which fee and service charges collected under sub-section (1) shall be expended.

### *FED on Tobacco Mixture in an Electrically Heated Tobacco Product*

**First Schedule (Table-I)**

By virtue of Finance Bill, 2021, it is proposed to collect FED on tobacco mixture in an electrically heated tobacco product.

Description of Goods	Heading	Rates of Duty
Tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without combustion	2403.9990	Rupees five thousand two hundred per kg

**FED on Motor Vehicles Abolished**

**First Schedule (Table-I)**

The Finance Bill, 2021 proposes not to levy and collect VAT on imported and locally manufactured motor cars, SUVs and other motor vehicles other than those Motor vehicles for the transport of ten or more persons till the 30th day of June, 2026.

The Bill proposes to levy 2.5% VAT on motor cars other than those Motor vehicles for the transport of ten or more persons of cylinder capacity up to 851CC to 1000CC.

**FED on Telecommunication Services Reduced**

**First Schedule (Table-II)**

The Bill has proposed to reduce the rate of FED on telecommunication from 17% to 16%.

Sr No.	Description of Services	Heading /Sub-heading Number	Rate of Duty
6A	(a) Mobile phone call, if call duration exceeds three minutes;	Respective sub-heading of 98.12	16% plus Rs 1 per minute
	(b) Internet services;	9812.6000	16% plus Rs 5 per GB
	(c) SMS services	9812.1710	16% plus 10 paisa per SMS

**FED on Merchant Discount Rate (MDR)**

**First Schedule Table (II)**

Finance Bill 2021 proposes to exclude payment on account of Merchant Discount Rate (MDR) from the extent of FED.

**FED on VAT Mode**

**Second Schedule**

By virtue of the Finance Bill 2021, FED on goods on which duty is collectible under VAT mode under the Second Schedule is omitted.

**Conditional Exemptions**

**Third Schedule Table (I)**

The following exemptions have been proposed by virtue of Finance Bill, 2021 subject to fulfillment of certain conditions as per the below table:

Sr No.	Description	Heading/ Sub-heading Number
24	The following goods, when supplied within the limits of the Border Sustenance Markets established in cooperation with Iran and Afghanistan:	
	(i) Animal Fats and Oil and their fractions	1516.1000
	(ii) Vegetable Fats and their fractions	1516.2010
	(iii) Vegetable Oils and their fractions	1516.2020
25	Import and supply of raw materials, components, part and plant and machinery by registered persons authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions and limitations	Respective Headings

———— This page is intentionally left blank ————



## Customs Act, 1969

---

Customs Act, 1969

### *Definition of Documents Updated*

*Section 2(kka)*

By virtue of Finance Bill, 2021, "Master Bill of Lading" and "Certificate of Origin" now falls under the inclusive definition of Documents.

### *Definition of Electronic Assessment Prescribed*

*Section 2(kkc)*

Finance Bill, 2021 proposed to define "Electronic Assessment" as assessment of a goods declaration in Customs Computerized System by an officer of Customs or by the computerized system according to the selectivity criteria.

### *Definition of Vessel Intimation Report Prescribed*

*Section 2(id)*

Finance Bill, 2021 has proposed to introduce a new concept "Vessel Intimation Report" as an intimation regarding impending arrival of a vessel at a customs seaport, where the customs computerized system is operational, to the customs authorities in the form and manner, by the carrier or his agent, as may be prescribed by rules.

### *Definition of Owner of Goods Prescribed*

*Section 2(oo)*

By virtue of Finance Bill, 2021 "Owner of Goods" includes any person who is for the time being entitled, either as owner or agent for the owner, to the possession of the goods.

### *Definition of Smuggling Broadened*

*Section 2(s)*

Finance Bill, 2021 has proposed to broaden the definition of "Smuggling" by adding that possession of smuggled goods by retailer shall also be considered as smuggling.

### *Directorate General of National Nuclear Detection Architecture Constituted*

*Section 3(CCB)*

Finance Bill, 2021 has proposed to constitute "Directorate General of National Nuclear Architecture" to comply with international obligation and prevent smuggling of nuclear and radiological materials. It consists of Director General and other officers as the Board may, by notification in official Gazette, appoint.

### *Directorate General of Marine Constituted*

*Section 3(CCC)*

Finance Bill, 2021 has prescribed to constitute "Directorate General of Marine" to deal with customs matter and especially for prevention of smuggling through sea. It consists of a Director General and other officers as the Board may, by notification in official Gazette, appoint.

### *Process of Licensing Public Warehouses Upgraded*

*Section 12*

Finance Bill, 2021 has proposed to streamline the process of issuance of license to public warehouses by delegating the following powers from Collector of Customs to respective Collectors of Customs having jurisdictions in that area:

- Power to appoint or issue license public warehouses
- Power to prescribe specific form for making application
- Power of cancellation of license
- Power of suspension of license

***Process of Licensing Common Warehouses Upgraded******Section 12A***

Finance Bill, 2021 has proposed to insert the new expression “Common Warehouses” to encourage Small and Medium Enterprises and through insertion of section 12A has proposed following powers for respective Collector of Customs having jurisdiction in that area:

- Power to appoint or issue license common warehouses
- Power to prescribe specific form for making application
- Power of cancellation of license
- Power of suspension of license.

***Process of Licensing Private Warehouses Upgraded******Section 13***

Finance Bill, 2021 has proposed to delegate the following powers from Collector of Customs to Respective Collector of Customs having jurisdiction in that specific area to bring uniformity and clarity in this process:

- Power to appoint license private warehouses
- Power to prescribe specific form for making application
- Power of cancellation of license
- Power of suspension of license.

***Dispute Resolution on Pakistan Customs Tariff Classification******Section 18E***

Finance Bill, 2021 has proposed to empower the Board to constitute a committee or a center for resolution of dispute arising on classification of goods in Pakistan Customs Tariff.

***Period of Notifications passed by National Government on Exemption of Customs duty extended******Section 19(5)***

Finance Bill, 2021 proposes to further extend the period of notification passed by National Assembly for exemption of goods from customs duty up to 30th June 12, 2022.

***Collector of Customs Empowered to Determine Customs value******Section 25A(1)(i)***

Finance Bill, 2021 has proposed to empower “Collector of Customs” to determine customs value of any good imported or exported.

***Criteria of Valuation of Goods Modernized******Section 25A(1)(ii)***

By Virtue of Finance Bill, 2021 Director of Customs may also calculate Customs value of goods on the basis of internationally acclaimed publications, periodicals, bulletins, or official websites of manufacturers or intenders of such goods.

***Conflicted Customs Values Resolution Upgraded******Section 25A(2A)***

By virtue of Finance Bill, 2021 the proposed amendment seeks that in case of conflicts Director General of Valuation has power to determine the applicable customs value.

***Approving Authority for Taking Over Imported Goods Changed******Section 25C***

By virtue of Finance Bill, 2021 authority of taking over the imported goods has now been changed from Board to respective Chief Collector in order to avoid delays.

***Reviewing process of Customs Value Determination Upgraded******Section 25D***

Finance Bill, 2021 proposes to enable Director General of Valuation to take appropriate decision on appeals and capping time limit of sixty days for decisions is proposed to avoid delays.

***Conditions of Mutilating or Scrapping of Goods Revamped******Section 27A***

By virtue of Finance Bill, 2021 owner should make request for allowing mutilation or scrapping of goods for the purpose of changing duty at applicable rates of mutilated or scrapped goods before filling of goods declaration.

***Date of Determination of Rate of Import Duty Clarified******Section 30***

By virtue of Finance Bill, 2021 concept of determination of date for applicability of import duty has been clarified in order to avoid misuse by the importers. Relevant date will be the date on which good declaration is manifested. Except for goods whose rate of duty change after submission of goods declaration and before birthing /cross over of vessel/vehicle relevant date shall be the date on which vessel is berthed or vehicle cross over the border.

***Threshold Amount Required to initiate Action Revised******Section 32(3A)***

By virtue of Finance Bill, 2021 threshold amount to initiate action against person has been increased from one hundred rupees to twenty thousand rupees.

***Actioning Authority Revised******Section 32C***

Finance Bill, 2021 proposes to empower Board to make rules to take appropriate action against miss-declaration of Value for illegal transfer of funds into or out of Pakistan.

***Trade Facilitation Enhanced******Section 44***

By virtue of Finance Bill, 2021 timeline for filing of import manifest has been revised to facilitate trade and thus reducing dwell time as:

- (a) Within 3 hours of landing for custom airport
- (b) At the time of entry into the country for land customs station

***Amendment of Import Manifest Allowed******Section 45(2)***

Finance Bill, 2021 proposes to allow amendment of import manifest by person in charge of conveyance or his duly authorized agent before berthing of vessel without any permission of customs authorities.

**Assessment Process Revised**

**Section 79(aa)**

By the Virtue of Finance Bill, 2021 the documents mandatory for the assessment of goods shall be uploaded by the importer or his agent with the goods declaration.

**Examination of Green Channeled Goods**

**Section 80(4)**

Finance Bill, 2021 seeks to enable Customs Officer to examine the goods after clearance through green channel with prior approval of Collector of Customs.

**Re-Export of Banned goods**

**Section 82(c)**

By Virtue of Finance Bill, 2021 Collector of Customs may direct importer or the shipping line to re-export the goods banned or restricted by Federal Government if goods are not cleared within sixty days of their arrival.

**Amendment in Case of Bona-fide Error**

**Section 88(5)**

Finance Bill, 2021 seeks to enable customs authorities to allow amendment in case of bona-fide error in goods declaration and thus improving trade.

**Warehousing Period Extended**

**Section 98(1)(a)**

Finance Bill, 2021 has proposed to increase in time period for keeping the goods in warehouse from one month to six months following the date of their admission.

**Process of Cancellation of Registration Revised (c)**

**Section 155F**

Finance Bill, 2021 seeks to afford opportunity of being heard to the registered users with the canon of natural justice.

**Amendment in Case of Typographical Error**

**Section 155R**

Finance Bill, 2021 proposes in case of typographical error in good declaration the officer not below the rank of assistant Collector on his satisfaction shall issue certificate for subsequent correction in the computerized goods declaration.

**Punishments of Offences Revised**

**Section 156(1) Table Serial No.1(i)(ii)**

Offenses		Penalties	
(i)	If any person contravenes the requirement of placement of invoice and packing list inside the import container or consignment	1st Time 2nd Time 3rd Time 4th Time	Rs. 100,000 Rs. 500,000 Rs. 1000,000 outright confiscation of goods and blockage of WeBOC user ID for one year
(ii)	If any person fails to attach or electronically upload mandatory documents required under section 79 or 131 of the Customs Act, 1969,	1 <sup>st</sup> Time 2 <sup>nd</sup> Time 3 <sup>rd</sup> Time 4 <sup>th</sup> Time 5 <sup>th</sup> Time	Rs. 50,000 Rs. 100,000 Rs. 150,000 Rs. 200,000 Rs. 250,000 and onwards

***Penalty on Non Filing of Goods Declaration Note Waived******Section 156(1) Table Serial No.47A***

By virtue of Finance Bill, 2021 penalty on non-filing on good declaration note within prescribed time of ten days has been waived.

***Conveyance Used in Smuggling Suspended******Section 157 (2)***

By virtue of Finance Bill, 2021 if vehicle is apprehended third time for charge of smuggling it shall not be released against payment of redemption fine.

***Time Limit for Decision Reduced******Section 179(3)***

By virtue of Finance Bill, 2021 the time limit for decision of cases has been reduced to thirty days if impugned goods are lying at sea-port.

***Authority to Prefer Application to High Court Changed******Section 195***

Finance Bill, 2021 has proposed to authorize Deputy Collector or Deputy Director duly authorized by Collector or Director to prefer an application/reference before High Court.

***Other Law Enforcement Agencies Admitted for Reward Purpose******Section 202B***

By virtue of Finance Bill, 2021 officers and officials of other law enforcement agencies assisting in seizure of smuggled good and vehicle are now included for reward purpose in order to increase their motivation.

***Validation of Advance Ruling Extended******Section 212B(5)***

By virtue of Finance Bill 2021, period of validity of advance ruling has proposed to be been increased from one year to three years in accordance with the international benchmarks.

***Imports in Special Technology Zone or Authorized under Export Facilitation Schemes Exempt First Schedule Sub-Chapter-V***

By Virtue of Finance Bill, 2021 Customs Duty is exempted on imports made by units in Special Technology Zone or Authorized under Export Facilitation Schemes.

## Contact Information

### Head Office

#### **Lahore**

25-E Main Market, Gulberg 2,  
Lahore, 54660, Pakistan  
Tel: +92-42-35759223-5  
Email: info@crowe.pk

### Other Offices

#### **Islamabad Offices**

House No. 982, Street 21, Phase 4,  
Bahria Town, Islamabad.  
Tel: 051-5737581-2 / 051-5732505  
Email: cahabib@hotmail.com

Office # 13, 1st Floor, Ahmad Center  
I-8 Markaz, Islamabad.  
Tel: 051-4938139  
Email: isb@crowe.pk

#### **Karachi Office**

F-4/2, Mustafa Avenue, Block 9, Clifton,  
Karachi.  
Tel: 021-35877806-09  
Email: khi@crowe.pk

For more information, scan QR code below:



**[www.crowe.pk](http://www.crowe.pk)**