Finding Opportunity in Change

BUDGET INSIGHT | 2022-23

Post Pandemic Economy Outlook

June **2022**







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We are pleased to present this publication as part of our continued services to our clients' ns associates with up to date information regarding the prevalent economic outlook of Pakistan and the amendments in various laws proposed vide budget for 2022-23 affecting them and their business.

This memorandum has been prepared as a general guide for the benefit of our clients and is available upon request. This is not an exhaustive summary and only laws down interpretation of the amendments proposed in the Finance Bill 2022 and takes into consideration important aspects of the changes made.

It is recommended that the text of the Bill and relevant provisions and/or notifications, where applicable, be referred to in considering the interpretation of any provision the comments and statements contained therein are correct to the best of ur knowledge and belief at the time of this publication.

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If you require any information or have enquiries with regards to the budge announcements, please do not hesitate to contact our partners and/or the individuals listed on the back cover of this publication.

We trust that you will find this guide useful.

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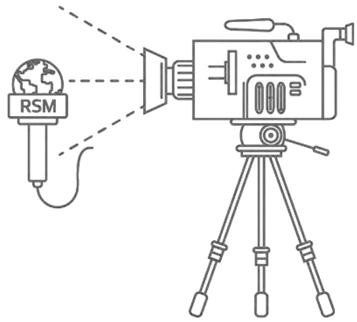

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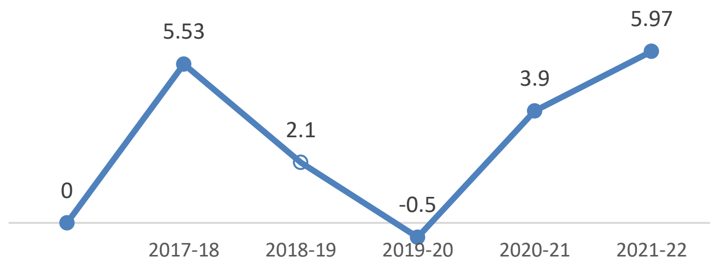
1. AN OVERVIEW OF THE ECONOMY

1.1 BUDGET AT A GLANCE

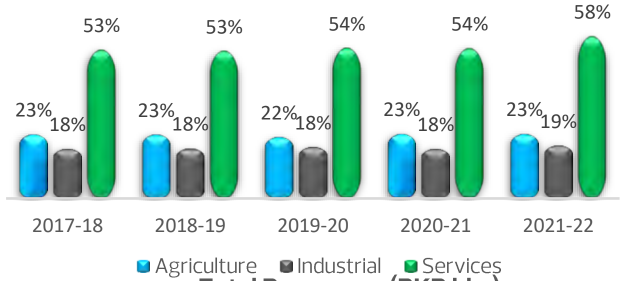
	2021-22		2022-23	
	Budget Estimates	%	Budget Estimates	%
	Rupees in billion			
Revenue Receipt				
Resource Revenue				
Tax Revenue	5,829	74	7,004	78
Non-Tax Revenue	2,080	26	2,000	22
	7,909	100	9,004	**100**
Less: Provincial Share	3,412	43	4,100	46
Net Revenue	4,497	57	4,904	**54**
Current Expenditure			8,694	
Development Expenditure			808	
Total Expenditure	(10,262)		(9,502)	
Deficit	(5,765)		(4,598)	
Capital receipts	1,440	25	1,996	44
Estimated Provincial Surplus			800	17
External Receipts	2,748	48	554	12
Debt from Banking Sector	681	12	1,172	25
Privatization Proceeds – FDF	252	4	96	2
Others	644	11		
Total Deficit	5,765	100	4,598	100

1.2 ECONOMIC ANALYSIS – GRAPHICAL OVERVIEW

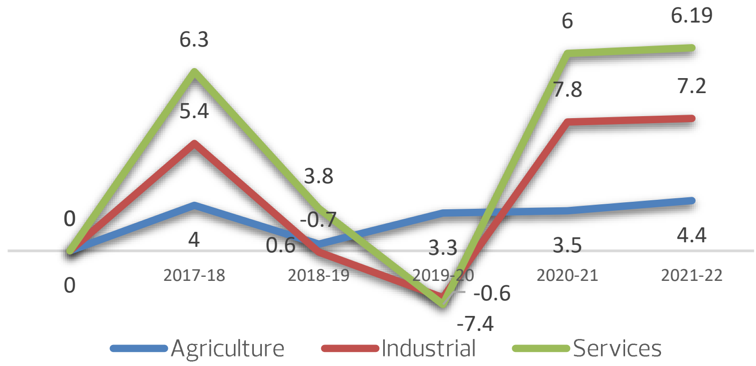
Real GDP Growth %age



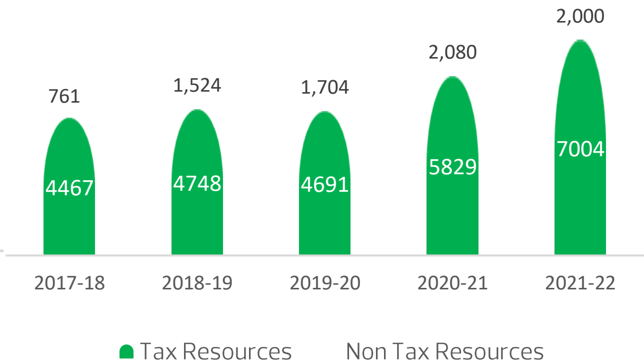
Sectoral Share in GDP



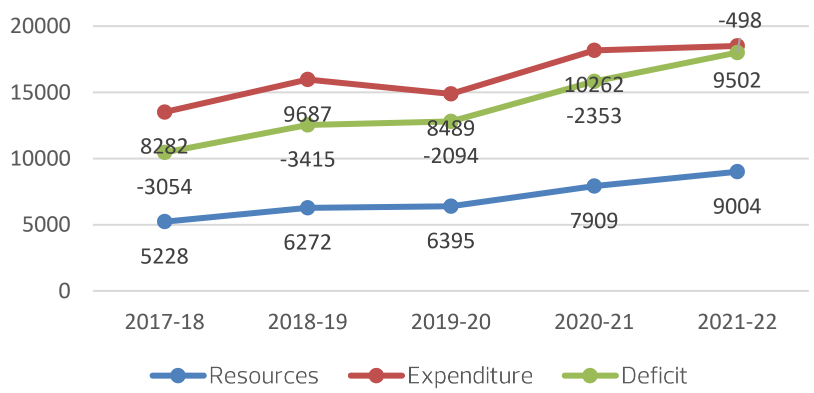
Sectoral Growth Rate



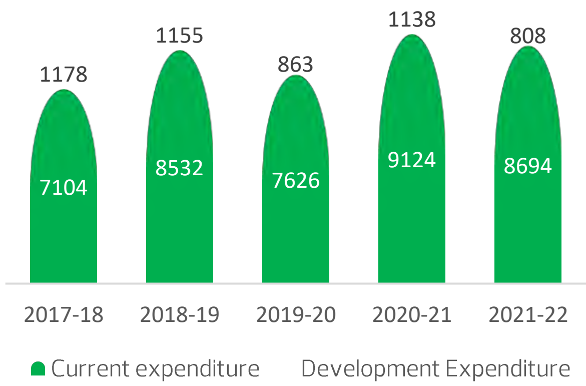
Total Resources (PKR bln.)



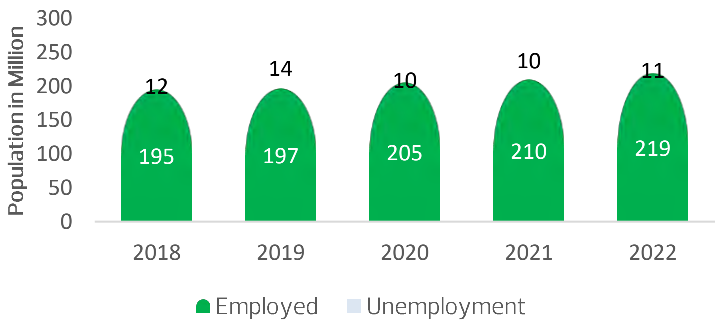
Comparison of Resources and Expenditure



Total Expenditure



Unemployment



1.3 MACRO ECONOMIC INDICATORS

S. No.	Indicator	2021-22	2020 – 2021	Increase/Decrease	Remarks
1.	Gross Domestic Product	5.97%	3.9%	53%	Favorable
2.	Agriculture Sector Growth	4.4%	3.48%	26.4%	Favorable
3.	Industrial Sector Growth	7.19%	7.81%	-7.9%	Unfavorable
4.	Service Sector Growth	6.19%	6%	3.16%	Favorable
5.	Inflation rate (Core)	11.3%	5.8%	94.8%	Unfavorable
6.	Literacy rate	63%	60%**	5%	Favorable
7.	Per capita income	US $ 1,798	US$ 1,676	US$ 122	Favorable
8.	Fiscal deficit	3.8% of GDP*	3.5% of GDP*	8.6%	Unfavorable
9.	Foreign exchange reserves	US $ 16.4 Billion**	US$ 23.6 Billion	US$ -7.2 Billion	Unfavorable
10.	International credit rating (Moody)	B3	B3	B3	Stable
11.	Foreign Direct Investment	US $ 1.25 Billion*	US$1.18 Billion*	US$0.07 Billion	Favorable
12.	Unemployment rate	4.7%	4.7%	-	Stable

**till July & March 2022*
***April 2022*

1.4 ECONOMIC SURVEY 2021-22

The Economic Survey unveiled by the government on 9th of June 2022 on the eve of the budget 2022-23 reflects the economy registering a growth of 5.97 percent during the previous year thereby having surpassed the envisaged target of 4.8 percent. The growth was bolstered by the agriculture, industry, and services sectors that also surpassed their respective sectoral targets. While the previous government claims the figures as testimony of their success and that the country was on trajectory of progress, the sitting government blames the GDP growth of 5.97 percent a consequence of rebasing national accounts which raised the budgetary and the current account deficits, and the one that led to balance of payment crises. It therefore is considered neither reflective of true economic trajectory upwards nor sustainable.

The salient features of the economic survey report are listed below:

- GDP growth rate during fiscal year 2021-22 on the new base of 2015-16 stood at 5.97%.
- Agriculture sector is estimated to grow at 4.4% in FY22 against 3.48% in FY21. The livestock sector grew at 3.3%, accompanied by forestry and fishing showing growth of 6.13%.
- Industry sector expanded at 7.19% in FY22 against 7.81% last year.
- The growth of services sector was recorded at 6.19% in FY22 as opposed to 6% in FY21.
- Large scale manufacturing witnessed 10.4% growth during 9MFY22 (versus 4.2% during 9MFY21).
- Cement production decreased by 8.2% for 9MFY22, while oil sales of the same period saw an increase of 17%.
- The size of Pakistan's economy is expected to amount to Rs66.95 trillion in FY22 compared to Rs55.8 trillion recorded in FY21.
- During FY22, the per capita income of country increased to Rs314,353 (equivalent to $1,798).
- In dollar terms, the size of the economy reached to $382.8 billion.
- Current account deficit was recorded at $13.8 billion in 10MFY22 from $543 million (10MFY21), owing mostly to increased import volumes of commodities as well as increased international prices.
- Exports also witnessed growth of 27.6% to reach $26.8 billion for 10MFY22 (compared to $21 billion for 10MFY21). Food group's exports increased by 18.9% year-on-year reaching $3.9 billion during 10MFY22.

- The total imports during 10MFY22 clocked at $59.8 billion showing a growth of 39% year-on-year, comprising mainly of petroleum, medicinal products, petroleum crude, LNG, palm oil, plastic materials and iron and steel.
- Trade deficit in goods and services widened by 51.5% year-on-year on account of 39% year-on-year increase in imports of goods as well as 34.0% year-on-year increase in imports of services.
- Net FDI inflows rose 6.1% to $1.25 billion 9MFY22 as against $1.18 billion last year.
- Remittances saw a year-on-year increase of 7.6% to $26.1 billion during 10MFY22, a historic high.
- Liquid foreign exchange reserves stood at $16.1 billion while SBP's reserves amounted to under $10 billion while commercial banks' reserves at $6.1 billion as of May'22.
- Private sector credit witnessed an unprecedented expansion of Rs1,312 billion during 10MFY22.
- Annual inflation (CPI) was recorded at 11.3% as opposed to the targeted 8.2%.

1.5 THE GLOBAL OUTLOOK

The war in Ukraine has triggered a costly humanitarian crisis resulting in economic damage which will contribute to a significant slowdown in global growth in 2022. Even as the war reduces growth, it will add to inflation. Fuel and food prices have increased rapidly, with vulnerable populations—particularly in low-income countries— most affected. Increased Interest rates are exerting pressure on emerging market and developing economies.

The invasion has contributed to economic fragmentation as a significant number of countries sever commercial ties with Russia and risks derailing the post-pandemic recovery. In addition, the conflict adds to the economic strains wrought by the pandemic. Although many parts of the world appear to be moving past the acute phase of the COVID-19 crisis, deaths remain high, especially among the unvaccinated. Moreover, recent lockdowns in key manufacturing and trade hubs in China will likely compound supply disruptions elsewhere.

Global growth is projected to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023. This is 0.8 and 0.2 percentage points lower for 2022 and 2023 than in the January World Economic Outlook Update. Beyond 2023, global growth is forecast to decline to about 3.3 percent over the medium term. Crucially, this forecast assumes that the conflict remains confined to Ukraine, further sanctions on Russia exempt the energy sector (although the impact of European countries' decisions to wean themselves off Russian energy and embargoes announced through March 31, 2022, are factored into the baseline), and the pandemic's health and economic impacts abate over the course of 2022. With a few exceptions, employment and output will typically remain below pre-pandemic trends through 2026.

Scarring effects are expected to be much larger in emerging market and developing economies than in advanced economies—reflecting more limited policy support and generally slower vaccination—with output expected to remain below the pre-pandemic trend throughout the forecast horizon. Unusually high uncertainty surrounds this forecast, and downside risks to the global outlook dominate—including from a possible worsening of the war, escalation of sanctions on Russia, a sharper-than-anticipated deceleration in China as a strict zero-COVID strategy is tested by Omicron, and a renewed flare-up of the pandemic should a new, more virulent virus strain emerge. Moreover, the war in Ukraine has increased the probability of wider social tensions because of higher food and energy prices, which would further weigh on the outlook.

Inflation is expected to remain elevated for longer than in the previous forecast, driven by war-induced commodity price increases and broadening price pressures. For 2022, inflation is projected at 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies—1.8 and 2.8 percentage points higher than projected in January. Although a gradual resolution of supply-demand imbalances and a modest pickup in labor supply are expected in the baseline, easing price inflation eventually, uncertainty again surrounds the forecast. Conditions could significantly deteriorate.

The war in Ukraine has exacerbated two difficult policy trade-offs: between tackling inflation and safeguarding the recovery; and between supporting the vulnerable and rebuilding fiscal buffers.

Tackling inflation: Although the drivers of inflation are in many cases beyond the control of central banks (the war, sanctions, the pandemic, supply chain disruptions), price pressures are increasingly broad-based. The transmission of the war shock will vary across countries, depending on trade and financial linkages, exposure to commodity price increases, and the strength of the preexisting inflation surge. The appropriate monetary policy response will therefore differ across economies. In some places, including the United States, inflationary pressure had strengthened considerably and become more broad-based even before the Russian invasion of Ukraine—buoyed by strong policy support. In other countries, the prominence of fuel- and war-affected commodities in local consumption baskets could lead to broader and more persistent price pressures. In both cases, tighter monetary policy will be appropriate to check the cycle of higher prices driving up wages and inflation expectations, and wages and inflation expectations driving up prices. In countries where the harmful effects from the war are larger, the trade-off between safeguarding growth and containing inflation will be more challenging. Central banks should remain vigilant to the impact of price pressures on inflation expectations and continue to communicate clearly on the outlook for inflation and monetary policy. A well-telegraphed, data dependent approach to adjusting forward guidance on the monetary stance—including the unwinding of record-high central bank balance sheets and the path for policy rates—is the key to maintaining the credibility of policy frameworks.

Fiscal policy amid rising interest rates and a cost-of living squeeze: Fiscal policies should depend on exposure to the war, the state of the pandemic, and the strength of the recovery. Following a huge and necessary fiscal expansion in many countries during the pandemic, debt levels are at all-time highs and governments are more exposed than ever to higher interest rates. The need for consolidation should not prevent governments from prioritizing spending with well-targeted support for the vulnerable—including refugees, those struggling because of commodity price spikes, and those affected by the pandemic. Where fiscal space permits and when monetary policy is constrained at the national level—for instance by the Effective Lower Bound or in a monetary union—broader fiscal support may be warranted, depending on the severity of the decline in aggregate demand. But this support should be deployed in ways that avoid exacerbating ongoing supply-demand imbalances and price pressures. Where fiscal space is more limited, governments will need to tread a difficult path between fiscal consolidation and prioritizing essential expenditures. Moreover, authorities should be vigilant regarding private sector vulnerabilities to rising interest rates.

Preparing for tomorrow's economy: Beyond the immediate challenges of the war and the pandemic, policymakers should not lose sight of longer-term goals. Pandemic disruptions have highlighted the productivity of novel ways of working. Governments should look to harness positive structural change wherever possible, embracing the digital transformation and retooling and reskilling workers to meet its challenges. Carbon pricing and fossil fuel subsidy reform can also help with the transition to a cleaner mode of production, less exposed to fossil fuel prices—more important than ever in light of the fallout of the war on the global energy market. The green energy transition will also entail labor market reallocation across occupations and sectors. Multilateral efforts to respond to the humanitarian crisis, prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change, and end the pandemic remain essential. The adverse consequences from the current geopolitical conflict are a reminder of the importance of global cooperation. This extends from addressing the immediate needs of war refugees to the eventual great effort to rebuild Ukraine. As countries contend with higher volatility, spending pressures from humanitarian response needs, and tighter financial market conditions, the likelihood that some countries will become financially constrained increases. Multilateral institutions offer a critical safety net, providing emergency liquidity and preventing crises from spreading. Where liquidity support alone is insufficient, progress toward orderly debt restructuring is essential. On climate, advanced economies must make real progress toward their COP26 climate summit pledges. Emerging market and developing economies must extend their ambition to reduce emissions. And as the pandemic is not yet over, governments must use all tools at their disposal to combat the virus, both by meeting vaccination targets and by ensuring equitable access to tests and treatment.

Country	Real GDP (%)			Unemployment Rate (%)		
	2022	2021	Change	2022	2021	Change
China	4.4	8.4	-4	5.5	5.1	0.4
USA	3.7	6.4	-2.7	3.6	6.1	-2.5
UK	3.7	5.3	-1.6	3.7	4.8	-1.1
Italy	2.3	4.2	-1.9	8.4	10.7	-2.3
Russia	-8.5	3.8	-12.3	4.3	5.2	-0.8
Australia	4.2	4.5	-0.3	3.9	5.5	-1.6
Japan	2.4	3.3	-0.9	2.5	2.8	-0.3

India	8.2	12.5	-4.3	7.8	11.9	-4.1
Pakistan	5.97	3.94	51.5	4.7	4.7	-

1.6 THE GLAZING FRAME OF PAKISTAN ECONOMY

1.6.1 THE STREAM OF CHALLENGES

- Inflation is one of the key challenges faced by the government in order to provide relief to the people, however, currently it is getting higher day by day and the petroleum products are getting more expensive and inflation is getting out of control.
- Currently, around 64% of tax collections are constituted by indirect taxes out of which majority belongs to import-related tax collections. Therefore, to achieve a stable overall tax-to-GDP ratio in terms of tax collections with balanced mix of Direct and Indirect taxes remains a concern.
- The government has utilized various modes of financing such as introducing floating rate PIBs, lending from banks which will increase the need to stress on flexible and suitable repayment schedules.
- Agricultural Reforms and technological advancement to uplift the existing traditional methods of farming and agriculture remains a hefty task.
- To close the fiscal deficit demands a tenacious effort which remains a challenge for the government.

1.6.2 THE PROJECTS IN PIPELINE

- One of the eye-catching projects underway is the Diamer Basha Dam. The dam will provide a gross storage capacity of 8.10-million-acre feet along with a production capacity of 4,500 MW of electricity. Construction on the 4,800-megawatt plant began in June 2020, with an estimated completion cost of USD 14 billion. It is scheduled to be finished by 2027. Pakistan's first green bond was issued to fund the dam, raising USD 500 million by May 2021 from foreign investors.
- Another substantial project is Mohmand Dam. The activities for construction of the dam have been expedited. The work on two diversion tunnels will be completed next year and the work on nine other project sites have also been accelerated. The project is expected to be completed by 2025 and will provide a gross storage capacity of 1.23-million-acre feet. Simultaneously, it will also add 800 MW to the national grid.
- The cost of both the dams is estimated $14 billion and $2.1 billion which is being financed through various sources. Recently, the Government of Pakistan has been applauded for adding another stream of finance by launching country's first Green Eurobond (Indus Bond) for ten years at 7.5% through WAPDA with an aim to raise $500 million from the international market to fund the construction of both the dams. The idea received a massive response by the international companies including the top companies of the world reaching to around $3 billion which is almost six times more than planned.
- Quaid-e-Azam Solar Park is going to be one of the world's largest solar power plant. It is spanned around 2,630 hectares in Bahawalpur, Punjab having an installed capacity of 1000 MW with an estimated cost of $ 1.24 billion. Currently, the construction of remaining 600 MW under CPEC is in progress as 400 MV has already been added to the system.
- Another worth mentioning project is Thar Mine Mouth Oracle Power Plant & Surface Mine which has been planned to level up the production capacity to 1,320 MW. The paperwork and necessary essentials of this project have been initiated.

1.6.3 THE ROAD TO ADVANCEMENT

- Fitch Ratings - Hong Kong - 28 Feb 2022: Fitch Ratings has affirmed Pakistan's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'B-' with a Stable Outlook. This is notable as Fitch Ratings Incorporation is among top three international credit rating agencies.
- In response to additional deficiencies later identified in Pakistan's 2019 APG Mutual Evaluation Report (MER), in June 2021, Pakistan provided further high-level commitment to address these strategic deficiencies pursuant to a new action plan that primarily focuses on combating money laundering. Since June 2021, Pakistan has taken swift steps towards improving its AML/CFT regime and completed 6 of the 7 action items ahead of any relevant deadlines expiring, including by demonstrating that it is enhancing the impact of sanctions by nominating individuals and entities for UN designation and restraining and confiscating proceeds of crime in line with Pakistan's risk profile.

- On March 18, 2022, the Ministry of Climate Change of Pakistan announced an updated version of its National Climate Change Policy (dated October 2021), which aims to make the country more resilient to climate change and lead to a low-carbon society.
- Another acclaimed initiative taken in this step is plantation of 10 billion Tree Tsunami out of which 430 million has been planted and has aimed to plant a total of 1 billion trees till June 2021. This initiative is estimated at a cost of Rs. 125.18 billion and planned to be executed by 2023. Under the project, several forests are planned to be restored and new national parks will be established. In a recent development, the Chairman of the Capital Development Authority Amir Ali Ahmed inaugurated a public park located on a hill on 3rd Road in Sector G-10/4. During the inauguration ceremony of this urban open space, he also introduced the spring tree plantation drive 2022 and more than 500 trees were planted during the event by the CDA's department of environment.
- As Pakistan is one of the countries which is going to be greatly exposed to the climate change, the need to broaden the efforts to invest in the environmental conservation has been widely realized. In order to cater with the finance arrangement concerns, the government is preparing to introduce the Nature Performance Bond which will facilitate in extending the financial resources to fund the projects.
- IT sector is one of the key sectors which is growing profoundly and has been continuously exploring its potential. It has been expected that the Information Technology (IT) and Information Technology enabled Services (ITeS) will reach about $5 billion over next three years through IT & ITeS export remittances. A number of projects are being initiated in these areas including, National Cloud Services e-Office Application Safe city for Islamabad, Lahore & Quetta OFC from China Boarder to Islamabad (840 KM) Online Police stations Citizen feedback & Complaint Management System, Online Tax Payment System, Centralized National ID Card System, Hospital Management Information System, Telemedicine Extension 2.0 Farmer Facilitation Through Modernized Extension Drug Inspection & Monitoring Evaluation System, (DIME) Disease Surveillance System, Land Record Management Information System and Kissan Card (Farmer Card)
- To strengthen the framework of the IT & Telecom sector the consultation drafts of National Broadband Policy 2021 and National Cyber Security Policy 2021 have also been prepared, whereas currently the AI policy is being drafted and implemented by RSM Pakistan for the MoITT.
- Pakistani startup businesses are also coming to the spotlight as they have achieved to attract investors. Three Pakistani startups have been announced as winners by the GSMA Innovation Fund for Mobile Internet Adoption and Digital Inclusion to receive £668,000 (Rs. 146 million) after competing with the applications of 597 startups from 44 countries.
- The government has also formed The Special Technology Zone Authority (STZA) for the swift progress in the IT Sector under which special IT zones will be built which will facilitate tech companies, research institutes and startups etc. Expanding its measures for the advancement of the IT Sector, the government plans to set up several technology parks across the country.

1.7 THE DREAM PLAN

The Ministry of Planning, Development & Special Initiative has developed annual plan for various sectors and for 2023 it has planned following activities

- For CPEC, 2022-23 is planned to be the year of industrial cooperation, agriculture modernization, socio-economic development, and scientific collaboration in addition to the on-going projects in infrastructure and energy. Moreover, projects in the petroleum sector are envisaged to be taken up in the years to come to make Pakistan's carbon energy supply more secure through diversification.
- In Industrial cooperation, out of the nine prioritized special economic zones, four economic zones namely Rashakai SEZ, Allama Iqbal Industrial Zone, Dhabjei SEZ and Bostan SEZ Strengthening the federation-leaving no one behind Annual Plan 2022-23 100 have been placed on the priority list. Work on utilities provision such as gas and electricity have already been started and sufficient supply will be ensured in the year 2022-23 to effectively run the economic zones.
- Power requirements for Rashakai, Allama Iqbal, Dhabeji and Bostan SEZs are respectively 210 MW, 375 MW, 250 MW and 50 MW, whereas, gas requirements are 30, 40, 30 and 10 MMCFD respectively.
- In the agriculture sector, it was agreed in the 2nd Agriculture Joint Working Group meeting held on 24th April, 2020 to formulate an action plan for the sector with an emphasis on enhancing the productivity of major crops, value addition in agriculture produce, reducing post-harvest waste and pest and disease control as well as high-quality seed development and production. Human Resource Development and agriculture mechanization are also part of the plan to bring efficiency and innovation in the agriculture sector. The same has been completed and shared with the Chinese side for consideration.

- To promote cooperation in Science & Technology, the two sides have agreed to strengthen cooperation in science & technology, people-to-people exchange, joint laboratories, science parks and technology transfer under the BRI STI Action Plan.
- In the socio-economic sector, 27 projects have been identified under poverty alleviation, health, education, vocational training, agriculture and water supply, all 17 fast track projects will be implemented during 2022-23. Scope and content of the remaining 10 priority projects have been mutually shared, and letter of exchanges (LoEs) except of one Agriculture project which has already been signed, will be finalized in the planned year.
- In the power sector, future projects will be considered in CPEC Framework as per the agreed document "Guiding Principles for China-Pakistan Economic Corridor Cooperative Energy Projects" to provide a stronger foundation for the energy cooperation during the next stage.
- Tourism promotion as part of the Long-Term Plan is another area of cooperation under the CPEC framework. Coastal tourism, eco-tourism in Gilgit-Baltistan, and integrated tourism zones in KP are among the areas in the tourism sector to be opened up for deliberation this year.
- In infrastructure, Mainline-1 (ML-1) is a strategic project that will achieve a significant milestone during 2022-23. The project, once implemented, is expected to considerably improve the logistics performance of Pakistan.
- Water Resource Sector is one of the key sectors of the Public Sector Development portfolio, to achieve key targets (2018-30) set in the National Water Policy 2018 i.e.: (i) reduction of 33 percent in conveyance losses through watercourses lining, (ii) Increase storage capacity by adding 10 MAF live storage and (iii) 20 percent increase in water use efficiency by introducing modern irrigation techniques.

1.8 1THE GLANCE OF DESTINATION

The smooth sailing of the current effective economic policies with a measure leading to a sustainable inflation rate and to carve the pavement towards new structural reforms much needed in the tax collection system, agricultural and industrial sectors along with stable financing solutions to small and medium sized businesses will definitely reap fruits in the long run. The gains to be obtained from completion of the construction of dams, power plants, IT facilities and special zones, environmental conservation projects will enormously bolster the economy to flourish.

2. AMENDMENTS IN INCOME TAX ORDINANCE, 2001

2.1 SALIENT FEATURES

- Deemed Income on Immovable Property-Wealth Tax in an indirect manner has been reintroduced. Under the proposed system, a deemed tax will be imposed on all immovable property valuing above Rs 25 million with the exception of a house used for personal residence. The income subject for such tax shall be a **deemed rental income** equal to 5% of the fair value of such property.
- Tax at the rate of 1% will be levied on the deemed rental income. It is to be seen whether such deemed income will be other than actual rent received on such property.
- **Initial Depreciation Allowance** – Initial depreciation is fully allowed in the year of installation of plant and machinery etc. of the value of such assets instead of 50% last year.
- Where the income of all persons including companies and AOP's exceeds Rs 300 million, an additional tax will be imposed at the rate of 2% of such income.
- Tax Rate on Banking Companies has now been increased to 42 percent including the amount of super tax. However, this rate will not include the 2% additional tax.
- A new condition is added to the present definition of Resident Persons being individuals which states that any citizen of Pakistan must not be resident of any other country.
- A collection of tax at the rate of 1 and 2 percent for filer and non-filers respectively shall be charged on payments from Credit Card, Debit Card or Prepaid Card.
- An increase has been proposed in the threshold for salaried persons, Association of Persons (AOP) & business individuals. In case of salaried individuals, the tax slabs are expanded from Rs. 100,000 to Rs. 1.2 million and for AOP and individuals in business, the threshold is increased from Rs. 400,000 to 600,000.
- Income from Behbood Certificate etc. was previously subjected to final tax at the rate of 10 % has now been decreased to 5%.
- **Fixed Tax on Retailers** - A fixed tax regime on small retailers has been introduced. Under the regime, the tax will be collected together with electricity bills. The amount of tax shall be between Rs. 3000 to Rs. 10,000.
- **Adjustable Collection of Tax at Import Stage** - Earlier, tax at import stage used to be collected at 5.5% which were adjustable only when certain conditions were met, however, the certain conditions are removed to be met and hence it is proposed to be adjustable in all cases if such imports are made by industrial undertakings for its own use.
- **Capital Gain on Disposal of Immovable Property** – The period of holding an immovable property has been increased to 6 years for the purpose of imposition of capital gain tax on sale of immovable property starting from 15% for holding period up to 1 year which will decreased by 2.5% in each subsequent year eventually becoming zero after holding period of 6 years
- **Buying and Selling of Immovable Property** - For tax filers, it is proposed to impose advance tax of 2% and for non-filers, the same will be charged at 5% on buying and selling of immovable property.
- **Advance tax on Purchase of Luxury Cars and Electric Vehicles** – Advance tax for non-filers has been increased drastically by 200% on purchase of luxury cars and in case of electric vehicles an advance tax of 2% on the cost will be imposed.

2.2 AMENDMENTS-SECTION WISE

SECTION 2

CLAUSE (7A) – INSERTION

New clause inserted after clause (7) as (7A) of section 2 of the Income Tax Ordinance, 2001 (the Ordinance) defining "Beneficial owner".

"Beneficial owner" means a natural person who: (a) ultimately owns or controls a Company or association of persons, whether directly or indirectly, through at least ten percent shares or voting rights; or (b) exercise ultimate effective control, through direct or indirect means, over the company or association of persons including control over the finances or decisions or other affairs of the company or association of persons.

CLAUSE (18A) – INSERTION

New clause inserted after clause 18 as 18A of section 2 of the Ordinance defining "Distributor".

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

CLAUSE (22AA) – INSERTION

New clause inserted after clause 22A as 22AA of section 2 of the Ordinance defining "Fair market value". This clause refers to section 68 of the Ordinance which defines fair market value under the present law as well.

CLAUSE (62B) – INSERTION

New clause inserted after clause 62A as 62B of section 2 of the Ordinance defining "Synchronized Withholding Administration and Payment System agent" or "SWAPS agent".

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

CLAUSE (66A) –ADDITION

New clause inserted after clause 66 as 66A of section 2 of the Ordinance defining "tax invoice".
"Tax invoice" means an invoice as prescribed under the Income Tax Rules, 2002.

SECTION 4

SUB-SECTION (4) & (5) – AMENDMENTS

The proposed amendments intend to widen the scope of classes of income, in order to incorporate the newly introduced sources of income under sections 4C and 7E of the Ordinance, referred in below insertions.

SECTION 4C – INSERTION

The proposed addition intends to support the poor and ensure better distribution of wealth by imposing extra tax at the rate of 2% on the income of high earning persons i.e. income exceeding Rs. 300 million. Payment and recovery of this tax shall be made in accordance with the provisions applicable to payment under section 137 of the Ordinance.

SECTION 6 – AMENDMENT

The proposed amendment intends to widen the category of payments made to non-residents on which income is subject to taxation at fixed rate. These services include fee for money transfer operations, card network services, payment gateway services, and interbank financial telecommunication services.

SECTION 7E – INSERTION

The proposed addition intends to discourage the accumulation of non-productive assets in the form of immovable property. Any person owning immovable property having fair market value exceeding Rs. 25 million and not used for carrying out business or agricultural activity shall be deemed to have earned rental income equivalent to 5% of the total fair market value of the immovable property, which will be subject to tax at a rate of 20%. Resultantly, tax of 1% will be charged on the fair market value of the immovable property.

SECTION 8 – AMENDMENT

The proposed amendment intends to widen the scope of this section, in order to incorporate the newly introduced sources of income under sections 4C and 7E of the Ordinance, referred in above insertions.

SECTION 21

CLAUSE (EA) – INSERTION

The proposed addition intends to disallow 50% of the contributions made to approved gratuity fund, an approved pension fund or an approved superannuation fund.

CLAUSE (L) – AMENDMENT

The proposed amendment intends to exclude companies from applicability of this clause by restricting this clause to taxpayers other than a company as a similar clause is separately introduced for companies with the name of clause (LA).

CLAUSE (LA) – INSERTION

The proposed addition intends to increase the threshold for disallowance of expenses incurred through non-digital means by companies. Previously any payment by non-digital means, exceeding rupees fifty thousand was disallowed, now this limit is increased to rupees one lac.

CLAUSE (M) – AMENDMENT

In addition to payment by cross cheque and direct transfer, the proposed amendment intends to exclude payment through digital means from disallowance of salary expense.

CLAUSE (R) – INSERTION

The proposed addition intends to disallow any expenditure attributable to sales claimed by any person who is required to integrate but fails to integrate his business with the Board through approved fiscal electronic device and software. However, this disallowance shall not exceed ten percent of the allowable deduction.

SECTION 22

SUB-SECTION 2 & 8 – OMISSION

The proposed omission intends to omit the proviso introduced through Finance Act 2020, where depreciation deduction in first year of use of an asset was decreased by 50%. Now complete amount of depreciation deduction in first year of use of an asset will be allowed.

SUB-SECTION 13 – AMENDMENT

The proposed amendment intends to increase the upper limit threshold from two and half million to five million for the cost of a depreciable asset being a passenger transport vehicle not plying for hire.

SECTION 23

SUB-SECTION 5 – AMENDMENT

The proposed amendment intends to exclude immovable property or structural improvement to immovable property from the definition of eligible depreciable asset for the purpose of deduction of initial allowance.

SECTION 37

SUB-SECTION 1A – AMENDMENT

The proposed amendment intends to specify that this section shall be applicable to tax on capital gain arising from disposal of immovable property situated in Pakistan.

SUB-SECTION 3, 3A, 4A – OMISSION

Subsection 3, 3A and 4A are proposed to be omitted. By this omission, tax on capital gain arising on disposal of immovable property is simplified by classifying each gain based on the holding period and category of immovable property i.e. open plots, constructed land and flats, explained in Division VIII of Part I of the First Schedule.

SECTION 44

SUB-SECTION 4 – INSERTION

The proposed amendment intends to empower Federal Government to exempt income of any person under this section in respect of an official development assistance financed loan and grant, through a notification in the official gazette.

SECTION 53

SUB-SECTION 2 – AMENDMENT

The proposed amendment intends to give power/authority to Federal Government to make amendments to Second Schedule of the Ordinance.

SECTION 59C – OMISSION

The newly inserted section 59C under the Income Tax (Amendment) Ordinance, 2022 dated March 02, 2022, for carry forward of business losses of sick industrial units, is proposed to be omitted. This omission is deemed to have been made with effect from March 02, 2022.

SECTION 60C – OMISSION
Deductible allowance available for profit on debt is proposed to be omitted.

SECTION 62 – OMISSION
Tax credit available for investment in shares and insurance is proposed to be omitted.

SECTION 62A – OMISSION
Tax credit available for investment in health insurance is proposed to be omitted.

SECTION 63 – OMISSION
Tax credit available for contribution to an approved pension fund is proposed to be omitted.

SECTION 65F – OMISSION
This intends to omit the one hundred percent tax credit available to persons earning income from export of computer software or IT services or IT enables services.

Section 65H – OMISSION
The newly inserted section 65H under the Income Tax (Amendment) Ordinance, 2022 dated March 02, 2022, for tax credit on foreign investment for industrial production, is proposed to be omitted. This omission is deemed to have been made with effect from March 02, 2022.

SECTION 82 — INSERTION
This addition intends to include a person in the definition of resident individual, being a citizen of Pakistan who is not a resident of any other country for tax purposes.

SECTION 92 – AMENDMENT
This amendment intends to explain the provisions of this section. Explanation is as follows:
"It is clarified that if the income of association of persons is exempt and no tax is payable under the Ordinance due to this exemption, the share received in the capacity as member out of the income of the association shall remain exempt."

SECTION 99A — INSERTION
This addition intends to charge and collect tax from retailers other than Tier-I retailers as defined in Sales Tax Act, 1990 and specified service provides on commercial electricity connections at specified rates.

Section 100C – AMENDMENT
This amendment intends to defer the applicability of conditions, for persons specified in Table II of clause 66 of Part I of the Second Schedule of the Ordinance, for obtaining eligibility of tax credit under this section from 2022 to 2024.

SECTION 100F – OMISSION
The newly inserted section 100F under the Income Tax (Amendment) Ordinance, 2022 dated March 02, 2022, for special provisions relating to investment for industrial promotion, is proposed to be omitted. This omission is deemed to have been made with effect from March 02, 2022.

SECTION 109 SUB-SECTION 1 — AMENDMENT
This amendment intends to empower the Commissioner to treat a place of business in Pakistan as a permanent establishment for the purpose of determining liability to tax, if the said place fulfills the conditions as specified in sub-clause G of clause 41 of section 2.

SECTION 111 SUB-SECTION 4 — AMENDMENT
This amendment intends to explain the provisions of this sub-section. Explanation is as follows:
'It is clarified that the remittance through money service bureaus, exchange companies or money transfer operators shall be deemed to constitute foreign exchange remitted from outside Pakistan through normal banking channels as provided under this sub-section"

SUB-SECTION 5 – AMENDMENT

This amendment intends to explain the provisions of this sub-section. Explanation is as follows:
"It is clarified that a separate notice under this section is not required to be issued if the explanation regarding nature and sources of: (i) any amount credited in a person's books of account; or (ii) any investment made or ownership of money or valuable article; or (iii) funds from which expenditure was made; or (iv) suppression of any production, sales, or any amount chargeable to tax; or (v) suppression of any item of receipt liable to tax in whole or in part has been confronted to the taxpayer through a notice under sub-section (9) of section 122 of the Ordinance"

SECTION 113 SUB-SECTION 2(C) – OMISSION

This omission intends to delete the benefit to carry forward the minimum tax under this section which is in excess of the normal tax liability. Previously the excess tax paid was available to be carried forward and adjusted in following five tax years.

SECTION 114B – INSERTION

This addition intends to empower the Board to issue income tax general orders in respect of persons who are not appearing on active taxpayers' list but are liable to file return under the Ordinance. These orders may include disabling of mobile phones, discontinuance of electricity or gas connections. Restoration of above disabilities/discontinuations will be made upon satisfaction of the Board.

SECTION 121 SUB-SECTION 3 – AMENDMENT

This amendment intends to increase the time period within which an assessment order under this section can be issued from five years to six years.

SECTION 122 SUB-SECTION 9 – AMENDMENT

This amendment intends to increase the time period within which an order under this section shall be made from one hundred and twenty days to one hundred and eighty days.

SECTION 134A – AMENDMENT

This amendment intends to revise the provisions of Alternative Dispute Resolution (ADR). These changes include:

- specification of amount for which the ADR may be applied for i.e. one hundred million or above;
- non application of ADR in case where criminal proceedings have been initiated;
- application for dispute resolution shall include an offer of tax payment;
- increasing the time limit for appointment of committee by the Board from 30 days to 45 days;
- Inclusion of officers of Inland Revenue Service who have retired in BS 21 or above and reputable businessmen as nominated by CCI in panel for the committee;
- Increasing the time limit within which a withdrawal order is required from the Court from 60 days to 75 days;
- Increasing the time frame for deciding on the dispute by the committee from 60 days to 120 days.

SECTION 148 SUB-SECTION 7 – AMENDMENT

This amendment intends to extend the applicability of this sub-section to all import of goods by an industrial undertaking for its own use, on which tax is required to be collected under this section, regardless of whether tax is collected at the rate of 1% or 2% or not collected.

SUB-SECTION 7A – INSERTION

This amendment intends to specify the goods for which the tax deducted at import stage under this section shall be minimum tax on the income raised from import of these goods. These goods include (i) edible oil; (ii) packaging material; (iii) paper and paper board; or (iv) plastics.

SECTION 149 SUB-SECTION 1 – AMENDMENT

This amendment intends to omit the mentioned tax credits available under section 62, 63 and 64 of the Ordinance as these tax credits are proposed to be deleted.

SECTION 152- PAYMENT TO NON-RESIDENTS- AMENDMENT

The bill proposes to insert two new sub-section in sec 152 namely:

SUB SECTION 1DC – INSERTION

Every exchange company licensed by the State Bank of Pakistan shall deduct tax at the time of making payment of service charges or commission or fee, by whatever name called, to the global money transfer operators, international money transfer operators or such other persons engaged in international money transfers or cross-border remittances for facilitating outward remittances, at the rates given in Division IV, Part I of the First Schedule. Provided that where such person retains service charges or commission or fee, by whatever name called from the amount payable to the exchange company on any account, the exchange company shall be deemed to have paid the service charges or commission or fee, by whatever name called and the exchange company shall collect the tax accordingly.

Government in order to increase tax-net and tax collection. From 1st July, 2022 onwards every licensed exchange company has to withhold the tax at the rates given in Division IV, Part I of the First Schedule at the time of making payment to global money transfer operators or otherwise collect tax from them if they retain their fee which will be deemed to be paid to them by exchange company.

SUB SECTION 1DD – INSERTION

Every banking company while making payment to card network company or payment gateway or any other person, of any transaction fee or licensing fee or service charges or commission or fee by whatever name called or interbank financial telecommunication services, shall deduct tax at the rates given in Division IV, Part I of the First Schedule:

Provided that where card network company or payment gateway or any other person retains money in relation to aforementioned services from the amount payable to the banking company on any account, the banking company shall be deemed to have paid the amount and the banking company shall collect the tax accordingly.

After inclusion of this sub-section Banking company has to withhold the tax at rate specified in Division IV, Part I of the first Schedule while making payment. Further, if card network company or persons defined in sub section 1DD collects money from the transfer and retains his fee or charges than it shall be deemed to be paid the fee and tax thereon has to be collected by the exchange company.

SUB SECTION 1E – AMENDMENT

The bill proposes to amend the sub section 1E of the section 152 to make the tax deductible under the newly inserted sub sections 1DC and 1DD shall be final in respect of the person and income mentioned therein.

SECTION 154A – EXPORT OF SERVICES – AMENDMENT

The amendment under clause (a) of sub-section (1) proposes the deduction of tax under section 154A on export of computer software or IT services or IT enabled services.

The bill proposes that now foreign exchange dealers shall deduct tax from the proceeds at the rates specified in Division IVA of Part III of first schedule to all exporters of computer software or IT services or IT enabled services.

SECTION 164 – CERTIFICATE OF COLLECTION OR DEDUCTION OF TAX – AMENDMENT

The Finance bill 2022-2023 proposes the amendment under sub section 1 of this section, requiring every person collecting tax under Division II or deducting tax under Division III of Chapter X and Chapter XII shall now provide the Computerized Payment Receipt instead of the challan of payments to the persons from whom the tax has been collected or deducted. And, in case of persons notified as SWAPS agent, SWAPS payment receipt (SPR) shall be replaced with Computerized Payment Receipt (CPR).

The purpose of this amendment is to move on to the more authenticated documentation for the purpose of record. The same amendment is also depicted under sub section 2 where the challan of payments are also replaced with the CPR and SPR on basis of which the certificate will be provided.

SECTION 164A – PAYMENT OF TAX COLLECTED OR DEDUCTED BY SWAPS AGENTS – INSERTION

The finance bill proposes to insert a new section related to collection and deduction of tax by SWAPS agents. The new inserted section is as follows;

(1) Subject to the Ordinance, the Board may, by notification in the official gazette, notify any person or class of persons required to deduct or collect tax under the Ordinance to integrate with Synchronized Withholding Administration and Payment System and to act as SWAPS agent within the time and in the manner as may be prescribed.
(2) The tax collected or purported to be collected or deducted or purported to be deducted under the Ordinance by a notified SWAPS agent and credited to the Commissioner through digital mode, shall be treated to have been paid under section 160 of the Ordinance.
(3) Where tax has been paid by a notified SWAPS agent in accordance with sub-section (2) of this section, copy or number of SWAPS Payment Receipt (SPR) shall replace copy or number of Computerized Payment Receipts (CPR) for the purposes of the Ordinance.
(4) Any notified SWAPS agent shall not be eligible for tax credit under Part X of Chapter III of the Ordinance and exemption under any of the provisions of the Ordinance if notified SWAPS agent fails to integrate with Board.
(5) All persons from whom the tax has been collected or deducted by the notified SWAPS agents shall be eligible for credit of tax withheld against SPR issued by SWAPS Agent.
(6) All other provisions of the Ordinance, not specifically dealt with in this section, shall, mutatis mutandis, apply to the notified SWAPS agents.

SECTION 174– RECORDS – AMENDMENT

The finance bill proposes to insert a proviso under sub section (3) of this section. The sub section (3) states that the taxpayer shall maintain his record for the period of six years after the end of the tax year to which they relate. The proviso seeks to remove the limitation provided under this sub section on the foreign source concealed income u/s 111(2) of the Ordinance. It allows the officer to request for the record beyond six years, if he considers that records pertaining to income, assets and expenses has occurred outside Pakistan and concealed income is foreign source.

SECTION 175B – NATIONAL DATABASE AND REGISTRATION AUTHORITY (NADRA) – INSERTION

The Finance Bill proposes a new section where NADRA on its own motion or upon application of the board can share the record or any other information. Such information and record shall be used for broadening the tax base. The sharing of information can force the persons to the tax net. The wording of the new section is as follows;

Quote "(1) The National Database and Registration Authority shall, on its own motion or upon application by the Board, share its records and any information available or held by it, with the Board, for broadening of the tax base or carrying out the purposes of the Ordinance.

(2) The National Database and Registration Authority may —
(i) submit proposals and information to the Board with a view to broadening the tax base;
(ii) identify in relation to any person, whether a taxpayer or not — (a) income, receipts, assets, properties, liabilities, expenditures, or transactions that have escaped assessment or are under-assessed or have been assessed at a low rate, or have been subjected to excessive relief or refund or have been miss-declared or misclassified under a particular head of income or

otherwise;

(b) the value of anything mentioned in sub-clause (a) of clause (ii), if such value is at variance with the value notified by the Board or the district authorities, as the case may be, or if no such value has been notified the true or market value; and
(iii) enter into a memorandum of understanding with the Board for a secure exchange and utilization of a person's information.
(3) The Board may use and utilize any information communicated to it by the National Database and Registration Authority and forward such information to an income tax authority having jurisdiction in relation to the subject matter regarding the information, who may utilize the information for the purposes of the Ordinance.
(4) The National Database and Registration Authority may compute indicative income and tax liability of anyone mentioned under sub-sections (1) or (2) by use of artificial intelligence, mathematical or statistical modeling or any other modern device or calculation method.
(5) The indicative income and tax liability computed by the National Database and Registration Authority under subsection (4) shall be notified by the Board to the person in respect of whom such indicative income and tax liability has been determined, who shall have the option to pay the determined amount on such terms, conditions,

installments, discounts, reprieves pertaining to penalty and default surcharge, and time limits that may be prescribed by the Board.

(6) In case the person against whom a liability has been determined under sub-section (4), does not pay such liability within the time prescribed under sub-section (5), the Board shall take action under the Ordinance, upon the basis of tax liability computed under sub-section (4).

(7) If the person against whom the liability has been determined under sub-section (4) pays such liability in terms of sub-section (5), such payment shall be construed to be an amended assessment order under section 120 or sub-section (1) of section 122 or sub-section (4) of section 122, as the case may be.

(8) For the purposes of sub-sections (4) and (5), the Board may prescribe the extent of installments, reprieves pertaining to penalty and default surcharge and time limits. "Unquote

SECTION 177 — AUDIT - AMENDMENT

The Finance Bill proposes to omit the clause (6), whereby the Commissioner is discharged from the obligation to issue the audit report after obtaining taxpayers explanation on all the issues raised in the audit. Further, upon completion of audit, the commissioner if considered necessary, amend the assessment order, after providing an opportunity of being heard to the taxpayer under sub section (9) of section 122.

The proposed amendment seeks to make the procedural change where the commissioner was earlier obliged to issue the audit report and after that issue notice u/s 122(9) of the Ordinance, now the commissioner can provide the opportunity of being to the taxpayer under the sub section (9) of section 122.

SECTION 181E - RECORD OF BENEFICIAL OWNERS — INSERTION

The bill proposes insertion of new section after section 181D which state as under:

(1) Every company and association of persons shall electronically furnish particulars of its beneficial owners in such form and manner as may be prescribed.

(2) Every company and association of persons shall update the particulars of its beneficial owners as and when there is a change in the particulars of the beneficial owners."

Government in order to maintain the record of beneficial owners of every company or Association of person made mandatory to provide particulars in such form and manners as may be prescribed and if there is any change in particulars the company or AOP shall update it as the case may be.

SECTION 182- OFFENCES AND PENALTIES - SUBSTITUTION

The bill proposes to substitute penalty regarding any person who fails to furnish a return of income as required under section 114 of the Ordinance within due date. Such person shall now pay a penalty equal to or higher of-

(a) 0.1% of the tax payable in respect of that tax year for each day of default; or

(b) rupees one thousand for each day of default:

Provided that minimum penalty shall be —

(i) rupees ten thousand in case of individual having seventy-five percent or more income from salary; or

(ii) rupees fifty thousand in all other cases:

Provided further that maximum penalty shall not exceed two hundred percent of tax payable by the person in a tax year:

Provided also that the amount of penalty shall be reduced by 75%, 50% and 25% if the return is filed within one, two and three months respectively after the due date or extended due date of filing of returns prescribed under the law;

Explanation. — For the purposes of this entry, it is declared that the expression "tax payable" means tax chargeable on the taxable income on the basis of assessment made or treated to have been made undersection 120, 121, 122 or 122D.

Government in order to take strict actions against non-filing of income tax return has increased minimum penalty for salaried individuals form Rs 5,000/- to Rs. 10,000/- and Rs 50,000/- in all other cases. The amount of maximum penalty has increased from fifty percent to two hundred percent of tax payable by the person in a tax year.

SECTION 182- OFFENCES AND PENALTIES – INSERTION

The bill proposes to insert three new serial numbers having details as follows.

S.No.	Offences	Penalties	Section of the Ordinance to which offence has reference.
30	Any company or Association of Persons who contravenes the provisions of Section 181E.	Such company or Association of Persons shall pay a penalty of Rs.1,000,000/- for each default.	181E
31	Any person who fails to integrate or perform roles and functions as specified, after being duly notified by the Board as SWAPS Agent	Such person shall pay a penalty of: (i) Rs. 50,000 for first default of 07 days (ii) Rs. 100,000 for second default of next 07 days (iii) Rs. 50,000 for each week after the second consecutive week of default: Provided that no penalty shall be imposed for the period for which extension from integration is granted by the Commissioner subject to the condition that, if the SWAPS Agent fails to integrate within such extended time, penalties shall be imposed as if no extension was granted."	164A
32	Any person, who is integrated for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or QR code or bears duplicate invoice number or counterfeit QR code, or defaces the prescribed invoice number or QR code, or any person who abets commissioning of such offence.	Such person shall pay a penalty of five hundred thousand rupees or two hundred per cent of the amount of tax involved, whichever is higher.	237A
33	Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under law.	Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub-section (3) of section 237A, as the case may be.	237A
34	A person required to integrate his business as stipulated under sub-section (3) of section 237A, who	Such person shall be liable to pay i) penalty of five hundred thousand rupees for first default;	237A

	fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under the law and rules made thereunder.	ii) penalty of one million rupees for second default after fifteen days of order for first default; iii) penalty of two million rupees for third default after fifteen days of order for second default; iv)penalty of three million rupees for fourth default after fifteen days of order for third default: Provided that if such person fails to integrate his business within fifteen days of imposition of penalty for fourth default, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under subsection (3) of section 237A: Provided further that if the person integrates his business with the Board's computerized system before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner.'';	

SECTION 191- OFFENCES AND PROSECUTIONS — AMENDMENT
The bill seeks to insert two new clauses which states.

Any person who, without reasonable excuse, fails to-
''(h) integrate his business with Board's computerized system; or
(i) generate tax invoice verifiable by the Board's system;'';
Shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

Government in order increase tax collection and monitoring the business of the taxpayer has imposed a punishable offence that if a person fails to integrate his business with Board's system and also on failure of generating verifiable tax invoice.

SECTION 209 A - UNIFORM — INSERTION
Finance Bill 2022-2023 inserted new section after section 209 which states that the Board may by notification in the official gazette, prescribe rules for wearing of uniform by officers and staff of Inland Revenue Service of Pakistan.

SECTION 214 A- CONDONATION OF TIME — AMENDMENTS
The proposed amendment seeks that where any time or period has been specified under any provision of the Ordinance or Rules, the Board will allow such applications for the condonation of time limit at any time before or after the expiry of such time specified in the Ordinance or Rules.

The amendment proposes to allow the taxpayers to file application for condonation of time limit even before the time specified under the Ordinance or Rule has elapsed. If the taxpayer perceives that he will not be able to meet the time provided under the Ordinance or Rules, the taxpayer has the option to file application for the condonation of time limit to extend the time for such compliance.

SECTION 216- DISCLOSURE OF INFORMATION BY A PUBLIC SERVANT — SUBSTITUTION
The bill seeks to substitute sub-section (2) with the following clause.
''Notwithstanding anything contained in the Qanune-Shahadat, 1984 (P.O. No. 10 of 1984), the National Accountability Ordinance, 1999 (XVIII of 1999), the Federal Investigation Agency Act, 1974 (VIII or 1975) and the Right

of Access to Information Act, 2017 (XXXIV of 2017), or any other law for the time being in force, no court or other authority shall, save as provided in the Ordinance, require any public servant to produce before it any return, accounts, or documents contained in, or forming a part of the records relating to any proceedings under the Ordinance, or declarations made under the Voluntary Declaration of Domestic Assets Act, 2018, the Foreign Assets (Declaration and Repatriation) Act, 2018 or the Assets Declaration Act, 2019 or any records of the Income Tax Department generally, or any part thereof, or to give evidence before it in respect thereof."

SECTION 216A- PROCEEDINGS AGAINST AUTHORITY AND PERSONS- – OMISSION

The clause proposed to be omitted by bill is presented below.

(1) Subject to section 227, the Board shall prescribe rules for initiating criminal proceedings against any authority mentioned in section 207 and officer of the Directorate General mentioned in Part II and Part III of Chapter XI including any person subordinate to the aforesaid authorities or officers of the Directorates General who wilfully and deliberately commits or omits an act which results in under benefit or advantage to the authority or the officer or official or to any other person.

(2) Where proceedings under sub-section (1) have been initiated against the authority or officer or official, the Board shall simultaneously intimate the relevant Government agency to initiate criminal proceedings against the person referred to in sub-section (1)

(3) The proceedings under this section shall be without prejudice to any other liability that the authority or officer or official or the person may incur under any other law for the time being in force.

SECTION 218- SERVICE OF NOTICES AND OTHER DOCUMENTS- – AMENDMENTS

The bill proposes to remove the word 'or' being a grammatical error.

SECTION 229- DIRECTORATE GENERAL OF TRAINING AND RESEARCH – SUBSTITUTION

The bill proposes to change the department from Directorate General of Training and Research to the Inland Revenue Service Academy.

SECTION 235- ELECTRICITY CONSUMPTION – INSERTION

The bill proposes to insert new subsection as below.

(1A) In addition to tax collectible under sub-section (1), there shall be collected tax at the rates given in the Division IV of Part IV of First Schedule from retailers and service providers as provided under section 99A of the Ordinance.

In the light of aforesaid proposed amendment read with Section 99A, the withholding tax deducted from such retailers and specified service providers shall be final tax on their income earned from business carried out on such premises.

236C- ADVANCE TAX ON SALE OR TRANSFER OF IMMOVABLE PROPERTY – AMENDMENTS

The finance bill seeks to increase the holding period from four years to ten years of the immovable property for which the advance tax under this section shall not be collected.

236I - COLLECTION OF ADVANCE TAX BY EDUCATIONAL INSTITUTIONS– OMISSION

The bill proposes to omit collection of advance tax by educational institutes which was earlier deducted at the rate of 5% of the student fee above Rs.200,000.

Government in order to increase literacy rate has taken initiative to waive off advance tax in collection of fee by educational institutes.

236Q - PAYMENT TO RESIDENTS FOR USE OF MACHINERY AND EQUIPMENT– OMISSION

The bill proposes to waive off the advance tax on payment to residents for use of machinery and equipment which was earlier 10% and subject to taxation under minimum tax regime. The income of a person from use of machinery and equipment shall now be charged to tax under the normal tax regime at applicable slab rate.

236Y. ADVANCE TAX ON PERSONS REMITTING AMOUNTS ABROAD THROUGH CREDIT OR DEBIT OR PREPAID CARDS-INSERTION.

The bill proposes to insert section 236Y for collection of advance tax on remittance abroad through debit or credit card this section was previously omitted by Finance Act 2021. The inserted section is presented as below.

"(1) Every banking company shall collect advance tax, at the time of transfer of any sum remitted outside Pakistan, on behalf of any person who has completed a credit card or debit card or prepaid card transaction with a person outside Pakistan at the rate specified in Division XXVII of Part IV of the First Schedule.
(2) The advance tax collected under this section shall be adjustable."
Government in order to discourage payments abroad and to encourage return filing has imposed 1% adjustable advance tax on filers and 2% for non-filers.

237A – ELECTRONIC RECORD– INSERTION.

The bill proposes to make rules for integrated enterprises on sales by inserting sub-section (3) which is stated as below.
"(3) In case of an integrated enterprise, no sale shall be made or service shall be rendered, as the case may be, without generating fiscal invoices as prescribed.";

Government in order to increase tax collection and to stop evasion of tax, made it mandatory for integrated enterprises to not render any sale or service without issuing fiscal invoice as prescribed by Board.

237B – PRIZE SCHEMES TO PROMOTE TAX CULTURE – INSERTION.

The bill proposes to insert new section 237A the inserted section is presented as below.
(1) The Board may prescribe prize schemes to encourage the general public to make purchases, or avail services only from integrated enterprises issuing tax invoices.
(2) The Board may prescribe procedure for mystery shopping in respect of invoices issued by integrated enterprises randomly and in case of any discrepancy, all the relevant provisions of the Ordinance shall apply accordingly.";
In order to promote the purchases or availing of services from the integrated enterprises the Board will introduce prize schemes and in case of integrated enterprises not issuing verifiable invoices the board will impose penalties.

2.3 AMENDMENTS IN FIRST SCHEDULE;

DIVISION I PART I OF FIRST SCHEDULE– SUBSTITUTION

The table under the clause (1) is proposed to be substituted through this bill. Earlier no tax was chargeable on the income of every individual and association of persons except a salaried individual on taxable income up to Rs.400,000. The amount for the below tax limit is proposed to be increased to Rs.600,000.

The substituted table is as follows;

S#	Taxable Income	Rate of Tax
1.	Where taxable income does not exceed Rs.600,000/-	0%
2.	Where taxable income exceeds Rs.600,000 but does not exceed Rs.800,000	5% of the amount exceeding Rs.600,000
3.	Where taxable income exceeds Rs.800,000 but does not exceed Rs.1,200,000	Rs.10,000 + 12.5% of the amount exceeding Rs.800,000
4.	Where taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	Rs.60,000 + 17.5% of the amount exceeding Rs.1,200,000
5.	Where taxable income exceeds Rs.2,400,000 but does not exceed Rs.3,000,000	Rs.270,000 + 22.5% of the amount exceeding Rs.2,400,000
6.	Where taxable income exceeds Rs.3,000,000 but does not exceed Rs.4,000,000	Rs.405,000 + 27.5% of the amount exceeding Rs.3,000,000
7.	Where taxable income exceeds Rs.4,000,000 but does not exceed Rs.6,000,000	Rs.680,000 + 32.5% of the amount exceeding Rs.4,000,000
8.	Where taxable income exceeds Rs.6,000,000	Rs.1,330,000 + 35% of the amount exceeding Rs.6,000,000."

The table under the clause (2) is proposed to be substituted with the table below. This insertion seeks to provide relief to the salaried persons having annual taxable income up to Rs. 1,200,000. No tax will be charged on the taxable income up to Rs. 600,000 and only Rs. 100 fixed tax will be charged on the taxable income exceeding Rs. 600,000 but does not exceed Rs. 1,200,000. Earlier there was no tax chargeable on the taxable salary up to Rs. 600,000.

The substituted table is as follows;

S#	Taxable income	Rate of tax
1.	Where taxable income does not exceed Rs.600,000	0
2.	Where taxable income exceeds Rs.600,000 but does not exceed Rs.1,200,000	Rs.100
3.	Where taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	7% of the amount exceeding Rs.1,200,000
4.	Where taxable income exceeds Rs.2,400,000 but does not exceed Rs.3,600,000	Rs.84,000 + 12.5% of the amount exceeding Rs.2,400,000
5.	Where taxable income exceeds Rs.3,600,000 but does not exceed Rs.6,000,000	Rs.234,000 + 17.5% of the amount exceeding Rs.3,600,000
6.	Where taxable income exceeds Rs.6,000,000 but does not exceed Rs.12,000,000	Rs.654,000 + 22.5% of the amount exceeding Rs.6,000,000
7.	Where taxable income exceeds Rs.12,000,000	Rs.2,004,000 + 32.5% of the amount exceeding Rs.12,000,000."

DIVISION II PART I OF FIRST SCHEDULE – RATES OF TAX FOR COMPANIES –SUBSTITUTION

The proposed substitution seeks to increase the tax rate on banking companies from 35% to 45% of the taxable income and the removal the super tax earlier charged at the rate of 4%.

The rates on small and other companies are proposed to be fixed at 20% and 29% of the taxable income respectively. Presently the tax on small companies is 21% of their taxable income.

DIVISION IIA PART I OF FIRST SCHEDULE – AMENDMENT

The proposed amendment seeks to remove the super tax of 4% from banking companies from the tax year 2023.

DIVISION IIB PART I OF FIRST SCHEDULE – TAX ON HIGH EARNING PERSONS FOR POVERTY ALLEVIATION – INSERTION

The proposed insertion seeks to levy a new tax on high earning persons for poverty alleviation on the persons whose annual income exceeds Rs. 300 million and the tax will be charged at the rate of 2% of the total income.

DIVISION IV PART I OF FIRST SCHEDULE – RATE ON TAX ON CERTAIN PAYMENTS – SUBSTITUTION

The proposed substitution seeks to impose tax under section 6 on payments to be 15% of the gross amount of royalty or fee for technical services and 10% in any other case.

DIVISION VII PART I OF FIRST SCHEDULE – CAPITAL GAIN ON DISPOSAL OF SECURITIES – SUBSTITUTION

The proposed substitution seeks to apply the slab rate based on the holding period of the security, and no tax will be charged on the capital gain on disposal of security for which the holding period is more than six years. Earlier fixed rate of 12.5% was charged on disposal of securities acquired after 1st July, 2013 and no capital gain tax was charged on the disposal of securities acquired before 1st July, 2013.

The substituted table is as follows;

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

DIVISION VIII PART I OF FIRST SCHEDULE – TAX ON CAPITAL GAINS ON DISPOSAL OF IMMOVABLE PROPERTY –SUBSTITUTION

The proposed substitution seeks to increase the holding period for the levy of tax at the rate of 0% on open plots from four years to six years, for constructed property the period exceeding the holding period of four years and for flats the period exceeding the holding period of two years. Earlier the taxable gain was chargeable to tax at the applicable slab rate. The concept of the taxable gain and total gain has been removed through this change.

The proposed changes seek to levy the tax based on the holding period at the rates which are as follows;

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

DIVISION VIIIC PART I OF FIRST SCHEDULE – TAX ON DEEMED RENTAL INCOME – INSERTION

The insertion proposes to levy tax on deemed income, the rate of tax under section 7E shall be 20%.

PART II OF FIRST SCHEDULE – AMENDMENT

The proposed amendment seeks to increase the advance tax to be collected by the collector of customs under section 148 on persons importing goods classified in part II of the twelfth schedule from 2% to 4%.

The revised table after the amendment is as follows;

S. No.	Persons	Rate
1.	Persons importing goods classified in Part I of the Twelfth Schedule	1% of the import value as increased by customs-duty, sales tax and federal excise duty
2.	Persons importing goods classified in Part II of the Twelfth Schedule	2% of the import value as increased by customs-duty, sales tax and federal excise duty and 4% of the import value as increased by custom duty, sales tax and federal excise duty in case of commercial importer
3.	Persons importing goods classified in Part III of the Twelfth Schedule	5.5% of the import value as increased by customs-duty, sales tax and federal excise duty';]

The proposed amendment further seeks to increase the tax on value of import of mobile phones by any person on the C & F value of mobiles phone exceeding $350.

The revised table is as follows;

S.N	C & F Value of mobile phone (in US Dollar)	Tax (Rs.)	
		In CBU Condition PCT heading 8517.1219	In CKD / SKD Condition
1.	Up to 30 except smart phones	70	0
2.	Exceeding 30 and up to 100 and smart phones up to 100	100	0
3.	Exceeding 100 and up to 200	930	0
4.	Exceeding 200 and up to 350	970	0
5.	Exceeding 350 and up to 500	5000	3000
6.	Exceeding 500	11,500	5,200

DIVISION III PART III OF FIRST SCHEDULE – PAYMENT OF GOODS OR SERVICES – AMENDMENT

The proposed amendment seeks to apply the reduced withholding tax rate of 3% of the gross amount under section 153(1) of the Ordinance on the REIT management services and services rendered by National Clearing Company of Pakistan Limited.

DIVISION IVA PART III OF FIRST SCHEDULE – EXPORT OF SERVICES – SUBSTITUTION

The proposed amendment seeks to charge tax on exports proceeds of Computer software or IT services or IT Enabled services on persons registered with Pakistan Software Export board at the rate of 0.25% of proceeds. At the present such export of services were allowed to have 100% tax credit u/s 100C of the Ordinance.

DIVISION III PART IV OF FIRST SCHEDULE – TAX ON MOTOR VEHICLES – SUBSTITUTION

The proposed substitution seeks to increase the advance tax on passenger transport vehicles playing for hire. The substituted table is as follows;

S.No.	Capacity	Rs. Per seat per annum	Rs. Per seat per annum
		Non Air Conditioned	Air Conditioned
1.	4 or more persons but less than 10 persons	500	1000
2.	10 or more persons but less than 20 persons	1500	2000
3.	20 persons or more	2500	4000

DIVISION IV PART IV OF FIRST SCHEDULE – ELECTRICITY CONSUMPTION – AMENDMENT

The new clause is proposed to be inserted in Division IV Part IV by inserting a new table to impose tax under newly inserted section 99A relating to payment of tax through electricity connections from retailers other than Tier-1 as defined in Sales Tax Act, 1990 and specified services providers.

The proposed rate of tax is as follows;

Gross amount of monthly bill	Tax
Where the amount does not exceed Rs.30,000	Rs.3,000
Where the amount exceeds Rs.30,000 but does not exceed Rs.50,000	Rs.5,000
Where the amount exceeds Rs.50,000 but does not exceed Rs.100,000	Rs.10,000
Specified retailers and service providers through Income Tax General Order	Rs.50,000

DIVISION VII PART IV OF FIRST SCHEDULE – ADVANCE TAX ON PURCHASES, REGISTRATION AND TRANSFER OF MOTOR VEHICLES – SUBSTITUTION

Clause (1)

The proposed substitution of table seeks to increase the rate of tax on the purchases, registration and transfer of motor vehicles. The existing and proposed rates are as follows;

S.No.	Engine Capacity	Proposed Tax	Existing Tax
1.	Upto 850 cc	Rs.10,000	Rs.7,500
2.	851cc to 1000cc	Rs.20,000	Rs.15,000
3.	1001cc to 1300cc	Rs.25,000	Rs.25,000
4.	1301cc to 1600cc	Rs.50,000	Rs.50,000
5.	1601cc to 1800cc	Rs.150,000	Rs.75,000
6.	1801cc to 2000cc	Rs.200,000	Rs.100,000

7.	2001cc to 2500cc	Rs.300,000	Rs.150,000
8.	2501cc to 3000cc	Rs.400,000	Rs.200,000
9.	Above 3000cc	Rs.500,000	Rs.250,000

Provided that in cases where engine capacity is not applicable and the value of vehicle is Rs.5 Million or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles.

Clause (2)

The new provisos are inserted under the clause (2) which states that the advance tax on private motor vehicle where engine capacity is not applicable and the value of the vehicle is Rs. 5 million or more, the rate of tax collectible shall be Rs.20,000. Further, the tax collected under this clause shall be reduced by the 10% percent each year from the date of first registration in Pakistan. Earlier this reduction in tax was not available.

DIVISION X PART IV OF FIRST SCHEDULE – ADVANCE TAX ON SALE OR TRANSFER OF IMMOVABLE PROPERTY – AMENDMENT

The rate of tax to be collected on sale of Immovable property is proposed to be increased from 1% to 2%.

DIVISION XA PART IV OF FIRST SCHEDULE – ADVANCE TAX ON TV PLAYS AND ADVERTISEMENTS – SUBSTITUTION

The proposed substitution seeks to decrease the tax on advertisements starring foreign actors to Rs.100,000 per second from Rs.500,000 per second.

DIVISION XVI PART IV OF FIRST SCHEDULE – COLLECTION OF ADVANCE TAX BY EDUCATIONAL INSTITUTIONS – OMISSION

The omission seeks to remove the advance tax collected on the fee by educational institutions in order to facilitate the student.

DIVISION XVIII PART IV OF FIRST SCHEDULE – ADVANCE TAX ON PURCHASE OF IMMOVABLE PROPERTY – AMENDMENT

The amendment proposed to increase the rate of tax to be collected on the purchases of immovable property from 1% to 2%

DIVISION XXIII PART IV OF FIRST SCHEDULE – PAYMENT TO A RESIDENT PERSON FOR RIGHT TO USE MACHINERY AND EQUIPMENT – OMISSION

The omission will remove the tax collection from the right to use machinery and equipment. Earlier the rate of tax collection was 10%, which was subject to minimum tax. The income derived by the person from the giving the right to use machinery and equipment shall be charged to tax under the normal tax regime at the applicable slab rate.

DIVISION XXVII PART IV OF FIRST SCHEDULE – ADVANCE TAX ON AMOUNT REMITTED ABROAD THROUGH CREDIT, DEBIT OR PREPAID CARDS – INSERTION

The insertion proposes to collect the tax at the rate of 1% on the amount remitted abroad through credit, debit or prepaid cards. Earlier there was no collectible on such payments.

2.4 AMENDMENTS IN SECOND SCHEDULE

2.4.1 PART- 1

CLAUSE 23(A) – SUBSTITUTION

The substitution proposes to exempt the accumulated balance received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005. Earlier the accumulated balance up to 50% was exempt.

CLAUSE 23(B) – OMISSION

The exemption from the amounts received as monthly installment from an income payment plan invested out of the accumulated balance of an individual pension accounts is proposed to be rescinded.

CLAUSE 66 – AMENDMENT

The proposed amendment seeks to exempt the income derived by the following institutions;

- Pakistan Mortgage Refinance Company Limited
- The Pakistan Global Sukuk Programme Company Limited
- Karandaaz Pakistan from tax year 2015 onwards
- Pakistan Sweet Homes Angles and Fairies Place
- Public Private Partnership Authority for tax year 2022 and subsequent four tax years
- Dawat-e-Islami Trust
- Hamdard Laboratories (Waqf) Pakistan

The proposed amendment in Table 2 of this clause seeks to remove the below mentioned organizations for which the exemption from income was available subject to the provisions of section 100C.

- Pakistan Sweet Homes Angels and Fairies Place
- Pakistan Mortgage Refinance Company Limited
- Dawat-e-Islami Trust

CLAUSE 99 – AMENDMENT

The amendment seeks to reduce the accumulated loss from the accounting income for the purpose of the condition of exemption. The reduced accounting income will be then distributed amongst the unit or certificate holder or shareholders as the case may be.

CLAUSE 102A – OMISSION

The exemption is proposed to be rescinded on the income of a person as represents a subsidy granted to him by the Federal Government for the purposes of implementation of any orders of the Federal Government.

CLAUSE 103D AND CLAUSE 126EA – AMENDMENT

The Special Technology Zones Authoirty Act, 2021(XVII of 2021), now replaces the Special Technology Zones Authority Ordinance, 2020. The change is depicted in the said clause.

CLAUSE 132 – AMENDMENT

The proposed amendment seeks to provide explanation regarding the exemption of profits and gains derived by the taxpayer from the electric power generation project set up in Pakistan on or after the 1st day of July, 1988.

The sixth proviso was inserted vide Finance Act, 2021 which stated that the exemption under this clause shall be available to the persons, who enter into agreement or to whom the letter of intent is issued by the Federal of Provincial government for setting up an electric power generation project in Pakistan on or before the 30th day of June, 2021 and who obtains the letter of support on or before the 30th day of June, 2023.

The proviso is hereby further explained through this amendment that the exemption under this clause shall continue to remain available to those persons to whom exemption under this clause was available on or before 30th day of June, 2021.

The proposed amendment has provided the timeframe for the exemption period. The exemption under this clause will be now available for the life cycle of the project of 25 years from the date of commencement of commercial production whichever is earlier.

CLAUSE 150 – INSERTION

The proposed insertion seeks to exempt the income derived by Siyahkalem Engineering Construction Industry and Trade Company Limited from contract dated 23rd day of May 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by the Saudi Fund for Development with effect from tax year 2017.

CLAUSE 151– INSERTION

The exemption is proposed to be provided on any income derived by a person from cinema operations in a tehsil or town where there is no cinema, for five years from the commencement of cinema operations. This exemption will only be provided to those persons who start the cinema construction on or before 31 day of December 2023. The purpose of this exemption is boost the media sector in the Pakistan.

2.4.2 PART – II

The proposed amendment in Part II of the Second Schedule seeks to reduce rate of withholding tax required to be deducted under section 153(1) on steel.

2.4.3 PART – III

CLAUSE 1 AND 1AA – OMISSION

The bill seeks to remove the reduction in tax liability on the flying allowance, submarine allowance and the allowance received by the pilots of any Pakistani Air Lines. These allowances shall now be charged to tax at the applicable slab rate.

CLAUSE 6 – AMENDMENT

It is proposed to reduce the tax rate from 10% to 5% on amount paid as yield or profit on investment in Bahbood Savings Certificate or Pensioners Benefit Account and Shuhada Family Welfare Account.

CLAUSE 9A – OMISSION

The reduction of capital gain by fifty percent on the first sale of immovable property acquired or allotted to ex-servicemen and serving personnel of Armed forces has been rescinded. Such disposal is proposed to be charged to tax as per section 37 of the Ordinance.

2.4.4 PART IV

CLAUSE 11A – AMENDMENT

The bill seeks to provide the exemption from section 113 of the Ordinance regarding minimum tax to mobile phones manufacturer engaged in the local manufacturing of mobile phone devices to promote the local manufacturing and to reduce the import bill.

CLAUSE 12O – INSERTION

The bill seeks to remove the tax of section 148 on import of drones donated by Ministry of Agriculture and Rural Affairs (MARA), Government of China to Pakistan through Sea Route.

CLAUSE 12P – INSERTION

The insertion seeks to remove the withholding of income tax on import of cinematographic equipment as notified by the Federal Government.

CLAUSE 60DA – AMENDMENT

The Special Technology Zones Authority Act, 2021(XVII of 2021), now replaces the Special Technology Zones Authority Ordinance, 2020. The change is depicted in the said clause.

CLAUSE 86 – OMISSION

The proposed omission will enable the section 111 of the unexplained income and assets over the investment in a greenfield industrial undertaking, Construction industry in corporate sector, low cost housing construction, livestock development projects, new captive power plants, mining and quarrying in Thar coal, Baluchistan and KPK. Earlier these investments were exempted from the ambit of section 111 of the Ordinance.

CLAUSE 120- INSERTION

The bill seeks to propose that the provisions of the Division II (Section 148) and Division III (Sections 149-158) of Part V of Chapter X and Chapter XII (Sections 231A-236J) shall not apply to the organizations mentioned under the clause 66 Part I of the second schedule, whose income is exempt.

Provided that such persons shall continue to perform function as withholding and collecting agent under the aforesaid provisions.

The purpose of this insertion is that the taxes withheld or collected under those chapters are either minimum or adjustable. **Such taxes will create the excess refund for that organization whose income is completely exempt.**

Therefore, this amendment has been made in order to avoid the overload of the refund application being submitted with the department.

CLAUSE 105A-INSERTION

The bill proposes that the audit proceedings and selection of audit by board shall not apply to a person whose income tax affairs have been audited in any of the proceeding four tax years.

However, the Commissioner can select a person for audit proceedings under section 177 of the Ordinance after approval from the Board.

2.5 FOURTH SCHEDULE

RULE 6DA – INSERTION

The bill seeks to impose the tax on high earning persons for poverty alleviation on the Insurance businesses. The tax will be charged at the rate of 2% of the income on persons whose income exceeds Rs.300 million.

2.6 FIFTH SCHEDULE

RULE 4AB – INSERTION

The bill seeks to impose the tax on high earning persons for poverty alleviation on the businesses engaged in the exploration and production of petroleum. The tax will be charged at the rate of 2% of the income on persons whose income exceeds Rs.300 million.

2.7 SEVENTH SCHEDULE

RULE 6C – AMENDMENT

The bill seeks to increase the rate of tax under sub rule 6A of rule 6C on the taxable income of a Banking Companies attributable to investment in the Federal Government securities, the revised rates are as follows;

- 55% instead of 45%, if the gross advances to deposit ratio as on the last day of the tax year is upto 40%. Earlier the rate of tax was 40%.
- 49% instead of 45%, if the gross advances to deposit ratio as on the last day of the tax year exceeds 40% but does not exceed 50%. Earlier the rate of tax was 37.5%.
- 45% if gross advances to deposit ratio as on the last day of the tax year exceeds 50%.

The tax rate under this sub rule is applicable to the total income attributable to total investment in Federal Government securities.

RULE 7CA – INSERTION

The bill seeks to impose the tax on high earning persons for poverty alleviation on the banking companies. The tax will be charged at the rate of 2% of the income on persons whose income exceeds Rs.300 million.

2.8 TENTH SCHEDULE

RULE 1– RATE OF DEDUCTION OR COLLECTION OF TAX – AMENDMENT

This rule states that where tax is required to be deducted or collected under any provision of the Ordinance from persons not appearing in the active taxpayer list, the rate of tax required to be deducted or collected, shall be increased by hundred percent.

The bill proposes to increase the tax to be collected from persons not appearing in the active taxpayer list of advance tax in private motor vehicles shall be increased by two hundred percent of the rate specified in First Schedule. Further, on purchase of immovable property the tax shall be increased by two hundred and fifty percent of the rate specified in the First Schedule.

RULE 10 – AMENDMENT

The persons engaged in export of services are proposed to be excluded from the provisions of this schedule. The rate of tax will not be increased by hundred percent for the persons not appearing in active taxpayer list engaged in the export of services.

Further, the section 156B, 236I and 236Q are proposed to be omitted from the Ordinance, the same has been removed from the exclusion list.

2.9 TWELFTH SCHEDULE

Under Part I of the Schedule before PCT code 2711.1100, the following new PCT codes and entries relating thereto shall be inserted,

27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal.

Under Part II PCT code 27.01 is proposed to be omitted which is transferred to Part I and after PCT code 85.03, the following new PCT codes and entries relating thereto shall be inserted;

8504.3100	SMD Inductors for LED Bulb and Lights
8504.4090	Constant Current Power Supply of LED Lights and Bulbs

After PCT Code 85.29, the following new PCT Code and entries relating thereto shall be inserted,

8532.2200	Electrical Capacitors Aluminum Electrolytic for LED Bulbs and Lights

After PCT Code 85.38, the following new PCT Codes and entries relating thereto shall be inserted,

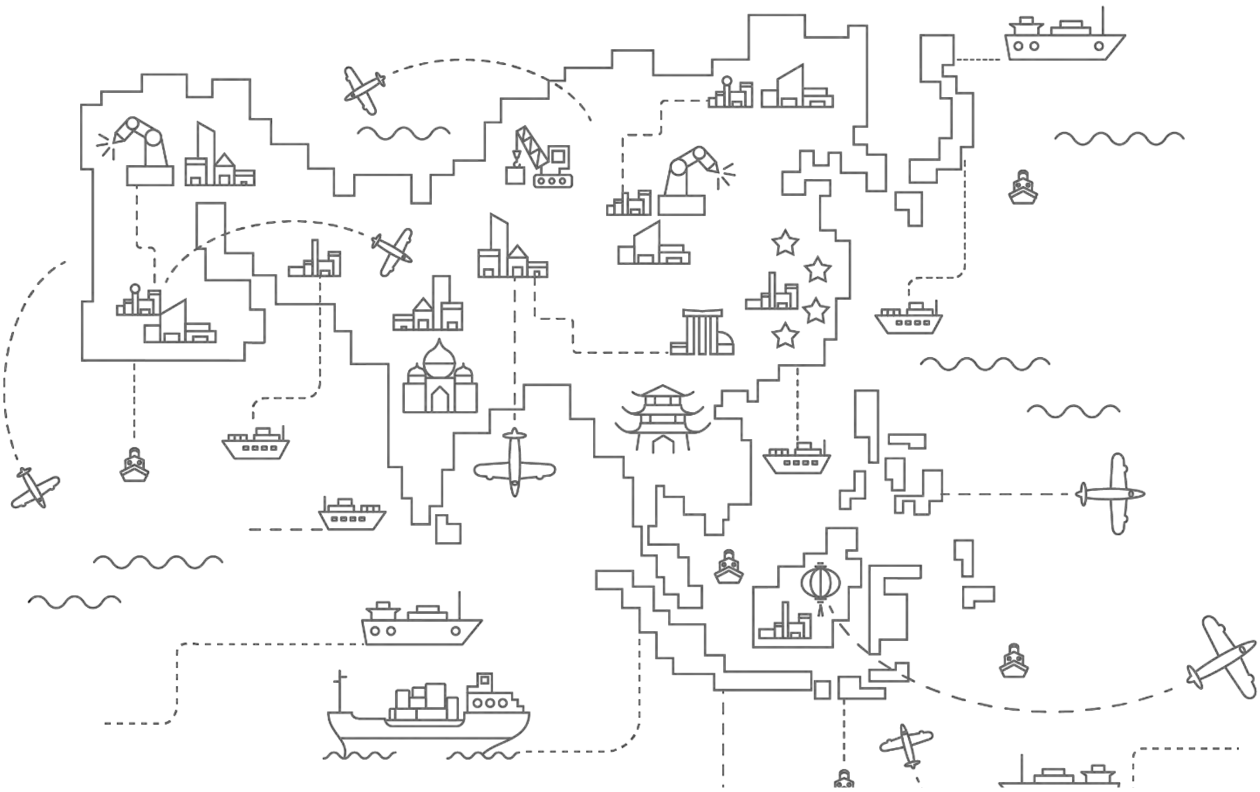
8539.9020	Base Cap for all Kinds of LED Bulbs
8539.9090	Bare or Stuffed Metad Clad Printed Circuit Boards (MCPCB) for all kinds of LED Bulbs
8539.9090	Housing/Shell, Shell Cover and Base Cap for all Kinds of LED Bulbs

After PCT Code 90.32, the following new PCT Code and entries relating thereto shall be inserted,

9001.9000	Lenses for LED Bulbs and Lights

After PCT Code 9401.9030, the following new PCT Codes and entries relating thereto shall be inserted,

9405.1090	Housing/Shell, Shell Cover and Base Cap for all Kinds of LED Lights
9405.9900	Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Lights



3. AMENDMENTS IN SALES TAX ACT 1990

3.1 SALIENT FEATURES

- The condition of CNIC/NTN in case of supply to unregistered person have been removed. 2. Sales Tax exemption has been granted on import and supply of all types of seeds.
- Sales Tax on Tractor is withdrawn.
- Exemption has been granted on imports by UN diplomats/diplomatic missions and privileged persons.
- Import and supply of solar panels (PV module) has been exempted from sales tax.
- Goods imported by or donated to non-profit charitable hospitals has been exempted. Furthermore, good supplied to charitable hospitals of fifty beds or more have also been exempted from sales tax.
- Temporary imports have been exempted from the levy of the sales tax.
- Made up jewellery has been made chargeable to 3% fix tax on local supply and 4% fix tax on imports.
- Plant and machinery imported by power generation projects that entered into implementation agreement with GoP has been exempted from sales tax.
- Rs.90 per kg is reduce to Rs.60 per kg on potassium chlorate.
- Import by EPZ has been exempted from sales tax.
- The scope of further tax has been enhanced to include non-active taxpayers as well.
- Regime of other then Tier-1 retailer has been streamlined.
- VAT has been imposed on compressor scrap, motor scrap and copper cutting scrap even when imported by manufacturers.

3.2 AMENDMENTS – SECTION WISE

SECTION 2- DEFINITIONS -AMENDMENTS

CLAUSE (12) - GOODS

The bill proposes to broaden the scope of sales tax by including in the definition of goods the production, transmission and distribution of electricity.

CLAUSE (29A) - SALES TAX

The bill proposes to explain that sales tax does not includes "fee and service charges imposed and collected under section 76".

CLAUSE (33) - SUPPLY

The bill proposes to include Production, transmission and distribution of electricity under the definition of supply.

CLAUSE (43A) - TIER 1 RETAILER

The bill proposes insert a new subclause (ga) in order to broaden the definition by adding "a person engaged in supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal".

SECTION 3 – SCOPE OF TAX - AMENDMENT

Bill proposes the levy of further tax at the rate of 3%, on the inactive persons under sub section (1A) of Section 3. Earlier the further tax was only levied where taxable supplies are made to a person who has not obtained registration number.

A new proviso under sub section (7) of section 3 has been inserted, which states that in case of online market place facilitating the sale of third party goods, the liability to withhold tax on taxable supplies shall be on the operator of such market place.

In Sub-Section 9, the bill proposes to increase the tax charged from retailers other than Tier-1 on their monthly electricity bills. A fixed tax of Rs.3,000 is proposed to be levied where the monthly bill amount does not exceed Rs.30,000, Rs.5,000 where the monthly bill amount exceed Rs.30,000 but does not exceed Rs.50,000 and Rs.10,000 where the monthly bill amount exceed Rs.50,000.

A new sub section (11) is proposed to be inserted under section 3, which empowers the Board that the Board through notification in the official Gazette, may require any person or class of persons to integrate their invoice issuing machines with the Board's Computerized System for real time reporting of sales in such mode and manner and from such date as may be prescribed.

SECTION 6 — TIME AND MANNER OF PAYMENT – AMENDMENT

The insertion of a new sub section (5) under section 6 of the Act proposes to introduce a new mode for the payment of sales tax on installments on import or supply of any goods or class of goods. Rules and conditions are yet to be provided by the Federal Government.

SECTION 8 — TAX CREDIT NOT ALLOWED – AMENDMENT

The bill proposes to omit clause (m) of sub section (1), therefore, allowing the input tax credit on goods and services attributable to supplies made to unregistered persons, for which the sale invoice do not bear the CNIC number.

SECTION 8B — ADJUSTABLE INPUT TAX – AMENDMENT

The bill proposes to remove exception to public limited companies listed on stock exchange from adjustment of input tax of 90% over output tax. Through this proposed amendment the Public Limited companies will also be only allowed to claim input of 90% sales tax.

SECTION 14AB — DISCONTINUANCE OF GAS AND ELECTRICITY CONNECTIONS– INSERTION

The proposed section empowers the Board to direct the gas and electricity distribution companies for discontinuing the gas and electricity connections of any person including tier-1 who fails to register for sales tax purpose and the notified tier-1 retailers who are registered but not integrated with the Board's Computerized System.

The proposed insertion was made to compel the taxpayers to bring them in the sales tax net and to compel the notified tier-1 retailers to integrate with the Board's Computerized System, so that the complete declaration can be made under the sales tax returns.

SECTION 23 – TAX INVOICES – AMENDMENT

Bill proposes to substitute sub-section 1 clause B of section 23 whereby only name, address and registration number of the recipient shall be required on the Tax invoice.

SECTION 30C – INLAND REVENUE SERVICES ACADEMY – AMENDMENT

The bill proposes the heading "Directorate General of Training and Research" shall be substituted with "Inland revenue services academy"

SECTION 33 – OFFENCES AND PENALTIES – AMENDMENT

The bill proposes that any person integrated with the Board shall issue invoice containing the QR code in addition to the prescribed invoice number. Any person issues the invoice not bearing the QR code or barcode shall be charged a penalty of five hundred thousand or two hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge.

SECTION 76 – UNIFORM – INSERTION

The bill propose that the Board may by notification in the official Gazette, prescribe Rules for wearing of uniform by officers and staff of Inland Revenue Services.

3.3 AMENDMENTS IN SIXTH SCHEDULE

TABLE 1 – AMENDMENTS

S.No.	Proposed Description	Amendment
13	Edible vegetables including roots and tubers except ware potatoes and onions, whether fresh, frozen or otherwise preserved but excluding those bottled or canned.	Editorial change in PCT heading.
32	All types of books	Presently it is educational text books only.
45	Dextrose and saline infusion giving sets along with empty non toxic bags for infusion solution, dextrose and saline infusions giving sets, artificial parts of the body, intra-ocular lenses and glucose testing equipment.	Editorial change for PCT Heading
120	Diagnostic kits or equipment	Editorial change for PCT Heading
133	Pesticides and their active ingredients.	Editorial change for PCT Heading
137	Paper or art card, weighing 60 gms per m^2 for printing of Holy Quran imported by federal or provincial governments.	Exemption extended to Art card and editorial change in PCT Heading

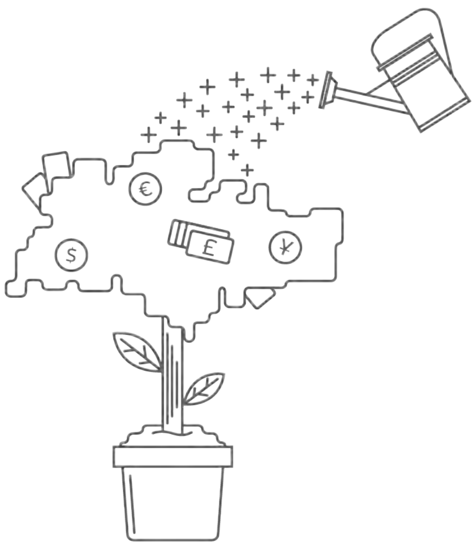


TABLE 2 – NEW INSERTIONS

The bill proposes to insert following after serial No. 162;

Sr. No.	Description	Heading Nos. of the First Schedule to the Custom Act, 1969
163	Goods imported by various agencies of the United Nations, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts and, Orders, rules and regulations made thereunder; and agreements by the Federal Government: Provided that such goods are charged to zero-rate of customs duty under the Customs Act, 1969 (IV of 1969), and the conditions laid therein. Provided further that exemption under this serial shall be available with effect from the 15th day of January, 2022.	99.01, 99.02, 99.03 and 99.06
164	Photovoltaic cells whether or not assembled in modules or made up into panels	8541.4200 and 8541.4300
165	Goods imported by or donated to hospitals run by the non-profit making institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969, (IV of 1969).	99.13 and 99.14
166	Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.	Respective headings
167	Goods temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate of customs duty subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969 (IV of 1969).	99.19, 99.20 and 99.21
168	Silver, in unworked condition	7106.1000, 7106.9110 and 7106.9190
169	Gold, in unworked condition	7108,1100, 7108.1210 and 7108.1290
170	Tractor	8701.9220 and 8701.9320
171	Seeds for sowing	Respective heading
172	Machinery, equipment and materials imported either for exclusive use within the limits of Export Processing Zone or for making exports therefrom, and goods imported for warehousing purpose in Export Processing Zone, subject to the conditions that such machinery, equipment, materials and goods are imported by investors of Export Processing Zones, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (IV of 1969) and rules made thereunder shall mutatis mutandis, apply.	Respective headings.".

TABLE 3 – AMENDMENTS

S.No.	Proposed Description	Amendment
11		Since supply of ware potato and onions covered in S.no. 45
32	Yougart excluding that sold in retail packing under a brand name.	Editorial change for PCT heading
45	Edible vegetables including roots and tubers	Exception of ware potatoes and onions have been removed so these are now covered here instead of s.no. 11

TABLE 4— NEW INSERTIONS

After serial No. 51 the following two entries have been proposed in the bill:

Sr. No.	Description	Heading Nos. of the First Schedule to the Custom Act, 1969
52	Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal on which tax has been paid at the import stage @ 4%.	71.13
53	Prepared food or foodstuff supplied by Restaurants and caterers	Respective heading

TABLE 5 – NEW INSERTION

Following entries are proposed to be inserted after Serial No. 21;

Sr. No.	Description	PCT Heading	Conditions
22	1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through hydel, oil, gas, coal, nuclear and renewable, energy sources including under construction projects entered into an implementation agreement with the Government of Pakistan prior to 15th day of January, 2022. 2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.	Respective Heading	(i) This concession shall also be available to primary contractors of the project upon fulfilment of the following conditions, namely:- (a) the contractor shall submit a copy of the contract or agreement under which he intends to import the goods for the project; (b) the Chief Executive or head of the contracting company shall certify in the prescribed manner and format as per Annex-A that the imported goods are the projects bona fide requirement; and (c) the goods shall not be sold or otherwise disposed of without prior approval of the FBR on payment of sales tax leviable at the time of import; (ii) temporarily imported goods shall be cleared against a security in the form of a post-dated cheque for the differential amount between the statutory rate of sales tax and the amount payable along with an undertaking to pay the sales tax at the statutory rates in case such goods are not re-exported on conclusion of the project.

The Finance Bill propose the Substitution of Annexure-A after the Table 3,

"ANNEX-A

Header Information											
NTN/FTN Number				Regulatory Authority No.				Name of Regulatory Authority			
1				2				3			
Details of Input goods (to be filled by the chief executive of the importing								Goods Imported (Collectorate of			
HS Code	Description	Specs	Custom Duty rate (applicable)	Sales Tax rate (applicable)	WHT	Quantity	UOM	Quantity Imported	Collectorate	CRN/	Date of CR
(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)

CERTIFICATE. It is certified that the description and quantity mentioned above are commensurate with the project requirement and that the same are not manufactured locally. It is further certified that the above items shall not be used for any other purpose.

Signature of Chief Executive, or the person next in hierarchy duly authorized by the Chief Executive

Name ______________________

N.I.C. No. __________________________________

NOTE: In case of clearance through Pakistan Customs Computerized System, the above information shall be furnished online against a specific user I.D. and password obtained under section 155D of the Customs Act, 1969.
Explanation—

Chief Executive means.
1. owner of the firm, in case of sole proprietorship; or
2. partner of firm having major share, in case of partnership firm; or
3. Director, in case of private limited company; or
4. Chief Executive Officer or the Managing Director in case of limited company or multinational organization; or
5. Principal Officer in case of a foreign company.".

3.4 EIGHTH SCHEDULE

3.4.1 AMENDMENTS

The bill proposes to omit following entries and therefore the supply of these items will now be taxable at normal rate of 17%.

a. Agricultural tractor – taxable at 5%,
b. Locally Produced coal- taxable at Rs. 425 per nil MT or 17% ad-valrum whichever is higher,
c. Import of electric vehicle from eighth schedule – taxable at 12.5%

The bill proposes to reduce the tax rate of Rs. 90 per kg to 60 per kg for import and supply of Potassium chloride to Ministry of Defense production at serial no. 56.

3.4.2 NEW INSERTIONS

The bill proposes insertion that after serial number 77, the following new serial and entries relating thereto in columns (2), (3), (4) and (5) shall be added, namely: –

S. No	Description	Heading Nos of the First Schedule of The Customs Act 169	Rate c tax	Condition
78.	Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.	71.13	3%	No input tax shall be adjusted
79.	Import of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.	71.13	4%	No input tax shall be adjusted
80.	Local supply of reclaimed lead	Respective heading	1%	Subject to the conditions that: (i) Supplies are made to registered manufacturers of lead and lead batteries; and (ii) No refund of input tax shall be admissible.".

3.5 ELEVENTH SCHEDULE – AMENDMENT

The bill proposes that in eleventh schedule column no 3 of column no 1 of serial no 7 expression "8548.1010" and "8548.1090" shall be substituted with the word "Respective headings"

3.6 TWELFTH SCHEDULE — AMENDMENT

The bill proposes that VAT of 3% at import shall be applicable on the following items as these are now excluded from the exceptions given provided Clause 2

a. compressor scrap (PCT heading 7204.4940),
b. motor scrap (PCT heading 7204.4990) and
c. copper cable cutting scrap (PCT heading 7404.0090)";

4. AMENDMENTS IN THE CUSTOMS ACT 1969 (iv of 1969)

4.1 SALIENT FEATURES

- To incentivize packaging industry, CD and ACD on various tariff lines pertaining to aluminum, polymers of ethylene, BOPP etc. have been downward rationalized.
- To incentivize agricultural sector and farmers, customs duty exemption extended further to Farm Mechanization and Logistics including agricultural machinery pertaining to irrigation, drainage, harvesting / post- harvest handling & processing, plant protection equipment as well as machinery, equipment and other capital 2 goods for miscellaneous agro based set ups in Sr. 1, 2 and 3 of Part-I of Fifth Schedule.
- To incentivize Coating Industry, CD and ACD have been exempted on Aluminum paste and powder and CD and ACD have been reduced on glycerol crude and glycerol.
- Tariff structure on the different tariff lines related to MDF / HDF have been rationalized evenly.
- Rationalization of Tariff structure on import of IV Leaves extract powders and exemption of CD & ACD on its raw materials i.e, other plants and parts of plants from 3% CD and 2% ACD.
- Exemption of customs duties on 03 different raw materials for first aid bandages manufacturing industry from 5%.
- To keep the prices of medicines stable in the market and to encourage local manufacturing of pharmaceuticals, customs duties have been exempted on 26 more APIs and on one drug "Grafalon".
- 10% CD rate on import of motor spirit has been replaced with 10% RD.
- Continuation of 20% RD on import of Disodium Carbonate to protect the local industry.
- To encourage the vendor industry, RD has been reduced on import of case hardening steel from 30% to 20%.
- 10% RD has been levied on import of Other paper, paperboard, cellulose wadding and webs of cellulose fibres to protect the local industry.
- The definition of smuggling has been widened to include smuggling of essential commodities out of Pakistan through bordering and coastal areas to curb this menace.
- To facilitate trade and industry, changes have been incorporated to align the provisions of the Customs Act, 1969 with the Pakistan Single Window (PSW) Act, 2021, providing platform for integration of other government agencies.
- The timeline to finalize the provisional assessment has been reduced from existing nine months to four months to facilitate trade and avoid delay in realization of government revenue. 4. Powers regarding extension in warehousing period have been delegated to Additional Collector of Customs to facilitate trade by expediting grant of requests for extension.
- Option to change consignee name in relation to frustrated cargo has been provided to address the issue of port congestion.
- Pecuniary jurisdiction of Additional Collector and Deputy Collector has been increased to rationalize the workload of adjudicating authorities and quick disposal of legal cases.

4.2 AMENDMENT –SECTION WISE

SECTION 2(BBC) – NEW INSERTION

The bill seeks to insert a new clause (bbc) after clause (bbb) defining "bordering and coastal areas". This means and includes all districts located along international borders including coastal areas of Pakistan.

SECTION 2(KKA) – AMENDMENT.

The bill seeks to broaden the scope of term "documents" and include standardized information and documents lodged with a single entry point through Pakistan Single Window in its defintion.

SECTION 2(KKD) – NEW INSERTION

The bill seeks to insert a new clause (kkd) after clause (kkc) defining "essential commodities" to means those items availability of which is considered vital for domestic use or consumption, as notified by the Board, from time to time, in consultation with ministries concerned.

SECTION 2(OA) – NEW INSERTION

The bill seeks to make editorial changes by defining "other government agencies" to have same meaning as defined under clause (n) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021.

SECTION 2(PB) – NEW INSERTION

The bill seeks to insert a new clause (pb) after clause (pa) defining "Pakistan Single Window" to have same meaning as defined under clause (m) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021".

SECTION 2(S) – AMENDMENT

The new subclause (iv) seeks to include "essential commodities, as notified by the board" if brought into or take out of Pakistan, in breach of any prohibition or restriction for the time being in force, or evading payment of customs-duties or taxes leviable thereon to be covered in the smuggling.

SECTION 3C – AMENDMENT

The bill seeks to substitute the words "Directorate General of Training and Research" with "Pakistan Customs Academy" as editorial change.

SECTION 19(5) – AMENDMENT

The proposed amendment seeks to extend the applicability of notifications issued under the said section for one more year upto June 30, 2023 whereby federal government is empowered to exempt goods from custom duties.

SECTION 21(C) – AMENDMENT

Through the proposed amendment the bill seeks to withdraw the entitlement for repayment of whole or partial duty to the importers who imported goods for the supplies against international tenders.

SECTION 81 – AMENDMENT

The proposed amendment seeks to reduce the time period for final determination of duty after provisional determination from "six months" to "ninety days".

Further the authority of the Collector of Customs or, as the case may be, Director of Valuation in circumstances of exceptional nature and after recording such circumstances is also proposed to be reduced from ninety days to thirty days.

SECTION 98 – AMENDMENT

The section 98 relates to a Period for which goods may remain warehoused. Presently, subject to certain conditions the period of warehoused goods can be extended for one month by the Collector of Customs.

Through the proposed amendment this power is given to the Additional Collector of Customs, whereas collector of customs can extend this period to 6 months.

SECTION 138 – AMENDMENT

Through the proposed amendment the bill seeks to empower the custom officer (Additional Collector or above rank) to allow the change of name of consignee subject to certain conditions in case any goods are brought into a customs-station by reason of inadvertence, misdirection or untraceability of the consignee in addition to the allow export of such goods.

SECTION 156 – AMENDMENT

The proposed amendment is an editorial change whereby the essential commodities notified by the board are also included in the smuggled goods if these are brought into or taken out without payment of customs duty and is a punishable offence.

SECTION 156 – NEW INSERTION

The proposed amendment defines following new offences at Serial No. 105 relating to any data, information or detail in relations to Pakistan Single Window system or data or system connected to or ancillary thereto

. S no	Offences	Penalties	Section Ref
(i)	Un-authorised access	Imprisonment upto six months or fine upto Rs.100,000 or both.	General
(ii)	Un-authorised copy, transmission or cause to transmit	Imprisonment upto six months or fine upto Rs.100,000 or both	
(iii)	Un-authorised interference, or attempt to interfere, damage or attempt to damage	Imprisonment upto three years or fine upto Rs.500,000 or both.	
(iv)	Use of any information system, device or data to make any illegal claim or title or cause any person to part with property or to enter into any express or implied contract or intent to commit fraud by any input, alteration, deletion or suppression of data, resulting in unauthentic data with the intent that such data be considered or acted upon for legal purpose, as if it were authentic in relations to Pakistan Single Window system or Systems connected or ancillary thereto;	Imprisonment upto four years or fine up to Rs. 1,000,000 or both.	
(v)	Use, make, supply, retain, obtain device, system or software for offences under section 13 of the Pakistan Single Window Act, 2021 (III of 2021);	Imprisonment upto six months or fine upto Rs.100000 or both.	
(vi)	Obtain, sell, process, use or transmit another person's Unique User Identifier or make an attempt thereof without authorisation;	Imprisonment upto four years and fine upto Rs.1,000,000 or with both.	
(vii)	Tamper with or attempt to tamper with, alter, re-programme any Pakistan Single Window system or system connected or ancillary thereto for un-authorised use;	Imprisonment upto four years and fine up to Rs.1,000,000 or both and confiscation any devices or systems used in offence.	
(viii)	Write, offer, make available, distribute or transmit a malicious code or abet in the same, with intent to cause harm to Pakistan Single Window system or data resulting in or intending to result in corruption, destruction, alteration, suppression, theft or loss to the Pakistan Single Window system or data, or any attempt thereof."	Imprisonment upto four years and fine which may extend to Rs.5 Million or both.	

SECTION 157(2) – OMISSION

By proposed omission of Section 157(2) the bill seeks to withdraw the power of the officer of customs to release the conveyance of confiscated goods against the guarantee by the owner of conveyance.

SECTION 164(3) – NEW INSERTION PROVISO

Section 164 relates to "Power to stop and search conveyances". At present sub-section (3) of this section is given as under;

(3) For the execution of the above, the officers or officials, shall be empowered to use all necessary force including use of firearms subject to section 97 of the Pakistan Penal Code, 1860 in the line of duty.
The bill seeks to insert proviso as under;

"Provided that in case essential commodities, as notified by the Board, the power under sub-section (1) shall only be exercised within bordering and coastal areas".

SECTION 170A – NEW INSERTION

After section 170 the bill proposed to insert section 170A as under;
"170AProcedure in case of seizer of essential commodities; in case of seizer of essential commodities, as notified by the Board, such seized goods shall be deposited in the nearest custom-house or the nearest place appointed by the Collector of Customs, as the case may be, for deposit of goods so seized."

Section 179 – Amendment

This section relates to Power of adjudication. The proposed amendment seeks to enhance the jurisdiction for adjudication of deputy collector to impose duties and taxes upto Rs.500,000/- (previously it was Rs.300,000) and that of Assistant collector to Rs. 200,000 (previously it was Rs.100,000)

SECTION 203 – AMENDMENT

The bill propose to provide authority to the collector of customs to fix charges for services rendered by the terminal operator for export or import and also fix charges for the storing of seized or confiscated goods and vehicles etc. in addition to the existing powers for fixing the expiration period after which fee as prescribed is chargeable if goods are left in the custom house or custom area or other authorized landing place.

5. AMENDMENTS IN OTHER LAWS

5.1 AMENDMENTS IN FEDERAL EXCISE DUTY ACT 2005

SECTION 2

CLAUSE 9 – AMENDMENT
The proposed amendment seeks to exclude the fee and service charges imposed and collected by the Board for valuation under Section 49 of the Federal Excise Act, 2005 from the definition of 'Duty'.

SECTION 29

SUB-SECTION 2(C) – AMENDMENT
The proposed amendment is an editorial change due to change in nomenclature of 'Directorate General of Training and Research' to 'Inland Revenue Services Academy'.

SECTION 50 – NEW INSERTION

The proposed new section empowers the Board to prescribe rules by notification for wearing of uniform by officers and staff of Inland Revenue Services.

AMENDMENTS IN FIRST SCHEDULE

CHANGES IN TABLE -1
Following are the proposed changes in Table - I in the duties of excisable goods:

S.No.	Description	Existing Rates	Proposed Rates
8A	E-Liquids by what so ever name called, for electric Cigarette Kits	Rs. 10 per ml	Rs. 10,000 per kg
9	Locally produced Cigarettes if their on pack printed retail price exceeds Rs.5,960 per thousand Cigarettes	Rs. 5,200 per thousand Cigarettes	Rs. 5,600 per thousand Cigarettes
10	Locally produced Cigarettes if their on pack printed retail price does not exceeds Rs. 5,960 per thousand Cigarettes	Rs. 1,650 per thousand Cigarettes	Rs. 1,850 per thousand Cigarettes
56	Filter rod for Cigarettes	Rs. 1 per filter rod	Rs. 1,500 per Kg

CHANGES IN TABLE -II

S.No.	Description	Existing Rates	Proposed Rates
3	Facilities for Travel (b)(ii) Club, businesses and first class	Rs. 10,000	Rs. 50,000
6	Telecommunication Services excluding such services in the area of province where such province has imposed provincial sales tax and has started collecting the same through its Board or Authority as the case may be.	16% of the Charges	19.5% of the Charges

5.2 AMENDMENT IN ICT (SALES TAX ON SERVICES) ORDINANCE 2001

AMENDMENTS IN TABLE 1 – AMENDMENT:

The bill seeks to extend the scope of services at serial No. 1 relating to hotels etc. to include the services of caterers, suppliers of food and drinks under the same PCT heading and subject to the normal tax rate of 15%.

The bill proposes to reduce the general rate of sales tax on all services' to '15%' except in case of property developers and promoters on which the specific rates as developers and builders are applicable. Previously all these services were taxable at 16% while Call center services at Serial No. 42, were subject to 17% sales tax.

AMENDMENT IN TABLE 2 – OMISSION:

The bill seeks to omit serial number 11 in Table 2, and entries relating thereto in columns (1), (2), (3) and (4). Through proposed omission, IT & IT enabled services shall be taxed at standard rate. Previously IT & IT enabled services were taxed @5%.

5.3 AMENDMENTS IN FINANCE ACT, 2018 (XXX OF 2018);

In the Finance Act, 2018 (XXX of 2018), a mobile phone levy was imposed for which applicable slab rates were based on their value in Pak Rupees. The proposed amendment seeks to revise the rates of levy based on C&F value of such mobile phones in US dollars as provided in following table:

Sr. No	Mobile Phones having C&F Value (US Dollars)	Rate of levy per set in Pak Rupees
1.	Up to 30	100
2.	Above 30 and up to 100	200
3.	Above 101 and up to 200	600
4.	Above 201 and up to 350	1800
5.	Above 351 and up to 500	4000
6.	Above 501 and up to 700	8000
7.	Above 701 and above	16000

5.4 PROPOSED LEVY OF TAX ON CAPITAL VALUE OF CERTAIN ASSETS;

Through this Bill it is proposed to levy tax on capital value of

1. motor vehicles with value more than Rs.5 Million – CVT applicable @ 2% of the value; and
2. movable or immovable assets having value more than Rs. 100 Million, held by resident person outside Pakistan – CVT applicable @ 1% of the value.

Further Federal Government is proposed to be empowered to levy Capital Value Tax on any asset or class of asset by notification through official gazette at the rates given in the said notification.

Previously the capital value tax was abolished in 2020, prior to that CVT was applicable on the sale/purchase of properties and shares . Now again it is proposed to be reinstated with applicability on the motor vehicles and assets of resident persons outside Pakistan.

VALUE FOR THE PURPOSE OF CVT CALCULATION

MOTOR VEHICLES WITH VALUE MORE THAN RS. 5 MILLION: The value will be the import value including custom duties, invoice value of local manufacturer, auction price or otherwise consideration paid to acquire, alter or improve the vehicle, as the case may be less depreciation @ 10% for each year after acquisition.

Further the CVT will not be applicable after 10 years of acquisition of Motor vehicle or if the depreciated value is less than Rs. 5 Million.

Foreign assets of resident person with value more than Rs. 100 Million: The value for CVT purposes shall be higher of consideration to acquire, alter or repair the asset or fair value of the assets.

COLLECTION/PAYMENT OF CVT

In case of motor vehicles CVT shall be collected by the custom authorities, the local manufacturer or auctioneer whichever is applicable at the time of import or sale or at the time of first installment in case of sale by installment. Annual CVT shall be payable to the Excise & Taxation department at the time of payment of motor vehicle tax.

For assets outside Pakistan the CVT shall be payable alongwith the annual income tax return.

DEFAULT SURCHARGE

In case of default in making payment of CVT the default surcharge @ 12% shall be applicable from the date of default till date of payment. The Commissioner of Inland Revenue (CIR) will pass the order and can recover the CVT in similar manner as the income tax. The order is appealable before CIR(A).

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