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The background features a large, stylized 'X' shape formed by two overlapping diagonal bands, one light grey and one blue. On the right side, there is a circular inset image showing a network of white lines connecting nodes over a dark background, with two stacks of gold coins in the foreground.

**COMMENTS  
FINANCE BILL  
2021-22**

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## PREFACE

This tax commentary intends to unravel the various post budget queries forthcoming by our clients. We have attempted to apprise them with a comprehensive explanation of the implications and an upshot that this Finance Bill has brought about. The tax commentary encompasses the amendments in the Income Tax Ordinance 2001, Sales Tax Act, 1990, Islamabad Capital Territory (Tax on Services) Ordinance, 2001 and Federal Excise Act, 2005. The applicable amendments in the laws after enactment are effective from July 1, 2021, unless otherwise specified.

The commentary should be read in conjunction with the applicable sections of respective Ordinances, Acts and Rules along with the text of the Finance Bill, 2021. This tax commentary aims to provide a general guideline and thus should not be considered as a conclusive and enforceable document. Professional advice should be sought before acting on any newly introduced amendment in the Finance Bill or on our comments. We hope that this tax commentary enhances your perception of Budget 2021-2022.

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

Karachi

June 14, 2021

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## TABLE OF CONTENT

	Page Nos
1. Budget at a Glance	3-5
2. Economic survey 2020-21 summary	6-7
3. Key fiscal target	7-9
4. Salient features	10-18
5. Income Tax Ordinance, 2001	19-61
6. Sales Tax Act, 1990	62-87
7. Islamabad Capital Territory (Tax On Services) Ordinance, 2001	88
8. Federal Excise Act, 2005	88-91

## BUDGET AT A GLANCE

	Budget 2021-22 PKR'Bn	Budget 2020-21 PKR'Bn
Tax revenue	5,829	4,691
Non-tax revenue	2,080	1,704
<b>Gross revenue receipts</b>	<b>7,909</b>	<b>6,396</b>
Less: Provincial share in Federal taxes	(3,412)	(2,704)
<b>Net revenue receipts</b>	<b>4,497</b>	<b>3,691</b>
<b>Expenditure</b>		
Current expenditure	7,523	7,626
Development expenditure	964	863
<b>Total Expenditure</b>	<b>8,487</b>	<b>8,489</b>
<b>Federal Budget Deficit</b>	<b>(3,990)</b>	<b>(4,798)</b>
Non Bank Borrowing	1,241	1,517
Bank Borrowing	681	649
Net External receipts	1,246	2,287
Other proceeds	252	103
Estimated Provincial Surplus	570	242
	<b>3,990</b>	<b>4,798</b>

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

## RECEIPTS

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

## EXPENDITURES

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

## ECONOMIC SURVEY 2020-21 SUMMARY

The key facts and figures in the Economic Survey 2020-21, as announced by the government beats many earlier projections as the economy was able to stage a V-shaped recovery. Here are the salient features of the survey;

- Pakistan's GDP provisionally grew 3.9% during FY21. Growth for FY20 was revised down to -0.47% from -0.38% earlier.
- For FY21, GDP at current market prices stood at Rs47.7 trillion.
- Services sector saw a growth of 4.43%, mainly on the back of wholesale and retail trade segment (8.37%), and finance and insurance sector (7.84%).
- Agriculture sector registered a growth of 2.77%.
- Wheat witnessed a growth of 8.1%, rice 13.6%, while maize recorded a growth of 7.38%.
- Sugarcane recorded the second-highest ever production at 22%. On the other hand, cotton witnessed a negative growth of 22.8% resulting in 15.6% decline in cotton ginning.
- At the end of March 2021, Pakistan's total public debt stood at Rs38 trillion. The domestic debt amounted to Rs25.6 trillion (up 13.8% YoY) while foreign public debt was Rs12.5 trillion.
- Average National Consumer Price Index (CPI) stood at 8.83%.
- Remittances increased by 29% YoY, amounting to \$26.7 billion, as per 11MFY21 SBP data.
- Pakistan's Foreign Direct Investment (FDI) hit \$1.55 billion during 10MFY21, a decline of 32% YoY.
- Pakistan saw a current account surplus of \$773 million in 10MFY21 against a deficit of \$4,657 million recorded in the same period last year. During 10MFY21 total imports

recorded a growth of 8% YoY to \$48,625 million. Exports clocked in at \$25,889 million, posting a jump of 6% YoY.

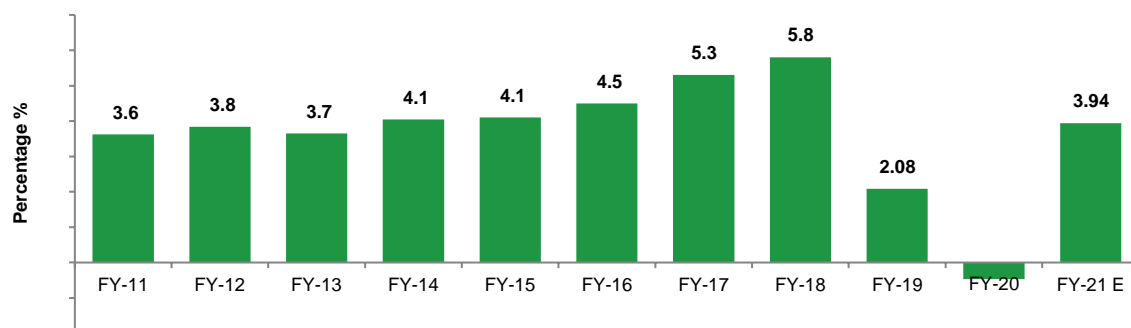
- Country recorded a trade deficit of \$22,736 million compared to a deficit of \$20,599 million in 10MFY21, seeing an increase of 11%.
- Per capita income for FY21 stood at Rs246,414 (+14.6% YoY). In dollar terms, it was \$1,543 (+13.4% YoY).

## KEY FISCAL TARGETS

- The overall outlay of the budget is expected at Rs8.487 trillion with an expected fiscal deficit of 6.3 % of GDP for FY22 compared to an estimated deficit of 6 % of GDP during FY21.
- The revenue collection target for FBR has been set at Rs5.829 tr for FY22, which will be lower than IMF's target of Rs6tr. Still, the target seems to be ambitious, as it is likely to be 23pc higher compared to the estimated collection of Rs4.7tr in FY20-21.
- Additional revenue measures worth Rs506 billion are also expected.
- The non-tax collection target is set at Rs2.08tr.
- For FY22, the government has earmarked Rs900bn for federal PSDP, an increase of 38pc from the previous budget.
- Government has set mark-up interest and defence expenditure targets at Rs3.06 tr and Rs1.37 tr, up 4pc and 9pc from last year's budget, respectively.
- The government also intends to increase salaries and pensions by 10pc.
- The fiscal deficit will be around Rs 3.42 tr in FY22.
- For subsidies, the government has set a target of Rs682bn for FY22.

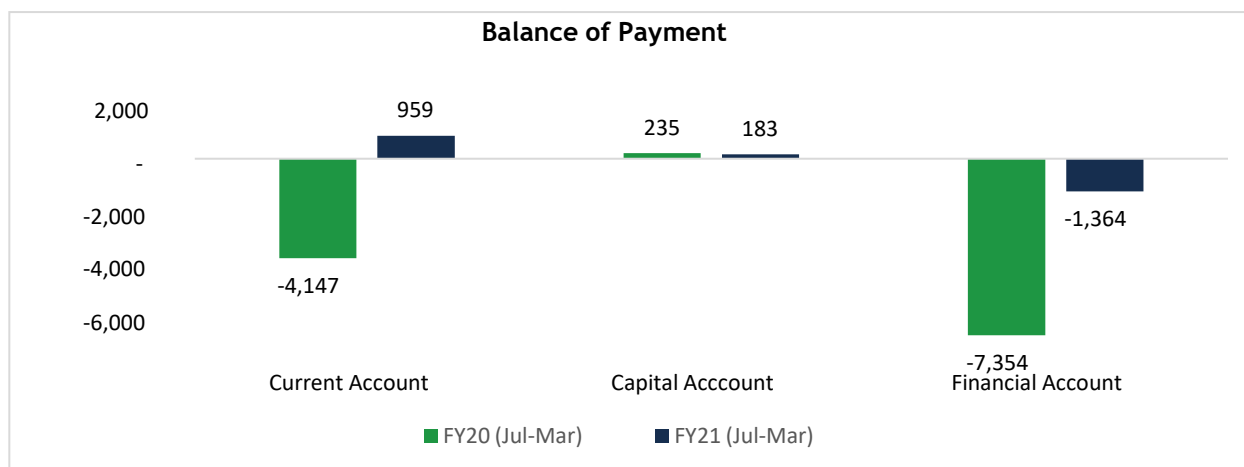


## Real GDP Growth



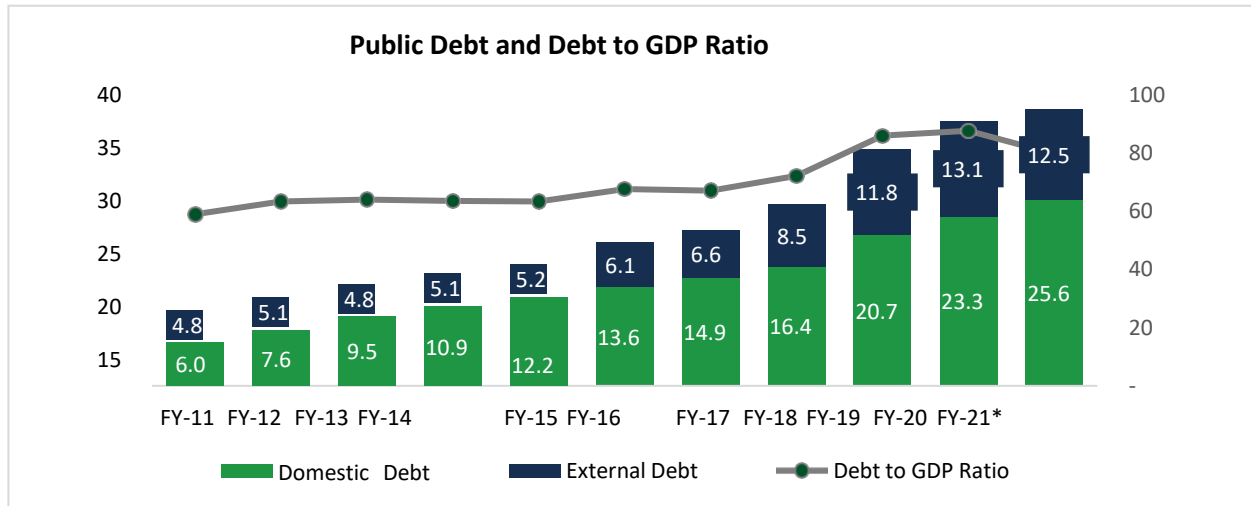
(Data Source: PES, 2020-21)

## Balance of Payment



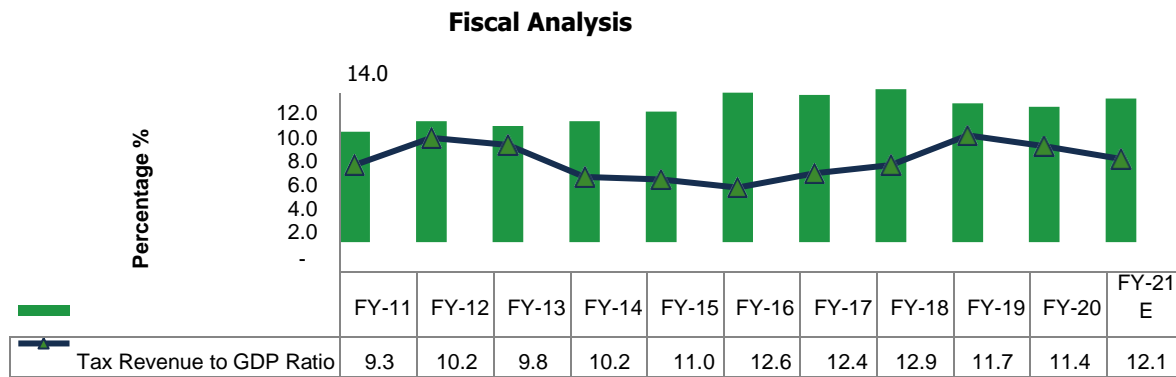
(Data Source: PES, 2020-21)

## Public Debt and Debt to GDP Ratio



(Data Source: PES, 2020-21)

## Tax Collections and Budget Deficit



(Data Source: PES, 2020-21)

## SALIENT FEATURES

### INCOME TAX

1. Special regime for export of services at par with export of goods to be taxed @ 1% under final tax regime.
2. Elimination of block taxation of property income and shift to normal tax regime.
3. Reduction of block taxation on capital gain on disposal of immovable properties if gain exceeds Rs. 20 million.
4. Reduction in block taxation on interest income, if it exceeds Rs. 5 million.
5. Tax on "on" money on vehicles, if vehicle is disposed without registration.
6. Expansion of scope of withholding tax collection from supply chain below manufacturers and importers of specified sectors (sections 236G and 236H).
7. Reduction in threshold of monthly electricity bill for withholding tax on electricity consumption from 75,000 to 25,000 from domestic users not appearing on Active Taxpayers' list.
8. Removal of requirement of issuance of separate notice in concealment cases.
9. Withholding of tax on rental income of sub-lessee.
10. Broadening of scope of withholding agents for the purpose of collection of withholding tax on commission income (section 233).
11. Streamlining withholding tax collection on sale and purchase of immovable property (section 236C and 236K).
12. Rationalization of withholding tax regime for exporters.
13. Taxability of profit on debt component of GP fund and other such funds.
14. Withdrawal of personal income tax exemptions.
15. During the current financial year, Tax Laws (Second Amendment) Ordinance, 2021 was promulgated to implement corporate income tax reforms to provide level playing field to all businesses. Certain tax credits, concessions and exemptions were withdrawn. The provisions of the Ordinance have been made part of the Finance Bill.

16. Deletion of 12 withholding taxes

<b>PROVISION</b>	<b>DESCRIPTION</b>
153B	Collection of tax on payment of royalty to residents.
	Collection of tax on cash withdrawal.
231AA	Collection of tax on banking instruments.
236P	Collection of tax on banking transactions other than through cash.
236Y	Collection of tax from persons remitting amounts abroad through credit or debit or prepaid cards.
236B	Collection of tax on domestic air travel.
236L	Collection of tax on international air travel.
236V	Collection of tax on extraction of minerals.
233A	Collection of tax from members by a stock exchange registered in Pakistan.
233AA	Collection of tax on marginal financing by NCCPL.
234A	Collection of tax from CNG stations.
236HA	Collection of tax on certain petroleum products.

17. Merging of 3 withholding taxes with other existing provisions

PROVISION	DESCRIPTION	MERGED WITH
150A	Deduction of tax on return on investment in Sukuks.	Proposed to be merged in section 151 for residents and in section 152 for non-residents which deal with such payments.
152A	Deduction of tax on payments for foreign produced commercials.	To be merged with section 152 which deals with payments to non-residents.
236S	Collection of tax on dividend in specie.	To be merged with section 150 which deals with dividend.

18. Reduction in generalized rate on Minimum Tax on Turnover basis and increase in threshold for individuals and AOPs for chargeability of minimum tax.
19. Broadening of scope of IT services by inclusion of cloud computing and data storage services.
20. Exemption to Special Economic Zone Enterprises from payment of minimum tax.
21. Ten year tax exemption for Special Technology Zone Authority, Zone Developers and Zone Enterprises.
22. Tax exemption on the import of capital goods and dividend income of private funds from investment in special technology zone enterprise.
23. Introduction of special tax regime for manufacturing SMEs.

24. Exemption from tax on income of deep conversion new refineries and BMR projects of existing refineries for 10 years.
25. Reduced rate of withholding tax of 3% on oilfield services, warehousing services, logistic services, collateral management services and telecommunication services.
26. Inclusion of telecommunication services in definition of industrial undertaking.
27. Exemption to Electronic warehousing receipts traded on Pakistan Mercantile Exchange.
28. Allowance of provincial WWF and WPPF as a deductible allowance while calculating income.
29. Adjustment of business loss against property income.
30. Unconditional grant of exemption from tax to certain organizations.
31. Withdrawal of power of Commissioner to reject advance tax estimates presented by taxpayer.
32. Non recognition of gain/loss on disposal of assets to non-residents under gift from relative, inheritance and agreement to live apart.
33. Reduction in tax rate on capital gain tax on disposal of securities from 15% to 12.5%.
34. Withdrawal of power of tax authorities to conduct inquiry under section 122(5A).
35. Inclusion of live animals, raw hides and unpackaged meat in definition of agriculture produce.
36. Reduction in tax liability by 25% for women entrepreneurs.

37. Exemption from tax on import of books and agriculture equipment.
38. Exemption from tax for bagasse fired power generating units and reduced rate of tax on dividend income from such projects.
39. Extension in time limits for availing tax benefits under section 100D and Eleventh Schedule vide Income Tax (Amendment) Ordinance 2021 dated 21.02.2021 made part of the bill.
40. Tax exemptions and concessions for Roshan digital accounts and implementation of electric vehicles and mobile phone policy implemented vide Tax Laws (Amendment) Ordinance, 2021 dated 11.02.2021 made part of bill.

## **SALES TAX**

1. The sale of goods through online market place is proposed to be brought into the sales tax net by deeming the online market place as supplier in respect of third party sales through their platform.
2. For specified goods, it is proposed that it may be made mandatory for manufacturers of such goods to obtain brand license for each separate brand or SKU.
3. Section 56C provides for prize scheme to promote tax culture. To ensure that the said incentive is not misused, a new sub-section is proposed to be inserted to provide for randomize "mystery shopping".
4. The rate of sales tax on potassium chlorate is proposed to be increased from Rs. 80 per kg to Rs. 90 per kg in addition to 17% standard rate.
5. Zero-rating is proposed to be withdrawn from Petroleum Crude Oil, parts/components of zero-rated plant and machinery, import of plant and machinery by petroleum and gas sector and supply, repair and maintenance of ships.

6. Sixth Schedule is proposed to be streamlined and exemptions other than relating to basic food items, health and education are proposed to be withdrawn.
7. Eighth Schedule is proposed to be streamlined and reduced rates other than relating to basic food items, health and education are proposed to be brought into standard regime.
8. Reclaimed lead and used lead batteries is an unorganized sector. Therefore, entire amount of sales tax in respect of sales of such goods is proposed to be withheld at source under Eleventh Schedule.
9. To ensure collection of due taxes, sales tax on sugar is proposed to be levied on retail price by including the said product in Third Schedule.
10. The minimum annual threshold of turnover from all supplies for cottage industry is proposed to be increased from Rs. 3 million to Rs. 10 million.
11. The threshold of shop area in case of furniture outlet/showrooms is proposed to be increased from 1000 square feet to 2000 square feet for inclusion in tier- 1 retailer.
12. Public limited companies are proposed to be excluded from the purview of section 8B.
13. A separate section introduced for allowing extension of time for furnishing of return.
14. Exemption is proposed to be granted to art and printing paper for publication and printing of Holy Quran.
15. Exemption on import of CKD kits for electric vehicles by manufacturers granted by Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.
16. To facilitate international athletes, exemption to goods temporarily imported by athletes/sportsmen granted by Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.



17. Tax exemption to auto disable syringes granted vide Tax Laws (Second Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.
18. To encourage IT industry in the country, import of plant, machinery and raw material by Special Technology Zone is proposed to be exempted from sales tax.
19. To facilitate farmers and encourage storage of grain, tax exemption on locally manufactured silos is proposed to be granted till 30.06.2026.
20. Reduced rate of sales tax @ 1% on locally supply of electric vehicles granted vide Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.
21. In order to address litigation issue, fixed tax on SIM cards is proposed to be deleted with effect from 1st July, 2020.
22. Exemption from value addition tax on import of electric vehicles, CKD kits for small car, 2-3 wheelers, HCVs and all these vehicles in CBU conditions was granted vide Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Twelfth Schedule.
23. For facilitation purpose, the concept of constructive payment is proposed to be introduced in section 73.
24. To provide relief to the registered persons, the benefit of compensation for delayed payment of refund is also proposed to be extended to those persons in whose case order under section 66 is passed.
25. For promoting ease of doing business, the concept of Common Identifier Number is proposed to be introduced.
26. For establishment of Border Sustenance Markets, exemption from sales tax is proposed to be granted on food related and other consumable goods.
27. Exemption on import and zero-rating on local supplies in respect of raw materials, components, parts and plant and machinery to authorized exporters is proposed.
28. It is proposed that small cars upto engine capacity of 850cc may be exempted from value added tax besides reducing sales tax rate from 17% to 12.5%.

## **FEDERAL EXCISE DUTY**

1. Federal excise on mobile phone calls exceeding three minutes @ Re 1 per call, SMS message @ Re. 0.1 per SMS, and internet data usage @ Rs. 5 per GB is being proposed. This will result into mild taxation of a broad spectrum of population.
2. Electronically heated tobacco products are also proposed to be brought into the tax net by inserting new S. No. 8c of Table-1 of the First Schedule to the Federal Excise Act, 2005.
3. In order to facilitate the people of tribal area and encourage investment and economic growth in these areas, exemption is being given from levy of FED to the industrial units located in FATA and PATA.
4. The provision to revise return without prior approval of the Commissioner-IR which is available in Sales Tax Act, 1990 is now proposed to be made available in Federal Excise Act, 2005.
5. Exemption from federal excise duty to 4-wheelers granted vide granted vide Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Federal Excise Act.
6. The rate of federal excise duty on telecommunication is proposed to be reduced from 17% to 16%.
7. Payment on account of Merchant Discount Rate (MDR) is proposed to be excluded from the purview of FED.
8. For establishment of Border Sustenance Markets, exemption from federal excise duty is proposed to be granted on food related and other consumable goods.
9. Rising prices of locally manufactured small cars is a major concern for low earning families. Accordingly it is proposed that small cars upto engine capacity of 850cc may be exempted from federal excise duty.

10. In order to introduce new Export Facilitation Scheme, 2021, exemption on import and zero-rating on local supplies in respect of raw materials, components, parts and plant and machinery to registered persons is proposed.
  
11. Federal excise duty on fruit juices was imposed vide Finance Act, 2019 and resultantly, prices of juices were increased. Moreover due to pandemic, this sector is faced with adverse situation. In order to provide relief to this sector, it is proposed to withdraw federal excise duty on juices.

## **INCOME TAX ORDINANCE, 2001**

### **TAX ON COMPANIES**

No change has been proposed in respect of tax on Companies other than newly defined Small and Medium Enterprises (SME's). Tax table for tax year 2021 and 2022 is as under:

<b>S. No.</b>	<b>Nature of Company</b>	<b>Tax Rate 2021</b>	<b>Tax Rate 2022</b>
1.	Banking Companies	35%	35%
2.	Small Size Companies	22%	21%
3.	Other	29%	29%

The Income Tax Ordinance, 2001 has defined small company as under:

Small company is a company registered on or after the first day of July, 2005, under the Companies Ordinance, 1984 (XLVII) of 1984, which, —

- (i) has paid up capital plus undistributed reserves not exceeding fifty million rupees;
- (ia) has employees not exceeding two hundred and fifty any time during the year;
- (ii) has annual turnover not exceeding two hundred and fifty million rupees; and
- (iii) is not formed by the splitting up or the reconstitution of company already in existence.

### **NEW TAXATION SCHEME FOR SMALL AND MEDIUM ENTERPRISES (SME'S)**

Through the Bill, a new scheme of taxation for SME's is proposed to be promulgated to give the concessional rate of taxation as under:

Tax @ 15% of bottom-line profit or to the maximum of 0.5% of gross turnover of the Company. The SME has been defined as a manufacturing concern having turnover not more than Rs. 250 million in a tax year or in any of the preceding tax years. The SME's has been defined as Manufacturing concern (a Business person which inter alia includes a company, an AOP and an Individual)

In consequence of above SME as defined by the Bill is proposed to be excluded from the definition of Small Company. The following conditions would be required to be fulfilled by a SME

- It will be required to be registered with FBR on IRS or with SME Development Authority on its portal SMERP
- Further concession has been given to SME that if its turnover is not more than Rs. 100 million it shall be taxed @ 7.5% and if the turnover exceeds Rs. 100 million but does not exceed Rs. 250 million it shall be taxed @ 15% of the taxable income.
- The Bill also proposes that SME would have an option to be assessed under final tax regime at the following fixed rates.
  - Where turnover does not exceed Rs. 100 million taxed @ 0.25% of gross turnover.
  - Where turnover is more than Rs. 100 million but does not exceed Rs. 250 million shall be taxed @ 0.5% of gross turnover.
  - The SME would be required to opt out for final tax regime at the time of filing return of income which will be binding for 3 years.

The case of the SME availing the above option would be out of the scope of section 177 and section 214C of the Ordinance. However, those SMEs who do not opt out for FTR may be selected under section 214C of the Ordinance by the FBR.

## **TAX ON SALARIED INDIVIDUALS**

Through the Bill, no amendment has been proposed in tax rates of salaried individuals. Therefore, the following table shall remain applicable for them for the tax year 2021 and 2022 accordingly:

**FOR SALARIED INDIVIDUAL**

<b>S. NO.</b>	<b>TAXABLE INCOME</b>	<b>RATE OF TAX</b>
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	5% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000	Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000
5.	Where taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000	Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000
6.	Where taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 5,000,000	Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000
7.	Where taxable income exceeds Rs. 5,000,000 but does not exceeds Rs. 8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000
8.	Where taxable income exceeds Rs. 8,000,000 but does not exceeds Rs. 12,000,000	Rs. 1,345,000 plus 25% of the amount exceeding Rs. 8,000,000
9.	Where taxable income exceeds Rs. 12,000,000 but does not exceeds Rs. 30,000,000	Rs. 2,345,000 plus 27.5% of the amount exceeding Rs. 12,000,000
10.	Where taxable income exceeds Rs. 30,000,000 but does not exceeds Rs. 50,000,000	Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30,000,000
11.	Where taxable income exceeds Rs. 50,000,000 but does not exceeds Rs. 75,000,000	Rs. 13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000
12.	Where taxable income exceeds Rs. 75,000,000	Rs. 21,420,000 plus 35% of the amount exceeding Rs. 75,000,000

**TAX ON FOR INDIVIDUALS**  
**(HAVING SALARY INCOME BELOW 75%)**  
**AND ASSOCIATION OF PERSONS**

<b>S. NO.</b>	<b>TAXABLE INCOME</b>	<b>RATE OF TAX</b>
1.	Where taxable income does not exceed Rs. 400,000	0%
2.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 600,000	5% of the amount exceeding Rs. 400,000
3.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 10,000 plus 10% of the amount exceeding Rs. 600,000
4.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 70,000 plus 15% 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. 250,000 plus 20% 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. 370,000 plus 25% 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. 620,000 plus 30% of the amount exceeding Rs. 4,000,000
8.	Where taxable income exceeds Rs. 6,000,000	Rs. 1,220,000 plus 35% of the amount exceeding Rs. 6,000,000

However, in view of proposed insertion of clause (19) in Part III of Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance) the tax payable by woman enterprises on profit and gains derived from business chargeable to tax under the head "Income from Business" shall be reduced by 25%.

Further, clause (2) of Part-III of 2<sup>nd</sup> Schedule to the Ordinance is proposed to be omitted, therefore reduction in tax liability of 25% in respect of full-time teachers and researchers would not be available from the tax year 2022.

The Department created a controversy regarding full time teacher and researcher for those practicing Doctors and Professors who are also involved in private practice. Up to the level of Appellate Tribunal Inland Revenue, such cases were decided in favor of the department. However, through a recent judgment bearing ITRA No.276 of 2018 titled as Dr. Zafar Sajjad, the honorable High Court of Sindh decided the case in favor of the Petitioner so this controversy was settled at rest. The omission of this clause from the statute would nullify the order of the Honorable High court of Sindh. Nevertheless, for the tax year 2021 and earlier years, the decision of Honorable of High court of Sindh would hold the ground.

## **TAX ON PROFIT ON DEBT OTHER THAN A COMPANY**

Profit on debt is chargeable to tax under section 7B of the Ordinance. Presently the profit on debt is chargeable to tax under final tax regime at the following rates:

<b>S.NO.</b>	<b>AMOUNT OF PROFIT ON DEBT</b>	<b>TAX RATE</b>
1.	Up to Rs. 500,000	15%
2.	Above Rs. 500,000 to Rs. 25,000,000	17.5%
3.	Above Rs. 25,000,000 TO 36,000,000	20%

This means presently if profit on debt is more than Rs. 36,000,000 it is chargeable to tax under normal law under section 39 of the Ordinance

The Bill now proposes to reduce the above limit of Rs. 36,000,000 to only Rs. 5,000,000. Thus, profit on debt up to Rs. 5,000,000 shall be taxed at the rate of 15% under FTR while the amount exceeding Rs. 5,000,000 shall be liable to be taxed under normal income under section 39 of the Ordinance. However, any related expenses to profit on debt charged under section 39 shall be deductible as laid down under the provisions of section 40 of the ordinance.

## **TAX ON PROPERTY INCOME**

Presently property income of a company is chargeable to tax under normal law under section 15 of the Ordinance and deductions are allowed as enumerated in section 15A of the Ordinance. No change is proposed in this regard however a fundamental change is made in section 56 whereby set of losses against property income has been allowed.



As for persons other than a company are concerned, property income was being taxed as a separate block of income and tax was being levied on the gross amount of rent. However, such persons may opt out of the presumptive tax regime. Through the Bill it has been proposed that such persons would also be chargeable to tax under normal law regime and their option for assessment on the basis of gross amount of rent would not be available. However, deductions as allowable under section 15A of the Ordinance and set off of losses under section 56 of the Ordinance would be available.

Withholding tax out of gross amount of rent of other than a company are proposed to be as under:

<b>S.NO.</b>	<b>GROSS AMOUNT OF RENT</b>	<b>RATE OF TAX</b>
1.	Where the gross amount of rent does not exceed Rs. 300,000	Nil
2.	Where the gross amount of rent exceeds Rs. 300,000 but does not exceed Rs. 600,000	5 per cent of the gross amount exceeding Rs. 300,000
3.	Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 2,000,000	Rs. 15,000 plus 10 per cent of the gross amount exceeding Rs. 600,000
4.	Where the gross amount of rent exceeds Rs. 2,000,000	Rs. 155,000 plus 25 per cent of the gross amount exceeding Rs. 2,000,000

In case of a company, the rate of withholding tax will remain unchanged i-e 15% of the gross amount of rent

## **TAX ON GAIN ON SALE OF A PROPERTY OWNED BY A BUSINESS**

Capital gain on sale of a depreciable asset is treated as the business liable to be assessed under section 22 of the Ordinance. It is worthwhile to mention that consideration received in such sale is restricted to the cost of the asset meaning

thereby that capital gain is restricted to the amount of difference between cost and written down value of such immovable property. It otherwise means that only the amount of depreciation claimed on the subject property is treated as the income on disposal. The Bill proposes to substitute sub-section 13 of section 22, whereby excess amount over cost will be taxed under the head capital gain.

## **TAX ON CAPITAL GAIN ON IMMOVABLE PROPERTY**

Presently capital gain on sale of immovable property is taxed in the following manner:

<b>S. NO.</b>	<b>AMOUNT OF GAIN</b>	<b>RATE OF TAX</b>
1.	Where the gain does not exceed Rs. 5 million	2.5%
2.	Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	5%
3.	Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	7.5%
4.	Where the gain exceeds Rs. 15 million	10%

<b>S.NO.</b>	<b>HOLDING PERIOD</b>	<b>GAIN %</b>
1.	Where the holding period of an immovable property does not exceed one year	100%
2.	Where the holding period of an immovable property exceeds one year but does not exceed two years	75%
3.	Where the holding period of an immovable property exceeds two years but does not exceed three years	50%
4.	Where the holding period of an immovable property exceeds three years but does not exceed four years	25%
5.	Where the holding period of an immovable property exceeds four years	0%

It has now been proposed that capital gain on sale of an immovable property in excess of Rs. 5,000,000 shall be treated as a normal income of a person and shall be taxed at normal rates. Capital gain up to Rs. 5 million shall be taxed at the rate of 5%. Needless to say, that exemption of capital gain for holding period shall remain available.

An explanation has also been inserted in newly provided provision in sub-section 1A of section 37 which says that where the taxable gain on disposal of immoveable property exceeds five million rupees, it shall be chargeable to tax under sub-section (1) of this section and provisions of sub-section (3) shall not apply. However, the taxable gain shall be calculated while taking into consideration the benefit of holding period as provided in sub-section (3A). It has further been clarified that where a person is habitually engaged in transactions of sale and purchase of immoveable property or such sale and purchase is adventure in the nature of trade and business, the provisions of this sub-section shall not apply and the income from such transactions shall be chargeable under the head Income from Business.

## **TAX ON CAPITAL GAIN ON LISTED SECURITIES**

It is proposed to reduce rate of capital gain on disposal of listed securities from 15% to 12% effective from 1<sup>st</sup> July 2021. (Tax year 2022)

## **TAX ON GIFT**

Capital gain on disposal of an asset acquired through a gift from an ancestor, descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual or of any person specified above is chargeable to tax under section 37. However, the cost of such capital asset is taken being the fair market value at the time of gift. The Bill seeks to insert a provision in sub-section 4A of section 37, to stipulate that if the capital asset acquired through gift is disposed of within two years of acquisition and the Commissioner is satisfied that such gift arrangement is a part of tax avoidance scheme, then the provisions of sub-section (3) of section 79 shall apply for the purpose of determining the cost of asset in the hands of recipient of the gift.

## TAX ON INCOME OF COOPERATIVE SOCIETIES

Through an explanation proposed to be inserted in sub section 1 of section 18 of the Ordinance it has been clarified that income derived by co-operative societies from the sale of goods, immovable property or provision of services to its members is and has always been chargeable to tax under the provisions of this Ordinance.

### MINIMUM TAX

Every company is required to pay minimum tax @1.5% without any threshold while an individual and an AOP is required to pay minimum tax @ 1.5% if their turnover exceeds Rs. 10 million. Now an amendment has been proposed whereby rate of minimum tax will be reduced to 1.25% of turnover and threshold for applicability of minimum tax for an individual and an AOP shall be increased to Rs. 100 million. An explanation is also proposed to clarify the definition of turnover for charging minimum tax. It clarify definition of turnover covers receipts from all business activities including turnover from sale of immovable properties where receipts is taxable under the head income from business. The reduced rate of minimum tax for specified persons are also propose to be amended which are reproduced as under:

S.NO.	PERSON	RATE OF MINIMUM TAX
1.	a) Oil marketing companies, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion. b) Pakistan International Airlines Corporation; and c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production;	0.75%
2.	a) Oil refineries b) Motorcycle dealers registered under the Sales Tax Act, 1990	0.5%
3.	a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes; b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; c) Rice mills and dealers;	0.25%

	<p>d) Tier-1 retailers of fast moving consumer goods who are integrated with Board or its computerized system for real time reporting of sales and receipts;</p> <p>e) Person's turnover from supplies through e-commerce including from running an online marketplace as defined in clause (38B) of section 2.</p> <p>f) Persons engaged in the sale and purchase of used vehicles</p>	
4.	In all other cases	1.25%

A proviso is proposed to be inserted in section 113 whereby if turnover tax is paid due to the fact that no tax is payable or paid for the year, the entire amount of turnover tax paid shall be carried forward for adjustment in subsequent years in case of loss. Thus, the controversy regarding this issue will be settled at rest.

## FINAL TAX ON EXPORT OF SERVICES

A new section namely 154A is proposed to be inserted whereby:-

- a) Every authorized dealer in foreign exchange shall, at the time of realization of foreign exchange proceeds on account of the following, deduct tax @ 1%
  - b) exports of computer software or IT services or IT enabled services in case tax credit under section 65F is not available;
  - c) services or technical services rendered outside Pakistan or exported from Pakistan;
  - d) royalty, commission or fees derived by a resident company from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise;
  - e) construction contracts executed outside Pakistan; and
  - f) other services rendered outside Pakistan as notified by the Board from time to time;
1. The tax deductible under this section @ 1% shall be a final tax on the income arising from the transactions referred to in this section, upon fulfilment of the following conditions –
- a) return has been filed;
  - b) withholding tax statements for the relevant tax year have been filed; and

- c) sales tax returns under Federal or Provincial laws have been filed, if required under the law;
  - d) no credit for foreign taxes paid shall be allowed.
2. The provisions as given above shall not apply to a person who does not fulfill the specified conditions or who opts not to be subject to final taxation:

Provided that the option shall be exercised every year at the time of filing of return under section 114.

- 3. Where a taxpayer, while explaining the nature and source of any amount, investment, money, valuable article, expenditure, referred to in section 111, takes into account any source of income which is subject to final tax in accordance with the provisions of this section, he shall not be entitled to take credit of a sum that can be reasonably attributed to the business activity or activities as mentioned above.
- 4. The Board in consultation with State Bank of Pakistan shall prescribe mode, manner and procedure of payment of tax under this newly inserted section.
- 5. The Board shall have power to include or exclude certain services for applicability of provisions of this newly inserted section.

## **DEDUCTION OF WWF AND WPPF**

An expression and a proviso are proposed to be added in section 60A and 60B respectively whereby the controversy regarding the deductibility of WWF and WPPF paid to a province is settled at rest.

## **TAX CREDIT FOR POINT-OF-SALE MACHINE**

A new section namely section 64D is proposed to be inserted to allow tax credit to a person who is required to integrate with FBR computerized system for real time reporting of sale or receipt in respect of actual amount of investment made on the point-of-sale machine or Rs. 50,000 per machine whichever is less.

## **NON-RECOGNITION RULES ON TRANSFER OF ASSETS**

An expression is proposed to be inserted in sub section 2 of section 79 whereby non recognition rule to non-resident recipients regarding disposal of assets under transaction through gift, inheritance or agreement to live a part shall be applicable.

## **TAX PAYER'S PROFILE**

Section 114A was inserted vide Finance Act, 2020 requiring taxpayers to regularly update their profiles. The Bill now proposes to withdraw section 114A from the statute.

## **AMENDMENT OF ASSESSMENT**

The Bill proposes to curtail the power of Commissioner available under section 122(5A) which was being misused by them under the garb of seeking inquiries. Although the Appellate Tribunal Inland Revenue through a larger bench decision dated 17<sup>th</sup> March 2016 has already decided that fishing and roving inquiries can not be made under the power of section 122(5A) of the Ordinance. However, by virtue of proposed amendment would curtail the misuse of power under section 122(5A) of the Ordinance.

## **TIME LIMIT UNDER SECTION 122(9)**

By virtue of proposed amendment, the commissioner would be required to pass an assessment order under section 122(5) within 120 days from the issuance of show cause notice under section 122(9) of the Ordinance.

However, the limit of 120 days shall not include adjournments taken by taxpayer, stay orders, alternate dispute resolution proceedings and agreed proceedings.

It has further been stipulated that this amendment shall be in respect of show cause notice issued on or after 1<sup>st</sup> day of July 2021.

## **FILING OF REVISED RETURN**

Revised return of income can be filed within 90 days with the condition that revised accounts or revised audited accounts as the case may be should be accompanied with the return of income. By virtue of the proposed amendment if commissioner is satisfied he may waive this condition of filing of revised accounts or revised audited accounts.

## **REVISION BY THE COMMISSIONER**

A new sub section 5 is proposed to be inserted in section 122A by virtue of which If any order is remanded back to any lower authority by the Commissioner for modification, alteration, implementation of directions or de novo proceedings, the order giving effect to the directions of the Commissioner shall be issued within one hundred and twenty days.

## **ASSISSTANCE IN THE RECOVERY AND COLLECTION OF TAXES**

A new section 146C is proposed to be inserted. Resultantly section 138, 138A, 138B, 139, 140, 141, 142, 143, 144, 145, 146, 146A and 146B shall mutatis mutandis apply in respect of assistance in collection and recovery of taxes in pursuance of a request from a foreign jurisdiction under a tax treaty.



## **ADVANCE TAX PAID BY THE TAXPAYER**

The Commissioner is empowered under sub section 6 of section 147 to reject the estimate of advance tax filed by tax payer under sub section 2 of section 147 if it is on lower side. This power of commissioner is proposed to be withdrawn.

## **AUTOMATED ISSUANCE OF EXEMPTION CERTIFICATE**

In pursuance of amendment made through Finance Act 2020, the facility of automated issuance of exemption certificates in case where advance tax liability was discharged was available to public listed companies only. The Bill now proposes to extend this facility to all companies.

## **STATEMENTS**

Presently every person required to withhold tax from salary is liable to file annual statement within the prescribed time while in respect of withholding of tax under other sections quarterly statements are required to be filed. Now the Bill proposes the submission of annual statement in respect of taxes withheld at source under various sections of the ordinance within 30 days after the end of the year.

Further the Bill also proposed that the taxpayer are required to e-file reconciliation statement of amounts declared in annual statement and amounts in return of income, audited accounts or financial statement with in the due date of filing of return of income.

It would be an uphill task and will become the major hurdle in filing of tax returns within due date.

## **ELECTRONIC PROCESSING AND ELECTRONIC ISSUANCE OF REFUNDS BY THE BOARD**

A new section namely section 170A is proposed to be inserted providing that Commencing from tax year 2021, the Board may process and issue refund to the taxpayer who has filed the return of income without requiring refund application by the taxpayer to the extent of tax credit verified by the Board's computerized system as may be prescribed. The refund amount sanctioned under this section shall be electronically transferred in the taxpayer's notified bank account.

## **POWER TO COMPOUND**

Section 202 giving power to the Chief Commissioner to compound the offence, subject to payment of tax due along with default surcharge and penalty as determined under the provisions of the Ordinance. This section is now proposed to be deleted.

## **TRIAL BY A SPECIAL JUDGE**

The federal government appoint special judges by notification with in territorial limits having jurisdiction to try offences under the Ordinance. This applicable section 203 is now proposed to be withdrawn.

## **POWER TO ARREST AND PROSECUTE**

The Bill proposes to substitute the existing section 203A. The newly proposed insertion would imply the following effects:

“An officer of Inland Revenue not below the rank of an Assistant Commissioner of Inland Revenue or any other officer of equal rank authorised by the Board in this behalf, who on the basis of material evidence has reason to believe that any person has committed offence of concealment of income or any offence warranting prosecution under this Ordinance, may cause arrest of such person.

All arrests made under this Ordinance shall be carried out in accordance with the relevant provisions of the Code of Criminal Procedure, 1898 (Act V of 1898).

Notwithstanding anything contained in sub-sections (1) and (2) or any other provision of this Ordinance, where any person has committed offence of concealment of income or any offence warranting prosecution under this Ordinance, the Chief Commissioner with the prior approval of the Board may, either before or after the institution of any proceedings for recovery of tax, compound the offence if such person pays the amount of tax due along with such default surcharge and penalty as is determined under the provisions of this Ordinance.

Where the person suspected of offence of concealment of income or any offence warranting prosecution under this Ordinance is a company, every director or officer of that company whom the authorised officer has reason to believe is personally responsible for actions of the company contributing to offence of concealment of income or any offence warranting prosecution under this Ordinance shall be liable to arrest: Provided that any arrest under this sub-section shall not absolve the company from the liabilities of payment of tax, default surcharge and penalty imposed under this Ordinance.”

## **PROCEDURE TO BE FOLLOWED ON ARREST OF A PERSON**

A new section namely 203B is proposed to be inserted prescribing the procedure to be followed on arrest of a person. The procedures are explained as under:

“When an officer of Inland Revenue authorized in this behalf arrests a person under section 203A, he shall immediately intimate the fact of the arrest of that person to the Special Judge who may direct such officer to produce that person at such time and place and on such date as the Special Judge considers expedient and such Officer shall act accordingly.

Notwithstanding anything contained in the sub-section (1), any person arrested under this Ordinance shall be produced before the Special Judge or, if there is no Special Judge within a reasonable distance, to the nearest Judicial Magistrate, within twenty-four hours of such arrest, excluding the time necessary for the journey from the place of arrest to the Court of the Special Judge or, as the case may be, of such Magistrate.

When any person is produced under sub-section (2) before the Special Judge, he may, on the request of such person, after perusing the record, if any and after giving the prosecution an opportunity of being heard, admit him to bail on his executing a bond, with or without sureties, or refuse to admit him to bail and direct his detention at such place as he deems fit:

Provided that nothing herein contained shall preclude the Special Judge from cancelling the bail of any such person at a subsequent stage if, for any reason, he considers such cancellation necessary, but before passing such order he shall afford such person an opportunity of being heard, unless for reasons to be recorded he considers that the affording of such opportunity shall defeat the purposes of this Ordinance.

When such person is produced under sub-section (2) before a Judicial Magistrate, such Magistrate may, after authorising his detention in such custody at such place and for such period as he considers necessary or proper for facilitating his earliest production before the Special Judge, direct his production before the Special Judge on a date and time to be fixed by him or direct such person to be forthwith taken to, and produced before, the Special Judge and he shall be so taken.

Nothing in sub-section (3) or sub-section (4) shall preclude the Special Judge or the Judicial Magistrate from remanding any such person to the custody of an officer of Inland Revenue holding inquiry against that person if such officer makes a request in writing to that effect, and the Special Judge or the Judicial Magistrate, after perusing the record, if any, and hearing such person, is of the opinion that for the completion of inquiry or investigation it is necessary to make such order:

Provided that the period of such custody shall not exceed more than fourteen days.

When any person is arrested under this Ordinance, an officer of Inland Revenue shall record the fact of arrest and other relevant particulars in the register specified in sub-section (10) and shall immediately proceed to inquire into the

charge against such person and if he completes the inquiry within twentyfour hours of his arrest, excluding the time necessary for journey as aforesaid, he may, after producing such person before the Special Judge or the nearest Judicial Magistrate, make a request for his further detention in his custody.

While holding an inquiry under sub-section (6), an officer of Inland Revenue shall exercise the same powers as are exercisable by an officer in charge of a police station under the Code of Criminal Procedure, 1898 (Act V of 1898), but such officer shall exercise such powers subject to the foregoing provisions of this section while holding an inquiry under this Ordinance.

If an officer of Inland Revenue, after holding an inquiry as aforesaid, is of the opinion that there is no sufficient evidence or reasonable ground for suspicion against such person, he shall release him on his executing a bond, with or without sureties, and shall direct such person to appear, as and when required, before the Special Judge, and make a report to the Special Judge for the discharge of such person and shall make a full report of the case to his immediate superior.

The Special Judge to whom a report has been made under sub-section, (8) may, after the perusal of record of the inquiry, and hearing the prosecution, agree with such report and discharge the accused or, if he is of the opinion that there is sufficient ground for proceedings against such person, proceed with his trial and direct the prosecution to produce evidence.

An officer of Inland Revenue empowered to hold inquiry under this section shall maintain a register to be called "Register of Arrests and Detentions" in the prescribed form in which he shall enter the name and other particulars of every person arrested under this Ordinance, together with the time and date of arrest, the details of the information received, the details of things, goods or documents, recovered from his custody, the name of the witnesses and the explanation, if any, given by him and the manner in which the inquiry has been conducted from day to day and, such register or authenticated copies of its aforesaid entries shall be produced before the Special Judge, whenever such Officer is so directed by him.

After completing the inquiry, an officer of Inland Revenue shall, as early as possible, submit to Special Judge a complaint in the same form and manner in which the officer in-charge of a police station submits a report, before a court.

Magistrate of the first class may record any statement or confession during inquiry under this Ordinance, in accordance with the provisions of section 164 of the Code of Criminal Procedure, 1898 (Act V of 1898).

Without prejudice to the foregoing provisions of this section, Board, with the approval of the Federal Minister-in-charge, may, by notification in the official Gazette, authorize any other officer working under the Board to exercise the powers and perform the functions of an officer of Inland Revenue under this section, subject to such conditions, if any, that it may deem fit to impose.”

## **COGNIZANCE OF OFFENCES BY SPECIAL JUDGE**

A new section 203D is propose to be inserted to empower the special judge with in the limit of its jurisdiction to take cognizance of any offence punishable under the ordinance in following manners:

“The Federal Government shall by notification in the official Gazette, appoint as many Special Judges as it considers necessary and, where it appoints more than one Special Judge, it shall specify in the notification the headquarter of each Special Judge and the territorial limits within which he shall exercise jurisdiction under this Ordinance.

No person shall be appointed as a Special Judge unless he is or has been a Sessions Judge.”

- a) a report in writing made by an officer of Inland Revenue or by any other officer especially authorized in this behalf by the Federal Government; or
- b) receiving a complaint or information of facts constituting such offence made or communicated by any person; or
- c) his own knowledge acquired during any proceeding before him under this Ordinance or under any other law for the time being in force.

Upon the receipt of report under clause (a) of sub-section (1), the Special Judge shall proceed with the trial of the accused.

Upon the receipt of a complaint or information under clause (b), or acquired in the manner referred to in clause (c) of sub-section (1), the Special Judge may, before issuing a summon or warrant for appearance of the person complained against, hold a preliminary inquiry for the purpose of ascertaining the truth or falsehood of the complaint, or direct any magistrate or any officer of Inland

Revenue or any police officer to hold such inquiry and submit a report, and such Magistrate or officer shall conduct such inquiry and make report accordingly.

(4) If, after conducting such inquiry or after considering the report of such Magistrate or officer, the Special Judge is of the opinion that there is –

- (a) no sufficient ground for proceeding, he may dismiss the complaint, or
- (b) sufficient ground for proceeding, he may proceed against the person complained against in accordance with law.

(5) A special Judge or a Magistrate or an officer holding inquiry under sub-section (3) may hold such inquiry, as early as possible, in accordance with the provision of section 202 of the Code of Criminal Procedure, 1898 (Act V of 1898).

## **SPECIAL JUDGE TO HAVE EXCLUSIVE JURISDICTION**

Another section 203E is proposed to be inserted whereby special judge High Court shall have exclusive jurisdiction to try an offence under the Ordinance.

## **PROVISIONS OF CODE OF CRIMINAL PROCEDURES 1898 TO APPLY**

According to this newly inserted section 203F the following provisions would be followed in respect of Code of Criminal Procedures, 1898.

“(1) The provision of the Code of Criminal procedure, 1898 (Act V of 1898), so far as they are not inconsistent with the provisions of this Ordinance, shall apply to the proceedings of the court of a Special Judge and such court shall be deemed to be a court of Sessions for the purpose of the said Code and the provisions of Chapter XXIIA of the foresaid Code, so far as applicable and with the necessary modifications, shall apply to the trial of cases by the Special Judge under this Ordinance.

(2) For the purposes of sub-section (1), the Code of Criminal Procedure, 1898 (Act V of 1898), shall have effect as if an offence punishable under this Ordinance were one of the offences referred to in sub-section (1) of section 337 of the said Code.”

## TRANSFER OF CASES

Section 203G is proposed to be inserted to streamline the procedure for transfer of cases from one special judge to another court for disposal to promote the ends of justice.

## PLACE OF SITTING

This new section 203H is proposed to be inserted to streamline the procedure for special judges to conduct proceedings at headquarters or any other place for the purpose of convenience.

## E-HEARING

A new section 227E is proposed to be inserted to empower the FBR to design and prescribe e hearing module for the purpose of conducting hearing, granting opportunity of being heard and electronically receiving any information which shall be admissible as evidence before any court of law.

## ADVANCE TAX ON PRIVATE MOTOR VEHICLES

A new sub-section 2A is proposed to be inserted in Section 231B whereby every motor vehicle registration authority shall at the time of registration collect tax at the following rates if the locally manufactured vehicle has been sold prior to registration by the person who originally purchased it from the local manufacturer

S.NO.	ENGINE CAPACITY	TAX
1.	Up to 1000cc	Rs. 50,000
2.	1000cc to 2000cc	Rs. 100,000
3.	2000cc and above	Rs. 200,000



The above tax would be in addition to the tax which is collected by the manufacturer at the sale of motor vehicle under section 231(3) of the Ordinance. For ready reference the same are reproduced as under:

<b>S.NO.</b>	<b>ENGINE CAPACITY</b>	<b>TAX</b>
1.	Up to 850cc	Rs. 7,500
2.	851cc to 1000cc	Rs. 15,000
3.	1001cc to 1300cc	Rs. 25,000
4.	1301cc to 1600cc	Rs. 50,000
5.	1601cc to 1800cc	Rs. 75,000
6.	1801cc to 2000cc	Rs. 100,000
7.	2001cc to 2500cc	Rs. 150,000
8.	2501cc to 3000cc	Rs. 200,000
9.	Above 3000cc	Rs. 250,000

## **BROKERAGE AND COMMISSION**

By virtue of proposed amendment in section 233 now an individual and an AOP having turnover of Rs. 100 million would also be liable to withhold tax out of brokerage and commission beside the federal government, provincial government, a local government, a company and an association of person constituted by or under any law.

## **ELECTRICITY CONSUMPTION**

Presently income tax is collected by electricity companies from industrial and commercial consumers without any threshold and from domestic consumers if their monthly bill exceeds Rs. 75,000 per month being not listed on ATL. Now by virtue of proposed amendment the threshold in respect of domestic consumer has been reduced to Rs. 25,000. The revised table of advance tax collection is reproduced as under:

<b>S.NO.</b>	<b>GROSS AMOUNT OF BILL</b>	<b>TAX</b>
1.	upto Rs. 500	Rs. 0
2.	exceeds Rs. 500 but does not exceed Rs. 20,000	10% of the amount
3.	exceeds Rs.20,000	Rs. 1950 plus 12% of the amount exceeding Rs. 20,000 for commercial consumers Rs. 1950 plus 5% of the amount exceeding Rs. 20,000 for industrial consumers

## **ADVANCE TAX ON SALE OR TRANSFER AND PURCHASE OF IMMOVABLE PROPERTY**

An explanation is proposed to be inserted in section 236C and 236K of the Ordinance providing that if the seller/ buyer or transferor is a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) who had acquired the said immovable property through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan, the tax collected under this section from such persons shall be final discharge of tax liability in lieu of capital gains taxable under section 37 earned by the seller/ buyer or transferor/transferee from the property so disposed of.

## **ADVANCE TAX ON SALES TO DISTRIBUTORS, DEALERS AND WHOLE SALERS**

By virtue of proposed amendment in section 236G of the Ordinance, the scope of collection of advance tax by manufacturers and importers from 0.1% ( 0.7% and 0.25% for fertilizer) and other such items has been extended to pharmaceutical, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics, IT equipment.

## ADVANCE TAX ON SALES TO RETAILERS

Manufacturers, distributors, dealers, wholesalers and commercial importers are required to collect tax from retailers in respect of certain goods.

S.NO.	CATEGORY OF SALE	RATE OF TAX
1.	Electronic goods	1%
2.	Other goods	0.5%

Other goods include sugar, cement, iron and steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector.

By virtue of the proposed amendment now uniform rate of collection would be 0.5% for all sector with addition to the following new goods pharmaceutical, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics, IT equipment.

## BENEFITS OF REPEALED PROVISIONS

A new section namely 242 is proposed to be inserted whereby the existing beneficiaries of exemptions or concessionary provisions of the Ordinance, already expired or expiring, on thirtieth day of June, 2021 or repealed by Tax Laws (Second Amendment) Ordinance, 2021 shall continue to enjoy benefits of the repealed provisions for the periods prescribed therein and subject to conditions and limitations specified therein.

## PAYMENT FOR SPECIFIED SERVICES

Presently under Division III of Part III of First Schedule of the Ordinance, the following services are subject to deduction of tax at reduced rate of 3%.

- transport services,
- freight forwarding services,
- air cargo services,
- courier services,
- manpower outsourcing services,
- hotel services,
- security guard services,
- software development services,
- IT services and IT enabled services as defined in clause(133) of Part I of the Second Schedule,
- tracking services,
- advertising services (other than by print or electronic media)
- share registrar services,
- engineering services,
- car rental services
- building maintenance services,
- Services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited
- inspection and certification,
- testing and training services

Now the Bill proposes to further include the following services in the above list of reduced rate of 3%:

- telecommunication services
- warehousing services
- collateral management services
- travel and tour services

## **REDUCED RATE OF INCOME TAX FOR FIVE SPECIFIED SECTORS**

Clause 45A of Part IX of Second Schedule to the Ordinance stipulates that rate of deduction under section 153(1)(a) and (b) of the Ordinance in respect of following categories shall be 1%.

- textile and articles thereof
- carpets
- leather and artificial leather footwear
- surgical goods
- sports good

The Bill proposes to insert an explanation to clarify that the relief of reduced rate of withholding tax under clause (a) and (b) of sub section (1) of section 153 is available only to the local sales, supplies and services made by the taxpayers of categories as specified above.

## **WITHHOLDING TAX ON PURCHASE OF MOTOR VEHICLE**

A new clause 45B is proposed to be inserted whereby the provisions of section 153 shall not apply on the purchase of used motor vehicles from general public.

## **EXEMPTION FROM WITHHOLDING TAX U/S. 153 ON SUPPLY OF AGRICULTURAL PRODUCE UNDER CLAUSE 46AA OF PART IV OF SECOND SCHEDULE**

The Bill proposes to substitute sub-clause IV of clause 46AA of Part IV of Second schedule with the inclusion of further agricultural produce which are as under:

Subject to fulfillment of procedure laid down in clause (12) of Part IV of Second Schedule, persons receiving payments exclusively for the supply of agriculture produce including following:

- (I) fresh milk;
- (II) fish by any person engaged in fish farming;
- (III) live chicken, birds and eggs by any person engaged in poultry farming;
- (IV) live animals by any person engaged in cattle farming;
- (V) unpackaged meat
- (VI) raw hides

Provided that this clause shall not apply to the payments for agriculture produce which has been subjected to any process other than that which is ordinarily performed to render such produce to be fit to be taken to the market.

## **WITHHOLDING TAX BY MANUFACTURER CUM EXPORTER UNDER CLAUSE 45 OF PART IV OF SECOND SCHEDULE**

Presently the manufacturer-cum exporter is not required to withhold tax from payment for goods in respect of exports except goods subject to special withholding tax rates specified under the provision of the repealed ordinance. By virtue of proposed amendment in proviso of clause 45 of Part IV of Second schedule, now the benefit shall be extended to goods subject to special withholding tax rate.

## **NON-APPLICABILITY OF WITHHOLDING TAX ON IMPORTS UNDER SECTION 148**

Through proposed insertion in clause 56 of part IV of 2<sup>nd</sup> Schedule of the Ordinance withholding tax under section 148 of the Ordinance shall not be applicable on the following goods.

- Goods temporarily imported into Pakistan by international athletes which would be subsequently taken back by them within one hundred and twenty days of temporary import;”;
- Goods produced or manufactured and exported from Pakistan which are subsequently imported in Pakistan within one year of their exportation, provided conditions of section 22 of the Customs Act, 1969 (IV of 1969) are complied with;
- plant and machinery imported for setting up of a bagasse/biomass-based cogeneration power project qualifying for exemption under clause (132C) of Part-I of this Schedule.;
- persons authorized under Export Facilitation Scheme 2021 notified by the Board with such scope, conditions, limitation, restrictions and specification of goods.;
- motor vehicles upto 850cc in CBU condition;
- Printed books excluding brochures, leaflets and similar printed matter, whether or not in single sheets. (PCT code 49.01); and
- Newspapers, journals and periodicals, whether or not illustrated or containing advertising material (PCT code 49.02)

## **WITHDRAWAL OF EXEMPTIONS**

The following source of income which are exempt under part I of Second Schedule are proposed to be withdrawn.

### **CLAUSE (4) TO BE OMITTED**

Any income chargeable under the head "Salary" received by-

- a) a Pakistani seafarer, working on Pakistan flag vessels for one hundred and eighty three days or more during a tax year; or
- b) a Pakistani seafarer working on a foreign vessel provided that such income is remitted to Pakistan, not later than two months of the relevant 4[tax year], through normal banking channels.

### **CLAUSE (39) TO BE OMITTED**

Any special allowance or benefit (not being entertainment or conveyance allowance) or other perquisite within the meaning of section 12 specially granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit.

### **CLAUSE (40) TO BE OMITTED**

Any amount paid as internal security allowance, compensation in lieu of bearer allowance, kit allowance, ration allowance, special messing allowance, SSG allowance, Northern Areas compensatory allowance, special pay for Northern Areas and height allowance to the Armed Forces personnel.] (40) Any income of a newspaper employee representing Local Travelling Allowance paid in accordance with the decision of the Third Wage Board for Newspaper Employees constituted under the Newspaper Employees (Conditions of Service) Act, 1973, published in Part II of the Gazette of Pakistan, Extraordinary, dated the 28th June, 1980.

### **CLAUSE (53A) TO BE OMITTED**

The following perquisites received by an employee by virtue of his employment, namely:

- a) free or subsidized food provided by hotels and restaurants to its employees during duty hours;
- b) free or subsidized education provided by an educational institution to the children of its employees;
- c) free or subsidized medical treatment provided by a hospital or a clinic to its employees; and
- d) any other perquisite or benefit for which the employer does not have to bear any marginal cost, as notified by the Board.

### **CLAUSE (72) TO BE OMITTED**

Any profit on debt payable to a non-resident person

- i. In respect of such private loan to be utilized on such project in Pakistan as may be approved by the Federal Government for the purposes of this clause, having regard to the rate of profit and the terms of repayment of the loan and the nature of project on which it is to be utilized;
- ii. on a loan in foreign exchange against export letter of credit which is used exclusively for export of goods manufactured or processed for exports in Pakistan.
- iii. being a foreign individual, company, firm or association of persons in respect of a foreign loan as is utilized for industrial investment in Pakistan provided that the agreement for such loan is concluded on or after the first day of February, 1991, and is duly registered with the State Bank of Pakistan.

Provided that this clause shall have retrospective effect of exemption to the agreements entered into in the past and shall not be applicable to new contrast after the 30th day of June, 2010, prospectively.

### **CLAUSE (80) TO BE OMITTED**

Any income derived from a private foreign currency account held with an authorised bank in Pakistan, 181[or certificate of investment issued by investment banks] in accordance with the Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by a resident individual who is a citizen of Pakistan:



Provided that the exemption under this clause shall not be available in respect of any incremental deposits made in the said accounts on or after the 16th day of December, 1999, or in respect of any accounts opened under the said scheme on or after the said date

### **CLAUSE (103) TO BE OMITTED**

Any distribution received by a taxpayer from a collective investment scheme registered by the Securities and Exchange Commission of Pakistan under the Non-Banking Finance Companies and Notified Entities Regulations, 2007, including National Investment (Unit) Trust or REIT Scheme or a Private Equity and Venture Capital Fund out of the capital gains of the said Schemes or Trust or Fund

### **CLAUSE (114AA) TO BE OMITTED**

Any income chargeable under the head "capital gains" derived by a resident individual from the sale of constructed residential property

### **CLAUSE (117) TO BE OMITTED**

Any income derived by a person from plying of any vehicle registered in the territories of Azad Jammu and Kashmir, excluding income arising from the operation of such vehicle in Pakistan to a person who is resident in Pakistan and non-resident in those territories.

### **CLAUSE (126C) TO BE OMITTED**

(1) Profits and gains derived by a taxpayer from an industrial undertaking set up in Larkano Industrial

Estate between the 1st day of July, 2008 and the thirtieth day of June, 2013, both days inclusive, for a period of ten years beginning with the month in which the industrial undertaking is set up or commercial production commenced, whichever is the later.

(2) Exemption under this clause shall apply to an industrial undertaking which is owned and managed by a company registered under the Companies Ordinance 1984 (XLVII of 1984) and formed exclusively for operating the said undertaking

### **CLAUSE (126H) TO BE OMITTED**

Profits and gains derived by a taxpayer, from a fruit processing or preservation unit set up in Balochistan Province, Malakand Division, Gilgit-Baltistan and FATA between the first day of July, 2014 to the thirtieth day of June, 2017, both days inclusive, engaged in processing of locally grown fruits, for a period of five years beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later.

### **CLAUSE (126J) TO BE OMITTED**

Profits and gains derived by a taxpayer, from an industrial undertaking set up between 1st day of July, 2015 and 30th day of June, 2016 engaged in operating warehousing or cold chain facilities for storage of agriculture produce for a period of three years beginning with the month in which the industrial undertaking is set up or commercial operations are commenced, whichever is later.

### **CLAUSE (126K) TO BE OMITTED**

Profits and gains derived by a taxpayer, from an industrial undertaking set up between the first day of July, 2015 and the 30th day of June, 2017 for establishing and operating a halal meat production unit, for a period of four years beginning with the month in which the industrial undertaking commences commercial production. The exemption under this clause shall apply if the industrial undertaking is -

(a) owned and managed by a company formed for operating the said halal meat production unit and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan;

(b) not formed by the splitting up, or the re construction or re constitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and

(c) halal meat production unit is established and obtains a halal certification within the period between the first day of July, 2015 and the 30th day of June, 2017.

### **CLAUSE (126L) TO BE OMITTED**

Profits and gains derived by a taxpayer, from an industrial undertaking set up in the Provinces of Khyber Pukhtunkhwa and Baluchistan between 1st day of July, 2015 and 30th day of June, 2018 for a period of five years beginning with the month in which the industrial undertaking is set up or commercial production is commenced, whichever is later:

Provided that exemption under this clause shall be admissible where-

(a) the industrial undertaking is setup between the first day of July, 2015 and 30th day of June, 2018, both days inclusive; and

(b) the industrial undertaking is not established by the splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan at any time before 1st July 2015.

### **CLAUSE (126M) TO BE OMITTED**

Profits and gains derived by a taxpayer from a transmission line project set up in Pakistan on or after the 1st day of July, 2015 for a period of ten years. The exemption under this clause shall apply to such project which is-

(a) owned and managed by a company formed for operating the said project and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan;

(b) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and

(c) owned by a company fifty per cent of whose shares are not held by the Federal Government or Provincial Government or a Local Government or which is not controlled by the Federal Government or a Provincial Government or a Local Government:

Provided that the exemption under this clause shall not apply to projects set up on or after the thirtieth day of June, 2022.

### **CLAUSE (139) TO BE OMITTED**

(a) The benefit represented by free provision to the employee of medical treatment or hospitalization or both by an employer or the reimbursement received by the employee of the medical charges or hospital charges or both paid by him, where such provision or reimbursement is in accordance with the terms of employment:

Provided that National Tax Number of the hospital or clinic, as the case may be, is given and the employer also certifies and attests the medical or hospital bills to which this clause applies;

(b) any medical allowance received by an employee not exceeding ten per cent of the basic salary of the employee if free medical treatment or hospitalization or reimbursement of medical or hospitalization charges is not provided for in the terms of employment; or 316

## **NEW EXEMPTIONS**

A new clause (126EA) is proposed to be inserted in Part I of 2<sup>nd</sup> Schedule to the Ordinance to grant exemption on profit and derived by following authorities:

- Zone developer as defined in section 2 of the Special Technology Zones Authority Ordinance, 2020 from development and operations of the zones for a period of ten years starting from the date of signing of the development agreement;
- Profits and gains of Zone Enterprises as defined in section 2 of the Special Technology Zones Authority Ordinance, 2020 for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and
- Special Technology Zones Authority established under the Special Technology Zones Ordinance 2020.

## **EXEMPTION OF INCOME FROM SALE OF ELECTRICITY BY NPRMCL**

A new clause (132AA) is proposed to be inserted in part I of the Second Schedule to the Ordinance to grant exemption to profits and gain derived from sale of electricity by Ministry of Power parts management Company Limited commencing from the date of change of ownership as a result of Privatization Commission of Pakistan.

## **EXEMPTION ON SALE OF BAGASSEI BIO MASS**

A new clause (132CC) is proposed to be inserted in part I of the Second Schedule to the Ordinance to grant exemption on profit and gains derived by a taxpayer from bagasse/ bio mass cogeneration power project having one or more boilers of not less than 60 bar (Kg/cm<sup>3</sup>) pressure each, commissioned after the first day of January 2013.

## **WITHDRAWAL OF EXEMPTION FROM THE APPLICABILITY OF MINIMUM TAX**

The Bill proposes to delete the following entities from the list of exemption from levy of minimum as is presently available in clause (11A) of part IV of the 2<sup>nd</sup> Schedule of the Ordinance

- non-profit organizations approved under clause (36) of section 2 or clause (58) or included in clause (61) of Part-I of this Schedule;
- a taxpayer who qualifies for exemption under clause (133) of Part-I of this Schedule, in respect of income from export of computer software or IT services or IT enabled services;
- a modaraba qualifying for exemption under clause (100) of Part-I of this Schedule.
- The corporatized entities of Pakistan Water and Power Development Authority, so far as they relate to their receipts on account of sales of electricity, from the date of their creation up to the date of completion of the process of corporatization i.e. till the tariff is notified;
- companies, qualifying for exemption under clause (132B) of Part-I of this Schedule, in respect of receipts from a coal mining project in Sindh, supplying coal exclusively to power generation projects.
- start-up as defined in clause (62A) of section 2.

## **EXEMPTION FROM APPLICABILITY OF MINIMUM TAX**

The Bill proposes to allow exemption from applicability of minimum tax under section 113 to the following entities

- Islamic Naya Pakistan Certificates Company Limited (INPCCL);
- receipts from sale of electricity produced from a bagasse and biomass based co-generation power project qualifying for exemption under clause (132C) of Part-I of this Schedule;
- new entity taking over National Power Parks Management Company Limited in the eve of privatization;
- Persons qualifying for exemption under clause (126E) of Part I of this Schedule for tax year 2021 and onwards
- Persons qualifying for exemption under clause (126EA) of Part I of this Schedule;
- Persons mentioned in Table I of clause (66) of Part I of Second Schedule.

## BORDER SUSTENANCE MARKET

A new clause 12N is proposed to be inserted in Part IX of the Ordinance to provide for the exemption from the applicability of section 148 and 154 on import and export of goods which takes place within the jurisdiction of Border sustenance markets as specified in table I and table II for the import and export respectively.

S.NO.	PCT HEADING	PARTICULARS
1.	07011000	-SEED (Potatoes)
2.	07020000	TOMATOES, FRESH OR CHILLED.
3.	07031000	-ONIONS AND SHALLOTS
4.	07032000	-GARLIC
5.	07049000	-OTHERS which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
6.	07061000	-CARROTS AND TURNIPS
7.	07070000	CUCUMBERS AND GHERKINS FRESH OR CHILLED.
8.	07081000	-PEAS (PISUM SATIVUM)
9.	07082000	-BEANS (VIGNA SPP., PHASEOLUS SPP.)
10.	07082000	-BEANS (VIGNA SPP., PHASEOLUS SPP.)
11.	07131000	- Peas (Pisum sativum)
12.	07132010	Grams (Dry/Whole)
13.	07132090	---other- which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
14.	07133100	-- Beans of the species Vigna mungo (L.) Hepper or Vigna radiata (L.) Wilczek
15.	07133200	-- small red (Adzuki) beans (Phaseolus or Vigna angularis)
16.	07133300	Kidney beans including white beans
17.	07133400	-- Bambara – vigna subteranea or vaahdzeia subterrea
18.	07133500	- - Cow peas (Vigna unguiculata)
19.	07133990	-- Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
20.	07134010	- Lentils (Dry Whole)

21.	07135000	- Broad beans (Vicia faba var. major) and horse beans (Vicia faba var. equina, Vicia faba var. minor)
22.	07136000	- Pigeon peas (cajanus cajan)
23.	07139090	- Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
24.	09051000	Vanilla (Neither crushed nor ground)
25.	09061100	Cinnamon
26.	09061900	Other (Cinnamon And Cinnamon Tree Flowers)
27.	09071000	- - Neither crushed nor ground (Cloves)
28.	09072000	- - Crushed or ground (Cloves)
29.	09081100	- - Neither Crushed nor ground (Nutmeg)
30.	09081200	- - Crushed or ground (Nutmeg)
31.	09082100	- - Neither crushed nor ground (Maze)
32.	09082200	- - Crushed or ground (Maze)
33.	09083110	- - - Large (Cardammoms)
34.	09083120	- - - Small (Cardammoms)
35.	09083200	- - Crushed or ground (Cardammoms)
36.	09092100	- - Neither crushed nor ground (Coriander)
37.	09092200	- - Crushed or ground (Coriander)
38.	09093100	- - Neither crushed nor ground (Seeds of Cumins)
39.	09093200	- - Crushed or ground (Seeds of Cumins)
40.	09096100	- - Neither crushed nor ground (Seeds of Anise, Badian, Caraway, Fennel etc)
41.	09096200	- - Crushed or ground (Seeds of Anise, Badian, Caraway, Fennel etc)
42.	09109910	- - - THYME; BAY LEAVES
43.	10031000	Barley (Seeds)
44.	10039000	Other (Barley)
45.	12060000	Sunflower seeds ,whether or not broken

46.	12129200	Locust beans
47.	12130000	Cereal straws and husks
48.	15161000	Animal Fats and Oil and their fractions
49.	15162010	Vegetable Fats and their fractions
50.	15162020	Vegetable Oils and their fractions
51.	82089010	- - - Knives and cutting blades for paper and paper board
52.	04011000	-OF A FAT CONTENT, BY WEIGHT, NOT EXCEEDING 1 % (Milk and Cream)
53.	04012000	-OF A FAT CONTENT, BY WEIGHT, EXCEEDING 1 % BUT NOT EXCEEDING 6 % (Milk and Cream)
54.	04014000	- Of a fat content, by weight, exceeding 6 % but not exceeding 10% (Milk and Cream)
55.	04015000	- Of a fat content, by weight, exceeding 10 % (Milk and Cream)
56.	07039000	-LEEKs AND OTHER ALLIACEOUS VEGETABLES
57.	07041000	-CAULIFLOWERS AND HEADED BROCCOLI
58.	07042000	-BRUSSELS SPROUTS
59.	07051100	- - CABBAGE LETTUCE (HEAD LETTUCE)
60.	07051900	- - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
61.	07052100	- - WITLOOF CHICORY (CICHORIUM INTYBUS VAR.FOLIOSUM)
62.	07052900	- - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
63.	07069000	-OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
64.	07096000	Fruits of the genus Capsicum or of the genus Pimenta



65.	08042000	Figs
66.	08061000	-FRESH (Grapes)
67.	08062000	---DRIED (Grapes)
68.	08071100	- - WATERMELONS
69.	08071900	- - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
70.	08081000	-APPLES
71.	09021000	Green Tea
72.	09022000	Other Green Tea
73.	09101200	- - Crushed or ground (Ginger)
74.	09103000	-TURMERIC (CURCUMA)
75.	09109990	- - - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
76.	17021110	Lactose (Sugar )
77.	17021120	- - - Lactose syrup
78.	17021900	- - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
79.	17029020	- - - CAMEL
80.	23040000	OIL-CAKE AND OTHER SOLID RESIDUES, WHETHER OR NOT GROUND OR IN THE FORM OF PELLETS, RESULTING FROM THE EXTRACTION OF SOYA BEAN OIL.
81.	23099000	Other (animal feed)
82.	52042010	--- FOR Sewing (Thread)
83.	52042020	For embroidery (Thread)
84.	82011000	- Spades and shovels
85.	82055900	Other (Tools for masons, watchmakers, miners and hand tools nes)

86.	82083000	- For kitchen appliances or for machines used by the food industry
87.	82089090	- - - Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
88.	04031000	-YOGURT
89.	07019000	Other (Potatoes)
90.	07104000	- Sweet corn
91.	07109000	- Mixtures of vegetables
92.	08041010	Fresh (Dates)
93.	08041020	Dried (Dates)
94.	08091000	-APRICOTS
95.	08092100	- - Sour cherries (Prunus cerasus)
96.	08092900	- - Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
97.	08093000	-PEACHES, INCLUDING NECTARINES
98.	08094000	-PLUMS AND SLOES
99.	08101000	Strawberries
100.	08105000	Kiwi Fruit
101.	09101100	- - Neither crushed nor ground (Ginger)
102.	10011900	Other (Durum wheat (excl. seed for sowing))
103.	10019900	Other (Wheat and meslin (excl. seed for sowing, and durum wheat))
104.	11010010	Of Wheat (Flour)
105.	11010020	Of Meslin (Flour)
106.	19021920	- - - VERMACELLI
107.	19059000	Other (Packed Cake)
108.	20071000	Homogenised preparations
109.	20079100	Citrus Fruit
110.	20079900	Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
111.	34013000	-ORGANIC SURFACE-ACTIVE PRODUCTS AND PREPARATIONS FOR WASHING THE SKIN, IN THE FORM OF LIQUID OR CREAM AND PUT UP FOR RETAIL SALE, WHETHER OR NOT CONTAINING SOAP
112.	34022000	- Preparations put up for retail sale

113.	34029000	---- Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
114.	69111090	Others (Tableware and kitchenware of porcelain or china)
115.	69119000	Other (Household articles nes & toilet articles of porcelain or china)
116.	70134900	Other (Glassware for table or kitchen purposes (excl. glass having a linear c)
117.	70139900	Other (Glassware nes (other than that of 70.10 or 70.18))
118.	82159910	- - - Spoons
119.	82159990	Other (Tableware articles not in sets and not plated with precious meta)
120.	87120000	Bicycles and other cycles (including delivery tricycles), not motorised.
121.	96170010	- - - Vacuum flasks
122.	96170020	- - - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets

S. NO.	PCT HEADING	PARTICULARS
1.	2012000	Other cuts with bone in (Meat of bovine animals, fresh or chilled)
2.	2013000	Boneless (Meat of bovine animals, fresh or chilled)
3.	2022000	Other cuts with bone in (Meat of bovine animals, frozen)
4.	2023000	Boneless (Meat of bovine animals, frozen)
5.	3021100	Fish
6.	4090000	Honey
7.	6022000	Plants
8.	7011000	-SEED (Potatoes)
9.	7019000	Other (Potatoes)
10.	7020000	TOMATOES, FRESH OR CHILLED.
11.	7031000	-ONIONS AND SHALLOTS

12.	7032000	Garlic
13.	7061000	-CARROTS AND TURNIPS
14.	7069000	-OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
15..	7070000	Cucumbers
16.	7093000	Egg Plant
17.	7096000	Fruits of the genus Capsicum or of the genus Pimenta (pepper)
18.	7099900	Others (Lady Finger)
19.	7101000	Fresh Potato
20.	7102100	Pea
21.	7103000	Spinach
22.	8031000	- Plantains (Bananas)
23.	8039000	- Other (Bananas)
24.	8041010	Fresh (Dates)
25.	8041020	Dried (Dates)
26.	8045020	--- Mangoes
27.	8052100	-- Mandarins (including tangerines and satsumas)
28.	8052910	---Kino (fresh)
29.	8061000	Grapes (Fresh)
30.	8071100	- - WATERMELONS
31.	8071900	Melons
32.	8091000	Apricots
33.	8092900	Cherries
34.	8093000	Peaches
35.	8101000	Strawberries
36.	8109010	Pomegranates
37.	8109090	Fresh fruits nes (Other)
38.	8133000	Apple
39.	9021000	Green Tea
40.	9022000	Other green tea
41.	9030000	Mate.
42.	9042110	Red Chillies (Whole)
43.	9042190	--- Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
44.	9042210	Red Chillies (Powder)
45.	9042290	--- Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance

		Markets
46..	9051000	- - Neither crushed nor ground (Vanilla)
47.	9052000	- - Crushed or ground (Vanilla)
48.	10061010	- - - SEED FOR SOWING (Rice)
49.	10061090	- - - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
50..	10062000	-HUSKED (BROWN) RICE
51.	10063010	- - - BASMATI (Rice)
52.	10063090	- - - OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
53.	10064000	-BROKEN RICE
54.	11010010	Flour (of Wheat)
55.	12074000	- Sesamum seeds
56.	12079900	Other (hemp Seeds)
57.	12119000	Ajwain
58.	15162020	Vegetable Oils and their fractions
59.	19021920	- - - VERMACELLI
60.	19041090	Papad
61.	20071000	- Homogenised preparations
62.	20081900	--Nimko
63.	21069090	- - - OTHER (Custard Powder)
64.	23099000	Other (Animal feed)
65.	25010010	Table Salt
66.	25010020	--- Rock Salt
67.	25010030	--- Sea Salt
68.	25010090	--- Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and
69.	34060000	Candles
70.	36050000	Safety Match
71.	39264090	-OTHER (Plastic Articles)
72.	53101000	Woven fabrics of jute or of other textile bast fibres, unbleached
73.	53109010	- - - Jute (hessian cloth)
74.	56074100	- - Binder or baler twine
75.	56074900	- - Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
76.	56075000	- Of other synthetic fibres

77.	58021100	-- Unbleached (Terry toweling in similar woven terry fabrics, of cotton)
78.	58021900	-- Other (Terry toweling In similar woven Terry fabrics, OF cotton)
79.	58022000	- Terry toweling and similar woven terry fabrics, of other textile materials
80.	58023000	- Tufted textile fabrics
81.	58043000	- Hand made lace
82.	58050000	Hand-woven tapestries of the type Gobelins, Flanders, Aubusson, Beauvais and the like, and needle-worked tapestries (for example, petit point, cross stitch), whether or not made up.
83.	58064000	- Fabrics consisting of warp without weft assembled by means of an adhesive (bolducs)
84.	59011000	- Textile fabrics coated with gum or amylaceous substances, of a kind used for the outer covers of books or the like
85.	61119000	Mix Goods/Garments (Babies garments&clothg accessories)
86.	62031990	---OTHER (Men or Boys Suits etc)
87.	62042200	- - Of cotton
88.	62042900	- - Of other textile materials
89.	62043900	- - Of other textile materials
90.	62044210	- - - Shisha embroidered dresses
91.	62129000	-OTHER which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets
92.	63021090	-OTHER (Bed linen, Toilet linen etc)
93.	63051000	Jute Bags (of jute or of other textile bast fibres of heading 53.03)
94.	63052000	Sacks and bags, for packing of goods, of cotton
95.	63090000	Worn clothing and other worn articles
96.	69111090	Other (Tableware and kitchenware of porcelain or china)
97.	69119000	Others (Household articles nes & toilet articles of porcelain or china)
98.	70133700	Drinking glasses (excl. glasses of glass ceramics or of lead crystal a
99.	73181690	Nuts, iron or steel, nes (Others)
100.	82055900	Tools for masons, watchmakers, miners and hand tools nes (Other)
101.	82059000	Hand tools (Other, including sets of articles of two or more subheadings of this heading)
102.	82119100	- - Table knives having fixed blades
103.	82119200	- - Other knives having fixed blades
104.	82159990	Tableware articles not in sets and not plated with precious metal
105.	84485100	Needle
106.	96170010	- - - Vacuum flasks
107.	96170020	- - - Other which qualifies for exemption or concession or reduced rate under the provisions of Customs Act, 1969 and Sales Tax Act, 1990 or Federal Excise Act, 2005 for Border Sustenance Markets

## **SALES TAX ACT, 1990**

### **COTTAGE INDUSTRY**

Presently, the threshold of annual turnover in respect of Cottage Industry for exemption from sales tax under sixth schedule to the Sales Tax Act, 1990 is Rs. 3 million. The Finance Bill 2021 (the bill) proposes to amend sub clause (d) of clause (5AB) of section 2 of the Act to enhance the above threshold of Rs. 3 million to Rs. 10 million.

### **ONLINE MARKET PLACE**

A new clause 18A is proposed to be inserted in section 2 of the Act, whereby the definition of online market place is introduced which reads as under:

“(18A) online market place” includes an electronic interface such as a marketplace, ecommerce platform, portal or similar means which facilitate the sale of goods, including third party sale, in any of the following manner, namely:

- a. By controlling the terms and conditions of the sale.
- b. Authorizing the charge to the customers in respect of the payment for the supply
- c. Ordering or delivering the goods.

Further a new clause (c) is proposed to be inserted in subsection (3) of section (3) of the Act, whereby a person liable to pay tax in case of supplying goods through online market place whether or not the goods owned by him shall be included.

### **TIER – 1 RETAILER**

By virtue of proposed amendment made in Section 2(43A) through bill, the definition of Tier-1 Retailer is proposed to be amended and include following in the Tier – 1 retailers: -

1. A retailer operating an online market place supplying goods through e-commerce platform, whether or not the goods are owned by him.
2. A Retailers who have acquired POS for accepting debit or credit card payment from any banking companies or any other digital payment service providers authorized by SBP.
- 3) Furthermore, benefit is granted to the retailers of furniture by increasing the threshold of shop area from 1000 sq.ft to 2000 sq.ft which shall be treated as tier 1 retailers.

## **ADJUSTABLE INPUT TAX**

Presently in sub-section (1) of section 8B of the Act, the registered person is not allowed to adjust input tax in excess of 90% of the output tax for that tax period. By virtue of proposed amendment, now the public limited companies listed on Pakistan Stock exchange is excluded from the purview of section 8B.

## **ASSESSMENT AND RECOVERY OF TAX NOT LEVIED OR SHORT LEVIED**

Presently, show cause notice under section 11 for short payment or non-payment of sales tax could be issued within five years of the due date related to the tax period. The bill proposes to make amendment in section 11(5) that the show cause notice can be issued within five years calculated from the end of the financial year relating to the tax period.

## **COMMON IDENTIFIER NUMBER**

A new section namely 21B is proposed to be inserted whereby from the tax period July 2021 and onward, in the case of individual, having Computerized National Identity Card (CNIC) issued by the National Database and Registration Authority (NADRA), registered or liable to be registered under the provisions of section 14, CNIC shall be common identifier number in addition to sales tax registration number (STRN). From the tax period July 2021, for AOP & Companies, Common Identifier Number will be NTN.



## **RECORDS**

Section 22 of the Act prescribed documents to be maintained by the taxpayer. The bill proposes to insert the following list of documents as required to be maintained by taxpayer:

- a. Cash book
- b. Electronic version of all the documents involved in the course of business activity.

## **TRANSACTIONS BETWEEN ASSOCIATES**

A new sub-section is proposed to be inserted in section 25AA to enabling provision in the Act for prescribing rules for determining transfer pricing of taxable supplies between associates to reflect fair market value in arm's length transactions.

## **EXTENSION OF TIME FOR FURNISHING SALES TAX RETURN**

A new section namely 26AB is proposed to be inserted for introducing the mechanism for extension which is reproduced as under:

(1) A registered person required to furnish a return under section 26 may apply, in writing, to the Commissioner for an extension of time to furnish the return.

(2) An application shall be made by the due date for furnishing the return for the period to which the application relates.

(3) Where an application has been made and the Commissioner is satisfied that the applicant is unable to furnish the return to which the application relates by the due date because of—

- (a) absence from Pakistan
- (b) sickness or other misadventure
- (c) any other reasonable cause,

the Commissioner may, by order in writing, grant the applicant an extension of time for furnishing the return.

(4) An extension of time as above shall not exceed fifteen days from the due date for furnishing the return, unless there are exceptional circumstances justifying a longer extension of time.

Provided that where the Commissioner has not granted extension for furnishing the return, the Chief Commissioner may on an application made by the registered person for extension or further extension, as the case may be, grant extension or further extension for a period not exceeding fifteen days, unless there are exceptional circumstances justifying a longer extension of time.

(5) An extension or further extension of time granted as above, as the case may be, shall not, for the purpose of charge of default surcharge under section 34, change the due date for payment of sales tax under section 6.

## **LICENSING OF BRAND NAME**

A new section namely 40E is proposed to be inserted with introduction of a licensing requirement for specified goods whereby Manufacturers of the specified goods shall be required to obtain brand licence for each brand or stock keeping unit (SKU) in such manner as may be prescribed by the Board. Any specified brand and SKU found to be sold without obtaining a licence from the Board shall be deemed counterfeit goods and liable to outright confiscation and destruction in the prescribed manner and such destruction and confiscation shall be without prejudice to any other penal action which may be taken under this Act.

## **RECOVERY OF ARREARS OF TAX**

A new sub section 3 is proposed to be insert in section 48 of the Act to in respect of assistance in collection and recovery of taxes in pursuance of a request from a foreign jurisdiction under a tax treaty, bilateral or a multilateral convention, and inter-governmental agreement or similar agreement or mechanism.

## **AGREEMENT FOR EXCHANGE OF INFORMATION**

The bill is proposes to insert a provision in section 56A to empower the FBR for sharing of data or information including real time data videos, images with any other Ministry, Divisions of the

Federal Government or Provincial Government. Similar amendment has been made in the Federal Excise law.

## **PRIZE SCHEMES TO PROMOTE TAX CULTURE**

The bill proposes to insert a provision in section 56C to empower the Board to prescribe procedure for "mystery shopping" in respect of invoices issued by tier-1 retailers integrated with FBR online system randomly and in case of any discrepancy, all the relevant provisions of this Act shall apply accordingly.

## **DELAYED REFUND**

The Bill proposes to insert a new proviso in section 67 providing relief to the taxpayers whose input tax adjustment for condonation of time has been allowed by the Commissioner under section 66 of the Act and refund has not been made within 45 days of the order. Taxpayer shall be paid in addition to the amount of the refund due to him, a further sum equal to KIBOR per annum of the amount of refund, due from the date of the refund order.

## **CERTAIN TRANSACTIONS NOT ADMISSIBLE**

A new proviso is proposed to be inserted in section 73 of the Act providing the concept of adjustment made by a registered person in respect of amount payable and receivable from same party which shall be treated as payments on following conditions namely: -

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

### THIRD SCHEDULE

The bill proposes to insert following item in the Third Schedule where sales tax at the rate of 17% is chargeable at the retail price:

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
"50	Sugar except where it is supplied as an industrial raw material to pharmaceutical, beverage and confectionery industries	Respective heading

### FIFTH SCHEDULE

The Finance bill proposes to omit following items from the Fifth Schedule where the items are charged to sales tax at the rate of zero percent.

Sr. No	Description
1	(i) Supply, repair or maintenance of any ship which is neither; (a) a ship of gross tonnage of less than 15 LDT; nor (b) a ship designed or adapted for use for recreation or pleasure. (ii) Supply, repair or maintenance of any aircraft which is neither; (a) an aircraft of weight-less than 8000 kilograms; nor (b) an aircraft designed or adapted for use for recreation or pleasure. (iii) Supply of spare parts and equipment for ships and aircraft falling under (i) and (ii) above. (iv) Supply of equipment and machinery for pilot age, salvage or towage services. (v) Supply of equipment and machinery for air navigation services. (vi) Supply of equipment and machinery for other services provided for the handling of ships or aircraft in a port or Customs Airport.
6	Supplies of such locally manufactured plant and machinery to petroleum and gas sector Exploration and Production companies, their contractors and sub-contractors as may be specified by the Federal Government, by notification in the official Gazette, subject to such conditions and restrictions as may be specified in such notification.
10	Petroleum Crude Oil (PCT heading 2709.0000)

11	Raw materials, components, sub-components and parts, if imported or purchased locally for use in the manufacturing of such plants and machinery as is chargeable to sales tax at the rate of zero percent, subject to the condition that the importer or purchaser of such goods holds a valid sales tax registration showing his registration category as "manufacturer"; and in case of import , all the conditions, restrictions, limitations and procedures as are imposed by notification under section 19 of the Customs Act,1969(IV of 1969), shall apply.
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The bill proposes to insert following item in the Fifth Schedule where the items are charged to sales tax at the rate of zero percent:

Sr. No	Description
15	Local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions.

## SIXTH SCHEDULE

The bill proposes to omit following items from Table 1 of Sixth Schedule where the items are exempt from sales tax.

S. No	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
11	Eggs including eggs for hatching	0407.1100, 0407.1900 and 0407.2100, 0407.2900
19	Cereals and products of milling industry excluding the products of milling industry, other than wheat and meslin flour, as sold in retail packing bearing brand name or a trademark	1001.1000, 1001.9000, 1002.0000, 1003.0000, 1004.0000, 1005.1000, 1005.9000, 1006.1090, 1006.2000, 1006.3010, 1006.3090, 1006.4000, 1007.0000, 1008.1000, 1008.2000, 1008.3000, 1008.9000, 1101.0010, 1101.0020, 1102.2000, 1102.9000, 1103.1100, 1103.1300, 1103.1900, 1104.2200, 1104.2300, 1104.2900 and 1104.3000
22	Sugar beet	1212.9100

24	Edible oils and vegetable ghee, including cooking oil, on which Federal Excise Duty is charged, levied and collected by a registered manufacturer or importer as if it were a tax payable under section 3 of the Act. Explanation – Exemption of this entry shall not be available on local supplies made by importers, distributors, wholesalers or retailers.	1507.9000, 1509.1000, 1510.0000, 1511.9020, 1512.1900, 1513.2900, 1514.9900, 1515.5000, 1516.2020, 1517.9000 and 1518.0000	1508.9000, 1509.9000, 1511.1000, 1511.9030, 1513.1900, 1514.1900, 1515.2900, 1516.2010, 1517.1000,
26	Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged.	2009.1100, 2009.1900, 2009.2900, 2009.3900, 2009.4900, 2009.6100, 2009.7100, 2009.9000	2009.1200, 2009.2100, 2009.3100, 2009.4100, 2009.5000, 2009.6900, 2009.7900, and
27	Ice and waters excluding those for sale under brand names or trademarks.	2201.1010	
29	Table salt including iodized salt excluding salt sold in retail packing bearing brand names and trademarks.	2501.0010	
29C	Glass bangles	7020.009	
73A	Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name	04.02	
74	Flavored milk, excluding that sold in retail packing under a brand name	0402.9900	
75	Yogurt, excluding that sold in retail packing under a brand name.	0403.1000	
76	Whey, excluding that sold in retail packing under a brand name.	04.04	
77	Butter, excluding that sold in retail packing under a brand name	0405.1000	
78	Desi ghee, excluding that sold in retail packing under a brand name	0405.9000	
79	Cheese, excluding that sold in retail packing under a brand name	0406.1010	
80	Processed cheese not grated or powdered, excluding that sold in retail packing under a brand name	0406.3000	

82	Frozen prepared or preserved sausages and similar products of poultry meat or meat offal, excluding those sold in retail packing under a brand name or a trademark	1601.0000	
83	Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish excluding those sold in retail packing under a brand name or a trademark	1602.3200, 1602.5000, 1604.1200, 1604.1400, 1604.1600, 1604.2010, 1604.2090	1602.3900, 1604.1100, 1604.1300, 1604.1500, 1604.1900, 1604.2020,
84	Preparations suitable for infants, put up for retail sale	1901.1000	
85	Fat filled milk excluding that sold in retail packing under a brand name or a trademark	1901.9090	
91	Energy saver lamps	8539.3110	
93	Bicycles	87.12	
87.12			
101	Raw and pickled hides and skins, wet blue hides and skins, finished leather, and accessories, components and trimmings, if imported by a registered leather goods manufacturer, for the manufacture of goods wholly for export, provided that conditions, procedures and restrictions laid down in rules 264 to 278 of the Customs Rules, 2001 are duly fulfilled and complied with	Respective headings	

103	Import and supply thereof, up to the year 2030 of ships and all floating crafts including tugs, dredgers, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity and flying the Pakistan flag, except ships or crafts acquired for demolition purposes or are designed or adapted for use for recreation or pleasure purposes, subject to the condition that such ships or crafts are used only for the purpose for which they were procured and in case such ships or crafts are used only for the purpose for which they were procured, and in case such ships or crafts are used for demolition purposes within a period of five years of their acquisition, sales tax applicable to such ships purchased for demolition purposes shall be chargeable.	Respective headings	
106	Import of Halal edible offal of bovine animals	0206.1000, 0206.9000	0206.8000 and
108	Components or sub-components of energy saver lamps, namely:- (a) Electronic Circuit (b) Plastic Caps (upper and lower) (c) Base Caps B22 and E27 (d) Tungsten Filaments (e) Lead-in-wire (f) Fluorescent powder (Tri Band Phospher) (g) Adhesive Additive (h) Al-oxide Suspension (i) Capping Cement (j) Stamp Pad Ink (k) Gutter for Suspension	8539.9040, 8539.9040, 8539.9040, 3824.9099, 3214.1050, 2850.0000	8539.9040, 8539.9040, 3206.5010, 3824.8400, 3215.9010,
115	Plant, machinery and equipment imported for setting up fruit processing and preservation units in Gilgit-Baltistan, Balochistan Province and Malakand Division upto the 30th June, 2019 subject to the same conditions and procedure as are applicable for import of such plant, machinery and equipment under the Customs Act, 1969 (IV of 1969).	Respective headings	



123	Aircraft, whether imported or acquired on wet or dry lease: Provided that in case of import or acquisition on wet or dry lease by Pakistan International Airlines Corporation, this exemption shall be available with effect from 19th March, 2015.	8802.4000
124	Maintenance kits for use in trainer aircrafts of PCT headings 8802.2000 and 8802.3000	Respective headings
125	Spare parts for use in aircrafts, trainer aircrafts or simulators	Respective headings
128	Aviation simulators imported by airline company recognized by Aviation Division.	Respective headings
153	Steel billets, ingots, ship plates, bars and other long re-rolled profiles, on such imports and supplies by the manufacturer on which federal excise duty is payable in sales tax mode	

The bill proposes to include following items in Table 1 of Sixth Schedule where the items are exempt from sales tax:

<b>S. No.</b>	<b>Description</b>	<b>Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)</b>
137.	art paper and printing paper	4810.1990, 4810.1910, 4802.6990
157.	Import of CKD (in kit form) of following electric vehicles (4 wheelers) by local manufacturers till 30th June, 2026: i (i) Small cars/SUVs with 50 Kwh battery or below; and ii (ii) Light commercial vehicles (LCVs) with 150 kwh battery or below	Respective headings
158.	Goods temporarily imported into Pakistan by International Athletes which shall be subsequently taken by them within 120 days of temporary import	Respective headings
159.	Import of auto disable Syringes till 30th June, 2021 i (i) with needles ii (ii) without needles	9018.3110, 9018.3120
160.	Import of following raw materials for the manufacturers of auto disable syringes till 30th June, 2021	9018.3200, 4016.9310

	i (i) Tubular metal needles ii (ii) Rubber Gaskets	
161.	Import of plant, machinery, equipment and raw materials for consumption of these items within Special Technology Zone by the Special Technology Zone Authority, zone developers and zone enterprises	Respective headings
162.	Import of raw materials, components, parts and plant and machinery by registered persons authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions	Respective headings

The bill proposes to omit following items from Table 2 of Sixth Schedule where the items are exempt from sales tax.

S. No	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
17.	Raw and pickled hides and skins, wet blue hides and skins	41.01, 41.02, 41.02, 4104.1000, 4105.1000, 4106.2100, 4106.3000, 4106.9000
19.	Bricks (up to 30th June, 2018)	6901.1000
24.	LED or SMD lights and bulbs meant for conservation of energy	8539.5010, 8539.5020, 9405.1030 and 9405.4020
25.	Cottonseed oil	1512.2100 and 1512.2900

The bill proposes to include following items in Table 2 of Sixth Schedule where the items are exempt from sales tax:

S. No	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
26.	Supply of locally produced silos till 30.06.2026	Respective heading
27.	Eggs including eggs for hatching	0407.1100, 0407.1900 0407.2100 and 0407.2900
28.	Cereals and products of milling industry excluding the products of milling industry, other than wheat and meslin flour, as sold in retail packing bearing brand name or a trademark	1001.1000, 1001.9000, 1002.0000, 1003.0000, 1004.0000, 1005.1000, 1005.9000, 1006.1090, 1006.2000, 1006.3010, 1006.3090, 1006.4000, 1007.0000, 1008.1000,

		1008.2000, 1008.9000, 1101.0020, 1102.9000, 1103.1300, 1104.2200, 1104.2900 and 1104.3000	1008.3000, 1101.0010, 1102.2000, 1103.1100, 1103.1900, 1104.2300,
29.	Sugar beet	1212.9100	
30.	Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged	2009.1100, 2009.1900, 2009.2900, 2009.3900, 2009.4900, 2009.6100, 2009.7100, 2009.9000	2009.1200, 2009.2100, 2009.3100, 2009.4100, 2009.5000, 2009.6900, 2009.7900, and
31.	Milk and cream, concentrated or containing added sugar or other sweetening matter, excluding that sold in retail packing under a brand name	04.02	
32.	Flavored milk, excluding that sold in retail packing under a brand name	0402.9900	
33.	Yogurt, excluding that sold in retail packing under a brand name	0403.1000	
34.	Whey, excluding that sold in retail packing under a brand name	04.04	
35.	Butter, excluding that sold in retail packing under a brand name	0405.1000	
36.	Desi ghee, excluding that sold in retail packing under a brand name	0405.9000	
37.	Cheese, excluding that sold in retail packing under a brand name	0406.1010	
38.	Processed cheese not grated or powdered, excluding that sold in retail packing under a brand name	0406.3000	
39.	Sausages and similar products of poultry meat or meat offal excluding sold in retail packing under a brand name or trademark	1601.0000	
40.	Products of meat or meat offal excluding sold in retail packing under a brand name or trademark	1602.3200, 1602.5000, 1604.1200, 1604.1400, 1604.1600, 1604.2010, 1604.2090	1602.3900, 1604.1100, 1604.1300, 1604.1500, 1604.1900, 1604.2020 and
41.	Preparations suitable for infants, put up for retail sale	1901.1000	
42.	Fat filled milk excluding that sold in retail packing under a brand name or a trademark	1901.9090	

The bill proposes to exempt the supplies as made within the limits of border sustenance markets subject to following conditions:

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

These supplies are as under:

S. No	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
1.	Seed (Potatoes)	0701.1000
2.	Tomatoes, fresh or chilled	0702.0000
3.	Onions and shallots	0703.1000
4.	Garlic	0703.2000
5.	Cauliflowers cabbage	0704.9000
6.	Carrots and turnips	0706.1000
7.	Cucumbers and gherkins fresh or chilled	0707.0000
8.	Peas (pisum sativum)	0708.1000
9.	Beans (vigna spp., phaseolus spp.)	0708.2000
10.	Other leguminous vegetables	0708.9000
11.	Peas (Pisum sativum)	0713.1000
12.	Grams (Dry/Whole)	0713.2010
13.	Dried leguminous vegetables	0713.2090, 0713.0909
14.	Beans of the species Vigna mungo (L.) Hepper or Vigna radiata (L.) Wilczek	0713.3100
15.	Small red (Adzuki) beans (Phaseolus or Vigna angularis)	0713.3200
16.	Kidney beans including white beans	0713.3300
17.	Bambara – vigna subteranea or vaahdzeia subterrea	0713.3400
18.	Beans vigna unguiculata	0713.3500
19.	Other	0713.3990

20.	Lentils (Dry/Whole)	0713.4010
21.	Broad beans (Vicia faba var. major) and horse beans (Vicia faba var. equina, Vicia faba var. minor)	0713.5000
22.	Pigeon peas (cajanus cajan)	0713.6000
23.	Vanilla (Neither crushed nor ground)	0905.1000
24.	Cinnamon	0906.1100
25.	Other (Cinnamon And Cinnamon Tree Flowers)	0906.1900
26.	Neither crushed nor ground (Cloves)	0907.1000
27.	Crushed or ground (Cloves)	0907.2000
28.	Neither Crushed nor ground (Nutmeg)	0908.1100
29.	Crushed or ground (Nutmeg)	0908.1200
30.	Neither crushed nor ground (Maze)	0908.2100
31.	Crushed or ground (Maze)	0908.2200
32.	Large (Cardammoms)	0908.3110
33.	Small (Cardammoms)	0908.3120
34.	Crushed or ground (Cardammoms)	0908.3200
35.	Neither crushed nor ground (Coriander)	0909.2100
36.	Crushed or ground (Coriander)	0909.2200
37.	Neither crushed nor ground (Seeds of Cumins)	0909.3100
38.	Crushed or ground (Seeds of Cumins)	0909.3200
39.	Neither crushed nor ground (Seeds of Anise, Badian, Caraway, Fennel etc)	0909.6100
40.	Crushed or ground (Seeds of Anise, Badian, Caraway, Fennel etc)	0909.6200
41.	Thyme; bay leaves	0910.9910
42.	Barley Seeds	1003.1000, 1003.9000
43.	Sunflower seeds ,whether or not broken	1206.0000
44.	Locust beans	1212.9200
45.	Cereal straws and husks	1213.0000
46.	Knives and cutting blades for paper and paper board	8208.9010
47.	Of a fat content, by weight, not exceeding 1 % (milk and cream	0401.1000
48.	Of a fat content, by weight, exceeding 1 % but not exceeding 6 % (milk and cream)	0401.2000
49.	Of a fat content, by weight, exceeding 6 % but not exceeding 10% (Milk and Cream)	0401.4000
50.	Of a fat content, by weight, exceeding 10 % (Milk and Cream)	0401.5000
51.	Leeks and other alliaceous vegetables	0703.9000
52.	Cauliflowers and headed broccoli	0704.1000
53.	Brussels sprouts	0704.2000
54.	Cabbage lettuce (head lettuce)q	0705.1100
55.	Lettuce	0705.1900
56.	Chicory	0705.2100, 0705.2900

57.	Fruits of the genus Capsicum or of the genus Pimenta	0709.6000
58.	Figs	0804.2000
59.	Fresh (grapes)	0806.1000
60.	Dried (Grapes)	0806.2000
61.	Melons	0807.1100, 0807.1900
62.	Apples	0808.1000
63.	Green Tea	0902.1000
64.	Other Green Tea	0902.2000
65.	Crushed or ground (Ginger)	0910.1200
66.	Turmeric (curcuma)	0910.3000
67.	Other (spice)	0910.9990
68.	Lactose (Sugar)	1702.1110
69.	Sugar Syrup	1702.1120
70.	Sugar Other	1702.1900
71.	Caramel	1702.9020
72.	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya bean oil.	2304.0000
73.	Other (animal feed)	2309.9000
74.	For Sewing (Thread)	5204.2010
75.	For embroidery (Thread)	5204.2020
76.	Spades and shovels	8201.1000
77.	Tools for masons, watchmakers, miners and hand tools nes	8205.5900
78.	For kitchen appliances or for machines used by the food industry	8208.3000
79.	Other kitchen appliances	8208.9090
80.	Yogurt	0403.1000
81.	Other (Potatoes)	0701.9000
82.	Sweet corn	0710.4000
83.	Mixtures of vegetables	0710.9000
84.	Fresh (Dates)	0804.1010
85.	Dried (Dates)	0804.1020
86.	Apricots	0809.1000
87.	Sour cherries (Prunus cerasus)	0809.2100
88.	Other (Apricots)	0809.2900
89.	Peaches, including nectarines	0809.3000
90.	Plums and sloes	0809.4000
91.	Strawberries	0810.1000
92.	Kiwi Fruit	0810.5000
93.	Neither crushed nor ground (Ginger)	0910.1100
94.	Wheat and Meslin (Other)	1001.1900
95.	Wheat and Meslin (Other )	1001.9900
96.	Of Wheat (Flour)	1101.0010
97.	Of Meslin	1101.0020
98.	Vermacelli	1902.1920

99.	Other (Packed Cake)	1905.9000
100.	Homogenised preparations	2007.1000
101.	Citrus Fruit	2007.9100
102.	Other (jams)	2007.9900
103.	Organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for retail sale, whether or not containing soap	3401.3000
104.	Preparations put up for retail sale	3402.2000
105.	Other (washing preparations)	3402.2000
106.	Tableware and kitchenware of porcelain or China	6911.1090
107.	Household articles and toilet articles of porcelain or China	6911.9000
108.	Glassware for table or kitchen purposes (excl. glass having a linear c	7013.4900
109.	Glassware and (other than that of 70.10 or 70.18)	7013.9900
110.	Spoons	8215.9910
111.	Tableware articles not in sets and not plated with precious metal	8215.9990
112.	Bicycles and other cycles (including delivery tricycles), not motorised	8712.0000
113.	Vacuum flasks	9617.0010
114.	Vacuum flasks/vacuum vessels complete w/cases; parts o/t glass inners (others)	9617.0020

## EIGHT SCHEDULE

The proposed amendment seeks to increase the fix rate of sales tax on potassium chlorate (KClO<sub>3</sub>) from Rs. 80 per Kg to Rs. 90 per Kg.

The bill proposes to exclude the following items from taxability at prescribed rates, which means the said items would be taxable at standard rate of 17%.

S. No	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)	Rate of Sales Tax	Condition
1.	Soyabean meal	2304.0000	10%	
5.	Raw cotton and ginned cotton	Respective headings	10%	On import
6.	Plant and machinery not manufactured locally and having no compatible local substitutes	Respective headings	10%	<p>(i) On import of such plant and machinery by registered manufacturers, post-dated cheque(s) equal to the differential amount of sales tax payable at import stage, shall be submitted to the customs authorities, which shall be returned on furnishing proof of filing of first sales tax return after import of such machinery, showing the import of such machinery;</p> <p>(ii) On import by commercial importers, good-for-payment cheque, bank guarantee, pay order or treasury challan showing deposit, equal to the differential amount of sales tax payable at import stage, shall be submitted to the customs authorities, which shall be returned back, or as the case may be, refunded, after evidence of subsequent supply to registered manufacturers or industrial users is furnished to the customs authorities;</p> <p>(iii) Supply of such imported plant and machinery by commercial importers to unregistered persons or persons other than manufacturers shall be liable to standard rate of tax, and evidence to that effect shall be produced to the customs authorities for release of the above mentioned instruments or refund of the amount paid at import stage;</p> <p>(iv) Subsequent supply of plant and machinery imported or acquired by</p>



				registered manufacturers to unregistered persons or persons other than manufacturers shall be liable to tax at standard rate; (v) the validity period of instruments furnished under this provision shall not be less than one hundred and twenty days. Explanation –For the purpose of this provision, plant and machinery means such plant and machinery as is used in the manufacture or production of goods.
7.	Flavoured milk	0402.9900	10%	Sold in retail packing under a brand name
8.	Yogurt	0403.1000	10%	Sold in retail packing under a brand name
9.	Cheese	0406.1010	10%	Sold in retail packing under a brand name
10.	Butter	0405.1000	10%	Sold in retail packing under a brand name
11.	Cream	04.01 and 04.02	10%	Sold in retail packing under a brand name
14.	Milk and cream, concentrated or containing added sugar or other sweetening matter	0402.1000 and 0402.2000	10%	Sold in retail packing under a brand name
15.	Ingredients of poultry feed, cattle feed, except soya bean meal of PCT heading 2304.0000 and oil-cake of cotton-seed falling under	2301.1000, 2305.0000, 2306.2000, 2306.3000, 2306.4100, 2306.5000, 2309.9010, 2309.9020, 2309.9090, 2936.2100,	10%	

	<p>PCT heading 2306.1000</p>	<p>2936.2200, 2936.2300, 2936.2400, 2936.2500, 2936.2600, 2936.2700, 2936.2800, And 2308.9000 (Guar Meal), 2303.1000 (Corn Gluton Feed/Meal), 2303.1000 (Residues of starch manufacture and similar residues), 3507.9000 (Enzymes- other) 2302.1000 (Maize Bran), 2302.2000 (Rice Bran), 2302.3000 (Wheat Bran), 2302.4000 (Other Cereals), 2302.5000 (Bran of Leguminous Plants), 2306.7000 (Oil- cake and other solid residues of Maize (corn) germ), 2306.4900 (Sesame Cake), 2306.9000 (Sesame Meal/other Meal), 2842.1000 (Double or complex</p>		
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		<p>silicates, including luminosilicates whether or not chemically defined), 2301.2090 (Fish Meal), 0505.9000 (Poultry by product Meal), and the following items only of Feed Grade: 2827.6000 (Potassium Lodide), 2833.2990 (Manganese Sulphate), 2833.2940 (Zinc Sulphate), 2817.4000 (Zinc Oxide), 2833.2500 (Copper Sulphate), 2833.2910 (Ferrous Sulphate) 2915.5000 (Propionic acid, its salts and esters), 2930.4000 (DL Methionine), 2930.4000 (Methionine Hydroxy Analogue (liquid)), 2922.4100 (Lysine Monohydro Chloride /sulphate), 2923.2000</p>		
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		(Lecithins), 2923.9010 (Betafin), 2922.4290 (Arganine), 2934.9910 (Furazolidon), 2922.5000 (Threonine), 2835.2600 (Mono Calcium Phosphate), 2835.2500 (Di Calcium Phosphate), and 2835.2600 (Mono Di Calcium Phosphate)		
19.	Waste paper	47.07	5%	
20.	Plant, machinery, and equipment used in production of bio-diesel	Respective headings	5%	The Alternative Energy Development Board (AEDB), Islamabad shall certify in the prescribed manner and format as per Annex-B, as given in the Sixth Schedule, that the imported goods are bona fide project requirement. The goods shall not be sold or otherwise disposed of within a period of five years of their import except with the prior approval of the FBR and payment of customs duties and taxes leviable at the time of import
22.	Soya bean seed	1201.1000	10%	On import by solvent extraction industries, subject to the condition that no refund of input tax shall be admissible
29.	(i) Harvesting, threshing and storage equipment		5%	
	(ii) Wheat thresher	8433.5200		

(iv) Maize or groundnut thresher or sheller	8433.5200		
(v) Groundnut digger	8433.5900		
(vi) Potato digger or harvester	8433.5300		
(vii) Sunflower thresher	8433.5200		
(viii) Post hole digger	8433.5900		
(ix) Straw balers	8433.4000		
(x) Fodder rake	8433.5900		
(xi) Wheat or rice reaper	8433.5900		
(xii) Chaff or fodder cutter	8433.5900		
(xiii) Cotton picker	8433.5900		
(xiv) Onion or garlic harvester	8433.5200		
(xv) Sugar harvester	8433.5200		
(xvi) Tractor trolley or forage wagon	8716.8090		
(xvii) Reaping machines	8433.5900		

	(xviii) Combined harvesters	8433.5100		
	(xix) Pruner/shears	8433.5900		
45.	Following machinery for poultry sector		7%	
	(i) Machinery for preparing feeding stuff			
	(ii) Incubators, brooders and other poultry equipment			
	(iii) Insulated sandwich panels			
	(iv) Poultry sheds	9406.1020 and 9406.9020		
	(v) Evaporative air cooling system	8479.6000		
	(vi) Evaporative cooling pad	8479.9010		
50.	LNG/RLNG	2711.1100	12%	Import thereof
51.	LNG/RLNG	2711.1100 and 2710.2100	12%	If supplied to gas transmission and distribution companies
60.	Fat filled milk	1901.9090	10%	If sold in retail packing under a brand name or trademark
61.	Silver, in unworked condition	7106.1000, 7106.9110 and 7106.9190	1%	
62.	Gold, in unworked condition	7108.1100, 7108.1210 and 7108.1290	1%	

63.	Articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal	71.13	1.5% of value of gold, plus 0.5% of value of diamond, used therein, plus 3% of making charges	No input tax adjustment to be allowed except of the tax paid on gold
65.	Ginned cotton	Respective headings	10%	
67.	LNG imported for servicing CNG sector and local supplies thereof	2711.1100, 2711.2100	5%	

The bill proposes to include following items in Eighth Schedule where the items are chargeable to sales tax at fix rate:

S. No	Description	Heading Nos. of the Schedule to the Customs Act, 1969 (IV of 1969)	Rate of Sales Tax	Condition
71.	Following locally manufactured or assembled electric vehicles (4 wheelers) till 30th June, 2026: (i) Small cars/ SUVs with 50 Kwh battery or below; and (ii) Light commercial vehicles (LCVs) with 150 kwh battery or below	Respective heading	1%	If supplied locally
72.	Motorcars	87.03	12.5%	Locally manufactured or assembled motorcars of cylinder capacity upto 850cc

73.	Import and local supply of Hybrid Electric Vehicles: (a) Upto 1800 cc (b) From 1801 cc to 2500 cc	87.03 87.03	8.5% 12.75%	

## NINTH SCHEDULE

The proposed amendment seeks to cease the applicability of Table 1 from 1st July 2020 onwards, however, the chargeability of sales tax on sim cards will not be affected for the period prior to 1st July 2020 or the stance taken by FBR before any Court of Law.

## ELEVENTH SCHEDULE

The bill proposes the registered manufacturer to withhold whole amount of sales tax from payment made to suppliers in case of reclaimed lead and used lead batteries as provided under Eleventh Schedule.

S. No	Withholding agent	Supplier category	Rate or extent of deduction
7.	Registered persons manufacturing lead batteries	Persons supplying reclaimed lead or used lead batteries	Whole of the sales tax applicable

## TWELVE SCHEDULE

The bill is proposed to include following in the list on which value addition tax under section 7A would not be charged:

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



## **ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001.**

### **EXPORT OF SERVICES**

The Bill proposes to insert a new sub-section (1A) in section 3(1) whereby the export of services shall be charged at the rate of zero percent.

### **FEDERAL EXCISE ACT, 2005**

### **FILING OF RETURN AND PAYMENT OF DUTY**

The Bill proposes to amend sub-section 4 of Section 4 to provide opportunity to file revised return without prior approval from Commissioner Inland Revenue, if revised return is filed within sixty days of filing of original return and tax liability is increased or refund is reduced as a result of revise return.

### **RECOVERY OF UNPAID DUTY OR OF ERRONEOUSLY REFUNDED DUTY OR ARREARS OF DUTY ETC.**

The bill proposes to amend the provision of section 14(3) in respect of request from a foreign jurisdiction under a tax treaty, a multilateral convention, and inter-governmental agreement or similar agreement or mechanism.

## **LICENSING OF BRAND NAME**

A new section namely 45AA is proposed to be inserted whereby it will be mandatory for manufacturers of specified goods to obtain brand license from Board for each separate specific brand or SKU. In case, if the specified goods are sold by the manufacturer without license, then such goods would be deemed as counterfeit goods and will be liable to outright confiscation and destruction as prescribed.

## **AGREEMENTS FOR EXCHANGE OF INFORMATION**

The bill proposes to insert provisions in section 47A to empower the FBR for sharing of data or information including real time data videos, images with any other Ministry, Divisions of the Federal Government or Provincial Government.

## **FIRST SCHEDULE**

The bill proposes to exclude following goods from Federal excise duty Table –I of First Schedule:

- Edible oils excluding deoxidized soybean
- Vegetable ghee and cooking oil
- Fruit juices, syrups and squashes, waters containing added sugar or sweetening matter etc. excluding mineral and aerated waters on retail price.
- Steel Billets, ingots, ship plates, bars and other long re-rolled products

The bill proposes to include following goods in the Federal Excise duty Table-I of First Schedule:

8c.	Tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without combustion	2403.9990	Rupees five thousand two hundred per kg
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The bill proposes to exempt following from purview of Federal Excise Duty:

- Imported and local electric 4wheeler vehicles till 30th June 2026
- Local vehicles having engine capacity of 850cc
- Merchant Discount Rate (MDR) is proposed to be excluded from the purview of FED.

The bill proposes to reduce the Federal Excise duty on Telecommunication services from 17% to 16%. The Bill proposes to add following services under the ambit of Federal Excise Duty in Table - II in the duties of excisable services

6A.	Following telecommunication services:  (a) Mobile phone call, if call duration exceeds three minutes;  (b) Internet services;  (c) Sms services	Respective sub-heading of 98.12  9812.6000	One rupee per call in addition to the rates of duty specified under Serial No.6  Five rupees per GB in addition to the rates of duty specified under Serial No.6  Ten paisa per sms in addition to the rates of duty specified under serial no.6
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## THE SECOND SCHEDULE

The bill proposes to exclude following goods from Federal Excise Duty which was collected under sales tax mode;

- Edible oils excluding deoxidized soybean
- Vegetable ghee and cooking oil
- Steel Billets, ingots, ship plates, bars and other long re-rolled products

## THE THIRD SCHEDULE (CONDITIONAL EXEMPTION)

The bill proposes to extend the exemption under Third Schedule to the following goods:

S. NO	DESCRIPTION OF GOODS	HEADINGS
"24.	The following goods, when supplied within the limits of the Border Sustenance Markets, established in cooperation with Iran and Afghanistan:	
	(i) Animal Fats and Oil and their fractions	1516.1000
	(ii) Vegetable Fats and their fractions	1516.2010
	(iii) Vegetable Oils and their fractions	1516.2020
	Provided that, such items in case of import, shall be allowed clearance by the Customs Authorities subject to furnishing of bank guarantee equal to the amount of duty involved and the same shall be released after presentation of consumption certificate issued by the Commissioner Inland Revenue having jurisdiction: Provided further that, the said exemption shall only be available to a person upon furnishing proof of having a functional business premises located within limits of the Border Sustenance Markets.	
	Import and supply of raw materials, components, parts and plant and machinery by registered persons authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions."	Respective headings

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