JUNAIDY SHOAIB ASAD
CHARTERED ACCOUNTANTS

MORISON KSi
INDEPENDENT MEMBER

FEDERAL BUDGET SYNOPSIS 2021-22

CONTACT US

JSA KARACHI

Partners

Farrukh V. Junaidy (Senior Partner)
farrukh.junaidy@jsa.com.pk

Naveed Alam
naveed.alam@jsa.com.pk

Pervez
pervez.ali@jsa.com.pk

Address

1/6-P, Block-6, P.E.C.H.S, Mohtarma Laeeq Begum Road, Off Shahra-e-Fasial
Phone: +92 21-34371910-13
Fax: +92 21-34371916

JSA LAHORE

Partners

Mumtaz Balouch
mumtaz.balouch@jsa.com.pk

Asad Feroze
asad.feroze@jsa.com.pk

Shoaib Ahmed Waseem
shoaib.waseem@jsa.co.pk

Address

Suite No. 9-A, Third Floor, Imtiaz Plaza, Shahra-e-Quaid-e-Azam, Lahore
Phone: +92 42 3636 1176, +92 42 3636 0253

JSA ISLAMABAD

Partner

Rukhsar Ahmed
rukhsar.ahmed@jsa.com.pk

Address
77 A, Street # 45, F-10/4, Islamabad
Phone: +92 051 8356316-7

INDEX

PREFACE

The budget for 2021-22 was announced by Federal Finance Minister on 11th June, 2021. The proposed changes are effective from 1st July 2021 unless an earlier date is given for effectiveness of a particular provision. Our comments on the budget provisions provide basic understanding of amendments expected to be brought about however, it is recommended that for giving detailed understanding our advice may be sought.

DISCLAIMER

While preparing this Synopsis care has been taken to ensure that our understanding on fiscal proposal and significant changes in Income Tax, Sales Tax and Federal Excise are explained to the reader to the best of our ability.

Since the changes will take effect over the Finance Bill is approved by the Parliament. The synopsis provide general guidance and therefore any action or inaction on the basis of this synopsis will be reader's prerogative. We however do not take any responsibility for loss, if any, sufficient by reader by taking any action on the basis of this synopsis without seeking our formal advice.

Karachi June 12, 2021

BUDGET HIGHLIGHTS

INCOME TAX

- Chargeability of super tax on banking companies is proposed to be extended for tax year 2021 and onwards.
- Powers of the Board to specify any person as industrial undertaking is proposed to be withdrawn. Further, telecommunication companies operating under the license of PTA are proposed as industrial undertakings.
- Cloud computing services and data storage services are proposed to be included in the definition of IT enabled services
- Concept of "Small and Medium Enterprises" is being proposed by Federal Government, thus person engaged in manufacturing having business turnover not exceeding Rs. 250 million are included in SME definition. Such enterprise shall be subject to reduced tax rates as prescribed
- Threshold of Rs. 36 million for the purpose of taxability of profit on debt under NTR is proposed to be reduced to Rs. 5 million.
- An allowance paid to an employee on fixed basis or which does not wholly or exclusively spent on behalf of employer is proposed to be chargeable to tax under the head salary
- Income from property is proposed to be chargeable to tax on net income basis after adjustment of allowable expenses. Such income shall be chargeable to tax on normal income tax slab rates for business individuals.
- Gain on disposal of depreciable immovable property is proposed to be chargeable to tax under the head "Capital Gains" under section 37 of the Ordinance
- First year allowance on installation of plant, machinery and equipment available to certain industrial undertakings is proposed to be withdrawn
- Gain on disposal of properties in the nature of trade is proposed to be clarified as chargeable to tax under the head "income from business"
- Any capital asset acquired through gift if disposed off within 2 years of acquisition is proposed to be chargeable to tax at the time of acquisition if the Commissioner is satisfied that it is a part of tax avoidance scheme
- Gift received from certain relatives is proposed to be exempt from tax
- Revised capital gain tax rates on disposal of securities for tax year 2022 and onwards are proposed
- Deductible allowance against contribution to Workers' Welfare Fund and the Companies Workers' Profit Participation Fund under the provincial laws is proposed to be allowed
- Scope of tax credits on donation is proposed to be widened
- Tax credit in respect of salaries paid to freshly qualified graduates under section 64C is proposed to be withdrawn
- Tax credit for investment in point of sale machine is proposed to be allowed to the person integrating with Board's computerized system for real time reporting
- Tax credit available to company for enlistment at stock exchange in Pakistan before 30th June 2022 under section 65C is proposed to be withdrawn
- Tax credit available to newly established industrial undertaking under section 65D is proposed to be withdrawn due to expiry of time period on 30th June 2021
- Hundred percent tax credit is proposed to be allowed in place of exemptions available to

person engaged in coal mining project, startups as defined under section 2(52A) or IT sector

- Tax credit at the rate of 25% of eligible capital investment is proposed for specified industrial undertakings
- Hundred percent tax credit available to charitable organization is proposed to be revamped
- Dates for availing incentive scheme for builders and developers is proposed to be extended
- Condition for issuing separate notice under section 111 of the Ordinance in case unexplained income or assets is proposed to be done away with
- Threshold of turnover for applicability of minimum tax under section 113 of the Ordinance in case of business individuals and AOPs is proposed to be increased from Rs. 10 million to Rs. 100 million
- Time limitation of five years for issuance of notices for filing of returns under section 114 of the Ordinance is proposed to be extended in case of person having foreign income or own foreign assets
- Provision for update of taxpayer's profile is proposed to be withdrawn
- Return filed by the taxpayer is continued to be considered as deemed assessment as proposed
- Time limit of 120 days has been proposed for issuance of Order under section 122 of the Ordinance after issuance of show cause notice
- Effect of revision order passed by the Commissioner under section 122A is proposed to be given within 120 days
- Payment of tax demand is proposed to be mandatory for filing of appeal before the Commissioner Appeals unless stay is granted.
- Scope of Alternate Dispute Resolution under section 134A is proposed to be widened to include the cases where criminal proceeding have been initiated. Further, time limits for constitution of ADRC and decision of cases is proposed to be reduced.
- Tax demand as a result of appeal effect order under section 124 Is proposed to be recoverable immediately
- The recovery provisions are proposed to apply in view of newly proposed section 146C for recovery of tax upon request of foreign jurisdiction under a tax treaty, a multilateral convention, an intergovernmental agreement or similar arrangement or mechanism
- Powers of the Commissioner to reject the estimate of advance tax under section 147 of the Ordinance is proposed to be withdrawn
- Dividend in specie is proposed to be subject to collection of tax under section 150 of the Ordinance instead of section 236S.
- Withholding of tax on return on investment in sukuks under section 150A is proposed to reclassify under section 151 "Profit on debt"
- Capital gain on securities invested through Foreign Currency Value Account (FCVA) or a Non-Resident Pakistani Rupee Value Account (NRVA) of a non-resident is proposed for collection of tax by banks at the rate of 10% under section 152 of the Ordinance. Further, return on investment in Sukuks derived by non-resident is also proposed to be subject to collection of tax.
- Fast processing of exemption application under section 153(4) of the Ordinance on supply of goods is proposed to apply to all companies being a manufacturer

- Withholding on payment of royalty under section 153B is proposed to be withdrawn
- Export of certain services are proposed to be subject to collection of tax under section 154A of the Ordinance as a final tax liability
- Application for exemption on withholding taxes under section 159 are proposed to be processed on fast track basis within 15 days of application
- Filing of annual statement of withholding taxes is proposed under section 165 of the Ordinance. Further, filing of reconciliation of annual statement of withholding taxes with accounts / return is also liable to be filed along with the filing of annual income tax return
- Automatic processing of refund claimed in return filed for tax year 2021 and onwards to the extent of amount verified by the Board's computerized system is proposed under section 170A and such refund shall be electronically transferred to the taxpayer's notified bank account
- Penalties under section 182 of the Ordinance is proposed to be reduced in certain cases. Further, penalties for certain default are proposed
- Officer Inland Revenue not below the rank of Assistant Commissioner or any other officer authorized by the Board is proposed to be empowered under section 203A of the Ordinance for the arrest of the taxpayer for offence of concealment of income or any other offence warranting prosecution under the Ordinance
- E-hearing modules for the purpose of conducting hearings, granting opportunity of being heard and electronically receiving any information is proposed.
- Withholding of taxes on cash withdrawal from bank or on banking transaction under section 231A, 231AA or 236P is proposed to be withdrawn
- Sale of new locally manufactured motor vehicle by the first purchases without registration of such vehicle in his name is proposed for collection of advance tax under section 231B which range from Rs. 50,000 to Rs 200,000 on the basis of engine capacity
- Individuals having turnover of Rs. 100 million are proposed as withholding agent for the purpose of deduction tax on commission under section 233 of the Ordinance
- Collection of tax by stock exchange under section 233A from its members on trading of shares is proposed to be withdrawn
- Collection of tax by NCCPL under section 233AA on margin financing transaction is proposed to be withdrawn
- Collection of tax from CNG stations under section 234A on gas bills is proposed to be withdrawn
- Collection of tax on electricity bills for domestic consumers under section 235 is proposed to be exempt if his name appear in ATL
- Any industrial or commercial consumer of electricity who discharge advance tax liability under section 147 or whose income is subject to final tax or minimum tax regime are proposed to claim exemption from collection of tax on electricity bills under section 235(3) of the Ordinance subject to obtaining exemption certificate from the Commissioner
- Collection of advance tax on purchase of domestic and international air tickets under section 236B or 236L respectively is proposed to be withdrawn
- Certain persons are prescribed as withholding agent for collection of tax on sale or purchase of property under section 236C or 236K of the Ordinance respectively. Further, tax collected under these section from non-resident is proposed as final tax liability subject to fulfillment of certain conditions.
- Certain goods are included in the ambit of collection of advance tax under section 236G

and 236H of the Ordinance

- Collection of advance tax on sale of certain petroleum products under section 236HA is proposed to be withdrawn
- Collection of advance tax on extraction of minerals under section 236V is proposed to be withdrawn
- Collection of advance tax on remittance through debit or credit cards under section 236Y is proposed to be withdrawn
- Reduced rate of collection of tax on import stage under section 148 at the rate of 1% is proposed for importers of CKD kits of electric vehicles for small cars or SUVs with 50 kwh battery or below and LCVs with 150 kwh batter or below
- Tax depreciation rate provided under Third Schedule in respect of below ground installations for mineral oil concerns claimable at the rate 100% is proposed to be withdrawn
- Provisions under Rule (4) Part II of Fifth Schedule related to claiming exemption of profits from refining or concentrating mineral deposits (other than petroleum) is proposed to be withdrawn
- Thirteenth Schedule to the Income Tax Ordinance is proposed to be inserted which include names of the Organization / Trusts to whom payment of donation shall be subject to tax credit under section 61 of the Ordinance.

SALES TAX

- The bill proposes exclusion of furniture retailers from the category of Tier-1 retailer who are having shop area less than 2000 sq. feet.
- The bill proposes to relax the limit of adjusting 90% input tax with output tax during the period in case of Public listed companies.
- The bill proposes to streamline the period for issuance of show-cause notice which was previously creating time constraint for taking action by tax authorities.
- The bill proposes the concept of Common Identifier Number for promoting ease of doing business.
- The bills proposes a new section for applying extension in time for filing monthly sales tax returns.
- The bill proposes to made it mandatory for manufacturers of specified goods to obtain brand license for each separate brand or SKU.
- The bill proposes the concept of constructive payment in section 73 of the Act.
- The bill proposes to ensure collection of sales tax on sugar, therefore, the said has been proposed to be included in Third Schedule.
- The bill proposes to withdraw zero-rating 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
- The bill proposes to withdraw exemptions other than relating to basic food items, health and education.
- The bill proposes to withdraw reduced rates of sales tax as provided under Eight Schedule other than relating to basic food items, health and education to be charged at standard rate of tax.
- Following major new exemption has been proposed to encourage local manufacturer:
  - 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.
  - Exemption on auto disable syringes and on raw material used to manufacture auto disable syringes as granted vide Tax Laws (Second Amendment) Ordinance, 2021 is proposed to be incorporated in the Sixth Schedule.
  - Import of plant, machinery and raw material by Special Technology Zone is proposed to be exempted from sales tax.
  - To facilitate farmers to store grain, tax exemption on locally manufactured silos is proposed to be granted till 30.06.2026.
- The bill proposes to include following goods under the Eight Schedule on which tax will be charged at reduced rate:
  - Locally manufactured or assembled small cars and light commercial vehicle at the rate of 1% till June 2026
  - Locally manufactured or assembled motor cars upto 850cc at the rate of 12.5%
  - Import and local supply of Hybrid Electric Vehicles upto 1800cc at the rate of 8.5%
  - Import and local supply of Hybrid Electric Vehicles from 1801cc to 2500cc at the rate of 12.75%
- The bill proposes 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.

- The bill proposes to exclude following items 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 as granted vide Tax Laws (Amendment) Ordinance, 2021 is proposed to be incorporated in the Twelfth Schedule.

FEDERAL EXCISE

- The bill proposes to allow revise return without prior approval of the Commissioner-IR as available in Sales Tax Act, 1990.
- The bill proposes to obtain 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.
- The bill proposes that electronically heated tobacco products are also brought into the tax net by inserting S.No.8c of Table-1 of the First Schedule to the Federal Excise Act, 2005
- The bills proposes to incorporate exemption from FED on 4-wheelers as granted vide Tax Laws (Amendment) Ordinance.
- The bill proposes to reduce FED on telecommunication from 17% to 16%
- The bill proposes exclude FED from payment on account of Merchant Discount Rate (MDR).
- The bill proposes exemptions for food related and other consumable goods for formulation of Border Sustenance Markets.
- The bill proposes exemptions from FED on small cars having engine capacity up to 850cc manufactured locally.
- The bill proposes exemptions on import and zero-rating on local supplies for raw materials, components, parts, plant and machinery by registered person, under new Export Facilitation Scheme, 2021.
- The bill proposes to withdraw FED on fruit juices as imposed vide Finance Act, 2019.

SIGNIFICANT AMENDMENTS

INCOME TAX

SECTION 2(29C) Industrial Undertakings

The Bill has proposed to withdraw powers of the Board to specify any person as industrial undertaking

Further, the telecommunication companies operating under the license from PTA are proposed to be allowed status of industrial undertaking. Consequently, such companies would be able to avail benefit of exemption from application of minimum tax under section 148(7) of the Ordinance in respect of tax collected at import of goods for its own use. .

SECTION 7B Tax on profit on debt

Profit on debt derived by individuals and AOPs are subject to fixed tax rates on the basis of threshold of income. However, income exceeding Rs. 36 million in a tax year is subject to tax under Normal Tax Regime at the applicable slab rates.

The Bill now proposed to reduce the threshold of Rs. 36 million to Rs. 5 million which would result in higher tax chargeable on profit on debt exceeding Rs. 5 million. For example, presently profit on debt of Rs. 6 million is subject to tax chargeable at the rate of 17.5% which comes to Rs. 1,050,000. However, consequent to proposed amendment, profit of debt of Rs. 6 million will be subject to tax chargeable on the basis of normal income slab rate which comes to Rs. 1,220,000 (620,000+30% of amount exceeding Rs. 4,000,000). It may be observed that the excess tax of Rs. 170,000 would be chargeable on profit on debt of Rs. 6 million.

Therefore, the tax on profit on debt upto Rs. 5 million shall be 15% fixed rate. However, any amount exceeding Rs. 5 million shall be chargeable at the normal business income slab rates

SECTION 12(2)(c) Salary

An allowance provided to an employee by an employer which is solely expended in the performance of the employee's duties of employment is not chargeable to tax under the head salary. However, the bill has proposed to clarify that any allowance which is paid in monthly salary on fixed basis or percentage of salary basis shall not be exempt from tax. Further, any allowance which is not wholly, exclusively, necessarily, or actually spent on behalf of the employer shall be chargeable to tax.

Therefore, in view of proposed amendment, employee and employer has to maintain the record of expenditure incurred by employee on behalf of employer in order to claim exemption otherwise, such allowance shall be chargeable to tax.

SECTION 15 Income from property

Income from property derived by individuals and AOPs exceeding Rs. 200,000 is presently chargeable to tax on the basis of slab rates provided under Division VIA Part I of the First Schedule to the Ordinance on gross revenue.

The bill has proposed to allow adjustment of certain allowable expenses provided under section 15A of the Ordinance against rental income. However, such net income from property shall be subject to tax on the basis of normal income slab rates applicable in case of business income. The tax rate applicable on income from property under Division VIA, Part I, First Schedule is proposed to be withdrawn.

Further, set off of losses incurred under any other head of income is proposed to be allowed against the income from property in view of proposed amendment under sub-section (1) of section 56 of the Ordinance.

SECTION 22 Depreciation

Presently, gain on depreciable immovable property is not chargeable to tax in terms of sub-section 13(d) of section 22 of the Ordinance. However, accumulated depreciation claimed on such property shall be offered to tax in the year of disposal. Now, the bill has proposed to charge gain on disposal of depreciable immovable property under the head "Capital Gains" under section 37 of the Ordinance. Consequently, any accumulated depreciation claimed by the taxpayer would not be offered to tax and difference between Tax WDV and sale proceed would be subject to tax as capital gain.

SECTION 23A Frist Year Allowance

The bill has proposed to withdraw the first year allowance available at the rate of 90% of cost of plant, machinery and equipment installed by industrial undertakings set up in specified rural and under developed areas or engaged in manufacturing of cellular mobile phones. Consequently, provisions regarding carry forward of unadjusted allowance provided under sub-section (4) and (5) of section 57 is also proposed to be withdrawn.

SECTION 37 Capital Gains

Gain on disposal of immovable property is presently subject to fixed tax rates on which varies from 2.5% to 10% on the basis of threshold of capital gain. Any capital gain arising on immovable property having holding period of four year is exempt from tax.

The bill has proposed to charge gain on disposal of immovable property exceeding Rs. 5 million at applicable normal business income slab rates instead of fixed rates. The capital gain upto Rs. 5 million is proposed to be chargeable to tax at the rate of 5% under Division VIII of Part I of First Schedule, subject to exemption available to the extent provided on the basis of holding period.

Further, it is proposed to clarify that any gain on sale of immovable properties derived by a person who is habitually engaged in transaction of sale and purchase of immovable property in the nature of trade shall be chargeable to tax under the head "income from business" at normal income tax rates.

It is also proposed that where any capital asset is acquired as gift which is subsequently disposed off within two year of acquisition, such arrangement if tantamount to tax avoidance scheme, the Commissioner is proposed to be empowered to charge tax on difference of the fair market value at the time of disposal by the donee and the cost of the asset in the hands of the donor at normal tax rates

SECTION 39 Income from other source

Presently, gift received by a person only from grandparents, parents, spouse, brother, sister, son or a daughter is not be chargeable to tax. The bill has proposed to allow gift from other relatives which includes an ancestor, a descendent of any of the grandparents, spouse, an adopted child of an individual or of his / her spouse.

SECTION 60A Workers' Welfare Fund

Presently, deductible allowance is allowed only in case of contribution paid to workers' welfare fund under the Workers' Welfare Fund Ordinance, 1971. The bill has proposed to allow deductible allowance also in case of WWF under the provincial WWF laws.

SECTION 60B Workers' Participation Fund

Presently, deductible allowance is allowed only in case of contribution paid to the Workers; Participation Fund under the Companies Profit (Workers' Participation) Act, 1968. The bill has proposed to allow deductible allowance also in case contribution to the provincial WPPF laws.

SECTION 61 Charitable donations

Presently, the tax credit is available in respect of donations to Board of Education, Universities or educational institutions, hospitals or relief fund established or run by Federal, Provincial or Local Governments and any Non-Profit Organizations approved by the Commissioner under section 2(36) of the Ordinance

The bill has proposed to widen the scope of tax credit available under section 61 of the Ordinance by including voluntary contributions and subscription in addition to donations for claiming tax credit against tax chargeable for the tax year. Further, such tax credit is also proposed to be available to donors for making payments to institution / organization eligible for tax credit under section 100C or the Organizations mentioned under the proposed Thirteenth Schedule to the Ordinance.

SECTION 64D Tax credit for point of sale machine

The Finance bill has proposed to allow tax credit in respect of investment in point of sale machine by the person who is required to integrate with Board's Computerized System for real time reporting of sale or receipt.

Such tax credit is proposed to be allowed in a tax year in which point of sale machine is installed, integrated and configured with the Board's computerized system. The amount of tax credit shall be the lesser of amount actually invested in point of sale machines or Rs. 150,000 per machine.

SECTION 65F Tax credit for certain persons

Hundred percent tax credit including minimum tax, alternate corporate tax and final tax is proposed for following persons in place of exemption on total income currently available under the Ordinance.

i. Persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects
ii. Startups as defined in section 2(52A) for the tax year in which it is certified by Pakistan Software Export Board and following two tax years; and
iii. Person deriving income from export of computer software, IT services or IT enabled services as defined under section 2(30AD) and 2(30AE) upto 30th June 2025 against which 80% of export proceeds are brought into Pakistan in foreign exchange through normal banking channel.

However, such tax credit shall be subject to fulfillment of following conditions:

- ✓ Return has been filed
- ✓ Tax has been deducted as a withholding agent and deposited

- ✓ Withholding statements for immediately preceding tax year have been filed by the withholding agents
- ✓ Sales tax returns for relevant tax year have been filed

SECTION 65G Tax credit for specified industrial undertakings

Tax credit at the rate of 25% of eligible capital investment is proposed for specified industrial undertakings for the tax year in which investment is made. Further any unadjusted tax credit amount shall be carried forward for subsequent two tax year. Such industrial undertakings include following:

(a) Greenfield industrial undertaking as defined in section 2(27A) of the Ordinance engaged in

i. Manufacturing of goods

ii. Ship building

Subject to following conditions:

- ✓ Person incorporated between 30th June 2019 and 30th June 2024
- ✓ Not formed by splitting up or reconstitution of an undertaking already in existence or by transfer of machinery, plant or building from an undertaking established in Pakistan prior to commencement of the new business and is not part of expansion project

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

The eligible capital investment means investment made in purchase and installation of new machinery, buildings, equipment, hardware and software, except self-created software and used capital goods.

SECTION 100C Tax credit for charitable organizations

Hundred percent tax credit under section 100C is currently available to NPO, Trust or Welfare Institution upon fulfillment of certain conditions. Scope of tax credit is proposed to be restricted to following persons which will be eligible to claim such tax credit.

i. Persons specified in Table-II of clause (66) of Part I of the Second Schedule to the Ordinance

ii. A trust administered under a scheme approved by the Federal Government for welfare of ex-employees and serving personnel of the Federal Government, Provincial Government or armed forces

iii. A trust

iv. Welfare institution registered with Provincial or Islamabad Capital Territory (ICT) social welfare department

v. NPO company registered with SECP under section 42 of the Companies Act, 2017

vi. Welfare society registered under the provincial or ICT laws related to registration of co-operative societies

vii. A waqf registered under Mussalman Waqf Validating Act, 1913 (VI of 1913) or any other law for the time being in force or in the instrument relating to the trust

viii. A university or education institutions being run by non-profit organization existing solely for educational purposes and not for the purpose of profit

ix. A religious or charitable institution for the benefit of public registered under any law for the time being in force; and

x. International non-governmental organizations (INGOs) approved by the Federal Government

In view of the amendment we understand that the tax credit under section 100C will be available to above specified organizations / institutions and not in general. Currently, any person having NPO status is eligible to claim tax credit under section 100C. However, in view of amendment, such NPO shall be eligible to claim tax credit which besides listed above include following:

- ✓ A religious institution for the benefit of public registered under any law inforce; or
- ✓ A charitable institution for the benefit of public registered under any law inforce

"Charitable purpose" is defined under section 2(11A) of the Ordinance includes relief of the poor, education, medical relief and the advancement of any other object of general public utility

SECTION 100D Special provision relating to builders and developers

The bill has proposed the relevant dates for availing incentive scheme for builders and developers, the proposed relevant dates are as follows:

Description	Old Date / Period	New Date / Period
Last date of Project Completion of new and existing Projects	30th September 2022	30th September 2023
Last date of registration of Builder/Developer and project with FBR where immunity from inquiry with respect to source of funds is **not** availed.	31st December 2020	31st December 2021
Last date of registration of Builder/Developer and project with FBR where immunity from inquiry with respect to source of funds is availed.	31st December 2020	30th June 2021
Last date for commencement of new project	31st December 2020	31st December 2021
First tax year under fixed taxation regime in case of existing projects	Tax Year 2020	Tax Year 2020 or 2021 the option of taxpayer.
The maximum estimated project life for new project	2.5 Years	3.5 Years
The maximum estimated project life for existing project from tax year 2020 through tax year 2023	3 years	4 years
Last date for deposition of money into new bank account to claim immunity from inquiry with respect to sources of funds being an individual	31st December, 2020	30th June, 2021
Last date of transfer of investment into bank account of Company or Association of Persons in form of money through a crossed banking instrument to claim immunity from inquiry with respect to source of funds.	31st December, 2020	30th June, 2021

Last date of transfer of land to Company or Association of Persons as investment to claim immunity from inquiry with respect to source of funds with condition that person shall have ownership of land as on 19th April 2020.	31st December 2020	30th June 2021.
Last date for the first purchaser of building or unit of building to make full payment through crossed banking instrument.	30th September 2022	31st March 2023
Last date for purchase of plot for the purchaser who intends to construct a building thereon to claim immunity from inquiry with respect to source of funds. Purchase of plot must be through normal banking channel	31st December 2020 provided construction on such plot is also commenced on or before 31st December 2020.	30th June 2021 provided construction on such plot is commenced on or before the 31st December 2021
Date of joining of additional partners or shareholders in a builder or developer after which such partners or shareholders shall not be eligible for exemption provided under sub-section (3) of section 100D (i.e., immunity from inquiry of source of funds)	31st December 2020	30th June 2021

SECTION 100E Special provisions relating to small and medium enterprises

For tax year 2021 and onwards, the bill has proposed to introduce the concept of small and medium enterprise which would be subject to tax in accordance with proposed Fourteenth Schedule. The Board shall also prescribe simplified return form.

The definition of “Small and Medium Enterprises” is proposed under sub-section (59A) of section 2 of the Ordinance which includes person engaged in manufacturing business having turnover not exceeding Rs. 250 million. However, if turnover exceeds the said threshold in any tax year, such person shall not be classified as “Small and Medium Enterprise” in that tax year and for subsequent tax year.

Such enterprise is required to register with FBR on IRIS portal or Small and Medium Enterprise Development Authority on its SME registration portal (SMERP)

Tax shall be chargeable as provided under the Fourteenth Schedule as follows

Category	Turnover	Under NTR	Under FTR, if opted
Category 1	Annual business turnover not exceeding Rs. 100 million	7.5 % of taxable income	0.25 % of gross turnover
Category 2	Annual business turnover exceeding Rs. 100 million but not exceeding Rs. 250 million	15% of taxable income	0.5 % of gross turnover

It may be noted that option is proposed for SMEs to opt for tax under Final Tax Regime on the rates specified in the table above subject to condition that the option shall be exercised at the time of filing of return and such option shall be irrevocable for three tax years

SECTION 111 Unexplained income or assets

Presently, in case of addition to taxable income on account of unexplained income or assets, separate notice under section 111 of the Ordinance is required to be issued in addition to notice for amendment of assessment under section 122(9) of the Ordinance. The requirement for issuance of separate notice under section 111 of the Ordinance is also upheld by the appellate fora

The bill has proposed to insert explanation under sub-section (5) of section 111 of the Ordinance explaining that the issuance of separate notice is not required where a notice is issued for amendment of assessment under section 122(9) of the Ordinance in respect of such income or assets.

Further, the concealment of income is considered as serious crime under the Ordinance which also attracts severe penalties in addition to recovery of tax on concealed income. However, definition of "concealment of income" is not provided under the Ordinance. The bill has proposed to define the "concealment of income" under section 2(13AA) of the Ordinance as follows:

- Suppression of any receipt liable to tax
- Failure to disclose income liable to tax
- Claiming any deduction or expenditure against taxable income which is not actually incurred
- Acts already covered under sub-section (1) of section 111 of the Ordinance in respect of which person offers no satisfactory explanation regarding source. Such acts / transactions includes
  - (a) Any amount credited in person's books of accounts
  - (b) Any investment is made or ownership of valuable article
  - (c) Person has concealed income or furnish inaccurate particulars of income regarding suppression of production, sale or receipts liable to tax

SECTION 113 Minimum tax on the income of certain persons

Presently, the individuals and AOPs having annual turnover of Rs. 10 million or above in a tax year 2017 and onwards is liable to pay minimum tax on turnover at the prescribed rates. The rate of minimum tax varies from 0.75% to 1.5% for different sectors. The bill has proposed to increase the threshold of Rs. 10 million to Rs. 100 million for chargeability of minimum tax. We understand that the proposed amendment will be applicable retrospectively from tax year 2017 and such individuals having turnover below Rs. 100 million for tax year 2017 and onwards and who paid minimum tax would be able to revise their returns and claim refunds of minimum tax paid.

Further, the minimum tax is also proposed to be chargeable on trading business of immovable properties.

Furthermore, minimum tax rates are proposed to be reduced in certain cases. The comparison of minimum tax rates is as follows.

S. No	Person(s)	Minimum Tax as percentage of the person's turnover for the year	
		Existing	Proposed
(1)	(2)	(3)	(4)
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%	0.75%
2.	(a) Oil refineries (b) Motorcycle dealers registered under the Sales Tax Act, 1990	0.75% 0.3%	0.5% 0.5%
3.	(a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes; (b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; (c) Rice mills and dealers; (d) Tier-1 retailers of fast moving consumer goods who are integrated with Board or its computerized system for real time reporting of sales and receipts; (e) Person's turnover from Supplies through e commerce including from running an online marketplace as defined in clause (38B) of section 2. (f) Persons engaged in the sale and purchase of used vehicles	0.25% 0.25% 0.25% 1.5% 1.5% 1.5%	0.25% 0.25% 0.25% 0.25% 0.25% 0.25%
4.	In all other cases	1.5%	1.25%

SECTION 114 Return of income

Presently, notice for filing of return may be issued for last five completed tax years. However, the time limitation is also proposed to be relaxed in case the

Commissioner is satisfied that a person who fails to furnish his return has foreign income or own foreign assets. This proposal is very alarming as in such cases the Commissioner is powered to require filing of any of the previous income tax returns and initiate assessment proceedings upon filing of returns

Further, in case of business individuals, AOPs and companies, filing of revised accounts or revised audited account is mandatory condition for revision of return. The bill has proposed to empower the Commissioner to relax the filing of revised accounts or revised audited accounts if he is satisfied that such accounts are not necessary.

SECTION 114A Taxpayer's profile

Update of taxpayer's profile was made mandatory through the Finance Act, 2020 which also attracts penalty and inactive status in ATL in case profile is not updated and complete. However, the bill has proposed to withdraw this provision regarding furnishing of profile. We understand that this move is due to the fact that the FBR is unable to implement the appropriate mechanism for updating profile and the taxpayers are facing technical glitches in updating their profiles. Therefore, this requirement is done away with. Consequently, penal provision regarding exclusion of name from ATL as provided under section 182A(2) is also proposed to be withdrawn.

However, declaration of business bank account in registration form or return of income or wealth statement is proposed to be made mandatory through insertion clause (g) in sub-section (1) of section 191 of the Ordinance.

SECTION 122 Amendment of assessments

Presently, no time limit has been prescribed for issuance of Order after show cause notice which resulted in back log of the pending cases. The bill has proposed to prescribe time limit of 120 days for passing of order after issuance of show cause notice further, extension shall not be granted for period exceeding 90 days in aggregate. This proposal would result in early conclusion of open assessments. However, application of this provision is proposed for notices issued on or after 1st July 2021.

SECTION 122A Revision by the Commissioner

Where Order is passed by the Commissioner regarding alteration, modification, implementation of directions or de novo proceedings in respect of Order passed by the sub-ordinate officer. The order giving effect to the order of the Commissioner is proposed to be passed within 120 days.

SECTION 134A Alternate Dispute Resolution

Presently, the alternate dispute resolution is not available in cases where criminal proceedings have been initiated. The bill has proposed to widen the scope of alternate dispute resolution by inclusion of such cases.

The Board is also proposed to be empowered to decide the constitution of Alternate Dispute Resolution Committee (ADRC) where issue involved mixed question of facts and law. Further, the Board is also proposed to be empowered to reconstitute ADRC if the ADRC is unable to resolve the dispute.

Further, time limit for appointment of ADRC is proposed to be reduced from 60 days to 30 days. The time limit for decision of ADRC is also proposed to be reduced from 120 days to 60 days.

It is also important to note that once the taxpayer applies for resolution through ADRC, he would not be entitled to withdraw later.

SECTION 137 Due date for payment of tax

In case of order passed under section 124 of the Ordinance giving appeal effect, tax due as a result of appeal effect is proposed to be paid immediately and time limit of 30 days from issuance of recovery notice shall not apply.

SECTION 147 Advance tax paid by the taxpayer

Presently, the Commissioner is empowered to reject the advance tax estimate if he is satisfied with the documentary evidences provided or estimate of advance tax is not accompanied by relevant detail. The bill has proposed to withdraw such powers of the Commissioner. The estimate furnished by the taxpayer shall be considered. However, any short payment of advance tax by relevant date shall remain subject to default surcharge and penalty.

SECTION 150 Dividends

Collection of tax on dividend in specie is presently covered under section 236S of the Ordinance at the rates of dividend under section 150 read with Division I of Part III of the First Schedule to the Ordinance. The bill has proposed to reclassify the dividend in specie under section 150 of the Ordinance instead of section 236S of the Ordinance being subject to collection of tax at same rates.

SECTION 151 Profit on debt

Tax is required to be collected by every special purpose vehicle or a company on payment of return on investment in sukuks under section 150A of the Ordinance. The bill has proposed to include the collection of tax on return on investment in sukuks under section 151 of the Ordinance as profit on debt. However, rates provided under Division IB of Part III of First Schedule shall continue to apply

SECTION 152 Payment to non-residents

Tax is deductible under section 152A at the rate of 20% on payment to non-resident for foreign produced commercial for advertisement on television channel or any other media. Such tax deduction is final tax for such non-resident person. The bill has proposed to reclassify the said provision under sub-section (1BA) of section 152 of the Ordinance

The bill has also proposed to insert new sub-section (1DA) through which every banking company is liable to deduct tax at the rate of 10% from non-resident individual (holding Pakistan Origin Card (POC), National Identity Card for Overseas Pakistani (NICOP), or Computerized National Identity Card (CNIC)) on account of capital gain arising on disposal of debt instruments, government securities and certificates (including Shariah compliant variant) invested through Foreign Currency Value Account (FCVA) or a non-resident Pakistani Rupee Value Account (NRVA) of a non-resident. Further, payment of return on investment in sukuk to non-resident shall also subject to deduction of tax at applicable rates provided under Division IB, Part III of First Schedule. Such taxes deduced shall be final tax on person and income mentioned therein.

SECTION 153 Payments for goods, services and contracts

The company being a manufacture is entitled to claim exemption from deduction of tax on payment received against supply of goods subject to discharge of advance tax liability. However, in case of public companies and companies registered on stock exchange are entitled for faster processing of exemption application i.e. within 15 days of application. The bill has proposed to extend the facilitation of faster processing of exemptions for all companies eligible to the exemption.

Further, exemption from withholding available under sub-section (5)(b) to traders of yarn on payments by the taxpayers specified in zero rated regime of sales tax is proposed to be withdrawn.

Furthermore, reduced rate of withholding on supplies made by distributor of fast moving consumers goods at the rate of 2% or 2.5% for companies or non-company cases respectively is proposed to be withdrawn. Consequently, such person shall be subject to withholding at general rate of 4% or 4.5% as the case may be.

Following persons are also proposed to be subject to withholding at the rate of 3% on providing services:

i. Oilfield services
ii. Telecommunication services
iii. Warehousing services
iv. Collateral management services
v. Travel and tour services

It is also proposed to be clarified that the services that are chargeable to tax at the rate of 3% shall be applicable to a service provider whose services are subject to withholding tax on gross receipt and the service provider has not agitated taxation of gross receipts before any court of law

SECTION 154A Export of Services

The bill has proposed the collection of tax by every authorized dealer in foreign exchange at the rate of 1% of the proceeds at the time of realization of export proceeds against following services

1. Export of computer software or IT services or IT enabled services where tax credit under section 65F is not available
2. Services or technical services rendered outside Pakistan or exported from Pakistan
3. 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 rights or information concerning industrial, commercial or scientific knowledge experience or skill made available or provided to such enterprise
4. Construction contracts executed outside Pakistan
5. Other services rendered outside Pakistan as notified by the Board from time to time

The tax deductible under this section is proposed to be final tax on income arising from transaction referred at the option of the person who opts for final taxation every year at the time of filing of return. Such option shall be subject to following conditions

i. Return is filed
ii. Withholding tax statement for relevant tax year are filed
iii. Sales tax returns are filed where applicable
iv. No credit for foreign taxes paid shall be allowed.

SECTION 159 Exemption or lower rate certificate

The bill has proposed for fast track processing of exemption application filed under section 159 of the Ordinance. The Commissioner is proposed to become liable for issuance of exemption certificate within 15 days of the application otherwise the exemption will be automatically processed by the system. However, the Commissioner may modify such exemption certificate later after providing opportunity of being heard.

SECTION 165 Statements

The bill has proposed for filing of annual statement of withholding taxes within 30 days of end of the tax year. Further, it is also proposed that the reconciliation of annual statement filed with the annual account / return is also proposed to be filed by due date of filing of return. In view of the proposed amendment, every withholding agent is required to prepare reconciliation of withholding taxes annually which is presently prepared at the time of monitoring of withholding taxes conducted by the department.

SECTION 170A Electronic processing and electronic issuance of refunds by the Board

The bill has proposed automatic processing of refund claimed in return filed for tax year 2021 and onwards without requiring refund application. The refund shall be processed to the extent of amount verified by the Board's computerized system and such refund shall be electronically transferred to the taxpayer's notified bank account.

SECTION 182 Offences and penalties

Currently, late filing of annual income tax return for the tax year is subject minimum penalty of Rs. 40,000 or 0.1% of tax payable for each day of default subject to maximum penalty of 50% of tax payable whichever is higher. The minimum penalty of Rs. 40,000 is proposed to be reduced to Rs. 5,000 where taxable income for the year is upto Rs. 800,000. Further, amount of penalty shall also be reduced by 75%, 50% or 25% if return is filed within one, two or three months respectively after the due date or extended due date for filing of return.

Currently, a person making a false, misleading or omitting any material information to tax authorities, shall be subject to penalty of Rs. 25,000 or 100% of tax shortfall whichever is higher. The penalty threshold of 100% is proposed to be reduced to 50%.

Further, penalty is also proposed for non-compliance of section 118 "Method of furnishing returns and other documents"

The penalty in respect of non-furnishing of "taxpayer profile" under section 114A is proposed to be withdrawn as a result of proposed withdrawal of said provision

Maximum penalty for obstructing or denying the access to the Commissioner or any authorized officer to premises, place, accounts, documents, computers or stocks is proposed to be reduced from 100% to 50% of tax involved.

Penalty of Rs. 5,000 is proposed to be imposed for non-displaying business license as required under section 181D of the Ordinance at the place of business

Penalty in respect of non-compliance of section 181AA regarding "compulsory registration in certain cases" is proposed to be increased from Rs. 10,000 to Rs. 100,000

Penalty for non-declaration of business bank account in registration profile is proposed for Rs. 10,000 per day of default subject to minimum penalty of Rs. 100,000. Taxpayer is required to update their profile in this regards by 30th September 2021.

The bill has proposed to clarify that for levy of penalty under section 182 of the Ordinance, establishing mens rea is not necessary.

SECTION 236C & 236K Advance tax on sale or purchase of immovable properties

The bill has proposed to clarify that the public and private real estate projects registered / governed under any law, joint ventures, private commercial concerns responsible for registering, recording or attesting transfer of immovable property are responsible for collection of tax under this section on sale or purchase of immovable property from seller or buyer respectively

Further, it is also proposed that advance tax collected shall be full and final discharge of tax liability for a non-resident individual holding Pakistan Origin Card (POC), 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

Further, no tax is proposed to be chargeable on capital gain of such immovable property on sale / transfer by such non-resident individual who has paid tax under section 236C of the Ordinance.

SECTION 236G Advance tax on sale to distributors, dealers and wholesalers

Every manufacturer or commercial importer of certain specified goods are liable to collect tax at the specified rate on supply of such goods to distributor, dealers or wholesaler. The bill has proposed to include following goods in the list for collect of advance tax at the rate of 0.1%

1. Pharmaceuticals
2. Poultry and animal feed
3. Edible oil and ghee
4. Battery
5. Tyres
6. Varnishes
7. Chemicals
8. Cosmetics
9. IT equipments

SECTION 236H Advance tax on sale to retailers

Every manufacturer, distributor, dealer, wholesaler or commercial importer of certain specified goods are liable to collect tax at the specified rate on supply of such goods to retailers. The bill has proposed to include following goods in the list for collect of advance tax at the rate of 0.5%

1. Pharmaceuticals
2. Poultry and animal feed
3. Edible oil and ghee
4. Battery
5. Tyres
6. Varnishes
7. Chemicals
8. Cosmetics
9. IT equipments

Further, rate of collection of tax on supply of electronic item is also proposed to be reduced to 0.5%

AMENDMENT IN APPLICABLE TAX RATES

FIRST SCHEDULE

DIVISION VII, PART I CAPITAL GAIN ON DISPOSAL OF SECURITIES

For tax year 2022, new tax rates has been proposed as follows

Period	Existing rate for tax year 2022 and onwards		Proposed rates for tax year 2022 and onwards
	Securities acquired before 01-07-2016	Securities acquired after 01-07-2016	
Holding period of security is less than 12 months	15%	15%	12.5%
Holding period exceeding 12 months and less than 24 months	12.5%	15%	12.5%
Holding period is exceeding 24 months but security was acquired on or after 01-07-2013	7.5%	15%	12.5%
Where security acquired before 01-07-2013	0%	0%	0%
Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	5%	5%	5%

DIVISION V, PART III INCOME FROM PROPERTY

The person liable to withhold tax on rental income shall withhold tax as per following proposed rates w.e.f. 1st July 2021

Sr. No	Gross amount of rent	Rate of tax
1.	Where the gross amount of rent does not exceeds 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;

DIVISION IV, PART IV ELECTRICITY CONSUMPTION

Proposed tax rates for collection of advance tax on electricity bills are as follows

For commercial and industrial consumers

S.No	Gross amount of monthly bill	Tax
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. 1,950 plus 12% of the amount exceeding Rs. 20,000 for commercial consumers Rs. 1,950 plus 5% of the amount exceeding Rs. 20,000 for industrial consumers

For domestic consumers

S.No	Gross amount of monthly bill	Tax
1	Less than Rs. 25,000	Rs. 0
2	Rs. 25,000 or more	7.5% of the amount

DIVISION V, PART IV TELEPHONE USERS

Proposed tax rates for collection of advance tax on telephone are as follows.

(a)	In the case of a telephone subscriber (other than mobile phone subscriber) where the amount of monthly bill exceeds Rs. 1,000	10% of the exceeding amount of bill
(b)	In the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card	10% for tax year 2022 and 8% onwards of the amount of bill or sales price of internet pre-paid card or prepaid telephone card or sale of units through any electronic medium or whatever form

EXEMPTION & TAX CONCESSIONS

PART I, SECOND SCHEDULE

- Exemption available under clause (4) on income from salary derived by Pakistani seafarer is proposed to be withdrawn.
- Exemption available under clause (22) and (23) in respect of any payment received on account of profit on debt out of provident fund, to which Provident Fund Act, 1925 applies or any provident fund recognized under the Sixth Schedule, is proposed to be restricted to Rs. 500,000. Any payment of profit on debt exceeding Rs. 500,000 is proposed to be subject to tax at the rate of 10%. Further, exemption available under clause (23C) on profit on debt received out of approved pension fund that represent the funds transfer from approved provident fund is proposed to be withdrawn and such profit on debt is proposed to be taxed at the rate of 10% irrespective of threshold
- Exemption available under clause (39) in respect of Special allowance or benefit for employees to meet expenses incurred in the performance of the duties of employment is proposed to be withdrawn
- Exemption available under clause (40) in respect of Income of a newspaper employee representing Local Travelling Allowance is proposed to be withdrawn
- Exemption under clause (53A) in respect of employment related perquisites (food, education, medical treatment and any other perquisites, if provided by employer for free or at subsidized rates) is proposed to be withdrawn
- Exemption under clause (57) granted to Sheikh Sultan Trust, Karachi in respect of any income derived from voluntary contributions, house property and investments in securities of the Federal Government is proposed to be withdrawn
- Exemption / straight deduction on payment to donations to organizations mentioned in clause (61) of Part I of the First Schedule to the Ordinance is proposed to be withdrawn. However, tax credit under section 61 of the Ordinance in respect of payment of donation to such organizations is proposed to be allowed through introduction of Thirteenth Schedule
- Exemptions available under the Ordinance in respect of donation paid to certain Organizations / Trust as currently available under clause (61), (64A), (64B), (64C) and (65) are proposed to be withdrawn consequent to allowance of tax credit under section 61 of the Ordinance read with proposed Thirteenth Schedule to the Ordinance
- Exemption on income derived by certain institutions is proposed to be granted under Table I of clause (66). However, certain institution which are covered under Table 2 of said clause subject to tax credit under section 100C is proposed to be withdrawn
- Exemption available under clause (72) to non-resident person on account of income from profit on debt derived from following is proposed to be withdrawn
  - i. private loans to be utilized on projects approved by the Federal Government
  - ii. On a loan in foreign exchange against export letter of credit which is used exclusively for the export of goods manufactured or processed for exports in Pakistan; and
  - iii. Being a foreign individual, company or firm or association of person in respect of a foreign loan as is utilized for industrial investment in Pakistan
- Exemption available under clause (72A) to Sukuk Holder in respect of any income in relation to Sukuk issued by “The Second Pakistan International Sukuk Company Limited “ and “The Third Pakistan International Sukuk Company Limited included any gain on disposal of such sukuk is proposed to be withdrawn

- Exemption available under clause (74) to Hub Power Company Limited in respect of profit on debt derived on or after 1st July 1991 on its bank deposits or accounts with financial institutions directly connected with financial transactions relating to the project operation is proposed to be withdrawn
- Exemption available under clause (80) in respect of income derived by resident individual who is a citizen of Pakistan from a private foreign currency account held with an authorized bank in Pakistan or certificates of investment issued by investment banks in accordance with foreign currency account scheme is proposed to be withdrawn
- Exemption under clause (90) in respect of profit on debt payable by Pakistani industrial undertakings to financial institutions in foreign countries is proposed to be withdrawn
- Exemption under clause (90A) in respect of profit on debt derived by any person on bonds issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market is proposed to be withdrawn
- Exemption under clause (91) in respect of any income derived by text-book board of Provinces is proposed to be withdrawn
- Exemption under clause (98) in respect of any income derived by any sport boards in Pakistan is proposed to be withdrawn
- Exemption under clause (99A) in respect of profit and gain from sale of immovable property to a REIT Scheme is proposed to be extended from 30 June, 2015 to 30th June, 2023
- Exemption available under clause (100) to any income derived by modaraba is proposed to be withdrawn
- Exemption available u/s (101)to profit and gains derived by Venture Capital Company, Venture Capital Fund and a Private Equity is proposed to be withdrawn
- Exemption available under clause (103) to any distribution received by taxpayer out of the capital gains of collective investment scheme being a debt or money market fund not investing in shares, National Investment (Unit) Trust, RIET Scheme or a Private Equity or Venture Capital Fund is proposed to be withdrawn
- Exemption under clause (103C) in respect of dividend income derived by a company eligible for group relief under section 59B is proposed to be withdrawn
- Exemption under clause (103D) is proposed to be granted for the period of 10 years in respect of dividend income and long term capital gains of any venture capital fund from investments in zone enterprises as defined in clause (p) of section 2 of the Special Technology Zones Authority Ordinance, 2020.
- Exemption under clause (104) in respect of dividend received by the Libyan Arab Foreign Investment Company being dividend of Pak-Libya Holding Company is proposed to be withdrawn
- Exemption under clause (105) in respect of dividend received by the Government of Kingdom of Saudi Arabia being dividend of the Saudi-Pak Industrial and Agricultural Investment Company Limited is proposed to be withdrawn
- Exemption u/s (105A) in respect of dividend received by Kuwait Foreign Trading Contracting and Investing Company or Kuwait Investment Authority being dividend of the Pak-Kuwait Investment Company is proposed to be withdrawn
- Exemption under clause (110B) on gain on transfer of membership right by member of stock exchange in course of corporatization of stock exchange is proposed to be withdrawn
- Exemption under clause (110C) on gain on transfer of bond issued by Pakistan Mortgage

Refinance Company is proposed to be withdrawn

- Exemption under clause (114) on any income under the "Capital Gains" derived by the person from an industrial undertaking set up in "Zone" declared by the Federal Government is proposed to be withdrawn
- Exemption under clause (114AA) in respect of capital gain derived by a resident individual from the sale of constructed residential property subject to certain conditions is proposed to be withdrawn
- Exemption u/s (117) in respect of any income derived by a person from plying of any vehicle registered in the territories of Azad Jammu & Kashmir is proposed to be withdrawn
- Exemption available to Khalifa Coastal Refinery for a period of 20 years is proposed to be withdrawn. Further, the exemption already available to refinery set between 1st July 2018 to 30th June 2023 for a period of 20 years is replaced with exemption for unlimited period in respect of profits and gains derived by a refinery from new deep conversion refinery of atleast 100,000 barrels per day or for the purpose of upgradation, modernization or expansion of any refinery already in existence. However, such exemption is subject to approval from Federal Government or submission of undertaking to the Federal Government before, as the case may be, before 31st December 2021
- Exemption under clause (126C) in respect of industrial undertakings setup in Larkano Industrial Estate is proposed to be withdrawn
- Exemption under clause (126E) is proposed to be granted in respect of profit and gains derived by Zone Developer, Zone Enterprises and Special Technology Zone Authority
- Exemption under clause (126G) on profit and gains derived by a taxpayer, being an industrial undertaking, from fruit preservation or processing unit set up in Baluchistan, Malakand Division, Gilgit Baltistan and FATA is proposed to be withdrawn
- Exemption u/s (126H) in respect of 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 is proposed to be withdrawn
- Exemption under clause (126I) on profit and gain derived by industrial undertaking set up before 30th June 2023 and engaged in manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind. Such exemption is proposed to be withdrawn
- Exemption under clause (126J) on profits and gains derived by a taxpayer, from an industrial undertaking set up between 1 st day of July, 2015 and 30th day of June, 2016 engaged in operating warehousing or cold chain facilities for storage of agriculture produce is proposed to be withdrawn
- Exemption under clause (126K) on 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 is proposed to be withdrawn
- Exemption under clause (126L) on 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, 2015and 30th day of June, 2018 is proposed to be withdrawn
- Exemption under clause (126M) is available on profit and gains derived by taxpayer from a transmission line project setup in Pakistan on or after 1st day of July 2015 till 30th June, 2018. Time limit for setting up by 30th June 2018 is proposed to be extended till 30th June 2022
- Exemption under clause (126N) on profits and gains derived by a taxpayer from an

industrial undertaking, duly certified by the Pakistan Telecommunication Authority, engaged in the manufacturing of cellular mobile phones is proposed to be withdrawn

- Exemption under clause (126O) available to greenfield industrial undertaking incorporated after 1st July 2019 is proposed to be withdrawn
- Exemption under clause (131) currently available to company having registered office in Pakistan in respect of income derived by way of royalty, commission, fee from foreign enterprise or fee for technical services rendered outside Pakistan under an agreement. Further, exemption is also available to non-corporate taxpayer in respect of fee for technical services rendered outside Pakistan under an agreement. Provided that such income is received in Pakistan in foreign exchange through banking channel. Such exemption is proposed to be withdrawn
- Exemption under clause (132) is currently available to electric power generation project set up on Pakistan after 1st July 1988 subject to certain condition. The bill has proposed to exclude such electric power generation project, who entered into agreement or to whom letter of intent is issued by Federal of Provincial Government for setting up in Pakistan after 30th June 2021 is proposed to be withdrawn
- Exemption under clause (132A) available to Bosicor Oil Pakistan Limited is proposed to be withdrawn
- Exemption under clause (132AA) is proposed to be granted on profit and gains derived from sale of electricity by National Power Parks Management Company Limited as a result of Privatization by the Privatization Commission of Pakistan.
- Exemption under clause (132B) available to coal mining project in Sindh supplying coal exclusively to power generation project is replaced with hundred percent tax credit through proposed insertion of section 65F of the Ordinance
- Exemption under clause (132C) is proposed to be granted on profits and gains derived by taxpayer from a bagass/biomass based cogeneration power projects commissioned after 1st Jan, 2013
- Exemption under clause (133) available on income from export of computer software, IT services and IT enabled services is replaced with hundred percent tax credit through proposed insertion of section 65F of the Ordinance
- Exemption under clause (135A) available to non-resident on income from investment in OGDCL, exchangeable bonds issued by the Federal Government is proposed to be withdrawn
- Exemption under clause (136) available to Special Purpose Vehicles as defined under Asset Backed Securitization Rules, 1999 is proposed to be withdrawn
- Exemption under clause (139) on medical treatment, hospitalization and medical allowance provided by employer to employee is proposed to be withdrawn
- Exemption under clause (141) available to LNG Terminal Operator and Terminal Owners is proposed to be withdrawn
- Exemption under clause (143) available to startups as defined under section 2(62A) certified by the Pakistan Software Export Board is replaced with hundred percent tax credit through insertion of section 65F of the Ordinance
- Exemption under clause (146) available to individual domiciled, company or AOP resident in Tribal Areas of KP and Baluchistan in respect of income which was not chargeable to tax prior to amendment of the Constitution (Twenty-fifth Amendment) Act, 2018. The said exemption is proposed to be withdrawn
- Exemption under clause (148) on income derived by Islamic Naya Pakistan Certificates Company Limited (INPCCL) is proposed to be included in Table I of Clause (66)

Part II, Second Schedule

- Reduced tax rate under clause (2) in terms of Fifth Schedule applicable to person letting out of pipeline for the purpose of carriage of petroleum is proposed to be withdrawn
- Reduced tax rate under clause (3) i.e. 50% of applicable rate available in respect of service rendered outside Pakistan and construction contracts executed outside Pakistan is proposed to be withdrawn
- Reduced rate under clause (3B) at 4% applicable on income of Pakistan Cricket Board from source abroad is proposed to be withdrawn
- Reduced rate under clause (5AB) at the rate of 10% is proposed as final tax on profit on debt derived from Federal Government securities for Pakistani resident citizen who has already declared foreign assets to the board.
- Reduced rate under clause (5AC) is proposed to be granted at the rate of 0% on profit on debt which was exempt vide clause 78 and 79 of Part-I First Schedule
- Reduced rate under clause (5B) at the rate of 10% applicable in respect of capital gain from sale of shares or assets by private limited company to Private Equity and Venture Capital Fund is proposed to be withdrawn
- Reduced rate under clause (9AA) is proposed to at the rate of 0.25% on import of white sugar from 25th Aug, 2020 to 15 Nov, 2020.
- Reduced rate under clause (9AB) is proposed at the rate of 0.25% on commercial import of white sugar from 26th Jan, 2021 to 30th June, 2021
- Reduced rate under clause (9AC) is proposed at the rate of 0.25% on import of raw sugar by sugar mills from 26th Jan, 2021 to 30th June, 2021.
- Reduced rate of 25% under clause (18) on income of Modaraba is proposed to be withdrawn
- Reduced rate under clause (18A) at the rate of 20% provided for industrial undertaking setup between the first day of July, 2014 to the thirtieth day of June, 2017, for a period of five years is proposed to be withdrawn
- Reduced rate under clause (18B) at the rate by 2% in case of shariah compliant companies listed on stock exchange is proposed to be withdrawn
- Reduced rate under clause (18C) is proposed at the rate of 7.5% on dividend income declared by a company as are attributable profit derived from a bagass/biomass based cogeneration project qualifying from exemption under clause 132C of Part-I, First Schedule. Accounting profit attributable shall be determined and certified by the external auditor of the company
- Reduced rate of withholding under clause (24A) at the rate of 1% for large distribution houses is proposed to be withdrawn
- Reduced rate under clause (24AA) at the rate of 6% under section 152 on payments made to CR-NORINCO JV (Chinese Contractor) for Lahore Orange Lime Metro Train Project is proposed to be withdrawn
- Reduced rate under clause (24C) for withholding under section 153(1)(a) on gross amount of payment to dealers and sub-dealers of sugar, cement and edible oil at the rate of 0.25% is applicable. Such reduced rate is also proposed for distributor, wholesalers and retailers of specified products and also proposed to include sectors of fast moving consumer goods, fertilizers and electronic excluding mobile phones. Further, it is also proposed to introduce conditions that the beneficiary should be Active taxpayer under Income Tax and Sales tax and incase of Tier-1 retailer, the beneficiary must be integrated with the Board for real time reporting of sales or receipts.

- Reduced rate under clause (24D) for minimum tax at the rate of 0.25% under section 113 is applicable for dealers and sub-dealers of sugar, cement and edible oil, subject to the condition that, the beneficiary should appear in Active taxpayer list of Income Tax and Sales Tax. The application of this clause is proposed to be extended to distributor, wholesalers and retailers. It is also proposed to include sectors of fast moving consumer goods, fertilizers, locally manufactured mobile phones. Further, it is proposed that in case of Tier-1 retailer, the beneficiary must be integrated with the Board for real time reporting of sales or receipts
- Reduced rate under clause (28A) for tax on import of hybrid cars is proposed to be withdrawn
- Reduced rated under clause (28B) for tax rate of 0.15% on cash withdrawals under section 231A in respect of licensed and authorized exchange company is proposed to be withdrawn
- Reduced rate of minimum tax under clause (28E) at the rate of 0.5% under section 113 applicable to trader of yarn being an individual for tax year 2020. The same is now proposed to be extended for tax year 2021 and onwards

Part III, Second Schedule

- Reduction in tax liability by 25% under clause (2) available to full time teacher or researcher is proposed to be withdrawn
- Reduction in tax liability by 50% under clause (7) available to foreign film maker for making films in Pakistan is proposed to be withdrawn
- Reduction in tax liability by 70% under clause (8) available to resident companies deriving income from film making is proposed to be withdrawn
- Reduction in tax liability by 50% under clause (9) available to person deriving income from low cost housing projects subject to certain conditions. However, benefit of reduced rate is proposed to be restricted to such projects which commence on or before 30th June 2024
- Reduction in tax liability by 90% under clause (9B) is available on income from low cost housing projects developed or approved by NAPHDA or under Ehsaas Programme. However, benefit of reduced rate is proposed to be restricted to such projects which commence on or before 30th June 2024.
- Reduction rate of withholding under clause (17) is proposed with retrospective effect from 1st July 2019 restricting the tax payable by cotton ginners on their income and profits to the extent of 1% of turnover from cotton lint, cotton seed, cotton seed oil and cotton seed cake. Such tax is proposed to be full and final discharge of liability in respect of cotton ginning and oil milling activities only
- Reduction rate of withholding under clause (18) is proposed at the rate of 1% on value of offshore supply contract of an Independent Power Producer located wholly or partly in territories of AJ and K subject to following conditions

  i. PPIB has issued Letter of Support for the project;

  ii. its EPC Contract has been executed and submitted to NEPRA for EPC stage tariff determination prior to the enactment of Finance Act, 2018;

  iii. offshore supply contract arrangement of offshore supply contractor having permanent establishment in Pakistan falls under the purview of cohesive business operation as contemplated under Income Tax Ordinance, 2001; and

  iv. such 1% tax shall be full and final liability of the offshore contractor.
- Reduced tax payable under clause (19) is proposed for woman enterprises on profit

and gains derived from business chargeable to tax under the head “Income from Business” at the rate of 25%. It is proposed to be clarified that woman enterprise means a startup established on or after first day of July 2021 as sole proprietorship concern owned by a woman or an AOP all of whose members are women or a company whose 100% shareholding is held or owned by women. It is further proposed that that benefit of this clause shall not be available to a business that is formed by the transfer or reconstitution or reconstruction or splitting up of an existing business

Part IV, Second Schedule

- Exemption under clause (2) regarding threshold of 6 years for claiming losses as provided under section 57 is available to industrial undertaking setup in “Zone” declared by Federal Government. Such exemption is proposed to be withdrawn
- Exemption under clause (4A) is proposed in which no provisions of law shall apply for recouping of tax credit already allowed to National Power Parks Management Company Limited for investment in plant and machinery in the eve of privatization merely for the reasons of change in its ownership pattern or debt to equity ratio.
- Exemption from minimum tax under clause (11A) available to following person is proposed to be withdrawn

  i. non-profit organizations approved under clause (36) of section 2 or clause (58) or included in clause (61) of Part-I of this Schedule;

  ii. 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;

  iii. a modaraba qualifying for exemption under clause (100) of Part-I of this Schedule

  iv. Corporatized entities of Pakistan Water and Power Development Authority;

  v. 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; and

  vi. Start-up as defined in clause (62A) of section 2.
- Further, following persons are proposed to be included to avail exemption from minimum tax:

  i. Islamic Naya Pakistan Certificates Company Limited (INPCCL

  ii. 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;

  iii. new entity taking over National Power Parks Management Company Limited in the eve of privatization;

  iv. Persons qualifying for exemption under clause (126E) of Part I of this Schedule for tax year 2021 and onwards

  v. Persons qualifying for exemption under clause (126EA) of Part I of this Schedule;

  vi. Persons mentioned in Table I of clause (66) of Part I of Second Schedule.
- Exemption under clause (12B) is available from collection of advance tax at import stage under section 148 for various items imported in respect of fitting COVID-19 Pandemic for the period from 20th Mar, 2020 to 30th Sep, 2020. However, the period

of exemption is proposed to be extended till 30th June 2021.

- Exemption under clause (12F) is proposed to incorporate amendment made vide SRO 642 (I)2020 dated 28 July 2020. Which provides that, the provision of section 148 shall not apply on import of 1.5 million tons of wheat having PCT Heading 1001.1900 and 1001.9900 in pursuance of Cabinet Decision in case No.399/23/2020 dated the 16th June, 2020.
- Exemption under clause (12G) is proposed to incorporate amendment made vide SRO 750 (I)2020 dated 20 Aug 2020. Which provides that, the provision of section 148 shall, in pursuance of the Cabinet Decision in case No. 541/30/2020 dated the 4th August, 2020, not apply on import by the Trading Corporation of Pakistan of 300,000 metric tons of white sugar having PCT heading 1701.9910,1701.9920, specification B.
- Exemption under clause (12H) is proposed to incorporate amendment made vide SRO 772 (I)2020 dated 24 Aug 2020. Which provides that, the provision of section 148 shall not apply on import of oxygen gas, cylinder of oxygen gas and Cryogenic tanks (for oxygen gas) for a period of three months starting from the 23rd of June, 2020.
- Exemption under clause (12I) is proposed to incorporate amendment made vide SRO 922 (I)2020 dated 29 Sep, 2020. Which provides that, the provisions of section 148 shall not apply on import of 83 X Micron sprayers for Anti-Locust Operation (Respective heading) by National Disaster Management Authority (NDMA).
- Exemption under clause (12J) is proposed to incorporate amendment made vide SRO 99 (I)2021 dated 26 Jan, 2021. Which provides that, the provisions of section 148 shall, in pursuance of the Cabinet Decision in case No. 34/02/2021, dated the 12th January, 2021, not apply on import of three hundred thousand metric tons of wheat through tendering process by the Trading Corporation of Pakistan.
- Exemption under clause (12K) is proposed to incorporate amendment made vide SRO 132 (I)2021 dated 03 Feb, 2021. Which provides that, the provisions of section 148 shall not apply on import of Cryogenic Tanks (for oxygen Gas) by the manufacturers of oxygen for a period of three months starting from the 25th day of December, 2020.
- Exemption under clause (12L) is proposed to incorporate amendment made vide SRO 235 (I)2021 dated 23 Feb, 2021. Which provides that, the provisions of section 148 and 153 shall not apply on import and subsequent supply of five hundred thousand metric tons of white sugar imported by the Trading Corporation of Pakistan.
- Exemption under clause (12M) is proposed to incorporate amendment made vide SRO 235 (I)2021 dated 23 Feb, 2021. Which provides that, the provisions of section 148 shall not apply on import of oxygen cylinder and related products for a period of one hundred and eighty days starting from the 14th day of May, 2021
- Exemption under clause (12N) is proposed in respect of certain items from purview of section 148 and 154 which takes place within the jurisdiction 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, income tax shall be charged on the import value as per provisions of section 148 of this Ordinance

    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 income 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 the Ordinance, besides recovery of the amount of income tax along with default surcharge and penalties involved

- Exemption is available under clause (43D) from deduction of tax as withholding agent is u/s 153(1)(a) of the Ordinance in case of an oil tanker contractor with effect from 1st July 2008, provided that such contractor pays tax @ 2.5%, on the payments for rendering or providing of carriage services w.e.f. tax year 2012. Said exemption is also proposed in respect of withholding u/s 153(1)(b) of the Ordinance subject to condition that payment of tax at the rate of 2.5% is proposed to be extended to 3.5%.
- Exemption is available under clause (43E) from deduction of tax as a withholding agent u/s 153(1)(a) of the Ordinance in case of goods transport contractors subject to condition that such contractors pay tax at the rate of 3% on payments for rendering or providing of carriage services. The exemption is proposed to be extended for deduction u/s 153(1)(b) subject to proposed increase of tax from 3% to 3.5%
- Exemption under clause (43G) is proposed in respect of withholding of tax under section 153 of the Ordinance on commodity futures contracts listed on a Futures Exchange licensed under the Futures Market Act, 2016 (XIV of 2016).
- It is proposed to clarify that the benefit of reduced rate under clause (45A) only applies where supplies are made by five sectors namely textiles and articles, carpets, leather and articles thereof, surgical goods and sports goods.
- It is proposed to clarify under clause (45B) that provisions of section 153 shall not apply on the purchase of used motor vehicles from general public.
- Exemption from section 153 is available to certain persons under clause 46AA. However, exemption is proposed in respect of following 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:

  a. . fresh milk

  b. fish by any person engaged in fish farming;

  c. live chicken, birds and eggs by any person engaged in poultry farming;

  d. live animals by any person engaged in cattle farming;

  e. unpackaged meat; and

  f. 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.
- Exemption available under clause (47B) in respect of modaraba, private equity and venture capital fund from withholding of tax under section 150, 151, 233 and Part I, Division VII of the First Schedule is proposed to be withdrawn
- Following items are proposed to be exempt under clause (56) in respect of collection of tax under section 148 of the Ordinance.

i. 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;

ii. 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;

iii. 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;

iv. persons authorized under Export Facilitation Scheme 2021 notified by the Board with such scope, conditions, limitation, restrictions and specification of goods;

v. motor vehicles upto 850cc in CBU condition;

vi. Printed books excluding brochures, leaflets and similar printed matter, whether or not in single sheets.(PCT code 49.01); and

vii. Printed books excluding brochures, leaflets and similar printed matter, whether or not in single sheets.(PCT code 49.01)

- Exemption available under clause (57A) for large import house from provision of section 153 and 169 is proposed to be withdrawn
- Exemption under clause (60DA) is proposed in respect of collection of tax under section 148 of the Ordinance on import of the capital equipment by following

i. zone developers as defined in section 2 of the Special Technology Zones Ordinance 2020 for consumption in the special technology zones for the period of 10 years commencing from the date of signing the development agreement;

ii. 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

iii. Special Technology Zones Authority established under the Special Technology Zones Ordinance 2020

- Exemption available to Hajj Group Operators under clause (72A) in respect of application of provision of section 21(l), 113 and 152 is proposed to be withdrawn
- Exemption under clause (79A) is proposed in respect of application of provisions of section 153(1)(b) on payments received by National Telecommunication Corporation against provision of telecommunication services including ancillary services specified in sub-section (3) of section 41 of the Pakistan Telecommunication (Re-organization) Act, 1996 (XVII of 1996).
- Exemption under clause (111AB) is proposed in respect of non-resident individuals holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) maintaining a Foreign Currency Value Account (FCVA) or Non-resident Pakistani Rupee Value Account (NRVA) with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan.
- It is proposed under clause (114A) that registration under section 181 and filing of return under section 114(1)(ae) shall not apply to a non-resident individual holding POC, NICOP or CNIC maintaining a Foreign Currency Value Account (FCVA) or a Non-resident Pakistani Rupee Value Account (NRVA) with authorized banks in Pakistan. However, this exemption shall not be available in case of Pakistan-source taxable income except following:

a. profit on debt on FCVA or Non-resident Pakistani Rupee Value Account (NRVA)

b. profit on debt earned on Government of Pakistan (GOP) securities either conventional or Shariah Compliant where investment has been made from proceeds of FCVA or NRVA;

c. capital gain on disposal of immovable property acquired from proceeds of FCVA or NRVA;

d. capital gain on disposal of securities traded on Pakistan Stock Exchange and units of mutual 13 funds that are acquired from proceeds of FCVA or NRVA; or

e. dividend income from securities traded on Pakistan Stock Exchange and mutual funds that are acquired from proceeds of FCVA or NRVA.

- Exemption from withholding tax under the provisions of the Ordinance as a recipient is allowed under clause (118) to Naya Pakistan Certificates Company Limited (INPCCL)
- Exemption from withholding of tax under section 153(1)(a) is proposed to be allowed under clause (119) to distributors, dealers, wholesalers and retailers of locally manufactured mobile phone devices as withholding agent w.e.f. 1st July 2020.

SALES TAX

SECTION 2(5AB) Cottage Industry

The Bill seeks to increase the annual turnover requirement from 3 million to 10 million for small manufacturer working as Cottage Industry to rationalize inflationary effects of prices. Through Finance Act 2019 limit reduces from 10 million to 3 million, now again the limit of turnover has been proposed to increase.

SECTION 2(18A), 2(43A) & 3 Taxability of Online Market Place as Tier-1 retailer.

The bill proposes to include the supplies made through the online market place or by the person running the online market place, whether the goods are owned by him or not, under section 3 of charging section of the scope of Sales tax Act, 1990. Due to such inclusion, the person supplying the goods or the person who is providing online marketplace services for selling goods, both would be require to get itself register under the Sales tax Act and is liable to charge sales tax on supplies at the applicable rates under the relevant provisions of law.

Further, bill also proposes that persons supplying goods or facilitating the suppliers through e-commerce websites to supply goods to end consumers without owing goods; to be categorized as tier 1 retailers under the Act. Said person would be liable to get itself register under the Sales tax Act and is liable to charge sales tax on supplies at the applicable rates.

Consequently the bill proposes to include the definition of online market place for the person who are selling goods online through e-commerce websites. Proposed definition of online market place is as follows:

Online market place includes an electronic interface such as a market place, ecommerce platform, portal or similar means which facilitates sales of goods, including third party sale, in any of the following manner, namely:-

a. By controlling the terms and conditions of the sales;

b. Authorizing the charge to the customers in respect of the payment for the supply; or

c. Ordering or delivering the goods

The said proposed inclusions would effect the business of e-commerce companies and will create ambiguity on taxability of services who are only providing online market place to business individuals to sell directly to customers without having a retail store. As, the said e-commerce industries are already registered with the provincial authorities and are paying taxes in accordance with provincial tax laws as applicable on the services rendered by them.

SECTION 2(43A) Tier-1 retailer

The bill seeks to propose to make following amendments in the categories of Tier-1 retailers:

1. Exclusion of furniture retailers from the category of Tier-1 retailer who are having shop area less than 2000 sq feet.

   The said proposed amendment is to rationalize the liability of small furniture retailer who are having shop less than 2000 sq feet area for registering and charging sales tax as required by tier-1 retailer. After such amendment small furniture retailers would be liable to pay sales tax through electricity bill if not registered under the Sales Tax Act, 1990.

2. Inclusion of persons having acquired point of sale terminal machines from banking companies for accepting payments through debit / credit cards or

digitally accepting receipts through service provider authorized by State Bank of Pakistan.

SECTION 3 Scope of tax

The bill seeks to propose for the withdrawal of 5% cash back of tax amount to customer of Tier-1 retailers as introduced through Finance Act 2019.

SECTION 8B Adjustable Input tax

According to the provision contained in the section 8B of the Act there is restriction on adjustment of excess input tax over and above 90% of the output tax.

Now, bill seeks to relax the adjustment limit in case of supplies made by Public listed companies. In view of this, the public companies listed on stock exchange would be allowed to adjust input tax with output tax without any percentage restriction.

SECTION 11 Assessment of Tax and recovery of tax not levied or short-levied or erroneously refunded

The bill seeks to propose amendment in section 11(5) which provides the time frame for the issuance of show-cause notice for recovery of short tax paid during the period. The time limit as prescribed is five years of the relevant date, i.e. from the tax period from which the return is filed.

In order to streamline the time limit it is proposed to change the words “relevant date” with “end of the financial year in which the relevant date falls” so that show-cause notices could be issued on tax year basis without having time constraints. These amendment will ease the officer to undertake audits in the yearly basis.

SECTION 21B Common Identifier Number

The bill seeks to set down the principle for using CNIC number in case of individual and NTN number in case of AOP / company as Common Identifier number in addition to sales tax registration number.

SECTION 22 Records

Section 22 of the Act prescribed documents to be maintained by the taxpayer. The bill seeks to add the following list of documents as required to be maintain by him:

a. Cash book

b. Electronic version of all the documents involved in the course of business activity.

SECTION 25AA Transaction between associates

The bill seeks to insert an empowering provision in the Act for making rules for determining transfer pricing of taxable supplies between associates to reflect fair market value in arm’s length transactions.

SECTION 26AB Extension of time for furnishing returns

The bills seeks to insert a relief measure to the taxpayer by proposing a new section for applying extension in time for filing monthly sales tax returns before the Commissioner and Chief Commissioner.

The Commissioner would be empowered to allow extension in time for not more than 15 days from due date upon request in writing by the taxpayer. The Commissioner may allow further extension in exceptional circumstances justifying a longer extension.

In case where Commissioner refuses the request, the taxpayer can apply extension in time to the Chief Commissioner. The Chief Commissioner would be empowered to allow extension in time for not more than 15 days or may allow further longer extension in exceptional circumstances justifying reason for longer extension.

The proposed extension in time is only in respect of filing sales tax return and not for the purpose of payment of taxes. By all means no extension could be provided for payment of taxes unless specifically provided by the Board.

SECTION 40D Provisions relating to goods supplied from tax-exempt areas

The bill seeks to insert 'Broder Sustenance Markets' in the list of tax exempt areas for the purpose of supply from exempt area. Broder Sustenance Markets would be established in cooperation with Iran and Afghanistan and shall be exempted from whole of the sales tax subject to the condition as proposed to be provided in Table 4 of Sixth Schedule to the Sales Tax Act, 1990. The conditions are as follows:

1. Such goods shall be supplied only within the limits of Border Sustenance Markets.
2. 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.
3. 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
4. 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
5. 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.

SECTION 40E Licensing of brand name

The bill seeks to insert a new section which will make it mandatory for manufacturers of specified goods required 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.

List of specified goods has not yet been proposed.

SECTION 48 Recovery of tax arrears

The bill seeks to insert an enabling provision in the Act in respect of request from a foreign jurisdiction under a tax treaty, a multilateral convention, and inter-governmental agreement or similar agreement or mechanism.

SECTION 56A Agreement for exchange of information

The bill seeks to insert provisions regarding sharing of data with foreign countries on reciprocal basis. This provision were introduced through Tax Laws

(Amendment) Ordinance, 2021 in Sales Tax Act, 1990. Moreover, bill propose for mechanism for assistance in recovery of taxes on request from foreign countries on reciprocal basis.

SECTION 56C Prize Schemes to promote tax culture

The bill seeks to insert a provision for scrutiny of invoices issued by tier 1 retailer integrated with FBR online system claimed by the general public to ensure that the incentive is not misused through "mystery shopping".

SECTION 67 Delayed refund

The bill seeks to propose 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.

SECTION 73 Certain transactions not admissible

The bill seeks to introduce the concept of constructive payment in the section 73 of the Act, to facilitate taxpayer who were facing difficulties in compliance of this section where book adjustment entries were required for setting of receivable from payable to same parties. The said entry would be treated as payments if the following conditions are met:

a. Sales tax has been charged and paid by both parties under the relevant provisions of the Sales Tax Act and
b. The registered person has sought prior approval of the Commissioner before making such adjustments

THE THIRD SCHEDULE

Manufacturer and Importers are required to pay sales tax on Goods mentioned in third schedule on retail price. The bill seeks to levy sales tax on sugar through retail price to ensure due collection of sales tax therefore, is proposed to be included in Third Schedule.

THE FIFTH SCHEDULE

The bill has proposed to include following in the list of zero rating:

1. 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

The bill has proposed to exclude following in the list of zero rating:

1. Supply, repair or maintenance of ship and aircraft
2. Supply of spare parts and equipment for ships and aircraft
3. Supply of equipment and machinery for pilot age, salvage or towage services.
4. Supply of equipment and machinery for air navigation services.
5. 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.
7. Petroleum Crude Oil

8. 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.

THE SIXTH SCHEDULE

The Finance Bill has proposed to rescind exemption on import of following goods, however, local supply is exempt:

1. Eggs including eggs for hatching
2. Sugar beet
3. Fruit juices, whether fresh, frozen or otherwise preserved but excluding those bottled, canned or packaged.
4. Preparations suitable for infants, put up for retail sale.
5. Following goods other than sold in retail packing under a brand name:
    a. Cereals and products of milling industry excluding the products of milling industry, other than wheat and meslin flour
    b. Milk and cream, concentrated or containing added sugar or other sweetening matter
    c. Flavored milk
    d. Yogurt
    e. Whey
    f. Butter
    g. Desi ghee
    h. Cheese
    i. Processed cheese not grated or powdered
    j. Sausages and similar products of poultry meat or meat
    k. Offal
    l. Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish
    m. Fat filled milk

The Finance Bill has proposed to rescind exemption from charging sales tax on the import and supply of following goods:

1. 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.
2. Ice and waters excluding those for sale under brand names or trademarks.
3. Table salt including iodized salt excluding salt sold in retail packing bearing brand names and trademarks.
4. Glass bangles
5. Energy saver lamps and components of energy saver

6. Bicycles
7. 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 fulfilling he condition as laid down in rules of the Customs Rules, 2001.
8. Ships of any kind and purpose
9. Import of Halal edible offal of bovine animals
10. Aircraft, whether imported or acquired on wet or dry lease including Maintenance kits for use in trainer aircrafts; Spare parts for use in aircrafts, trainer aircrafts or simulators and Aviation simulators imported by airline company recognized by Aviation Division.
11. 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 Finance Bill has proposed to rescind exemption from charging sales tax on local supply of following goods:

1. Raw and pickled hides and skins, wet blue hides and skins
2. LED or SMD lights and bulbs meant for conservation of energy
3. Cotton seed oil

The Finance Bill has proposed to exempt following goods from sales tax on the import and supply stage:

1. Art paper and printing paper for printing of Quran
2. Import of CKD kit of 4 wheeler electric vehicles by local manufacturers till 30th June, 2026 in respect of Small cars/SUVs with 50 Kwh battery or below; and Light commercial vehicles (LCVs) with 150 kwh battery or below
3. Goods temporarily imported into Pakistan by International Athletes which shall be subsequently taken by them within 120 days of temporary import
4. Import of auto disable Syringes with and without needles till 30th June, 2021
5. Import of tabular metal needles and rubber gaskets for the manufacturers of auto disable syringes till 30th June, 2021
6. Import of plant, machinery, equipment and raw materials for consumption within Special Technology Zone by the Special Technology Zone Authority, zone developers and zone enterprises.
7. 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.

The Finance Bill has proposed to exempt following goods from sales tax on the import and supply stage:

1. Supply of locally produced silos till 30.06.2026

THE EIGHT SCHEDULE

The Finance Bill has proposed to exclude the following goods under the Eight Schedule and proposed to charge on standard rate:

1. Soyabean meal
2. Raw cotton and ginned cotton

3. Plant and machinery not manufactured locally and having no compatible local substitutes
4. Following goods sold in retail packing under a brand name:
   a. Flavored milk
   b. Yogurt
   c. Cheese
   d. Butter
   e. Cream
   f. Milk and cream, concentrated or containing added sugar or other sweetening matter
   g. Fat filled milk
5. Ingredients of poultry feed, cattle feed
6. Waste paper
7. Plant, machinery, (and equipment) used in production of bio-diesel
8. Soya bean seed
9. Harvesting, threshing and storage equipment
10. Following machinery for poultry sector :
    a. Machinery for preparing feeding stuff
    b. Incubators, brooders and other poultry equipment
    c. Insulated sandwich panels
    d. Poultry sheds
    e. Evaporative air cooling system
    f. Evaporative cooling pad
11. Import of LNG / RLNG
12. Supply of LNG/RLNG to gas transmission and distribution companies
13. Gold and Silver in unworked condition
14. Articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal.
15. Ginned cotton
16. LNG imported for servicing CNG sector and local supplies thereof

The Finance Bill has proposed to increase sales tax rate on potassium chlorate Rs. 80 per kg to Rs. 90 per kg in addition to 17% standard rate

The Finance Bill has proposed to add following goods under the Eight Schedule

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	Respective heading	1%	If supplied locally

	(ii) Light commercial vehicles (LCVs) with 150 kwh battery or below			
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%	

THE NINTH SCHEDULE

The bill seeks to resolve the litigation issue faced on fixed tax on SIM cards is proposed to be deleted with effect from 1st July, 2020.

THE ELEVENTH SCHEDULE

The bill proposes 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.

THE TWELFTH SCHEDULE

The bill has 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; and
4. Motor cars of cylinder capacity upto 850cc.

FEDERAL EXCISE

SECTION 4(4) Filing of Return and Payment of Duty etc.

The Bill proposes to provide opportunity to file revised return without prior approval from Commissioner-IR, if revised return is filed within sixty days of filing of original return and tax liability is increase or refund is reduced as a result of revise return

SECTION 14(3) Recovery of unpaid duty or of erroneously refunded duty or arrears of duty etc.

The bill seeks to insert an enabling provision in the Act in respect of request from a foreign jurisdiction under a tax treaty, a multilateral convention, and inter-governmental agreement or similar agreement or mechanism.

SECTION 45AA Licensing of brand name

The bill seeks to insert a new section which will make mandatory for manufacturers of specified goods shall be required 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.

List of specified goods has not yet been proposed.

SECTION 47A Agreements for exchange of information

The bill seeks to insert provisions regarding sharing of data with foreign countries on reciprocal basis were introduced through Tax Laws (Amendment) Ordinance, 2021 in Sales Tax Act, 1990. Moreover, bill propose for mechanism for assistance in recovery of taxes on request from foreign countries on reciprocal basis.

THE FIRST SCHEDULE

Table-I (Excisable Goods)

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

- Tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without combustion.

The bill has proposed 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

Table-II (Excisable Services)

The bill has proposed to reduce the Federal Excise duty on Telecommunication services from 17% to 16%.

The Bill has proposed to add following services under the ambit of Federal Excise Duty

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 9812.1710	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

THE SECOND SCHEDULE

(Goods on which duty is collectible under sales tax mode with entitlement for adjustment with sales tax and vice versa)

The bill has proposed 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 has proposed exemption under Third Schedule on following goods:

1. If supplied within the limits of the Border Sustenance Markets as established in cooperation with Iran and Afghanistan subject to some conditions.
2. Import and Supply of raw materials, parts, plant and machinery by registered person under New Export Facilitation Scheme, 2021: