GCA FINANCE ACT 2022 – SUMMARY NOTES WITH FBR COMMENTARY

PRESENTATION OF

GCA TEAM

NOTE

Summary notes are valid for professionals & students appearing in ICAP, ICMAP, PIPFA & equivalent examinations.


FINANCIAL EXPRESS
INCOME
TAX

FBR COMMENTARY

ORDINANCE INCORPORATION

Incorporation of Ordinances in Finance Act, 2022

During the financial year 2021-22, two Ordinances were issued. Some changes in the enactments through the Ordinances have now been made part of Finance Act, 2022.

(a) **Income Tax (Amendment) Ordinance, 2022.**

Certain provisions were enacted through this Ordinance on 2nd March, 2022. However, section 59C, 65H and 100F have been omitted through Finance Act, 2022.

(b) **Tax Laws (Third Amendment) Ordinance, 2021.**

The Tax Laws (Third Amendment) Ordinance, 2021 Ordinance was promulgated on 15th September, 2021 and lapsed on 11th May, 2022 during the currency of financial year 2021-22. Certain amendments brought through this Ordinance have been incorporated in Finance Act, 2022 after necessary modification.

SUPER TAX ON HIGH EARNING PERSONS
SECTION 4C AND DIVISION IIB, PART I OF THE FIRST SCHEDULE, FOURTH, FIFTH AND SEVENTH SCHEDULES

- Similar to Section 4B
- Title ““Super Tax”
- Apply to all persons earning income of PKR 300 million
- Tax rate – As per slab rate
- Tax rate – 10% for specified sectors
- From TY 2022 onwards

Apply on:

- insurance companies
- Petroleum sector
- Banking companies – no super tax in TY 2022 only. TY 2023 onwards, super tax will be levied.

Apply on:

- NTR – FTR – MTR etc

Concept of imputable income applies for FTR regime.

Ignore:

- Brought forward losses
- Brought forward depreciation

SLAB RATE

Income under section 4C	Tax Rate
Rs. 0 to Rs. 150 million	0% of the income
Exceeding Rs. 150 million but does not exceed Rs. 200 million	1% of the income
Exceeding Rs. 200 million but does not exceed Rs. 250 million	2% of the income
Exceeding Rs. 250 million but does not exceed Rs. 300 million	3% of the income
Exceeding Rs. 300 million	4% of the income

CALCULATION FROMULA

Sum of:

- Profit on debt, dividend, capital gains, brokerage and commission
- Normal taxable income (other than brought forward depreciation and brought forward business losses), if not included in para (a) above;
- Imputable income excluding amounts in para (a) above; and
- Income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under special rule for Insurance, Exploration and production of petroleum, and banking companies

SPECIFIED SECTORS

- Airlines,
- Automobiles
- Beverages
- Cement
- Chemicals
- Fertilizer
- LNG terminal

- Cigarette and tobacco
- Oil marketing
- Oil refining
- Sugar
- Textiles
- Pharmaceuticals
- Petroleum and gas exploration and production

TAX RATE ON SPECIFIED SECTORS

- 10% if income exceeds PKR 300 million.
- Slab rates if income is less than PKR 300 million.

EFFECTIVE CORPORATE TAX RATES

Type of company	Corporate tax	Super tax u/s 4B	Super tax u/s 4C	Total
TAX YEAR - 2022				
Banking Company	35%	4%	See note	39%
Companies of sectors specified above	29%	N/A	10%	39%
Companies other than specified sectors	29%	N/A	4%	33%
Note - As per the charging provisions, banking companies will not be liable to pay super tax for tax year 2022; however, the Seventh Schedule provides for such tax to be applicable for tax year 2022 as well. It is expected that the FBR will clarify this ambiguity through an explanatory circular.				

Type of company	Corporate tax	Super tax u/s 4B	Super tax u/s 4C	Total
TAX YEAR – 2023				
Banking Company	39%	N/A	10%	49%
Companies of sectors specified above	29%	N/A	4%	33%
Companies other than specified sectors	29%	N/A	4%	33%

Type of company	Corporate tax	Super tax u/s 4B	Super tax u/s 4C	Total
TAX YEAR – 2024				
Banking Company	39%	N/A	4%	43%
Companies of sectors specified above	29%	N/A	4%	33%
Companies other than specified sectors	29%	N/A	4%	33%

FBR COMMENTARY

Super tax on High Earning Persons

A new section 4C has been introduced through Finance Act, 2022 and this section will apply for tax year 2022 and onwards. Except for the persons whose income as envisaged in this section is below Rs. 150 million, all other persons including those assessed under Fourth, Fifth and Seventh Schedules to the Ordinance are liable to pay super tax on graduated rates ranging from 1% to 4% based on graduated income slabs provided in Division IIB of Part I of First Schedule given as under:

S. No	Income under section 4C	Rate of Tax
1.	Where income does not exceed Rs. 150 million	0% of the income
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1% of the income
3.	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2% of the income
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3% of the income
5.	Where income exceeds Rs. 300 million	4% of the income

However, for tax year 2022 the rate of super tax under this section will be 10% instead of 4%, where the income of the persons engaged, partly or wholly, in business of airlines, automobiles, beverages, cement, chemicals, cigarette & tobacco, fertilizer, iron & steel, LNG terminal, oil marketing, oil refining, petroleum & gas exploration and production, pharmaceuticals, sugar and textiles exceeds Rs.300 million. For tax year 2023, this super tax on income of banking companies will be 10% if the income for the year exceeds Rs. 300 million.

For the purposes of this section, the income will be the sum of the following:

(i) Profit on debt, dividend, capital gains, brokerage, and commission;

(ii) Taxable income (other than brought forward depreciation and brought forward business losses) under section 9 of the Ordinance, excluding amounts specified in (i) above;

(iii) Imputable income as defined in clause (28A) of section 2 excluding amounts specified in clause (i) above; and

(iv) Income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under Fourth, Fifth and Seventh Schedule.

Super tax payable under this section will be paid on the date and manner as specified in under section 137(1) of the Ordinance. In case of default by the person liable to pay super tax under this section, Commissioner through an order in writing will determine the liability of the person and proceed to recover the same under applicable provisions of the Ordinance.

TAX ON DEEMED INCOME – ALL CAPITAL ASSETS

SECTION 7E, DIVISION VIIIC, PART I OF THE FIRST SCHEDULE

- New Section 7E
- Apply to resident taxpayers effective from Tax Year 2022 and onwards
- Deemed Rent = FMV of an immovable property * 5% whether such property has actually been rented out for any consideration or not.
- Tax - 20% (FTR)

EXCLUSIONS

- self-owned business premises from where the business is carried out by the persons appearing on the active taxpayers' list at any time during the year
- self-owned business premises from where the business is carried out by the persons appearing on the active taxpayers' list at any time during the year
- one immovable property owned by the resident person

immovable property allotted to:

- (i) a shaheed or dependents of a shaheed belonging to Pakistan Armed Forces;
- (ii) a person or dependents of the person who dies while in the service of Pakistan armed forces or Federal or provincial government;
- (iii) a war wounded person while in service of Pakistan armed forces or Federal or provincial government; or
- (iv) an ex-serviceman and serving personnel of armed forces or ex-employees or serving personnel of Federal and provincial governments, being original allottees of the capital asset duly certified by the allotment authority

any property from which income is chargeable to tax under the Ordinance and tax leviable is paid thereon

immovable property in the first tax year of acquisition where tax under section 236K has been paid;

where the fair market value of the capital assets in aggregate excluding the capital assets mentioned above does not exceed Rs 25 million immovable property owned by a provincial government or a local government

immovable property owned by a local authority, a development authority, builders and developers for land development and construction, subject to the condition that such persons are registered with Directorate General of Designated Non-Financial Business and Professions.

CAPITAL ASSETS DEFINITION

A property of any kind excluding following:

- any stock-in-trade, consumable stores or raw materials held for the purpose of business;
- any shares, stocks or securities
- depreciation or amortization;
- any movable asset

FARM HOUSE DEFINITION

- A house constructed on a total minimum area of 2000 square yards with a minimum covered area of 5000 square feet used as a single dwelling unit with or without an annex:
- Provided that where there are more than one dwelling units in a compound and the average area of the compound is more than 2000 square yards for a dwelling unit, each one of such dwelling units shall be treated as a separate farmhouse.

FBR COMMENTARY

Tax on Deemed Income from Immovable Property

A new section 7E has been introduced through Finance Act, 2022 whereby for tax year 2022 and onwards, a resident person is treated to have derived income equal to five percent of fair market value of the capital assets situated in Pakistan which will be chargeable to tax at the rate of 20% under Division VIIIC of Part I of First Schedule of the Ordinance. Following exclusions have been provided to which this section will not apply:

(i) One capital asset owned by the resident person;

(ii) Self-owned business premises from where the business is carried out by the persons appearing on the active taxpayer's list at any time during the year;

(iii) Self-owned agriculture land where agriculture activity is carried out by the person but excluding farmhouse and annexed land. Farmhouse has been defined in this section;

(iv) Capital asset allotted to –

(a) A Shaheed or dependents of a Shaheed belonging to Pakistan Armed Forces;

(b) A person or dependents of a person who dies while in the service of Pakistan armed forces or federal or provincial government;

(c) A war wounded person while in service of Pakistan armed forces or federal or provincial government;

(d) An ex-serviceman and serving personnel of armed forces or ex-employees or serving personnel of federal and provincial governments who are original allotees of the capital asset as duly certified by the allotment authority;

(v) Any property from which income is chargeable to tax under the Ordinance and tax leviable has been paid;

(vi) Capital asset in the first year of acquisition on which tax under section 236K has been paid;

(vii) Where fair market value of the capital assets in aggregate excluding capital assets mentioned in serial nos. (i) to (vi) above does not exceed rupees twenty-five million;

(viii) Capital assets which are owned by a provincial government or local government;

(ix) Capital assets owned by local authority, a development authority, builders and developers for land development and construction subject to the condition that such persons are registered with Directorate General of Designated Non-Financial Businesses and Professions.

RATES OF TAX FOR NON-SALARIED INDIVIDUALS AND AOPS CLAUSE (1), DIVISION I, PART I OF THE FIRST SCHEDULE

CHANGE OF LIMIT

Old limit	New limit
• PKR 400,000/-	• PKR 600,000/-

TAX RATES

Taxable Income	Rate of Tax
Up to PKR 600,000	0%
PKR 600,001 – 800,000	5% of amount exceeding PKR 600,000
PKR 800,001 – 1,200,000	PKR 10,000 + 12.5% of amount exceeding PKR 800,000
PKR 1,200,001 – 2,400,000	PKR 60,000 + 17.5% of amount exceeding PKR 1,200,000
PKR 2,400,001 – 3,000,000	PKR 270,000 + 22.5% of amount exceeding PKR 2,400,000
PKR 3,000,001 – 4,000,000	PKR 405,000 + 27.5% of amount exceeding PKR 3,000,000
PKR 4,000,001 – 6,000,000	PKR 680,000 + 32.5% of amount exceeding PKR 4,000,000
Amount exceeding PKR 6,000,000	PKR 1,330,000 + 35% of amount exceeding PKR 6,000,000

Non-salaried taxpayers and AOPs deriving annual taxable income of up to PKR 1.8 million (i.e. PKR 150,000/- monthly income) would benefit from the revised rates.

All other taxpayers would be adversely affected by the revised rates.

RATES OF TAX FOR SALARIED INDIVIDUALS

CLAUSE (2), DIVISION I, PART I OF THE FIRST SCHEDULE

TAX RATES

Taxable Income	Rate of Tax
Up to PKR 600,000	0%
PKR 600,001 – 1,200,000	2.5% of amount exceeding PKR 600,000
PKR 1,200,001 – 2,400,000	PKR 15,000 + 12.5% of amount exceeding PKR 1,200,000
PKR 2,400,001 – 3,600,000	PKR 165,000 + 20% of amount exceeding PKR 2,400,000
PKR 3,600,001 – 6,000,000	PKR 405,000 + 25% of amount exceeding PKR 3,600,000
PKR 6,000,001 – 12,000,000	PKR 1,005,000 + 32.5% of amount exceeding PKR 6,000,000
Amount exceeding PKR 12,000,000	PKR 2,955,000 + 35% of amount exceeding PKR 12,000,000

WITHDRAWAL OF DEDUCTIBLE ALLOWANCES AND TAX CREDITS SECTIONS 60C, 62, 62A AND 149, PART I OF THE SECOND SCHEDULE

- Section 60C: Deductible allowance for profit on debt
- Section 62: Tax credit for investment in shares and insurance
- Section 62A: Tax credit for investment in health insurance

EXEMPTION WITHDRAWN

The amounts received as monthly installment from an income payment plan invested out of the accumulated balance of an individual pension account with a pension fund manager, an approved annuity plan, another pension account of eligible persons or the survivors pensions account maintained with any other pension fund manager as specified in the voluntary pension system rules, 2005 is exempt from tax provided accumulated balance is invested for a period of ten years.

FBR COMMENTARY

Elimination of certain tax credits and deductible allowance

Tax credits available to an individual u/s 62 for investment in shares and insurance, u/s 62A for investment in health insurance and deductible allowance u/s 60C for profit on debt have been omitted. Corresponding change in section 149 has also been incorporated accordingly.

Exemption was earlier available under clause (23B) of Part I of Second Schedule to the Ordinance on amounts received as monthly installment from an income payment plan invested out of accumulated balance of specified pension/annuity account / plans subject to condition mentioned therein. This exemption has now been withdrawn.

TAXATION OF NON-TIER-1 RETAILERS AND SPECIFIED SERVICE PROVIDERS SECTIONS 99A AND 235

Commercial electricity connections

- Retailers other than Tier-1 retailers
- Service providers as to be specified by FBR

Collect tax through monthly electricity bills

FTR

Retailer (other than Tier-1 retailer) has paid sales tax through electricity bill of commercial electricity, such retailer would not be required to pay income tax under this section

Gross Amount of Monthly Bill	Tax (in PKR)
Where the amount does not exceed PKR 30,000	3,000
Where the amount exceeds PKR 30,000 but does not exceed PKR 50,000	5,000
Where the amount exceeds PKR 50,000 but does not exceed PKR 100,000	10,000
Specified retailers and service providers through Income Tax General Order	50,000

FBR MAY ISSUE AN INCOME TAX GENERAL ORDER IN RESPECT OF THE FOLLOWING:

- scope, time, payment, recovery, penalty, default surcharge, adjustment or refund of tax payable under this section
- record keeping, filing of return, statement and assessment
- mechanism of collection, deduction and payment of tax in respect of any person
- include or exempt any person or classes of persons, any income or classes of income from the application of this section.

FBR COMMENTARY

Payment of Tax Through Electricity Connections

In order to collect income tax from certain retailers and specified service providers a special fixed tax regime has been introduced through insertion of section 99A of the Ordinance. Now retailers, other than Tier-I retailers as defined in Sales Tax Act, 1990, and specified service providers will pay fixed income tax through their commercial electricity bills which has been provided in clause (3) of Division IV of Part IV of First Schedule to the Ordinance in the following manner:

Gross amount of monthly bill	Tax
Where the amount does not exceed Rs. 30,000	Rs.3,000
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs.5,000
Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	Rs.10,000
Retailers and service providers as notified by the Board in the income tax general order	Up to Rs.200,000

This is final tax on the income of persons covered in this section in respect of business being carried out from the premises for which tax is collected under this section. Retailers from whom tax has been collected in terms of sub-section (9) of section 3 of Sales Tax Act, 1990 shall not be required to pay tax under section 99A of the Ordinance and the tax collected under the Sales Tax Act, 1990 is also a final discharge of income tax liability under section 99A of the Ordinance. The Board with the approval of Minister in-charge is empowered to determine the scope, mode, manner, record keeping, mechanism of collection and deduction etc and to include or exempt any person or class of person, any income or class of income through issuance of income tax general order for the purpose of this section.

Furthermore, enabling provision has been provided by inserting sub-section (1A) in section 235 of the Ordinance to collect tax through electricity bills from retailers other than Tier-I retailers as defined in Sales Tax Act, 1990 and specified service providers for the purpose of this section.

TAXATION OF BANKING COMPANIES
SUB-RULE (6A) OF RULE 6C OF THE SEVENTH SCHEDULE

Gross Advances to Deposits Ratio	Existing Rate of Tax (%)	New Rate of Tax (%)
Upto 40%	40%	55%
Between 40% to 50%	37.5%	49%
Exceeding 50%	35%	35% - TY 2022 45% - TY 2023 onwards
Tax rates would be applicable to total income attributable to total investment in Federal Government securities.		

FBR COMMENTARY

Banking Companies.

Tax rates for banking companies are enhanced as explained hereunder:

(i) The taxable income arising from additional income of banking companies earned from additional investment in Federal Government securities for tax year 2020 and 2021 was taxable at the rate of 37.5% instead of rates provided in Division II of Part I of First Schedule. This provision was further amended through Finance Act, 2021, whereby income attributable to investment in the Federal Government securities of banking companies was made taxable on the basis of advances to deposit ratios at graduated tax rates of 40%, 37.5% and 35%, if ratio was upto 40%, 40-50% and above 50% respectively.

The Finance Act, 2022 has introduced enhanced rates of tax on taxable income of banks attributable to investment in Federal Government securities. The enhanced rates for tax year 2022 are 55%, 49% and 35% if gross advances to deposit ratio was upto 40%, 40-50% or above 50% respectively. For tax year 2023, and onwards tax rates will be 55%, 49% and 39% if gross advances to deposit ratio is upto 40%, 40 -50% or above 50% respectively. The changes have been incorporated by substituting sub-rule (6A) of rule 6C of Seventh Schedule to the Ordinance.

(ii) The tax rate on income of banking companies has been enhanced to 39% for tax year 2023 from current 35% through amendment in Division II of Part I of First Schedule of the Ordinance. Additionally, the application of section 4B has been restricted upto tax year 2022 in case of banking companies.

ADDITIONAL INCOME EARNED FROM ADDITIONAL INVESTMENT IN FEDERAL GOVERNMENT SECURITIES

- 37.5% for the Tax Year 2020 and onwards
- Existing rates restricted to the Tax Years 2020 and 2021 only
- Tax Year 2022 and onwards taxable income attributable to investment in Federal Government securities was subjected to ratio that existed on the last day of the tax year.
- Applicable to total income attributable to total investment in Federal Government securities.

ALTERNATE DISPUTE RESOLUTION SECTION 134A

Concept introduced vis Finance Act 2014

Various amendments via Finance Act 2018 & Finance Act 2020.

DIFFERENTIAL TABLE

Existing Law	New Amendments
no minimum monitory limit of the tax liability	Minimum limit of PKR 100 million
issues involving interpretation of questions of law having an effect on identical cases were barred to be brought for ADR	1 - Provision removed 2 - Exclude cases where criminal proceedings have been initiated 3 - Only such disputes that are pending in appeals before any court of law or an appellate authority would be eligible for ADR
Taxpayer to put forward an initial proposition for resolution of the dispute at the time of making the application for ADR	'an offer of tax payment' along with the application and both the above 'proposition' and the 'offer' would not be retractable
	Decision by the Committee shall not be cited or taken as a precedent in any other case or in the case of the taxpayer for a different tax year
Order of the Committee to be taken by consensus	Majority decision by the Committee for dispute resolution

DIFFERENTIAL TABLE

Existing Law	New Amendments
	A person nominated by the taxpayer from a panel of: (i) Chartered Accountants, Cost & Management Accountants, and Advocates (having atleast ten years' experience in the field of taxation – except those who are or have been the auditor or representing the taxpayer in tax cases); (ii) Ex-officers of FBR retired in BS-21; (iii) Reputable businessmen as nominated by the Chambers of Commerce and Industry; and (iv) persons to be nominated through consensus by the members appointed as above. If such a person could not be appointed through consensus, the taxpayer would propose another member from the panel

DIFFERENTIAL TABLE

Existing Law	New Amendments
	Taxpayer shall withdraw his pending appeal as soon as the FBR constitutes a Committee for ADR. The Committee shall not commence the ADR proceedings unless the order of withdrawal is communicated to the FBR A deal-breaker

FBR COMMENTARY

Revamping of Alternate Dispute Resolution Mechanism

Through the Finance Act, 2022, the mechanism of alternate dispute resolution has been revamped. Major departure points from previous regime are highlighted as under:

a) Disputes involving tax liability of one hundred million or above only can now be brought for settlement. Previously, there was no such bar for filing of application under this mechanism.

b) Disputes involving question of fact and law both can now be brought by a taxpayer for settlement by the committee subject to the condition that decision by the committee will not be cited or taken as a precedent in any other case or in the same case for a different tax year. Previously, disputes involving interpretation of question of law having effect on other cases were specifically excluded from the purview of dispute resolution committee.

c) The scope of initial proposition has been expanded which now includes proposal from the taxpayer to settle the matter, including an offer for payment of tax which cannot be withdrawn.

d) The choice available to a taxpayer to appoint a member of dispute resolution committee has been enhanced. Now a taxpayer can nominate a member from a panel notified by the Board in this regard or an Officer of Inland Revenue Service who has retired in BS21 or above or a reputable business person as nominated by a Chamber of Commerce and Industry. The third member of the committee will be selected through consensus by Chief Commissioner Inland Revenue (being other member of the committee) having jurisdiction over the case and taxpayer's nominee member jointly from the panel notified by the Board in this regard.

e) Taxpayer and the Chief Commissioner Inland Revenue having jurisdiction over the case either individually or both as the case may be, will withdraw their appeal pending before a court of law or appellate authority after the constitution of committee but before commencement of proceeding by the committee. Previously, there was no requirement of withdrawal of appeal and the taxpayer could choose to pursue his appeals in case he did not accept the committee's decision.

f) The committee members will decide the dispute pending before the committee through majority. Earlier, consensus decision by committee members was required for dispute resolution.

g) The decision by committee will be binding on both the taxpayer and Chief Commissioner Inland Revenue having jurisdiction over the case. Previously, it was binding on Chief Commissioner only after it had been accepted by the taxpayer through withdrawal of appeal.

The changed procedure of dispute resolution will ensure that it is focused on high revenue yielding cases and does not result in wastage of time and resources for the taxpayer as well as field formations by being an effective alternative and not a parallel mechanism to the appeal process.

SWAPS

PAYMENT OF TAX COLLECTED OR DEDUCTED BY SWAPS AGENTS SECTIONS 164, 164A AND CLAUSE (62B) OF SECTION 2

New Section 164A

- any person as notified by the FBR shall collect or deduct tax to integrate with Synchronized Withholding Administration and Payment System to act as SWAPS agent

Synchronized Withholding Administration and Payment System agent" or "SWAPS"

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

Tax Paid (Sec-160)

- Tax collected or deducted by the SWAPS agent & credited to the Commissioner through digital mode.

Deposit Time

- Within seven days from the end of each week as per Rule 43

In cases where tax has been paid by a SWAPS agent, the CPR is proposed to be replaced with SWAPS Payment Receipt (SPR)

SWAP agent shall not be eligible to claim tax credit if the SWAP agent fails to integrate with the FBR.

All Persons from whom tax has been collected or deducted by the notified SWAPS agent shall be eligible for tax credit of tax withheld against the SPR

Word challan of payment be replaced with “Computerized Payment Receipt (CPR) or SWAPS Payment Receipt (SPR)”

In case of persons or class of persons notified as SWAPS agent, SWAPS Payment Receipt (SPR) shall be replaced with Computerized Payment Receipt (CPR).

PENALTY

Offenses	Penalties
Any person who fails to integrate or perform roles and functions as specified, after being duly notified by the Board as SWAPS Agent	Such person shall pay a penalty of: (i) PKR 50,000 for first default of 07 days (ii) PKR 100,000 for second default of next 07 days (iii) PKR 50,000 for each week after the second consecutive week of default: Provided that no penalty shall be imposed for the period for which extension from integration is granted by the Commissioner subject to the condition that, if the SWAPS Agent fails to integrate within such extended time, penalties shall be imposed as if no extension was granted.”

FBR COMMENTARY

Automated System of Collection and Deduction of Withholding Taxes

Currently, withholding agents are required to collect and deduct tax at the time of making payment and deposit the same in government treasury within the prescribed time period. Similarly, withholding agents are required to file quarterly and annual withholding statements which consumes time and resources of taxpayers leading to increased compliance cost. Moreover, certain large withholding tax agents like banks, DISCOs, TELCOs, Government institutions etc. are still depositing tax through a single payment receipt for multiple taxpayers. In order to streamline withholding tax collection and deduction mechanism, enabling provision for the placement of a fully automated system by the name Synchronized Withholding Administration and Payment System (SWAPS) has been introduced under section 164A of the Ordinance. A withholding agent notified under section 164A will be called a SWAPS agent. The notified SWAPS agent will be integrated with Board and withholding tax will be deposited in government treasury on real time basis simultaneously at the time of making third party payment processed through SWAPS by the SWAPS agent. It will also result in auto populated withholding statements thereby saving time and reducing cost of compliance for the business.

SWAPS Payment Receipt (SPR) will be generated upon deposit of tax in this manner which will be a valid document for the purpose of claiming credit against tax payable under the provisions of this Ordinance. In case if a notified SWAPS agent fails to integrate with the Board in the manner prescribed, the said agent will not be eligible for credit under Part X of Chapter III of the Ordinance and exemption under any of the provisions of the Ordinance. All other provisions of the Ordinance not specifically dealt with in newly inserted section 164A will mutatis mutandis apply on a notified SWAPS agent. Corresponding changes have been made in section 164 of the Ordinance.

RECORD OF BENEFICIAL OWNER
SECTIONS 181E AND CLAUSE (7A) OF SECTION 2

New section

Company or AOP are required to electronically furnish and update particulars of its beneficial owner(s)

Definition - Natural person who:

- ultimately owns or controls a Company or association of persons, whether directly or indirectly, through at least 25% shares or voting rights;
- exercise ultimate effective control, through direct or indirect means, over the Company or AOP including control over the finances or decisions or other affairs of the company or AOP

Penalty

- PKR 1,000,000 for each default

FBR COMMENTARY

Disclosure of Beneficial Ownership.

Previously companies and AOPs were not required to disclose the natural individuals who are ultimate beneficial owners. Thus beneficial ownership could be hidden through intervening companies and trusts. To bring transparency and to remove this obscurity, as per best international practices, companies and AOPs are now required to disclose details of their beneficial owners who are natural persons.

Definition of term 'beneficial owner' has been provided by inserting new clause (7A) in section 2 of the Ordinance. Corresponding new section 181E has been inserted in the Ordinance whereby every company and association of persons will furnish electronically, particulars of its beneficial owners and will be required to update these particulars as and when there is a change in particulars of beneficial owners. Penalty of Rs. 1,000,000 has also been prescribed by incorporating entry No. 30 in the Table, in sub-section (1) of section 182 for each default of company or association of persons who contravenes the provisions of section 181E of the Ordinance.

RATIONALIZATION OF TAX ON CAPITAL GAIN ON IMMOVABLE PROPERTY SECTIONS 37, 236C AND 236K, DIVISION VIII, PART I OF THE FIRST SCHEDULE

Revamped scheme

New taxation based on:

- holding period
- category of the immovable property
  - open plot
  - constructed property
  - flats

REVISED RATES

Holding Period	Open Plots	Constructed Property	Flats
where the holding period does not exceed one year	15%	15%	15%
where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%
where the holding period exceeds two years but does not exceed three years	10%	7.5%	0%
where the holding period exceeds three years but does not exceed four years	7.5%	5%	-
where the holding period exceeds four years but does not exceed five years	5%	-	-

Holding Period	Open Plots	Constructed Property	Flats
where the holding period exceeds five years but does not exceed six years	2.5%	-	-
where the holding period exceeds six years	-	-	-

SEC - 236C & 236K

Area	Exisitng Law	New Law
Holding Period (Sale case only)	4 years	10 years
Tax Rate on sale of immoveable property	1%	2%
Tax Rate on purchased of immoveable property	1%	2%
Tax Rate on purchased of immoveable property if not on ATL Not apply on nonresident individual holding: 1 - Pakistan Origin Card (POC) 2 - National ID Card for Overseas Pakistanis (NICOP)		5%

FBR COMMENTARY

Advance Tax on Sale/Transfer [u/s 236C] or Purchase of Immovable Property [u/s 236K]

(i) The rate of advance tax on sale or transfer and on purchase or transfer of immovable property has been enhanced from 1% to 2%. Moreover, sub-section (3) of section 236C has been omitted. Now advance tax on sale or transfer of immovable property will be collected under this section irrespective of holding period.

(ii) In case of purchaser of immovable property who is not appearing on the active taxpayers list, rate of tax to be collected under section 236K will increase by two hundred and fifty percent of the rate specified in Division XVIII of Part IV of First Schedule. Necessary change has been incorporated in rule 1 of Tenth Schedule to the Ordinance.

FUNDAMENTAL CHANGES IN CAPITAL GAIN TAX SECTION 37, SUB-SECTIONS (3) & (4A)

Capital gain is exempt upto 25% if the capital asset is disposed off after one year

- Withdrawn
- Entire gain taxable now

Gain on disposal of capital asset received by him under a gift, succession, inheritance, devolution and upon dissolution of AOP or liquidation of a company

- Withdrawn

RATES OF TAX ON CAPITAL GAIN ON DISPOSAL OF SECURITIES DIVISION VII, PART I OF THE FIRST SCHEDULE

Holding Period	Rate of Tax for Tax Year 2023 and Onwards
Less than one year	15%
More than one year but less than two years	12.5%
More than two years but less than three years	10%
More than three years but less than four years	7.5%
More than four years but less than five years	5%
More than five years but less than six years	2.5%
More than six years	0%
Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	5%

RULES

- Above reduced rates will apply only to securities acquired after July 01, 2022
- Securities acquired on or before 30th June, 2022, tax rate - 12.5%.
- Debt Securities - 29%
- Small Company - 20%
- Banking companies – 39%

MUTUAL FUNDS, COLLECTIVE INVESTMENT SCHEMES AND REIT SCHEMES

Category	Rate		
	Holding Period		
	Less than 6 years		More than 6 years
	Stock fund	Other funds	
Individual & AOP	10%	10%	0%
Company	12.5% (if dividend < capital gain)	25%	
No capital gain tax if holding period is more than 6 years.			

FBR COMMENTARY

Capital Gain on Disposal of Immoveable Properties and Other Capital Assets

Earlier, the gain arising on the disposal of immovable property after the holding period of 4 years was exempt from tax. Now the holding period concession will separately apply which for open plots is six years, for constructed property is four years and for flats is two years. Further, whole amount of gain on disposal of immovable property will be taxable at graduated rates provided in Division VIII of Part I of First Schedule of the Ordinance given as under:

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

The concessional taxation regime for capital gains has been made applicable only to disposal of immovable properties situated in Pakistan. The benefit of holding period and concessional rate of tax is not available in respect of capital gains arising on disposal of immoveable property situated outside Pakistan.

Furthermore, to streamline capital gains taxation regime, the concessions earlier available under sub-sections (3) and (3A) of section 37 in terms of reduction in capital gain by certain percentages on disposal of capital assets held for more than one year has been withdrawn.

Sub-section (4A) of section 37 has been omitted. Accordingly, non-recognition provision of section 79 will apply to determine the cost of acquisition on transfer of capital asset under the circumstances contained therein.

Capital Gain on Disposal of Securities

A separate block of taxation of capital gains on disposal of securities is available under the Ordinance. Earlier, flat tax rate of 12.5% was applicable on gain on disposal of securities irrespective of holding period. Now graduated tax rates have been provided with respect to securities acquired after 1st day of July, 2022, by substituting the Table in Division VII of Part I of First Schedule as under:

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

However, gain on disposal of securities acquired on or before 30th day of June, 2022 will continue to be charged to tax at the earlier flat rate of 12.5% irrespective of the holding period.

Reduced Rate of Withholding Tax for Certain Services

REIT management services and services rendered by National Clearing Company of Pakistan Limited have been included in list of reduced rate services in Division III of Part III of First Schedule.

CHANGE IN TAXATION OF IT AND IT ENABLED EXPORTS
SECTIONS 65F AND 154A, DIVISION IVA, PART III OF THE FIRST SCHEDULE

Existing Law	New Law
Exports of computer software or IT services or IT enabled services may, after fulfillment of certain conditions, may opt out from FTR to avail 100% tax credit which is available up to the period ending on 30 June 2025 provided that 80% of the export proceeds are brought into Pakistan in foreign exchange through normal banking channels.	1 - 100% tax credit of tax liability omitted. 2 - Concessional rate of 0.25%

TAX RATE FOR INTENDING AGENT

Old tax rate	New tax rate
• 5%	• 1%

OMITTED – 154A(4)

Taxpayer, while explaining the nature and source of any amount, investment, money, valuable article, expenditure, referred to in section 111, takes into account any source of income which is subject to final tax in accordance with the provisions of this section, he shall not be entitled to take credit of a sum that can be reasonably attributed to the business activity or activity or activities

FBR COMMENTARY

Export of services

A special regime u/s 154A for export of IT and IT enabled services was introduced through Finance Act, 2021 whereby 1% final tax was collected on realization of export proceeds of these services. Moreover, hundred percent tax credit was available against this final tax to the exporters of IT and IT enabled services u/s 65F upon fulfilling few conditions mentioned therein.

In order to simplify the tax regime for exporters of IT and IT enabled services, the 100% tax credit regime under section 65F has been withdrawn and a reduced rate of final tax of 0.25% has been provided for exporters of IT and IT enabled services who are registered with the Pakistan Software Export Board (PSEB). Corresponding changes in section 65F have been made accordingly. Furthermore, scope of definitions of IT services and IT enabled services contained in clause (30AD) and clause (30AE) of section 2 of the Ordinance has been clarified and widened through the Finance Act, 2022.

Previously, the amount of foreign commission due to an indenting commission agent was charged to tax, at the rate of 5%, under sub-section (2) of section 154 of the Ordinance. Now, this rate has been reduced to 1% by incorporating clause (da) in sub-section (1) of section 154A of the Ordinance. Corresponding changes have been made in section 154 accordingly.

Moreover, provisions of Tenth Schedule will not apply on tax collectible under section 154A of the Ordinance. Necessary change has been incorporated in rule 10 of Tenth Schedule in this regard.

PRIZE SCHEMES TO PROMOTE TAX CULTURE SECTION 237B AND CLAUSE (66) OF SECTION 2

- FBR is empowered to launch prize schemes for general public in order to encourage them to make purchases or avail services only from integrated enterprises issuing tax invoices.
- FBR may also prescribe procedure for mystery shopping
- Taxpayers to maintain complete records of their transactions

CARRY FORWARD OF MINIMUM TAX
SECTION 113, SUB-SECTION (2), CLAUSE (C)

Old carry forward	New carry forward
• 5 years	• 3 years

OIL MARKETING COMPANIES TAX RATE

Old rate	New rate
• 0.75%	• 0.5%

FBR COMMENTARY

Minimum Tax on Turnover

Minimum tax on turnover under section 113 is payable by a resident company, permanent establishment of a non-resident company, an individual or an AOP having turnover of Rs. 100 million and above under certain specific situations mentioned therein. Following major changes have been introduced in the minimum tax on turnover regime:

(a) Previously, a person who had paid minimum tax on turnover under section 113 was allowed to carry forward the said tax for five succeeding tax years. Now this carry forward has been restricted to three years.

(b) The rate of minimum tax on turnover of Oil Marketing Companies have been brought down from 0.75% to 0.5%.

TAX ON IMPORTS
SECTION 148, SUB-SECTIONS (7) AND (7A)

Existing Provision	New Provision
Industrial undertaking importing raw material for its own use is adjustable for 1% & 2%.	Now it is adjustable for all imports (1%, 2% & 5.5%).
Minimum Tax	Minimum Tax
	3.5% if imported by commercial importer (Table – 2)

TAX RATES - 148

	Part - 1		Part - 2		Part - 3	
	Filer	Non filer	Filer	Non filer	Filer	Non filer
Import (MTR except manufacturer and listed companies which is NTR)	1%	2%	2%	4%	5.5%	11%
Commercial importer			3.5%	7%		
Manufacturer - SRO 1125					1%	2%
Pharmaceutical finished goods					4%	8%
Importer of CKD kits					1%	2%

FBR COMMENTARY

Withholding Tax on Imports for Industrial Undertaking:

Following changes have been incorporated with regard to WHT on import under section 148 of the Ordinance.

a) Withholding tax on imports collected at 1% and 2% on goods falling under Part I and II of Twelfth Schedule to the Ordinance respectively is adjustable for an industrial undertaking if goods have been imported for own use. In numerous circumstance, goods imported by an industrial undertaking for own use may fall under Part III of Twelfth Schedule to the Ordinance on which tax at 5.5% is collectible at import stage. This resulted in a situation whereby tax collected at 5.5% on import of goods by an industrial undertaking for its own use became minimum tax. For the purpose of streamlining, tax collectible from an industrial undertaking on import of all goods for own use has been made adjustable.

b) Tax collectible under section 148 on import of edible oil, packaging material, paper and paper board, and plastics has been made minimum tax whether imported by an industrial undertaking for own use or by a commercial importer.

c) The rate of withholding tax on import of goods falling in Part II of Twelfth Schedule of the Ordinance has been enhanced from 2% to 3.5% for commercial importers, which shall be minimum tax.

d) Certain goods have been shifted from Part II to Part I of the Twelfth Schedule. The goods included in Part I are subject to tax @ 1% irrespective of import by industrial undertaking or commercial importers.

EXPENDED POWERS TO RECHARACTERIZE INCOME AND DEDUCTIONS SECTION 109, SUB-SECTION (1)

New concept of “cohesive business operation

Recharacterization effective from the Tax Year 2018 and onwards

EXTENSION IN SCOPE OF TAX ON PAYMENTS TO NON-RESIDENTS SECTION 6 , DIVISION IV, PART I OF THE FIRST SCHEDULE

Services added includes:

- money transfer operations,
- card network services,
- payment gateway services
- interbank financial telecommunication services

Tax rate – 10%

Tax on offshore digital account

- Old Rate – 5%
- New rate – 10%

Payment to non – residents

- Gross amount of royalty or fee for technical services – 15%
- Any other case – 10%

FBR COMMENTARY

Taxation of Certain Payments to Non-Resident:

Two new sub-sections (1DC) and (1DD) have been inserted in section 152 of the Ordinance. Under sub-section (IDC), service charges/commission/fee, by whatever name called, paid by an exchange company licensed by the State Bank of Pakistan to a non-resident person has been brought under the tax net. Now these exchange companies have been made liable to deduct tax at the time of making payment of service charges or commission or fee to the global money transfer operators, international money transfer operators or such other persons engaged in international money transfers or cross-border remittances for facilitating outward remittances.

Similarly, under sub-section (1DD), every banking company has been made liable to deduct tax at the time of making payment to card network company or payment gateway or any other person, on any transaction fee or licensing fee or service charges or commission or fee by whatever name called or interbank financial telecommunication services.

This final tax on the income of non-resident person and rates have been provided in Division IV of Part I of First Schedule. Corresponding changes in this regard have been made in sections 6 and 8 of the Ordinance.

Streamlining Certain Withholding Sections for Non-Resident Pakistanis in Respect of Immovable Property

Some of non-resident Pakistanis may not be required to file income tax return by virtue of applicable provisions of the Ordinance. Therefore they do not appear on the active taxpayers list and hence likely to suffer the mischief of rule 1 of Tenth Schedule of the Ordinance. In order to facilitate non-resident Pakistanis holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP), provisions of section 100BA and rule 1 of the Tenth Schedule will not apply on them in respect of transactions on which tax is collectible under section 236C and 236K of the Ordinance that apply on purchase or sale of immoveable property.

UNEXPLAINED INCOME OR ASSETS
SECTION 111, SUB-SECTIONS (4) AND (5)

Exception to the applicability of Section 111 to an amount of foreign exchange, not exceeding PKR 5 million in a tax year, remitted from outside Pakistan through normal banking channels and encashed into PKR by a scheduled bank.

Remittance made through normal banking channels

- Overseas Money Service Bureaus (MSBs),
- Exchange Companies (ECs), and
- Money Transfer Operators (MTOs)

NEW SUB-SECTION (4A)

No adverse inference will be drawn in respect of income subject to tax under FTR, for the purposes of sub-section (1) of section 111, to the extent of the corresponding imputable income and excess thereof shall not be considered as explained income unless such excess amount is reasonably attributed to the business activities subject to final tax and audited financial statements are furnished to justify such excess claim.

FBR COMMENTARY

Separate Notice for Concealment of Income not Required.

In order to avoid duplication of notices and to streamline the amendment of assessment proceedings, an explanation has been inserted in section 111 whereby a separate notice under this section is not required to be issued if explanation regarding nature and source has been confronted under sub-section (9) of section 122 of the Ordinance.

CONTRIBUTION TO APPROVED GRATUITY FUND, PENSION FUND OR SUPERANNUATION FUND SECTION 21, CLAUSE (EA)

Inadmissible expense

Amount in excess of 50%:

- An approved gratuity fund,
- An approved pension fund
- An approved superannuation fund

TIME LIMITATION FOR PASSING AMENDED ASSESSMENT ORDER SECTION 122, SUB-SECTION (9)

Old Days Limit	New Days Limit
• 120 days	• 180 days

RESTRICTION ON CLAIM OF EXPENDITURE BY NON POS INTEGRATED BUSINESSES SECTION 21, CLAUSE (R)

Expenditure upto 8% (disallowance shall not exceed 8% of allowable deduction), claimed by a person who, where required, fails to integrate his business with the FBR through approved fiscal electronic device and software will be **inadmissible deduction**.

FBR COMMENTARY

Deductions not allowed

Section 21 of the Income Tax Ordinance provides for disallowance of certain business expenditures as deductions. Following new clauses have been inserted in this section as explained hereunder:

(i) Earlier, the whole amount of employer contribution to an approved gratuity fund, an approved pension fund or an approved superannuation fund was allowed as deduction. Now, clause (ea) has been inserted whereby the allowable deduction is restricted to fifty percent of employer contribution to these funds and the remaining fifty percent of the employer contribution is not allowed as deduction.

(ii) The Board through notification in official gazette may require a person to integrate his business with Board through approved fiscal electronic device and software. If the notified person fails to integrate his business with the Board, then any expenditure, not exceeding eight percent of allowable deduction attributable to sales, will be disallowed as deduction under newly inserted clause (r).

PAYMENTS TO NON-RESIDENTS
SECTION 152, SUB-SECTIONS (1DC) AND (1DD), DIVISION IV PART I OF THE FIRST SCHEDULE

Deduct tax on gross amount at varying rates while making payment of service charges, commission or fee to the global money transfer operator, international money transfer operator, or any such person engaged in international money transfer or cross-border remittance for facilitating outward remittance

Final tax.

In case where net amount is paid to the EC after retaining the service charges, commission or fee; the EC would be deemed to have paid such service charge, commission or fee and would be liable to collect and deposit the tax due

Every banking company will deduct 10% on gross amount paid for any:

- transaction fee,
- license fee,
- service charge,
- commission or fee to the card network company,
- payment gateway or any other person or interbank financial
- telecommunication services.
- This will be final tax.

In case where net amount is paid, the banking company shall be deemed to have paid such fee and would be liable to collect and deposit the tax due.

TIME LIMITATION FOR RECORD DETENTION SECTION 174, SUB-SECTION (3)

Existing provision	New provision
Ambiguity and difference of opinion whether such limitation of time is also applicable on explaining the nature and source of any amount, investment, money, valuable article, expenditure, referred to in Section 111 with regard to probe of foreign assets	Now records will be kept for indefinite period.

ABOLITION OF WITHHOLDING TAXES
SECTIONS 236I AND 236Q, DIVISIONS XVI AND XXIII, PART IV OF THE FIRST SCHEDULE

Section 236I - educational institution shall collect advance tax from every individual on the amount of fee payable

Section 236Q - every person making a payment for the use or right to use industrial, commercial and scientific equipment and rent for the machinery

REINTRODUCTION OF TAX ON DEBIT AND CREDIT CARDS
SECTION 236Y AND DIVISION XXVII, PART IV OF THE FIRST SCHEDULE

Person appearing in ATL	Person not appearing in ATL
• 1% of the gross amount	• 2% of the gross amount

FBR COMMENTARY

Collection of Tax from Persons Remitting Amounts Abroad

Section 236Y was omitted vide Finance Act, 2021. Now this section is reinserted. Every banking company will collect this adjustable advance tax at the time of remitting money outside Pakistan on behalf of a person who has completed a credit card, debit card or prepaid card transaction with a person outside Pakistan. The rate will increase by 100% in case of persons not on Active taxpayers list.

ENHANCED SCOPE OF ELECTRONIC RECORDS SECTIONS 237A AND 182

In case of integrated enterprise no sale or service shall be made without generating fiscal invoices

Penalty for non-compliance to integration roles and functions may lead to certain penalties.

Offenses	Penalties
Any person, who is integrated for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the FBR or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or QR code or bears duplicate invoice number or counterfeit QR code, or defaces the prescribed invoice number or QR code, or any person who abets commissioning of such offence.	Such person shall pay a penalty of PKR 500,000 or 200% of the amount of tax involved, whichever is higher.

Offenses	Penalties
Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the FBR or its computerized system, fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under law.	Such person shall be liable to pay a penalty up to PKR 1 million, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under Sub-section (3) of Section 237A, as the case may be.

Offenses	Penalties
A person required to integrate his business as stipulated under Sub-section (3) of section 237A, who fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under the law and rules made thereunder.	Such person shall be liable to pay - (i) penalty of PKR 500,000 for first default; (ii) penalty of PKR 1 million for second default after fifteen days of order for first default; (iii) penalty of PKR 2 million for third default after fifteen days of order for second default; (iv) penalty of PKR 3 million for fourth default after fifteen days of order for third default: Provided that if such person fails to integrate his business within fifteen days of imposition of penalty for fourth default, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under Sub-section (3) of Section 237A. Provided further that if the person integrates his business with the FBR's computerized system before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner.

FBR COMMENTARY

Reduction in Tax on Bahbood Savings Certificates

Currently profit from investment in bahbood savings certificates, pensioners benefit account and *Shuhuda* family welfare account enjoys exemption from withholding tax. However, profit is taxable at the maximum rate of 10% under the head income from other sources which has now been reduced to 5%. Necessary change has been incorporated in clause (6) of Part III of Second Schedule to the Ordinance.

CHARGE OF TAX
SECTION 4

Reference to the specific sections has been proposed to be substituted with the phrase “under this chapter”

REDUCE TAX LIABILITY ON PROFIT IN BEHBOOD CERTIFICATES AND OTHER SAVING SCHEMES CLAUSE (6) , PART III OF THE SECOND SCHEDULE

Old Tax Liability	New Tax Liability
• 10%	• 5%

REDUCE RATE OF TAX ON INCOME FROM FEDERAL GOVERNMENT SECURITIES CLAUSE (20), PART III OF THE SECOND SCHEDULE

OMITTED

FBR COMMENTARY

Withdrawal of Reduced Rate Benefit on Investment in Federal Government Securities for certain persons

Profit on debt up to Rs. five million received by a person other than a company is charged to tax under section 7B at the rate of 15% under Division IIIA of Part I of First Schedule of the Ordinance as fixed and final discharge of tax liability. Provisions of section 7B do not apply in case of companies and for individuals/AOPs receiving profit in excess of five million rupees. However, by virtue of clause (20) of Part III of Second Schedule of the Ordinance, reduced rate of final tax at 15% was made applicable on profit on debt as separate block of income for all persons other than banking companies or insurance companies insofar the profit was derived from investment in Federal Government securities. This clause has now been omitted through Finance Act, 2022.

INDIVIDUAL TAX RESIDENT SECTION 82

A citizen of Pakistan will be deemed to be resident of Pakistan

- He is not present in any other country for more than 182 days during the tax year; or
- He is not a resident taxpayer of any other country

FBR COMMENTARY

Definition of Resident Individual

The scope of the definition of resident individual has been further expanded through insertion of clause (d) to section 82. Now a person being a citizen of Pakistan whose stay in any other country is not more than one hundred and eighty-two days during a tax year or who is not a resident taxpayer of any other country will also be treated as resident individual for the purpose of the Ordinance.

EXEMPTION UNDER INTERNATIONAL AGREEMENTS SECTION 44

Existing provision	New provision
Income received by a non-resident Individual engaged as a contractor, consultant, or expert on a project in Pakistan is exempt from tax to the extent provided for in a bilateral or multilateral technical assistance agreement between the Federal Government and a foreign government or public international organization. Currently, such exemption is limited to agreements only where technical assistance is being provided by an individual not being a citizen of Pakistan.	Term 'technical assistance' removed to widen the scope of the services covered for exemption. Federal Government is empowered to grant exemption on income of any person on a case-to-case basis through a notification in the Official Gazette in respect of an official development assistance financed loans and grant-in-aid, subject to such conditions and limitations as may be specified.

TAXATION OF ASSOCIATION OF PERSONS SECTION 92

If an AOP is exempt from tax and no tax is payable by such AOP under the ordinance due to the exemption, the share received by its members shall also continue to remain exempt.

FBR COMMENTARY

Exemption to Members in Case of Exempt Income of Association of Persons (AOP)

Under present legal dispensation, income of an AOP is taxed and the share income received by the partners is exempt. Where the income of AOP is exempt, the share income of partners is also exempt. In order to remove any ambiguity, an explanation has been inserted in section 92 of the Ordinance to the effect that if income of AOP is exempt then the share income of its partners shall also be exempt.

TAX CREDIT FOR CHARITABLE ORGANIZATIONS SECTION 100C, SUB-SECTION (4), CLAUSE (E)

Exisiting provision	New provision
Condition of approval for the persons mentioned in Table II of Clause (66) of Part I of the Second Schedule, shall take effect from 01 July 2022	Applicability of the above condition is now till 01 July 2023

DEPRECIATION SECTION 22 AND 23

Existing provision	New provision
50% of full year depreciation in the year of acquisition. & 50% of the full years deprecation in the year of disposal	This condition is removed now. Full years' depreciation I year of purchase & no depreciation in year of disposal.

FBR COMMENTARY

Depreciation and Initial Allowance

Finance Act, 2020 introduced restriction on claim of depreciation deduction by fifty percent on a depreciable asset used in a person's business for the first time. In continuation thereof, the person was allowed fifty percent deprecation deduction in the year of disposal of such depreciable assets. Now this restriction has been lifted and a person who introduces a depreciable asset in his business for the first time will be entitled to claim hundred percent deprecation deduction. The corresponding entitlement to claim fifty percent depreciation deduction during the year of disposal has been withdrawn.

COST OF PASSENGER TRANSPORT VEHICLE NOT PLYING FOR HIRE

Old monetary limit	New monetary limit
• PKR 2.5 M	• PKR 7.5 M

FBR COMMENTARY

Furthermore, the cost of a depreciable asset being passenger transport vehicle not plying for hire was restricted to two and half million rupees for the purpose of deprecation deduction. This limit has been enhanced to seven and half million rupees.

Immovable property or structural improvement to the immovable property have been excluded from the definition of eligible depreciable asset for the purposes of initial allowance.

NEGATIVE LIST OF INITIAL ALLOWANCE

Immovable property and any alteration made thereto

INITIAL ALLOWANCE ON BUILDINGS [SECTION 23(5)]

Building being immovable property including structural improvements (even if classifiable as part of plant & machinery) will no more be eligible for initial allowance of depreciation.

MODE OF SALARY PAYMENT

Old provision	New provision
• Paid through crossed cheque or direct transfer of funds to the employee's bank account	• Digital means were also to be considered as admissible business expenditure.

OFFENCES AND PENALTIES

Increase in penalty for non-filing of tax returns

CONDONATION OF TIME LIMIT SECTION 214A

FBR may, at any time before or after the expiry of such time or period could extend the time limit or condone the delay.

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Where any time limit had been provided in the law for completion or compliance of the action, such time limit can only be extended through "relaxation act" or "relaxation ordinance" and not by the executive authority.

PROCEEDINGS AGAINST AUTHORITY AND PERSONS SECTION 216A

OMITTED

FBR COMMENTARY

Following withholding provisions have been omitted through Finance

Provision	Description	Sector
236I	Collection of advance tax by educational institutions	Educational Institutions
236Q	Payment to residents for use of machinery and equipment	Industry & Construction

DEFINITION OF DISTRIBUTOR CLAUSE (18A) OF SECTION 2

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

Does not include a person who in addition to being a distributor is also engaged in supply of goods as a wholesaler or a retailer.

RATES OF TAX FOR COMPANIES
DIVISION II, PART I OF THE FIRST SCHEDULE

Industry	Current rates	New rates
Small Company	21%	20%
Banking Company	35%	39%
All others	29%	29%

Person	Banking Company		Small Company		Other Company	
Tax Year	2022	2023	2022	2023	2022	2023
Corporate tax	35%	45%	21%	20%	29%	29%
Super tax	4%	0%	0%	0%	0%	0%
Poverty alleviation tax (where applicable)	0	0	2%	2%	2%	2%
Applicable tax rate	39%	45%	23%	22%	31%	31%

TIME LIMIT FOR PASSING OF BEST JUDGEMENT ASSESSMENT SECTION 121, SUB-SECTION (3)

Current time limit	New time limit
• 5 years	• 6 years

FBR COMMENTARY

Time Limitation in Case of Best Judgment Assessment.

Currently time limit of 5 years has been prescribed for best judgment assessment. This limit has been enhanced to 6 years in line with other time limitations prescribed under law.

RATES OF TAX ON IMPORT OF MOBILE PHONES PART II OF THE FIRST SCHEDULE

C&F Value of Mobile Phone (USD)	Tax in PKR (Current)		Tax in PKR (New)	
	In CBU condition PCT Heading 8517.1219	In CKD/ SKD condition PCT Heading 8517.1211	In CBU condition PCT Heading 8517.1219	In CKD/ SKD condition PCT Heading 8517.1211
Up to 30 except smart phones	70	0	70	0
Exceeding 30 and up to 100 and smart phones up to 100	100	0	100	0
Exceeding 100 and up to 200	930	0	930	0
Exceeding 200 and up to 350	970	0	970	0
Exceeding 350 and up to 500	3,000	5,000	5,000	3,000
Exceeding 500	5,200	11,500	11,500	5,200

REDUCE RATE OF TAX ON PAYMENT FOR SERVICES SUB-PARAGRAPH (I), CLAUSE (2), DIVISION III, PART III OF THE FIRST SCHEDULE

REIT management services and services rendered by National Clearing Company of Pakistan Limited

Tax rate – 3%

RATE OF TAX ON TRANSPORT VEHICLES CLAUSE (2), DIVISION III, PART IV OF THE FIRST SCHEDULE

Passenger transport vehicle having capacity	PKR per seat per annum (Existing)	New	
		PKR per seat per annum – Non air conditioned	PKR per seat per annum – Air conditioned
Four or more persons but less than ten persons	50	500	1,000
Ten or more persons but less than twenty persons	100	1,500	2,000
Twenty persons or more	300	2,500	4,000

RATE OF TAX ON PURCHASE AND TRANSFER OF MOTOR VEHICLES CLAUSE (1), DIVISION VII, PART IV OF THE FIRST SCHEDULE

Engine Capacity	Amount in PKR (Existing)	Amount in PKR (New)
Up to 850cc	7,500	10,000
851cc to 1000cc	15,000	20,000
1001cc to 1300cc	25,000	25,000
1301cc to 1600cc	50,000	50,000
1601cc to 1800cc	75,000	150,000
1801cc to 2000cc	100,000	200,000
2001cc to 2500cc	150,000	300,000
2501cc to 3000cc	200,000	400,000
Above 3000cc	250,000	500,000

TAX RATE

Custom assessed value (Import value + CD + FED + ST)* 3%

Imported vehicle or invoice value for locally manufactured or assembled vehicles where engine capacity is not applicable and value of vehicle is PKR 5,000,000 or more.

Engine capacity is not applicable and value of vehicle is PKR 5,000,000 or more on transfer of motor vehicles

Tax - PKR 20,000

Benefit - a reduction of 10% each year from the date of first registration in Pakistan

FBR COMMENTARY

Increase in Advance Tax Rate on Passenger Transport Vehicles.

Currently advance tax on passenger transport vehicles plying for hire is collected on the basis of seating capacity of vehicle by Excise and Taxation authorities. The rates of adjustable advance tax on such vehicles provided in Division III of Part IV of First Schedule of the Ordinance have been enhanced by substituting the Table in the following manner.

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

In case of a person not appearing on active taxpayers list, rate of tax will increase by hundred percent under rule 1 of Tenth Schedule to the Ordinance.

ADVANCE TAX ON SALE / TRANSFER AND PURCHASE OF IMMOVABLE PROPERTY
DIVISIONS X AND XVIII, PART IV OF THE FIRST SCHEDULE

Tax rate

- Old rate – 1% of the gross amount of the consideration received
- New rate – 2% of the gross amount of the consideration received

5% if the purchaser of such property is a non-filer

ADVANCE TAX ON TV PLAYS AND ADVERTISEMENTS DIVISION XA, PART IV OF THE FIRST SCHEDULE

Description	Rate of Tax in PKR (Existing)	Rate of Tax in PKR (New]
Foreign produced TV drama serial or play	1,000,000 per episode	1,000,000 per episode
Foreign produced TV play (single episode)	3,000,000	3,000,000
Advertisement starring foreign actor	500,000 per second	100,000 per second

EXEMPTION TO RECOGNIZED INSTITUTIONS
TABLES 1 AND 2 OF CLAUSE (66), PART I OF THE SECOND SCHEDULE

- Table 1 provided a list of institutions which are fully exempt without any condition
- Table 2 are exempt subject to compliance with the provisions of Section 100C of the Ordinance with effect from 01 July 2021.

TABLE 2 TO TABLE 1

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

ADDITION IN TABLE 1

- The Pakistan Global Sukuk Programme Company Limited
- Karandaaz Pakistan from Tax Year 2015 onwards
- Public Private Partnership Authority for the Tax Year 2022 and subsequent four years
- Hamdard Laboratories

ADDITION IN TABLE 2

- Burhani Qarzan Hasnan Trust
- Saifee Hospital Karachi
- Saifiyah Girls Taalim Trust

EXEMPTION TO REIT SCHEME, SPV AND COLLECTIVE INVESTMENT SCHEMES CLAUSE (99), PART I OF THE SECOND SCHEDULE

- Accounting income
- Add – capital gain
- Add – accumulated losses

FBR COMMENTARY

Conditional Exemption to Collective Investment Scheme or REIT Scheme

Any income derived by a Collective Investment Scheme or a REIT Scheme is exempt from tax under clause (99) of Part I of Second Schedule to the Ordinance if not less than ninety percent of its accounting income of that year as reduced by realized or unrealized capital gains is distributed amongst the unit or certificate holders or shareholders. Now, further reduction in accounting income of that year has been allowed through adjustment of accumulated losses for these persons in addition to reduction by realized or unrealized capital gains.

EXEMPTION TO ELECTRIC POWER GENERATION PROJECT CLAUSE (132), PART I OF THE SECOND SCHEDULE

Exemption under Clause (132) would continue to apply to cases which were exempt from tax on or before 30 June 2021 i.e. where the above conditions were not applicable

Exemption would last till the life cycle of the project or twenty five years from the date of commercial production, whichever is earlier

NEW EXEMPTIONS
CLAUSES (150) AND (151), PART I OF THE SECOND SCHEDULE

New Clause (150)

Exempt income derived by Siyahkalem Engineering Construction Industry and Trade Company Limited from contract dated 23 May 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by the Saudi Fund for Development with effect from Tax Year 2017

New Clause (151)

Exemption on income of cinema operators in a tehsil or town where there is no cinema.

Period of 5 years from the commencement of cinema operations.

The exemption shall be available to persons who start cinema construction until 31 December 2023.

NEW CLAUSE (152)

Exempt profits and gains derived between the 01 July 2022 and 30 June 2025 by a venture capital company and venture capital fund registered under relevant Venture Capital Companies and Funds Management Rules issued by SECP.

FBR COMMENTARY

Incentive for Venture Capital Companies and Venture Capital Funds

Through insertion of clause (152) in Part I of the Second Schedule, exemption has been granted to profits and gains derived by venture capital companies and venture capital funds for the period from 1st day of July, 2022 to 30th day of June, 2025, as are registered with the Securities and Exchange Commission of Pakistan under relevant applicable rules.

NEW CLAUSE (153)

Exempt profits and gains from the production of feature film derived between the 01 July 2022 and 30 June 2027 by a resident producer or a resident production house.

SPECIAL RATES OF TAX FOR FLYING, SUBMARINE AND TOTAL ALLOWANCES WITHDRAWN
CLAUSES (1) AND (1AA), PART III OF THE SECOND SCHEDULE

OMITTED

EXEMPTION FROM MINIMUM TAX
CLAUSE (11A), PART IV OF THE SECOND SCHEDULE

Withdrawn exemption previously allowed through Finance Act, 2021 to such eligible Zone Enterprises and Zone Developers.

EXEMPTION FROM PROBE OF SOURCE OF INVESTMENT CLAUSE (86), PART IV OF THE SECOND SCHEDULE

OMITTED

EXEMPTION FROM VARIOUS PROVISIONS TO CERTAIN SUKUK COMPANIES CLAUSES (95) AND (96), PART IV OF THE SECOND SCHEDULE

Following provisions not applicable on (as payer):

- Second Pakistan International Sukuk Company Limited,
- the Third Pakistan International Sukuk Company Limited and
- the Pakistan Global Programme Company Limited,
  - 147
  - 150A
  - 151
  - 152
  - 236A
  - 236K

Following provisions not applicable on (as receiver):

- Second Pakistan International Sukuk Company Limited,
- the Third Pakistan International Sukuk Company Limited and
- the Pakistan Global Programme Company Limited,
  - 151
  - 153
  - 155
  - 236C

EXEMPTION FROM VARIOUS PROVISIONS TO NATIONAL HIGHWAY AUTHORITY CLAUSE (97A), PART IV OF THE SECOND SCHEDULE

Following provisions shall not apply to National Highway Authority in respect of

- transfer of immoveable property to the Pakistan Global Sukuk Programme Company Limited
- transfer of immoveable property to National Highway Authority from the Second Pakistan Global Sukuk Programme Company Limited
  - 37
  - 236C
  - 236K

EXEMPTION FROM APPLICABILITY OF WITHHOLDING TAX CLAUSE (120), PART IV OF THE SECOND SCHEDULE

- new Clause (120)
- Exempt NPOs appearing under Table 1 of Clause (66) of Part I to the Second Schedule to the Ordinance from withholding provisions
- No tax is will be required to be withheld from any payments received by these organizations as a recipient.

NEW CLAUSE (43H)

Exempt withholding tax deduction from payments made under section 153(1)(b) of the ordinance to an exhibitor or distributor of a feature film, as a payer, on payment made to a distributor, producer, or importer of a feature film.

NEW CLAUSE (111AC)

Exempt applicability of advance tax on sale or transfer of immovable property (section 236C) and advance tax on purchase or transfer of immovable property (section 236K) of the ordinance on the non-resident individual holding POC or NICOP.

FBR COMMENTARY

Tax Incentives for Film Industry

In order to promote local film industry, following new measures have been introduced:

(i) Five years tax exemption has been granted by inserting clause (151) in Part I of Second Schedule to the Ordinance to a person who derives any income from cinema operations, starting from the commencement of cinema operations.

(ii) Through insertion of clause (153) in Part I of Second Schedule to the Ordinance, exemption has been granted to profit and gains derived by a resident producer or a resident production house from production of feature films during the period from 1st day July, 2022 to 30th day of June, 2027.

(iii) Similarly, exclusion from provisions of section 148 of the Ordinance has been provided through insertion of Clause (12P) in Part IV of Second Schedule on import of machinery and equipment as listed in serial no. 32 of Part-I of Fifth Schedule to the Customs Act, 1969 subject to the conditions and limitations specified therein.

(iv) Moreover, through insertion of clause (43H) in Part IV of Second Schedule, exclusion from the provisions of clause (b) of sub-section (1) of section 153 has been provided to an exhibitor or a distributor of a feature film, as payer, on payment made to a distributor, producer or importer of feature film.

EXEMPTION FROM AUDIT TO CERTAIN PERSONS CLAUSE (105A), PART IV OF THE SECOND SCHEDULE

A person has been audited in a year shall not preclude the person from being audited again in the next **04** years, where there are reasonable grounds for such audits.

FBR COMMENTARY

Restriction on Frequent Audit Proceedings

A new clause (105A) has been inserted in Part IV to Second Schedule to the Ordinance whereby the provisions of section 177 and 214C shall not apply to a person whose income tax affairs have been audited in any of the preceding four tax years. However, the Commissioner may select a person for audit with prior approval of the Board.

Example:

Taxpayer A's audit of income tax affairs of tax year 2017 has been finalized in tax year 2022. Taxpayer A can only be audited again after four tax years i.e. in tax year 2027.

EXEMPTION FROM TAX ON IMPORTS CLAUSES (12B), 12BA, (12O) AND (12P)

No tax shall be collected on import of 30 million 3xPly Knit face marks under Section 148, received as humanitarian assistance from M/s. HANES Brand Inc. North Carolina, USA for distribution within the population of Lahore Division, Government of Punjab

Provisions of Section 148 shall not apply on import of drones donated by Ministry of Agriculture and Rural Affairs, Government of China to Pakistan through sea route and import of cinematographic equipment as notified by the Federal Government.

WITHHOLDING RULES FOR NON ACTIVE TAXPAYERS RULES (1) AND (10) OF THE TENTH SCHEDULE

Provision	Increase
Section 231B (advance tax on registration of a motor vehicle)	200%
Section 236K (purchase or transfer of immovable property)	250%
Section 154A	Tax collected or deducted shall not be subject to a 100% increase in case of the person is not appearing in ATL.

TABLE OF ITEMS FOR APPLICATION OF TAX ON IMPORTS TWELFTH SCHEDULE

Part - 1 (Added)

- Coal; briquettes, ovoids and similar solid fuels manufactured from coal.
- Potatoes, fresh or chilled.
- Tomatoes, fresh or chilled.
- Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled.
- Seed for sowing.
- Coal; briquettes, ovoids and similar solid fuels manufactured from coal.

Part – 1 (Omitted)

- Ferrous waste and scrap; remelting scrap ingots of iron or steel.

Part – 2 (Omitted)

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

Part – 3 (Omitted)

- Coal; briquettes, ovoids and similar solid fuels manufactured from coal
- Potatoes, fresh or chilled.
- Tomatoes, fresh or chilled.
- Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled.
- Seed for sowing.

Part – 3 (Added)

- PVC electric insulation taps in logs exceeding 100 cm. Potatoes, fresh or chilled.
- Ferrous waste and scrap; remelting scrap ingots of iron steel.
- Constant Current Power Supply of LED Lights and Bulbs
- Base Cap for all Kinds of LED Bulbs
- SMD Inductors for LED Bulb and Lights
- Electrical Capacitors Aluminum Electrolytic for LED Bulbs and Lights
- Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Bulbs.
- Housing/Shell, Shell Cover and Base Cap for all Kinds of LED Bulbs
- Lenses for LED Bulbs and Lights
- Housing/Shell, Shell Cover and Base Cap for all kinds of LED Lights.
- Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Lights.

AMENDMENTS MADE THROUGH THE TAX LAWS (THIRD AMENDMENT) ORDINANCE, 2021

- Exemptions and tax concessions in the Second Schedule - Section 53
- Powers to enforce filing of returns - Section 114B
- National Database and Registration Authority (NADRA) - Section 175B
- Offences and Penalties - Section 182
- Disclosure of Information by a Public Servant - Section 216
- Amendments in the Thirteenth Schedule

EXEMPTION IN RESPECT OF ALLOWANCES OR PERQUISITES PAID BY THE GOVERNMENT OUTSIDE PAKISTAN CLAUSE (5), PART I OF THE SECOND SCHEDULE

WITHDRAWN

FBR COMMENTARY

(i) Exemption on allowance or perquisite which is paid or allowed outside Pakistan by the Government to a citizen of Pakistan for rendering services outside Pakistan was earlier available under clause (5) of Part I of Second Schedule to the Ordinance. This exemption has now been withdrawn.

REDUCED WITHHOLDING TAX RATE
CLAUSES (31) OF PART-II OF THE SECOND SCHEDULE
READ WITH SECTION 153(1)(A) AND DIVISION-III OF PART-III OF THE FIRST SCHEDULE

- WHT rate of 1% on payment for sale of gold and silver and article thereof

- Adjustable tax

FBR COMMENTARY

Reduced rate of withholding and minimum tax on turnover for jewelers

Jewelers are withholding agents if falling under definition of prescribed persons for the purpose of section 153 of the Ordinance. Jewelry is a household item in Pakistan which may require to be sold to jewelers for reshaping by common persons. In order to mitigate full impact of withholding tax required to be deducted under clause (a) of sub-section (1) of section 153, reduced rate of withholding at the rate of 1% has been provided on payment against transactions of sale of gold, silver and articles thereof by inserting clause (31) in Part II of Second Schedule to the Ordinance.

ADVANCE TAX ON MOTOR VEHICLES SECTION 231B

Motor vehicle includes:

- car, caravan, automobiles, jeep, limousine, pickup, sports utility vehicle, trucks, vans, wagon, and any other automobile

Excludes:

- Motor vehicle used for public transportation, carriage of goods and agriculture machinery
- Rickshaw or a motorcycle rickshaw
- Any other motor vehicle having engine capacity up to 200 cc

FBR COMMENTARY

Advance Tax on Motor Vehicles:

(i) Provision of section 231B was limited to private motor vehicles. The scope of withholding tax has now been enhanced through omission of the word 'private' from the heading and elsewhere in the section. Further, an inclusive definition of motor vehicle has been provided in the substituted sub-section (7) of section 231B with following exclusions:

(i) a motor vehicle used for public transportation, carriage of goods and agriculture machinery;

(ii) a rickshaw or a motorcycle rickshaw and

(iii) any other motor vehicle having engine capacity upto 2 00cc.

Except motor vehicles mentioned at i, ii and iii above, provision of section 231B will apply on motor vehicles of all makes and models irrespective of its private or commercial use by the end users.

(ii) The withholding tax amount required to be collected at the time of purchase or registration of motor vehicle has been enhanced with engine capacity of 1601cc and above. In cases of electric vehicles where engine capacity of a vehicle is not available and value of vehicle is rupees five million or more, the amount of tax collected will be 3% of import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles.

(iii) Rates of tax required to be collected at the time of transfer of registration or ownership of a motor vehicles have been provided in clause (2) in the Table in Division VII of Part IV of First Schedule of the Ordinance. A new proviso has been inserted whereby a vehicle in which engine capacity is not applicable (electric vehicles) and the value of said vehicle is rupees five million or more, then tax amount of rupees twenty thousand will be collected at the time of transfer of registration or ownership of such vehicle.

(iv) In case of a person not appearing in active taxpayer list, tax collectible under this section will increase by two hundred percent. Necessary change has been incorporated in rule 1 of Tenth Schedule of the Ordinance


Withholding tax

WHT REGIME

Section	Tax Regime
148	MTR
150	FTR
151	MTR
152	MTR
153	MTR. Adjustable for manufacturer and listed company only.
154	FTR
154A	FTR
155	NTR

Section	Tax Regime
156	FTR
156A	FTR
231B	NTR
233	MTR
234	NTR
235	Adjustable for Companies. Minimum for others amounting PKR 30,000/- per month. Adjustable for PKR 30,000/- and more.
235B	FTR
236	NTR

Section	Tax Regime
236A	NTR
236C	MTR if property acquisition and disposal in same year. Otherwise NTR.
236G	NTR
236H	NTR
236K	NTR
236X	NTR
236Y	NTR


SALES
TAX

PRODUCTION, TRANSMISSION AND DISTRIBUTION OF ELECTRICITY SECTION 2(12) AND SECTION 2(33)

Production, transmission and distribution of electricity

- Supply
- Goods being moveable property

FEE AND SERVICE CHARGES SECTION 2(29A)(B) AND SECTION 76

Exclude fees and service from ST definition

Aimed at providing legal protection to the fee of PKR 1, recently levied by the FBR under Section 76 of the ST Act on issuance of PoS invoices

TIER-1 RETAILER SECTION 2(43A)

- Includes persons engaged in the supply of articles of jewelry, or parts thereof, of precious metal, or of metal clad with precious metal.
- Exclude above retailers whose shop area does not exceed to the extent of 300 square feet

FURTHER TAX SECTION 3(1A)

Now includes supplies made to registered persons who are not active taxpayers.

ONLINE MARKET PLACE SECTION 3(7)

- In case of sale of third-party goods through an online marketplace, the liability to withhold sales tax on goods shall be on the operator of such marketplace
- Excludes requirement of withholding on purchase of services liable to pay sales tax under the provincial enactment.

RETAILERS
SECTION 3(9)

Monthly Electricity Bill	Monthly Sales Tax
Does not exceed PKR 30,000	PKR 3,000 per month
Exceeds PKR 30,000 but does not exceed PKR 50,000	PKR 5,000 per month
Exceeds PKR 50,000	PKR 10,000 per month

NON ATL LIST

Person is not appearing in active taxpayers list issued by FBR for income tax purposes n the date of issuance of monthly electricity bill.

Tax rates shall be increased by 100%

FBR, through a general order, may prescribe any persons or class of persons who would pay sales tax of PKR 200,000 per month through their electricity bills.

FBR COMMENTARY

Fixed Tax Regime for Retailers and Specific Sectors:

The fixed tax regime for the retailers has been rationalized and now instead of percentage of the amount of monthly electricity bill, tax shall be charged on their monthly electricity bills as; Rs. 3000 for monthly bill upto Rs. 30,000, Rs. 5,000 if the monthly bill exceeds Rs. 30,000 but does not exceed Rs. 50,000 and Rs. 10,000 for monthly bill over Rs. 50,000. This shall constitute full and final discharge of tax liability of such persons under both Income Tax Ordinance, 2001, and STA.

However, these tax amounts shall be doubled if the name of the retailer is not appearing on the Active Taxpayers List (ATL) issued by the Board under section 181A of the Income Tax Ordinance, 2001 on the date of issuance of monthly electricity bill.

In addition to the above, the Board has been empowered to notify through an STGO persons or class of persons required to discharge their sales tax liability through payment of a fixed amount along with their monthly electricity bills.

ONLINE INTEGRATION SECTION 3(11)

A general power to the FBR to require any person or class of persons, to integrate their invoice issuing machines with the FBR's computerized system for real-time reporting of sales

TIME AND MANNER OF PAYMENT SECTION 6(5)

Federal government, through a notification, may allow the payment of sales tax on an installments basis by the federal or provincial governments, or any public sector organization on the import or supply of any goods or class of goods. The facility may be allowed subject to any conditions, limitations and from any previous date, as specified in the notification.

INVOICING AND TAX CREDIT NOT ALLOWED SECTION 23(1)(B) AND SECTION 8(1)(M)

- Requirements of mentioning NTN or NIC number under Section 23(1)(b) is now restricted to supplies made by a manufacturer or importer to unregistered distributors

- Bar on deduction of input tax as placed under Section 8(1)(m) has been restricted to supplies made to unregistered distributors.

ADJUSTABLE INPUT TAX SECTION 8B(1)

Public limited companies listed on the Pakistan Stock Exchange will also not be able to adjust their input tax, in excess of 90% of their output tax, for a tax period

DISCONTINUANCE OF GAS AND ELECTRICITY CONNECTIONS SECTION 14AB

new Section 14A

FBR to discontinue the supply of gas and electricity to the following persons

- Any person including Tier-1 retailers
  - Fails to register for Sales Tax purposes
- Registered Tier-1 retailers
  - Not integrated with the FBR's Computerized System

OFFENCES AND PENALTIES
SR NO.24 OF THE TABLE IN SECTION 33

Requirement of a QR code when issuing an invoice

Defacing the prescribed invoice number or barcode or QR code, will be considered an offence.

Offence	Penalty
25AB. A person required to integrate his business as stipulated under Subsection (9A) of section 3, who fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required	Such person shall be liable to pay: (i) penalty of five hundred thousand rupees for first default; (ii) penalty of one million rupees for second default after fifteen days of order for first default; (iii) penalty of two million rupees for third default after fifteen days of order for second default; (iv) penalty of three million rupees for fourth default after fifteen days of order for third default: Notwithstanding above, the business premises of such person shall be liable to be sealed by an officer of Inland Revenue in the manner prescribed.

THIRD SCHEDULE
SECTION 3(2)(A)

Replace the tariff heading reference with the wording ‘respective heading’. This will extend scope for taxing all kind of detergents at retail price

OMITTED

Fertilizer – Serials No. 32, 168 of Sixth Schedule and 52 of the Eighth Schedule

Fertilizers were subject to reduced rate of 2% through Serial No 52 of the Eighth Schedule and subject to payment of sales tax at retail price as per Serial No. 32 of the Third Schedule.

Serial No. 32 of the Third Schedule and Serial No 52 of the Eighth Schedule

Exemption on the import or local supply of fertilizers by introducing Serial No. 168 in the Sixth Schedule to the ST Act.

FIFTH SCHEDULE
SECTION 4

- Fat filled milk, other than sold in retail packing under a brand name or a trademark, was subject to zero rating
- Fat filled milk, in retail packing, were subject to reduced rate under 8^{th} schedule.

LOCAL SUPPLIES TO REGISTERED EXPORTERS SERIAL NO. 21

Local supplies of raw materials, components, parts and plant and machinery made to registered exporters authorized under Export Facilitation Scheme, 2021 is zero rated now.

FBR COMMENTARY

Provision of Zero-Rating Under the Fifth Schedule to STA:

Majority of the export facilitation schemes being operated under Customs Rules are going to be merged in the Export Facilitation Scheme (EFS) 2021 by August, 2023. Therefore, in order to make EFS attractive for the exporters local supplies of raw material, machinery and components to the registered exporters authorized under this scheme have been made zero rated.

SIXTH SCHEDULE
SECTION 13

Following exemptions restored:

- Goods imported by various agencies of the UN, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts and Orders, rules and regulations made thereunder; and agreements by the FG:
  - Such goods are charged to zero-rate of CD.
  - Exemption under this serial shall be available with effect from the 15 January, 2022.
- Photovoltaic cells whether or not assembled in modules or made up into panels
- Goods imported by or donated to hospitals run by the non-profit making institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty.
- Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.
- Seeds for sowing
- Goods temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate of customs duty

FERTILIZERS

EXEMPTED

OIL CAKE AND OTHER SOLID RESIDUE

Restored exemption on import and local supplies of oil cake and other solid residues.

RE-IMPORTATION OF LOCALLY MANUFACTURED GOODS – SERIAL NO. 173

Restored exemption on re-importation of locally manufactured goods

EXEMPTION FOR CINEMATOGRAPHIC EQUIPMENT- SERIAL NO. 174

Import of various cinematographic machinery and equipment has been declared as Exempt.

IMPORTS BY EXPORT PROCESSING ZONE

Exempt machinery, equipment and materials imported either for exclusive use within the limits of export processing zone or for making exports therefrom and goods imported for warehousing purpose in export processing zone

SUPPLY OF TRACTOR

Exempt the import or local supply of tractors from levy of sales tax

SUPPLY BY RESTAURANTS AND CATERERS

- Exempt prepared food or foodstuff supplied by restaurants and caterers
- Services of restaurant and caterers including supply of foods is to be taxed under the ICT Ordinance as services

PLANT, MACHINERY, EQUIPMENT AND APPARATUS, INCLUDING CAPITAL GOODS

Description	Condition
1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through hydel, oil, gas, coal, nuclear and renewable energy sources including under construction projects entered into an implementation agreement with the Government of Pakistan prior to 15 January 2022. 2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.	This concession shall also be available to primary contractors of the project upon fulfilment of the following conditions, namely: (a) the contractor shall submit a copy of the contract or agreement under which he intends to import the goods for the project; (b) the Chief Executive or head of the contracting company shall certify in the prescribed manner and format as per Annex-A that the imported goods are the projects bona fide requirement; and (c) the goods shall not be sold or otherwise disposed of without prior approval of the FBR on payment of sales tax leviable at the time of import; (ii) temporarily imported goods shall be cleared against a security in the form of a post-dated cheque for the differential amount between the statutory rate of sales tax and the amount payable along with an undertaking to pay the sales tax at the statutory rates in case such goods are not re-exported on conclusion of the project.

FBR COMMENTARY

Grant of Exemptions from Sales Tax under the Sixth Schedule to STA:

The following goods have been exempted from sales tax:

(i) Import and supply of Photovoltaic cells and modules.

(ii) Goods imported by or donated to hospitals run by the non-profit making institutions and local supplies of goods (other than electricity and natural gas) to hospitals run by the charitable hospitals of fifty beds or more.

(iii) Goods temporarily imported into Pakistan, meant for subsequent exportation.

(iv) Import and local supply of fertilizers, tractors, and seeds for sowing.

(v) Import and supply of oil cake and other solid residues used in the animal feed industry.

(vi) Imports including machinery, equipment and materials for exclusive use within the limits of Export Processing Zone or for making exports. Previously these were made subject to tax at standard rate through the Finance Supplementary Act, 2022.

(vii) Goods temporarily exported which were produced in Pakistan and are subsequently imported within one year of their exportation.

(viii) Art card used in printing of the Holy Quran.

(ix) Goods imported by or supplied to UN Diplomats and Missions w.e.f. 15th January 2022.

(x) Local supplies of raw hides and skins, prepared food stuff by restaurants and caterers, and naan, chappati and all types of breads.

(xi) Plant and machinery imported by the energy projects, including those under CPEC, that have entered into implementation agreement with the Government of Pakistan prior to 15th January 2022.

EIGHTH SCHEDULE
SECTION 3(2)(AA)

Description	Current rate	New rate
Potassium Chlorate (KCLO3)	17% alongwith PKR 90/ kg	17% alongwith PKR 60/ kg

TABLE -1

Description	Rate	Condition
Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.	3% locally manufactured articles only	No input tax shall be adjusted
Import of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal.	4%	No input tax shall be adjusted
Local supply of reclaimed lead	1%	Subject to the conditions that: (i) Supplies are made to registered manufacturers of lead and lead batteries; and (ii) No refund of input tax shall be admissible.
Local supply of the above jewelry articles	3%	
import of the aforesaid articles	4% at import stage	
onward supply would be exempt		

LOCALLY PRODUCED COAL

700 per metric tonne or 17% ad valorem, whichever is higher

JEWELRY ARTICLES

Import of jewelry articles and their onward supply would be subject to sales tax at standard rate.

ELECTRIC VEHICLES

12.5% on EV in CBU condition of 50 kwh battery or below

EV TRANSPORT

EV transport buses of 25 seats or more in CBU condition are taxed at 1%

DRUGS ACT, 1976

Levy sales tax on active pharmaceutical ingredients meant for the manufacturing of drugs or raw materials for the basic manufacture of pharmaceutical active ingredients at the rate of 1% without adjustment of input tax

Import of substances registered as drugs would also be subject to 1% sales tax at import stage.

The supply of locally manufactured or imported drugs are also now subject to sales tax at the rate of 1% without adjustment of input tax.

- Tax charged or deposited by manufacturer or importer would be the final discharge of tax in the supply chain.
- Wholesalers/distributors or retailers dealing only in supply of drugs once again have been excluded from the sales tax regime.

FBR COMMENTARY

Reduction of Tax Rate on Potassium Chlorate:

GST at Rs. 90 was charged over and above 17% ad valorem on potassium chlorate, the rate has been reduced to Rs. 60 per kg which is to be paid in addition to 17% standard rate.

Reduction of Rate for Electric Vehicles (EV) Buses:

In order to encourage use of non-fossil fuels and renewable energy, rate of tax on EV buses of 25 seats or more which will be mostly used by common man has been reduced to 1%.

TWELFTH SCHEDULE SECTION 7A(2)

Exempts levy of minimum value addition tax on import of raw materials and intermediary goods imported by a manufacturer for in-house consumption.

Exemption withdrawn on import of following:

- compressor scrap
- motor scrap
- copper cable cutting scrap

VALUE OF SUPPLY SECTION 2(46)(I)

Value of supply of electric power and gas by distribution company = total billed amount

Value of supply does not include the amount of subsidy provided by the FG or PG to the electricity consumers

PROCEEDINGS AGAINST AUTHORITY & PERSONS SECTION 33A

OMITTED

ELEVENTH SCHEDULE
SECTION 3(7)

Companies exporting surgical instruments are not WHT agents.

WHT RATE IN ONLINE MARKET PLACE

Old rate	New rate
• 2%	• 1%

FBR COMMENTARY

Reduction WHST for Online Market Places:

Online market places are expanding with the growth of technology and digital payment modes. In order to facilitate the economic activity through online market places, the rate of withholding tax on sales of third party goods of persons not appearing in ATL made through their platform has been reduced from 2% to 1%.

FBR COMMENTARY - MISC

Condition of NIC Number:

The condition of providing of NIC number has now been restricted in case of supplies by importer/manufacturers to un-registered distributors only.

Reduced Rate for Locally Manufactured items of Jewelry:

A fixed rate of 3% on locally manufactured articles of jewellery has been introduced subject to the condition that no input tax is adjustable. Furthermore, all jewelers have been included in the definition of Tier-1 retailers except those whose shop area is less than 300 sq. ft.

Withdrawal of Zero-Rating on Drugs:

Drugs registered under the Drugs Act, 1976 have been made chargeable to tax at reduced rate of 1% without input adjustment. Similarly, Active Pharmaceutical Ingredients (APIs) and their raw materials are also chargeable at fixed rate of 1% subject to certification by DRAP.

Normal Tax on Import of Expensive EVs:

Before Finance Act, 2022, all types of electric vehicles (EVs) in CBU condition were chargeable at reduced rate of 12.5%. This relief has now been limited to small cars of 50 KWh only and large and expensive vehicles have been made chargeable to tax at normal rate.

Public Limited Companies included in Section 8B:

Public limited companies listed on stock exchange were exempt from the provision of section 8B of STA. This discriminatory exemption has been withdrawn to provide level playing field to the entire corporate sector.

Increase in Rate on Coal:

Locally produced coal was chargeable at Rs. 425 per metric tonne or 17% ad valorem whichever is higher. This rate has not been revised since 2017. This has now been increased to Rs. 700 per metric tonne or 17% ad valorem whichever is higher.

FBR COMMENTARY

FBR COMMENTARY ON ALTERNATE DISPUTE MECAHNISM

Revamping of Alternate Dispute Resolution Mechanism

Through the Finance Act, 2022, the mechanism of alternate dispute resolution has been revamped. Major departure points from previous regime are highlighted as under:

(a) Disputes involving tax liability of one hundred million or above only can now be brought for settlement. Previously, there was no such bar for filing of application under this mechanism.

(b) Disputes involving question of facts and law both can now be brought by a taxpayer for settlement by the committee subject to the condition that decision by the committee will not be cited or taken as a precedent in any other case or in the same case for a different tax year. Previously, disputes involving interpretation of question of law having effect on other cases were specifically excluded from the purview of dispute resolution committee.

(c) The scope of initial proposition has been expanded which now includes proposal from the taxpayer to settle the matter, including an offer for payment of tax which cannot be withdrawn.

(d) The choice available to a taxpayer to appoint a member of dispute resolution committee has been enhanced. Now a taxpayer can nominate a member from a panel notified by the Board in this regard or an Officer of Inland Revenue Service who has retired in BS21 or above or a reputable business person as nominated by a Chamber of Commerce and Industry. The third member of the committee will be selected through consensus by Chief Commissioner Inland Revenue (being other member of the committee) having jurisdiction over the case and taxpayer's nominee member jointly from the panel notified by the Board in this regard.

(e) Taxpayer and the Chief Commissioner Inland Revenue having jurisdiction over the case either individually or both as the case may be, will withdraw their appeal pending before a court of law or appellate authority after the constitution of committee but before commencement of proceeding by the committee. Previously, there was no requirement of withdrawal of appeal and the taxpayer could choose to pursue his appeals in case he did not accept the committee's decision.

(f) The committee members will decide the dispute pending before the committee through majority. Earlier, consensus decision by committee members was required for dispute resolution.

(g) The decision by committee will be binding on both the taxpayer and Chief Commissioner Inland Revenue having jurisdiction over the case. Previously, it was binding on Chief Commissioner only after it had been accepted by the taxpayer through withdrawal of appeal.

The changed procedure of dispute resolution will ensure that it is focused on high revenue yielding cases and does not result in wastage of time and resources for the taxpayer as well as field formations by being an effective alternative and not a parallel mechanism to the appeal process.

CAPITAL VALUE TAX

Imposition of Capital Value Tax 2022(CVT):

Capital Value Tax 2022 has been imposed under Section 8 of the Finance Act, 2022 on below mentioned assets for tax year 2022 and onwards. In case of a motor vehicle held in Pakistan, CVT is to be charged and collected from the 1st day of July, 2022:

S. No.	Assets/Description	Rate
1	Motor vehicle held in Pakistan (i) the engine capacity exceeds 1300 cc; or (ii) in case of electric vehicles, the battery power capacity exceeds 50kwh	1% of the value
2	Foreign assets of a resident individual where the value of such assets on the last day of the tax year in aggregate exceeds Rupees one hundred million	1% of the value
3	Such assets or class of assets as specified by the Federal Government through a notification in the official Gazette	As specified by Federal Government, not exceeding 5% of the value.

CVT on Motor Vehicles Held in Pakistan.

(i) Value of Motor Vehicles

The value of vehicle for the purpose of CVT is provided in the following manner:

(a) **Imported vehicle**: the import value assessed by the Customs authorities as increased by all duties and taxes leviable at import stage and Collector of Custom will collect CVT at import stage.

(b) **Vehicle manufactured or assembled locally in Pakistan**: the ex-factory price inclusive of all duties and taxes and local manufacturer or assembler will be responsible for collecting CVT.

(c) **Auctioned Vehicle:** the auction value inclusive of all duties and taxes and any person making sale by public auction or auction by tender will collect CVT.

Furthermore, the value of motor vehicle will be reduced by ten percent each year and no CVT will be collected after five years from the end of financial year in which motor vehicle has been imported, auctioned or locally purchased.

(ii) Collection of CVT on Motor Vehicles

CVT on motor vehicle is to be collected at the time of import, purchase from local manufacturer or assembler and auction. Every motor vehicle registering authority of Excise and Taxation Department is required to collect CVT at the time of registration of motor vehicle with effect from 1st day of July, 2022 except where the CVT has already been collected from the same person applying for registration at the time of import, purchase from local manufacturer or at auction stage in respect of same motor vehicle.

CVT is to be collected by the Motor vehicle Registration Authority at the time of transfer of registration or ownership of motor vehicle. This means that CVT on every subsequent sale/transfer of motor vehicle whenever occurring within the prescribed five years period is to be collected.

CVT on Foreign Assets of a Resident Individual

An inclusive definition of the foreign assets has been provided which, inter alia, includes assets held abroad indirectly and under the beneficial ownership by the resident individual. The value of foreign assets will be total cost of the foreign assets on the last day of the tax year in relevant foreign currency which is converted into rupees as per exchange rates notified by State Bank of Pakistan for the said day. In case the cost of foreign assets cannot be determined with reasonable accuracy, the fair market value on the last day of tax year will be taken for this purpose and rupee conversion is applied in the aforesaid manner. The resident person holding foreign assets will pay CVT at the time the income tax return for the tax year is due.

The officer of Inland Revenue has been empowered to pass an appealable order to recover CVT along with default surcharge from a person who fails to pay CVT or to collect CVT or fails to pay to the credit of the Federal Government after having collected CVT, by holding the person personally liable in this regard.

Provisions of Income Tax Ordinance, 2001 and Income Tax Rules, 2002 are applicable to collection, payment, recovery, or refund of CVT. Board is also empowered to prescribe rules for any matter relating to the capital value tax.

ISLAMABAD CAPITAL TERRITORY TAX

Old Rate (Table – 1)	New Rate (Table – 1)
• 16%	• 15%

CALL CENTRE SERVICES

Old rate	New rate
• 17%	• 15%

TABLE - 1

Current		New	
Description	Rate	Description	Rate
Services provided or rendered by hotels, motels, guest houses, marriage halls and lawns (by whatever name called) including “pandal” and “shamiana” services, clubs including race clubs, and caterers.	16%	1. Services provided or rendered by hotels, motels, guest houses, farmhouses, restaurants, marriage halls, lawns, clubs and caterers. 2. Services provided or rendered by hotels, motels, guest houses and farmhouses. 3. Services provided or rendered by restaurants. 4. Services provided or rendered by marriage halls and lawns. 5. Services provided or rendered by clubs. 6. Services provided or rendered by caterers, suppliers of food and drinks	15%

FBR COMMENTARY

Food Supplied in Restaurants:

Food supplied in restaurants is now subject to sales tax under ICTO. S.No. I of Table-I of ICTO has been amended and "Restaurants" have been inserted in the said S.No.

Harmonization of Tax on Services:

Under Table-I: In order to harmonize sales tax on various services falling under Table-I of the Ordinance with provincial revenue authorities, the standard rate has been reduced to fifteen per cent (15%) from the existing sixteen and seventeen per cent. The services under the Table shall, however, continue to enjoy the benefits of value-added tax mode i-e adjustment of input tax shall be admissible.

Export Facilitation of IT & Software:

S.No. 11 of Table-2 of ICTO has been substituted to provide for a reduced rate of 5% on services provided by software or IT-based system development consultants. The scope is restricted to the extent of services provided by consultants.

FEDERAL EXCISE ACT

DEFINITIONS
SECTION 2(9)

Exclude the fee and service charges.

This step appears to be taken in relation to provide legal protection to the fee of PKR 1 recently levied by the FBR.

APPOINTMENT OF FEDERAL EXCISE OFFICERS AND DELEGATION OF POWERS SECTION 29(2)(C)

Old name	**New name**
Directorate General of Training and Research	Inland Revenue Services Academy

AMENDMENTS IN THE FIRST SCHEDULE
SECTION 3, FIRST SCHEDULE, TABLE I AND TABLE II

Description	Current duty	New duty
E-liquids by whatsoever name called, for electric cigarette kits.	PKR 10 per ml	PKR 10,000 per kg
Locally produced cigarettes if their on-pack printed retail price exceeds PKR 5,960 per 1000 cigarettes.	PKR 5,200 per 1,000 cigarettes	PKR 5,900 per 1,000 cigarettes
Locally produced cigarettes if their on-pack printed retail price does not exceed PKR 5,960 per 1,000 cigarettes.	PKR 1,650 per 1,000 cigarettes	PKR 1,850 per 1,000 cigarettes
Filter rod for cigarettes.	PKR 1 per filter rod	PKR 1,500 per kg

Description	Current duty	New duty
Tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without combustion	PKR 5,200 per kg	PKR 5,200 per kg
Other Liquefied petroleum Gases and gaseous hydrocarbons	PKR 17.18 per hundred cubic meters.	PKR 60 hundred metric tonne.

AMENDMENTS IN THE FIRST SCHEDULE
SECTION 3, FIRST SCHEDULE, TABLE I AND TABLE II

Description	Current duty	New duty
Facilities for travel (b) Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan,- (i) Economy and economy plus (ii) Club, business and first class	 PKR 5,000 PKR 10,000	 PKR 5,000 PKR 50,000
Telecommunication services, excluding such services in the area of a Province where such Province has imposed Provincial sales tax and has started collecting the same through its own Board or Authority, as the case may be.	16% of charges	19.5% of charges

PROCEEDINGS AGAINST AUTHORITY AND PERSONS SECTION 19A

OMITTED

ALTERNATIVE DISPUTE RESOLUTION SECTION 38

A monetary limit of dispute of liability of duty or admissibility of refund of rupees one hundred million

The committee may be constituted in respect of the disputes that involves interpretation of questions of law having an effect on identical cases.

The application for constitution of committee shall be accompanied by an initial proposition for resolution of the dispute

Nominated person -

- retired officers of Inland Revenue from BS-21 or above.

Registered person shall not nominate a Chartered Accountant or an Advocate who is or has been an auditor or an authorized representative of the registered person

Chief Commissioner and the person nominated by the applicant may nominate a person through consensus, otherwise, the FBR may nominate eligible person proposed by the registered person

Taxpayer shall withdraw his pending appeal as soon as the FBR constitutes a Committee for ADR. The Committee shall not commence the ADR proceedings unless the order of withdrawal is communicated to the FBR.

- deal-breaker amendment

PERIOD FOR MAKING COMMITTEE

Old days	New days
• 60 days	• 45 days

Decision of the ADR is binding both on the aggrieved person and the Commissioner as opposed to the erstwhile section whereby this was not binding on the aggrieved person

Decision of the Committee shall not be cited or taken as a precedent in any other case or in the case of the taxpayer for a different period.

REMOVAL OF DIFFICULTIES AND CONDONATION OF TIME LIMIT ETC. SECTION 43(2)

FBR may allow applications at any time before or after the expiry of any time or period, specified under any of the provisions of the FE act or the rules made thereunder

FBR COMMENTARY

VAT on Scrap:

In order to curb the misuse of certain items of imported scrap, Value Added Tax (VAT) has been imposed at 3% on import of compressor scrap, motor scrap and copper cable cutting scrap by manufacturers as well as commercial importers.

FED on Locally Manufactured Cigarettes:

To discourage smoking and to tap the true potential of cigarette & tobacco sector as per international best practices, the rate of FED on cigarettes has been increased. FED rates have been enhanced from Rs. 5200 per 1000 cigarettes to Rs. 5900 on Tier-1 and from Rs. 1,650 to Rs 1850 per thousand cigarettes on Tier-2. Furthermore, in order to raise the minimum price of cigarettes, the price threshold has also been enhanced from Rs. 5960 to Rs. 6,660 per 1000 cigarettes.

FED on Air Travel:

To raise revenue from the high income earners through indirect taxation on luxury travel, FED on international air travel in business, first and club classes has been increased from Rs. 10,000 to 50,000 per passenger embarking on international journey. This enhanced levy is to be collected at the time of issuance of air tickets after 1st July, 2022.

FED on Telecommunication Services:

To bring the rate of FED on telecommunication services in ICT at par with the rates of GST on these services imposed by provincial legislations, it has been enhanced from 16.5% to 19.5%.

Certain provisions required corrections or streamlining, while some amendments have been done for saving of the changes brought through the Third Amendment Ordinance, 2021 that have now been made part of the Act. The changes and their rationale is explained as follows;

Sr. No.	Section	Amendment with Rationale
1.	2(12) & 2(33)(e) of STA	The term "production, transmission and distribution of electricity" included in the definition of goods and supply to remove any

		confusion regarding status of these activities attached to the generation and supply of electricity.
2.	2(46)(i) of STA	Subsidy provided by the federal government or provincial governments to the electricity consumers is excluded from the value of supply.
3.	3(1A) of STA	The scope of further tax has been extended to non-active taxpayers.
4.	3(7) of STA	Purchasers of services that are liable to sales tax under a Provincial enactment excluded from requirement of withholding sales tax.
5.	6(5) of STA	The Federal Government has been empowered to grant permission to the Federal & Provincial Governments, and Public Organizations to pay ST in installments both prospectively and retrospectively.
6.	30C of STA	Name of the Director General of Training Inland Revenue changed to Inland Revenue Services Academy

7.	74 of STA & Section 43(2) of FEA	Streamlined for effective application of provision of condonation of time limits
8.	76 of STA and 29(2) of FEA	Uniform has been prescribed for the FBR workforce
9.	Preamble of the Eleventh Schedule to STA	Expressions (i) to (viii) omitted for streamlining
10.	Sr. Nos. 8a & 35 of Table-1 of First Schedule to FEA	Unit of measurement for e-liquids, filter rods, and Liquefied Petroleum Gas brought in line with the trade practice and WeBOC system

11.	Various entries of the Schedules to STA and FEA	PCT Headings are mentioned against each one of the Sr. Nos. for their true identification. Certain PCT Headings have been transposed in the Pakistan Customs Tariff Code. Corrections are accordingly made in the relevant serial numbers in the schedules to bring them in line with the new Pakistan Customs Tariff Code.
12.	Various provisions of STA	Amendments introduced through the Third Law Amendment Ordinance, 2021 incorporated in the statute through this Act

GCA Consultants

HOW TO APPROACH GCA

Media	Contact Details
Email	gcaconsultants@gmail.com & gcaofficial@gmail.com
Website	www.gcaofficial.weebly.com
Facebook - Page	https://www.facebook.com/GCAofficial/
Instagram	https://www.instagram.com/gca.consultants.official/?hl=en

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