2022

# TAX COMMENTARY

# PARITY
## THE DECISIVE FACTOR

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Result Assured Services for Growth

RIAZ AHMAD, SAQIB, GOHAR & CO.
Chartered Accountants

A member of agn INTERNATIONAL

# VISION & MISSION

*Profession Leader* to provide highest quality services to our clients with complete independence and integrity by professionally trained, committed & motivated team.

*Environment* conducive to creativity, job security, personal growth and development of team members with adherence to ethical practices.

*Training Facilities* with dedication to groom professionals with the aim to make them leaders in chosen disciplines.

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*Then which of the favors of your Lord will you deny?*

Al-Quran

# PREAMBLE

Alhamdulillah!

RIAZ AHMAD SAQIB GOHAR & CO. (RASG) is pleased to present the 'highlights, comparison and comments' on this year's budget with a, **"Parity – The Decisive Factor"** theme, to its client, friends and associates. While developing this document every endeavor has been made to keep the presentation simple, with the view to help our readers understand the amendments in the various statutes through the Finance Bill, 2022.

This commentary reflects our understanding of the legislation and we recommended that reference should be made to the precise wording of the Bill wherever necessary. We would also recommend that the professional advice should be sought before acting upon any of the amendments.

The Finance Bill 2022 has been received with a mixed feeling. At present the maintaining of exchange parity, added by increased inflation and increase of prices of essential commodities on daily basis are the biggest challenges the economy is facing. The review of the budget proposals does not seem to cater these. We feel that extra measures should have been proposed for increase in foreign exchange earnings, incentives to export based industry and services sector should have been given. The economy needs to be put on correct path; the sooner the better.

Sincerely yours,

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Karachi: June 11, 2022
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# HIGHLIGHTS

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# HIGHLIGHTS

## Income Tax

- Income tax threshold is increased to Rs.1,200,000/- from Rs.600,000/- on **Salary Income**.
- Income tax threshold is increased to Rs.600,000/- from Rs.400,000/- on **AOP** and **Business Individuals**.
- 2% additional tax is proposed on **Persons having income of Rs.300 million or more.**
- **Tax Rates for Banks** for tax year 2023 onwards will be increased to 45% from 39%. It is to be noted that this rate will not include the 2% additional tax.
- Fixed tax rate for **Small Retailers** proposed to be in between from **Rs.3,000/- to Rs.10,000/-** as final tax. Whereas, for specified retailers and service providers to be defined through Income Tax general order and shall be taxed at Rs.50,000/-.
- Income tax rate to be reduced to 5% from 10% on **Behbood Certificate**.
- **Cinema and Producers** to be exempted from income tax.
- Tax holiday is to be allowed to **Film Makers** for 5 years.
- Exemption of 8% withholding tax is be allowed to **Film Producers and Distributors.**
- Tax rebate for 5 years is to be given to **New Cinema, Production Houses, Film museums** and 10 years for **Film and Drama Exporters**.
- **Income from Unutilized Second Property** (including luxury farmhouses) having value more than Rs.25 million will deemed to be 5% of Fair Market Value (FMV) of property, which will be taxed at 20%.
- Advance tax to be increased from 1% to 2% for filers and 5% for non-filers on **Sale and Purchase of Property**.
- Advance tax is to be increased to 200% from 100% for non-active tax payers on **Purchase of Motor Vehicle**.
- Advance tax is to be increased to 200% from 100% on **Purchase of Luxury Vehicles** with engine capacity over 1600cc.
- Advance tax to be charged @ 2% on value of **Electric Vehicles.**
- **Capital Gain Tax** on immoveable property will be varying from 15% to 0% on the basis of holding period as classified in Division Eight of Part-I of First Schedule.
- **Capital Gain Tax Structure** of immoveable property has been changed. Six (6) years holding period in respect of open plot, Four (4) years for constructed property and Two (2) years for flat.

- Tax collected on all materials at **Import** stage by industrial undertaking for own use is adjustable except for import of edible oil, packaging material, paper and paper board and plastics to the extent of tax deducted on their imports.
- Tax collected under section 148 of **Commercial Importer** is restored from Minimum Tax to Final Tax Regime except for import of edible oil, packaging material, paper and paper board and plastics to the extent of tax deducted on their imports.
- **Depreciation** deduction equal to 50% on first time use of depreciable asset has been enhanced to 100%.
- **Deductible Allowance** as profit on debt on house loan, **Tax Credit** for investment in share, health insurance and **Contribution** to pension funds will be omitted.
- Exemption on **Flying Allowance and Submarine Allowance** will be omitted.
- Reduced rate of taxation for **Investment in Government Securities** will be omitted.
- Withholding tax for non-filer on payment of **Educational Fee** is to be withdrawn.
- Withholding tax on **Rent of Machinery** is to be withdrawn.
- **Payments from Credit/Debit Cards or Prepaid Cards** shall be subject to collection of tax @ 1% for filers and 2% for non-filers.
- **Reduce Rate** of tax is 3% on services by Real Estate Investment Trust (REIT) Management Company and National Clearing Company of Pakistan Limited (NCCPL).
- Definition of persons being individual as **Residents** has been changed. It is proposed that any citizen of Pakistan who is not tax resident of any other country shall be treated as a person resident in Pakistan.
- **Minimum Tax** not be carried forward in subsequent years.
- **Frequency of Audit** is restricted to once in four years.
- Time limitation for **Best Judgement** to be 6 years from 5 years.
- Time limitation for **Passing an Order** enhanced to 180 days from 120 days.

### Sales Tax

- Services rendered within **Islamabad Capital Territory** to be taxed at uniform rate of 15%.
- Concession of **Section 8B** withdrawn from listed companies
- Import and supply of **Solar Panel** will be exempt.
- **Agricultural Machinery** will be 0% sales tax.
- **Seeds and Rice** will be 0% sales tax.
- Sales tax exemption on electricity and local supplies to **Non-Profit Hospital** having 50 beds or more.

- Sales tax will be 0% on import of **Film Equipment**.

## Federal Excise Duty (FED)

- Rate is enhanced on **Locally Manufactured Cigarettes**.
- Rate is enhanced on **Clubs, Business and First Class Travel By Air** to Rs.50,000/- from Rs.10,000/-.
- Rate is enhanced on **Telecommunication Services** to 19.5% from 16%.

## Customs Act

- **Agricultural Machinery** will be 0% custom duty.
- More than 30 **Active Pharmaceuticals Ingredients (API)** have been exempted.
- Approximately 400 items within the **Manufacturing Sectors** have been rationalized.
- Custom duty will be 0% on import of **Film Equipment.**

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# ECONOMIC OVERVIEW

2022

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# ECONOMIC OVERVIEW

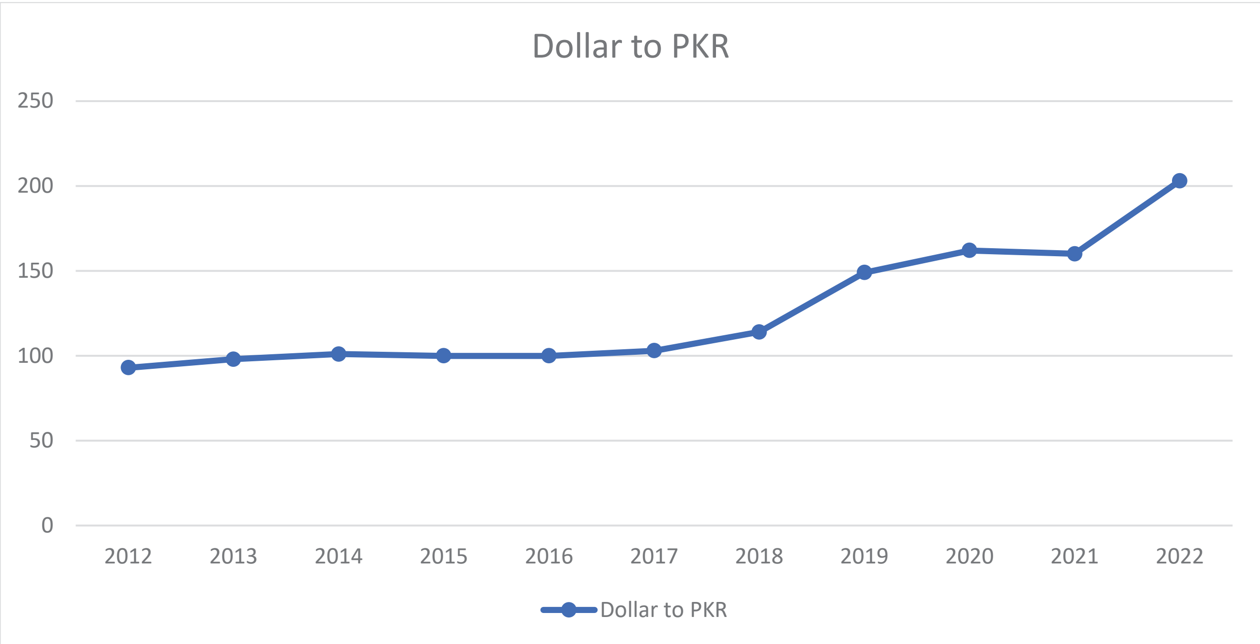
**Parity – The Decisive Factor**

Dollar to Pakistani Rupee parity has always been the talk of the town when it comes to the Pakistani Economy since as far as one can remember. The problem lies in the fact that since becoming an independent sovereign Country, Pakistan slowly shifted towards an easy way out i.e., relying more and more on its imports rather than focusing on industrialization. So much so that we have reached a point where we have to import basic commodities like wheat, sugar, rice and so on despite being an agriculture-based economy.

In order to curb the effects of the rising trade deficit and shelter the common man from the impact of the depleting foreign currency reserves, a policy of artificially controlling the dollar to Pakistan Rupee parity was adopted. This not only increased our dependency on foreign currency finance packages but also further strained our economy.

As part of negotiations for the 22nd IMF bailout package, the global lender demanded that Pakistan adopt a free-float exchange rate regime. Hence, after decades of being strictly controlled by the State Bank of Pakistan (SBP), the government consented to put in place a market-based flexible exchange rate system. This was a drastic change and the Pakistan Rupee started to depreciate to its true worth rapidly.

The past ten-year history of the Dollar to Pakistan Rupee parity is illustrated below to give a bird's eye view of the situation we have been going through.



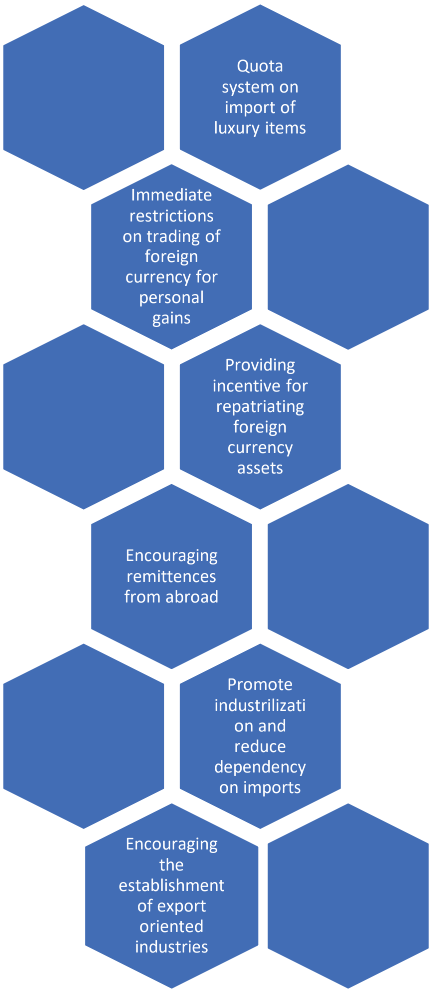

The above chart illustrates a rise of 118% since 2012 and a massive rise of 27% in just fiscal year 2022. This sharp rise has resulted in the inflation rate of Pakistan to bump up from 9.7% in 2021 to approximately 13% in the fiscal year 2022. This coupled with rising global demand of oil and other commodities after COVID-19 lockdowns along with the political unrest between Russia and Ukraine has resulted in a sharp rise in the cost of Crude oil, adding to the worries of developing economies like Pakistan. A cause for concern is that the purchasing power of the common man depletes whereas the GDP per capita is not rising at the same rate, increasing the wealth gap in the Country.

Moreover, the foreign currency loans payable by the state are also rising due to the devaluation of currency. The same foreign currency which is borrowed to bridge the gap between the rising trade deficit and current account deficit.

The situation has reached to the point where the sovereign decision making of Pakistan is now being impacted. Each decision whether internal or external is now being taken keeping in view of the interest of the lenders who provide their monetary assistance to keep us from economic turmoil. The Dollar to Pakistani Rupee parity has now become the deciding factor! But at what cost?

There is a need to take immediate corrective measures in order to make radical changes to the way in which our economy is headed before we are asked to provide "One pound of flesh" like in the famous novel of Shakespeare titled "The Merchant of Venice".

Corrective measures which immediately are required to be taken would include the following:




The above measures implemented in a manner which promotes growth rather than slowing down the economy would set out economy on the slow and steady route to recovery. The problem we are currently facing was not created overnight but is a result of decades of bad decision making. Therefore, the recovery process would take some time. However, it is crucial that we decide whether we want to recover from this or keep things as they are.

## Pakistan Economic Review-2022

Pakistan has somehow managed to recover from the outbreak of the COVID-19 pandemic by showing the growth of 5.97 in real GDP terms but it has also faced financial and non-financial imbalances. The table below summarizes the economy of Pakistan during the fiscal year 2022 as compared to the previous year at a glance:

| S No. | Particulars | 2022 (provisional) | 2021 (revised) |
|---|---|---|---|
| 1 | Population | 229,172,248 | 225,199,937 |
| 2 | GDP Growth Rate (%) | 5.97 | 5.74 |
| 3 | Inflation (%) | 11 | 8.6 |
| 4 | Current Account Deficit (USD Billion) | -13.169 | -0.275 |
| 5 | Interest Rate (%) | 16.01 | 8.08 |
| 6 | Dollar Parity (PKR:$) | 202.22 | 157.54 |
| 7 | Government Debt (Rs. In Billion) | 39,882 | 35,669 |

***Source: Ministry of Finance***

In the past, the Pakistan's economy was faced with the high-interest rates, shrinking fiscal space, mounting current account deficit, inflation, congestion in the energy sector, and the lack of environmental support for the private sector.

The instability due to political differences has also led to unreliability at governmental, private, and individual levels adversely affecting the economy.

Though various recovery steps were taken by the government like coordination of monitory fiscal policy to boost private investment; promotion of large-scale manufacturing, crop production, and import of consumer products; introduction of Export Facilitation Scheme 2021, monetary policy normalization in September 2021, and Textile Policy 2020-25.

Still, it is to imperative that extensive measures like job opportunities, price stability, and rebuilding of every sector are needed to sustain the economy.

### GDP Growth

It is evident from the below table that Pakistan has struggled to make its way to recovery despite the national, international, and macroeconomic imbalances and the impact of nearly inevitable Covid-19 and has shown a real GDP growth of 5.97 percent on account of 4.4 percent growth in Agriculture, 7.19 percent in Industrial sector and 6.19 growth in the services sector (2021: 5.74 Percent).

### Sectorial GDP Growth Rate

| Sectors | FY 2020 % | FY 2021 % | FY 2022 % |
|---|---|---|---|
| **Agriculture** | 3.91 | 3.48 | 4.40 |
| **Industry** | (5.75) | 7.81 | 7.19 |
| **Services** | (1.21) | 6.00 | 6.19 |
| **Total GDP Growth** | (0.94) | 5.74 | 5.97 |

***Source: Ministry of Finance***

The situation at internal level such as the withdrawal of US troops from Afghanistan and the Russian-Ukraine war have adversely affected the situation in commodity and financial markets. However, per capita income has reflected an improvement in prosperity as economic growth per person has improved and the disaggregation of Gross Fixed Capital Formation also showed 48, 34, and 25 percent increases in Public Administration & Social Security, Human Health, Education, & Social Work, respectively.

**Agriculture**

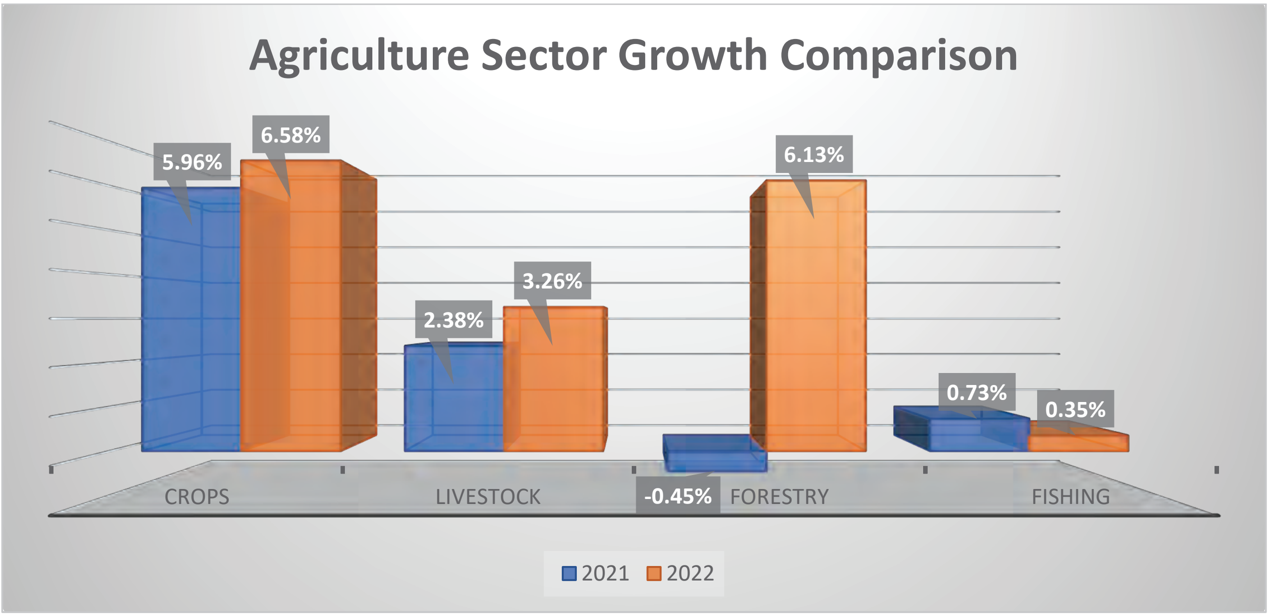
The illustration below shows that the agriculture sector has shown an impressive growth of 4.4 percent (2021: 3.48 percent) in 2022 as against the target of 3.5 percent on account of high yields, supportive policies, approved seeds, and appealing sale prices, pesticides, and subsidies.

The crop sector has shown a growth of 6.58 percent (2021: 5.96 percent), cotton ginning has shown a growth of 9.19 percent (2021: -13.08 percent), important crops have shown a growth of 7.24 percent (2021: 5.83 percent), and other crops have shown growth of 5.44 percent (2021: 8.27).

The livestock sector which shares 61.89 percent in agriculture and 14.04 percent in GDP, has shown a growth of 3.26 percent (2021: 2.38 percent).

The fishing sector which shares 1.39 percent in agriculture and 0.32 percent in GDP, has shown a growth of 0.35 percent (2021: 0.73 percent).

The forestry sector which shares 2.14 percent in agriculture and 0.49 percent in GDP, has shown a growth of 6.13 percent (2021: -0.45 percent).




In addition to it, the production of fertilizer has increased due to launch of two LNG-based plants from September-2021 to March-2022 but the import has slightly decreased by 6.2 percent and decrease in fertilizer nutrients by 3.6 percent.

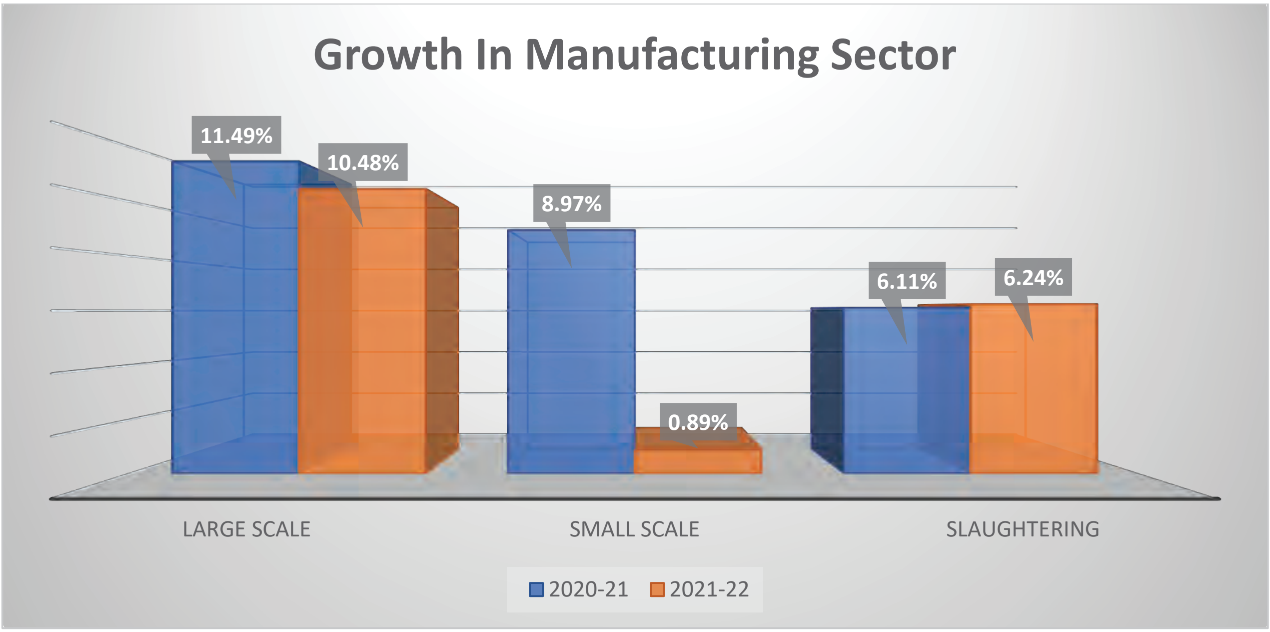
**Inflation**

During the FY 2022 from July to May, Consumer Price Index has been recorded at 11.3 percent (2021: 8.8 percent), the Wholesale Price Index has been recorded at 23.6 percent (2021: 8.4 percent) and the Sensitive Price Indicator has been recorded at 16.7 percent (2021: 8.4 percent).

The seed to inflation has been linked to the increase in electricity charges, gas charges, food, exchange rate devaluation, along with the fuel and commodity prices mainly because of the Russian Ukraine war. However, there have been rigorous efforts by the government for the smooth flow of commodities by facilitating the prices for consumers.

**Manufacturing and Mining**

The table below summarizes the growth shown by manufacturing sector during the fiscal year 2022:




An increase in demand, partial subsidy on energy, and favorable loan procedures have led to the escalation and prosperity of Large-Scale Manufacturing that has shown a ravishing increase of 10.4 percent from July-2021 to March-2022 (2021: 4.2 percent) and is increasing more gradually every month.

Textile, Football, Iron and Steel Products, Food, Apparel, Automobiles, Wood products, Tobacco, and Chemicals out of 22 subsectors have posted a tremendous growth from July-2021 to March-2022.

Unfortunately, due to lack of marketing, old machinery, and technology, semi-skilled labor, unavailability of funds, lack of infrastructure, and poor framework, the Mining, and Quarrying sector has shown a negative growth of 4.47 percent (2021: +1.21 percent) from July-2021 to March-2022. However, some minerals like Coal, Natural Gas, Chromite, Crude Oil, and Barytes witnessed a growth, while some like Magnesite, Gypsum, Limestone, Ocher, Rock Salt, and Marble have shown a downward trend.

**Trade and Payment**

To support export-oriented industries many measures were initiated to counter the disruption caused by COVID-19. During July-April FY2022, goods and services exports grew by 27.6 percent to US$ 26.8 billion and 18.2 percent to US$ 5.8 billion respectively. Export Facilitation Scheme 2021, SBP's concessionary refinances schemes for working capital and fixed investment, and the regionally competitive energy tariffs helped Pakistan's textile sector in achieving a two-third increase. The trade deficit grew by 49.6 percent to US$ 32.9 billion which is a historically high due to rise in imports of COVID-19 Vaccines. The pressure of trade deficit of both goods and services was eased out by a 7.6 percent growth in remittances recorded at US$ 26.1 billion during July-April FY2022, the current account deficit was recorded at US$ 13.8 billion during the period under discussion. Depletion of foreign reserves resulted in the interbank PKR-USD exchange rate depreciation of 15.1 percent during July-April FY2022 and the SBP's FX reserves, dropping from US$5.9 billion during the review period to US$ 10.5 billion by end-April 2022.

**Public Debt**

Public owed debt documents to at Rs. 44,366 billion at the end of March-2022 out of which domestic debt owes to Rs. 28,076 billion and external debt owes to Rs 16,290 billion (US$ 88.8 billion).

Various adequate and prosperous developments have been taken by the Government of Pakistan to improve the status of public debt which are summarized as follows:

- Reliance on long-term domestic debt securities for repayment of matured debt and fiscal account deficit for domestic debts.
- Repayment of Rs. 569 billion to SBP out of Rs. 2.3 trillion which stood from July-2019 to March-2022
- Issuance of Shariah Compliant Sukuk instruments of around Rs. 1.1 trillion to increase the share of domestic debt. To make it a success reforms have been developed to bring support from multilateral partners which will reduce the pressure on domestic sources.
- For external debt, Pakistan issued 5, 10, and 30-year Eurobonds at a premium.
- US$ 1 billion was also raised at zero premium through the issuance of International Sukuk, the first time in its history with 7-year maturity.
- Repayment of US$ 1 billion was made in October-2021 against International Sukuk maturity.
- Special drawing rights granted by IMF amounting to Rs. 475 billion were utilized for operations.

Pakistan has devised a strategy to shrink its debt by maintaining the inflation rate, supporting long-term economic growth, and following the economic fundamentals of the exchange rate regime, public debt will go down following the low budgetary deficit.

**Education**

To promote the quality of education to international markets, the progress made by the Government of Pakistan in compliance with Goal 4 of SDCs is as under:

- Completion rate at Primary, Lower, and Upper Secondary levels pertain to 67, 47, and 23 percent;
- Parity indices at overall Literacy, Youth Literacy, Primary, and Secondary show result of 0.72, .82, 0.88 and 0.89;
- The participation in classified learning bifurcated by sex is 19 percent;
- Achievement of 60 percent proficiency in numerical and literacy skills at a predetermined age group.

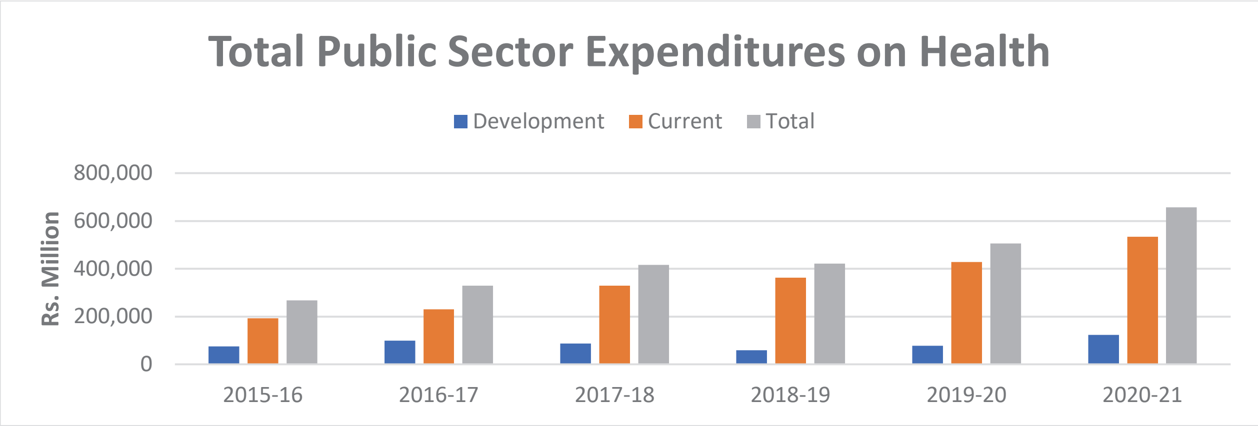
Further initiatives taken are as follows:

- Establishment of quality schools;
- Renovation and up-gradation of old schools;
- Provision of facilities and digitalization of education;
- Improvement in the hiring and educational criteria of teachers; and
- To remove the imbalance in the educational system, Single National Curriculum was introduced to provide equal learning experiences and opportunities for all the students.

*During 2021-22, PSLM Survey was not conducted due to the upcoming Population & Housing Census 2022.

**Health and Nutrition**

To improve well-being and to provide equal health facilities to the citizens of the country, Universal Health Coverage (UHC) was provisioned, and Sehat Sahulat Card was introduced. Health infrastructure was also introduced by Government in 2022 which contains an increase in hospitals, Rural and Basic Health Units, provision of qualified and competent doctors, and the availability of dispensaries. But unfortunately, the pandemic made the Government shift all their resources to save lives during the 4th and 5th waves by timely procurement of vaccinations.




**Energy**

The has been a dramatic increase in the import bill which has shown an increase of 95 percent as compared to last year. It is also to notify that 75.64 percent of gas has been produced domestically while only 24.36 percent has been imported.

Coal is the major source of electricity production in Pakistan and only the imported quantity which is about 3,960 MW and domestic production of 1,320 MW have contributed to 75 percent of the total country's production from coal.

The Government has committed itself to SDGs goal 7 to cater to the need for energy production by renewable and alternate sources of production by using:

- Hydropower;
- Solar Power;
- Wind corridors; and
- Nuclear power.

**Transport and communications**

In addition to the current transport and communication network, PEMRA has issued 265 Licenses to FM Radio and 4,152 Licenses to Cable TV.

The flagship project of Pakistan stands with China in the name of CPEC, in which they have been able to implement the Belt & Road initiative and have launched 56 projects out of which 26 have been completed. With this initiative, the Government plans of expanding the business activities of the Country in Central Asia, the Middle East, and the Rest of the World to increase economic growth.

**Conclusion:**

Despite ample issues faced by Pakistan due to Covid-19, the Government opted to shift towards investing in Human knowledge and a service-based economy where support to human capital is as beneficial as investing in machinery, etc.

In addition to this, to cater to the Russian Ukraine war side effects on the country, the Government has needs to tackle the situation and control the rising inflation using various measures so as to bring Pakistan back to prosperity.

Summing it up, various reforms for the provision of equal incentives by Government of Pakistan to boost the confidence of all the sectors will help in building a strong economy as "***Parity - The Decisive Factor",*** is the key to building a healthy prosperous nation.

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# INCOME TAX

2022

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# INCOME TAX

| Definition - Beneficial Owner | Section 2 Clause (7A) |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New Clause shall be added"** | "Beneficial owner" means a natural person who:<br>(a) ultimately owns or controls a Company or association of persons, whether directly or indirectly, through at least ten percent shares or voting rights; or<br>(b) exercise ultimate effective control, through direct or indirect means, over the company or association of persons including control over the finances or decisions or other affairs of the company or association of persons. |
| **OUR COMMENTS:** The Bill seeks to introduce the definition of 'beneficial owner' for a company and association of persons. This definition is introduced in relation to the proposed section 181E, where a company and association of person is required to declare their beneficial owners'.<br><br>As per the definition, any person having direct or indirect holding of 10% in a company or association of persons or having ultimate effective control i.e., influence of finance or other business decisions will be considered a beneficial owner. | |

| Definition – Distributor | Section 2 Clause (18A) |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New Clause shall be added"** | "Distributor" means a person appointed by a manufacturer, importer or any other person for a specified area to purchase goods from him for further supply. |
| **OUR COMMENTS:** The Bill seeks to introduce the definition of distributor which required clarification since the concept of tax on distributor is present in the Income Tax Ordinance, 2001 ('the Ordinance'), specially the concept of advance tax collection from sale to distributors. | |

| Definition - Fair Market Value | Section 2 Clause (22AA) |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New Clause shall be added"** | "Fair market value" means value as provided in section 68. |
| **OUR COMMENTS:** The Bill seeks to extend the scope of present fair market value definition given in section 68 to the Ordinance. | |

| Definition - SWAPS | Section 2 Clause (62B) |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New Clause shall be added"** | "Synchronized Withholding Administration and Payment System agent" or "SWAPS agent" means any person or class of persons notified by Board to collect or deduct withholding taxes through SWAPS |

| Definition - SWAPS | Section 2 Clause (62B) |
|---|---|
| **OUR COMMENTS:** The Bill seeks to introduce the definition of "Synchronized Withholding Administration and Payment System agent" **(SWAPS agent)**. This definition is introduced in relation to the proposed concept/system of integrating withholding agents with FBR through SWAPS. | |

| Definition - Tax Invoice | Section 2 Clause (66A) |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New Clause shall be added"** | "Tax invoice" means an invoice as prescribed under the Income Tax Rules, 2002. |
| **OUR COMMENTS:** The Bill seeks to introduce the definition of tax invoice in relation to the earlier introduced requirement for businesses to integrate their invoice system with FBR. | |

| Tax on taxable income | Section 4 Sub-Section (4) Clause (a) & Sub-Section (5) |
|---|---|
| **Existing** | **Proposed Amendment** |
| (4) Certain classes of income may be subject to:<br>(a) separate taxation as provided ***in sections 5, 6 and 7***. | For the expression "in sections 5, 6 and 7", the expression "under this chapter", shall be substituted. |
| Income referred to in sub-section (4) shall be subject to tax as provided for ***in section 5, 6 or 7***, or Part V of Chapter X, as the case may be, and shall not be included in the computation of taxable income in accordance with section 8 or 169, as the case may be. | For the expression "in section 5, 6 and 7", the expression under this chapter shall be substituted. |
| **OUR COMMENTS:** The Bill seeks to make a technical correction, after which it is clarified that not only dividend, Pakistan source royalty, fee for offshore digital services, fee for technical services for a non-resident and shipping/air transport income of non-resident is subject to separate taxation but all incomes given under chapter 2 of the Ordinance are also subject to separate taxation. | |

| Tax on high earning persons for poverty alleviation | Section 4C |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New Section shall be added"** | (1) A tax shall be imposed for poverty alleviation for tax year 2022 at the rates specified in Division IIB of Part I of the First Schedule, on income of every person.<br>(2) For the purposes of this section, "income" shall be the sum of…<br>(5) Where the tax is not paid by a person liable to pay it, the Commissioner shall recover the tax payable… |
| **OUR COMMENTS:** The Bill seeks to introduce a new tax for poverty alleviation similar to already challenged and infamous 'Super Tax'. Under the proposed section a person having income of more than Rs. 300 million will have to pay 2% tax on the said income in addition normal tax on income. Where income is defined as follows:<br><br>(i) profit on debt, dividend, capital gains, brokerage and commission; | |

| Tax on high earning persons for poverty alleviation | | Section 4C |
|---|---|---|

(ii) taxable income (other than brought forward depreciation and brought forward business losses) under section 9 of the Ordinance, if not included in clause (i);

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

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

Further, the bill has restricted the imposition of 'Super Tax' under section 4B to tax year 2022 by proposing amendment in the schedule. However, the relevant section 4B has not been omitted which may be a legal move to wait for the final decision of Court to recover this tax.

| **Tax on certain payments to non-residents** | | **Section 6 Sub-Section (1) & (2)** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| (1) Subject to this Ordinance, a tax shall be imposed, at the rate specified …... every non-resident person who receives any Pakistan source…. | | After the word "services" occurring for the first time, the words "fee for money transfer operations, card network services, payment gateway services, interbank financial telecommunication services" shall be inserted. |
| (2) The tax imposed under sub-section (1) on a non-resident person shall be computed by applying the relevant rate of tax to the gross amount of the ***royalty free for offshore digital services or fee for technical services***. | | For the words "amount of the royalty fee for offshore digital services or fee for technical services", the expression "amounts of receipts mentioned in sub-section (1)", shall be substituted. |
| (3)(b) Any fee ***for technical services or fee for offshore digital services*** where the services giving rise to the fee are rendered through a permanent establishment in Pakistan of the nonresident person… | | The words "for technical services or fee for offshore digital services" shall be omitted. |
| (4) Any Pakistani-source royalty, ***fee for offshore digital services or fee for technical services*** received by a non-resident person to which this section does not apply… shall be treated as income from business….. | | For the expression ", fee for offshore digital services or fee for technical services" the words "or fee" shall be substituted. |

**OUR COMMENTS:** The Bill seeks to increase the scope of this section by introducing the following incomes under the scope of this section, being income of non-resident:

(i) Fee for money transfer operations;
(ii) Card network services;
(iii) Payment gateway services
(iv) Interbank financial telecommunication services.

The above incomes will be subject to tax at the rate of 10%. Further, the bill has also proposed to increase the tax rate on fee for offshore digital services to 10% from 5%.

<table>
<tr><th>Tax on deemed income</th><th></th><th>Section 7E</th></tr>
<tr><th>Existing</th><th></th><th>Proposed Amendment</th></tr>
<tr><td>"New Section shall be added"</td><td></td><td>(1) Notwithstanding anything contained in the Ordinance, for tax year 2022 and onwards, a tax shall be imposed at the rates specified…..<br><br>(2) A resident person shall be treated to have received rent equal to five percent of the fair market value…..<br><br>(3) This section shall not apply to:<br>(a) self-owned business premises from which business is carried out;<br>(b) self-owned agriculture land where agriculture activity is carried out…<br>(c) where the fair market value of the property or properties, in aggregate, excluding properties mentioned in clauses (a) and (b) does not exceed twenty-five million Rupees;<br>(d) a Provincial Government, a Local Government, a local authority or a development authority…<br><br>Provided that if tax chargeable under section 15 is less …..which is in excess of tax chargeable under section 15 shall be paid under this section…</td></tr>
<tr><td colspan="3">OUR COMMENTS: The Bill seeks to introduce a new concept of 'Tax on Deemed Income' from tax year 2022 and onwards, where a resident person will be required to pay tax on immoveable properties held by him. The said person will be deemed to earn rental income on such property irrespective of whether the property is rented in actual. The deemed income and taxation on it will be as follows:<br><br>Deemed Income: 5% of the fair value of immoveable property<br>Tax on deemed income: 20% tax of the above computed income.<br><br>However, the following properties are excluded from the ambit of this proposed section:<br><br>(i) One self-owned immovable property;<br>(ii) self-owned business premises from which business is carried out;<br>(iii) self-owned agriculture land where agriculture activity is carried out by person but does not include farmhouse and land annexed thereto;<br>(iv) where the fair market value of the property or properties, in aggregate, excluding properties mentioned in clauses (i), (ii) and (iii) above does not exceed twenty-five million Rupees;<br>(v) a Provincial Government, a Local Government, a local authority or a development authority;<br>(vi) land development and construction projects of builders and developers registered with Directorate General of Designated Non-Financial Businesses and Professions of Board;<br>(vii) property which is subject to tax under section 15 (i.e., tax on rental income) of the Ordinance and the tax chargeable is more than tax chargeable under the proposed section. Which means that in case a property is earning rental income the tax on rental income will be compared and the higher of the two will be applicable.<br><br>Further, the section empowers FBR to include or exclude property or person from purview of this section.</td></tr>
</table>

| General provisions relating to taxes imposed under sections 5, 5AA, 6, 7, 7A and 7B | Section 8 |
|---|---|
| **Existing** | **Proposed Amendment** |
| Subject to this Ordinance, the tax imposed under Sections ***5, 5AA, 6, 7, 7A and 7B*** shall be a final tax on the amount in respect of which the tax is imposed… | a) For the expression 5, 5AA, 6, 7, 7A and 7B wherever occurring the expression “5, 5A, 5AA, 6, 7, 7A, 7B and 7E” shall be substituted; and |
| (d) the tax payable by a person under section 5, 5A, 5AA, 6, 7, 7A and 7B shall not be reduced by any tax credits allowed under this Ordinance… | b) In clause (d), for the expression “7A and 7B” the expression “7A, 7B, and 7E” shall be substituted. |
| **OUR COMMENTS:** The Bill seeks to introduce section 7E i.e., the newly proposed tax on deemed income under the purview of section 8, thereby making the said tax as final tax. | |

| Deductions not allowed | Section 21 Clause (ea) |
|---|---|
| **Existing** | **Proposed Amendment** |
| **“New Clause shall be added”** | An amount in excess of fifty percent of contribution made by a person to an approved gratuity fund, an approved pension fund or an approved superannuation fund. |
| **OUR COMMENTS:** The Bill seems to discourage other benefits offered by companies to their employees, by proposing to disallow an amount in excess of 50% of contribution to approved gratuity fund, an approved pension fund or an approved superannuation fund. | |

| Deductions not allowed | Section 21 Clause (l) & (la) |
|---|---|
| **Existing** | **Proposed Amendment** |
| ***Any expenditure*** for a transaction, paid or payable under a single account head which, in aggregate, exceeds two hundred and fifty thousand rupees, made other than by a crossed cheque drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of amount from the business bank account of the taxpayer… | After the word "any expenditure", occurring in the beginning, the expression "by a taxpayer not being a company" shall be inserted. |
| **“New Clause shall be added”** | Any expenditure by a taxpayer being a company for a transaction, paid or payable under a single account head which, in aggregate……. payment of taxes, duties, fee, fines or any other statutory obligation.<br>Provided further that this clause shall be effective from such date as the Board may notify. |
| **OUR COMMENTS:** The bill seeks to complete the legal formalities (with certain changes) related to amendments in section 21, introduced through Tax Laws (Third Amendment) Ordinance, 2021. Whereby company will be allowed expenditures in a single head of account below one million rupees, even if the same is paid from non-banking channel. However, as per the new sub-clause (la) inserted in Section 21 of the Ordinance it is required that “Companies” in order to allow the said expenditure as deduction shall pay these expenditures, the aggregate of which in a single head of account exceeds | |

| Deductions not allowed | | Section 21 Clause (l) & (la) |
|---|---|---|
| Rupees One Million, using digital means through the business bank accounts declared under Section 114A of the Ordinance.<br><br>This requirement to make payments using digital means through business bank accounts shall not apply on the following expenditures:<br><br>Expenditures on account of:<br>a. Utility bills;<br>b. Freight charges;<br>c. Travel fare;<br>d. Postage and<br>e. Payments of taxes, duties, fee, fines or any other statutory obligation.<br><br>**NOTE: The effective date of clause (la) will be notified by FBR later.** | | |

| Deductions not allowed | | Section 21 Clause (m) & (r) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| Any salary paid or payable exceeding twenty-five thousand rupees per month other than by a crossed cheque or direct transfer of funds to the employee's bank *account*.<br><br>**"New Clause shall be added"** | | After the word "account" the expression "or through digital means" shall be inserted.<br><br>Any expenditure attributable to sales claimed by any person who is required to integrate but fails to integrate his business with the Board through approved fiscal electronic device and software:<br><br>Provided that disallowance of expenditure under this clause shall not exceed ten percent of the allowable deduction. |
| **OUR COMMENTS:** The Bill to complete the legal formalities related to amendment in section 21, introduced through Tax Laws (Third Amendment) Ordinance, 2021. Whereby, an option has been provided to employers to disburse salaries to employees exceeding twenty-five thousand per month to their bank account through digital modes of payments as well.<br><br>The Bill also seeks to introduce clause (r), whereby a person who is required to integrate his business with FBR but fails to do so, will be disallowed expenditure related to such business sales to the extent of 10% of the allowed deduction. | | |

| Depreciation | | Section 22 Sub-Section (2), (8) Clause (b) & Sub-Section 13 Clause (a) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| Provided that where a depreciable asset is used in the person's …. depreciation deduction shall be reduced by fifty percent.<br><br>Provided that where a depreciable asset is used in the person's business for the first …… depreciation deduction equal to fifty percent of the rate specified …… | | **"Provisos shall be Omitted"** |
| The cost of a depreciable asset …… shall not exceed two and half million rupees. | | For the expression "two and half" , the expression " five" shall be substituted. |

| Depreciation | | Section 22 Sub-Section (2), (8) Clause (b) & Sub-Section 13 Clause (a) |
|---|---|---|
| **OUR COMMENTS:** The Bill seeks to omit the provisos introduced through Finance Act, 2020, whereby the depreciation was reduced by 50% in the first year of use if purchased after July 1, 2020. Thus again depreciation can be claimed as per third schedule in the first year as well.<br><br>The Bill also proposes to increase the cost of vehicle not plying for hire for the purpose of this section from Rs. 2.5 million to Rs. 5 million. | | |

| Initial Allowance | | Section 23 Sub-Section (5) Clause (e) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **"New Clause shall be added in meaning of eligible depreciable asset"** | | Immovable property or structural improvement to the immovable property. |
| **OUR COMMENTS:** The Bill seeks to exclude immoveable property or structural improvement to immoveable property from the purview of claiming initial allowance on the said assets. | | |

| Capital Gains | | Section 37 Sub-Section (1A), (3), (3A) & (4A) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| Notwithstanding anything contained in sub-sections ….. shall be chargeable to tax in that year under the head Capital Gains at the rates specified …….<br><br>(3) Where a capital asset has been held by a person ….. shall be computed in accordance with the following formula…<br><br>(3A) Notwithstanding anything contained in sub-section (3……<br><br>(4A) Where the capital asset becomes the property of the …… fair market value of the asset, on the date of its …… the cost of the asset. | | Notwithstanding anything contained in sub-section (1), gain arising on disposal of immovable property…shall be chargeable to tax under the head capital gains….<br><br>**"Sub-Sections shall be Omitted"** |
| **OUR COMMENTS:** The Bill seeks to substitute the taxation rates applicable on capital gain on immoveable property, whereby earlier the taxation was based on both holding period and amount of capital gain. But now the same will be based on holding period and type of property (i.e., open plots, constructed property or flats). The exemption periods have also been revised based on type of properties as follows:<br><br>(i) Open plots: if the holding period exceeds six years;<br>(ii) Constructed property: if the holding period exceeds four years; and<br>(iii) Flats: if the holding period exceeds two years.<br><br>Further, the bill also seeks to withdraw the reduction in capital gain available to capital assets other than immoveable property to 75% if the holding period exceeds one year. | | |

| Exemptions under international agreements | Section 44 Sub-Section (3) & (4) |
|---|---|
| **Existing** | **Proposed Amendment** |
| Any income received by a person (not being a citizen of Pakistan) engaged as a contractor, consultant, or expert on a project in Pakistan shall be exempt from tax under this Ordinance 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, where… | The expression "technical assistance" shall be omitted. |
| Any income received by a person (not being a citizen of Pakistan) engaged as a contractor, consultant, or expert on a project in Pakistan shall be exempt from tax under this Ordinance 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, where… | Federal Government may, in respect of an official development assistance financed loans and grants-in-aid, subject to such conditions and limitations as it may specify, exempt income of any person on a case-to-case basis through a notification in the official Gazette. |
| **OUR COMMENTS:** The Bill seeks to broaden the scope of the section allowing exemption from income under international agreements by omitting the word technical assistance. Further, it also proposes to empower FBR to allow exemptions in respect of official development assistance financed loans and grants-in-aid on case-to-case basis. | |

| Deductible allowance for profit on debt | Section 60C |
|---|---|
| **Existing** | **Proposed Amendment** |
| Every individual shall be entitled to a deductible allowance for the amount of any profit or share in rent and share in appreciation for value of house paid by the individual in a tax year on a loan by a scheduled bank or non-banking finance institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government, Provincial Government or a statutory body or a public company listed on a registered stock exchange in Pakistan where the individual utilizes the loan for the construction of a new house or the acquisition of a house. | **"Section shall be Omitted"** |
| **OUR COMMENTS:** The Bill seeks to omit the said section introduced through Finance Act, 2015, whereby a person who constructs a house from loan from a bank was allowed the profit on debt he paid on the said loan as deductible allowance to the extent of 5% of taxable income or Rs. 2 million whichever is lower. | |

| Tax credit for investment in shares and insurance | Section 62 |
|---|---|
| **Existing** | **Proposed Amendment** |
| (1) A resident person other than a company shall be entitled to a tax credit for a tax year either… | **"Section shall be Omitted"** |

**OUR COMMENTS:** The Bill seeks to omit the said section which was present in the Ordinance for many years. Through omission of this section, tax credit available to a person other than a company on investment in listed shares, sukuks, exchange traded funds and on payment of life insurance premium is being abolished.

| Tax credit for investment in health insurance | Section 62A |
|---|---|
| **Existing** | **Proposed Amendment** |
| (1) A resident person other than a company shall be entitled to a tax credit for a tax year in respect of any health insurance premium or contribution paid to any insurance company registered… | **"Section shall be Omitted"** |

**OUR COMMENTS:** The Bill seeks to omit the said section which was introduced through Finance Act, 2016, whereby a salaried person was allowed tax credit on the premium paid against health insurance.

| Contribution to an Approved Pension Fund | Section 63 |
|---|---|
| **Existing** | **Proposed Amendment** |
| (1) An eligible person as defined in sub-section (19A) of section 2 deriving income chargeable to tax under the head "Salary" or the head "Income from Business" shall be entitled to a tax credit… | **"Section shall be Omitted"** |

**OUR COMMENTS:** The Bill seeks to omit the said section which was present in the Ordinance for many years, whereby a salaried person or a person deriving income from business was allowed tax credit on the contribution or premium paid in approved pension fund under Voluntary Pension System Rules, 2005.

| Tax credit for certain persons | Section 65F Sub-Section (1) Clause (c) |
|---|---|
| **Existing** | **Proposed Amendment** |
| Following persons or incomes shall be allowed a tax …….. conditions and subject to limitations detailed as under:<br><br>(c) Income from exports of computer software or IT services or IT enabled services as defined in clause (30AD) and (30AE) of section 2 up to the period ending on the 30th day of June, 2025. | **"Clause shall be Omitted"** |

| Tax credit for certain persons | | Section 65F Sub-Section (1) Clause (c) |
|---|---|---|
| **OUR COMMENTS:** The Bill seeks to omit the clause c which will discourage the export of IT services and software's and which may also impact the investment in the said sector that increased in past few years, by abolishing the 100% tax credit allowed on export of computer software/IT services/IT enabled services. In fact, the said exports are now subject to tax @ 0.25%. | | |

| **Resident Individual** | | **Section 82 Clause (d)** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **"New Clause shall be added"** | | If the individual being citizen of Pakistan is not a tax resident of any other country. |
| **OUR COMMENTS:** The Bill seeks to broaden the definition of a resident individual that mainly seems to target non-resident individuals enjoying tax heavens and not paying taxes. Through the newly proposed clause a citizen of Pakistan who is not tax resident of any country will be considered resident for the purpose of Pakistani tax laws irrespective of his number of days stay in Pakistan. | | |

| **Principles of taxation of associations of persons** | | **Section 92** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **"New Explanation shall be added"** | | Explanation: For removal of doubt, it is clarified that if the income of association of persons is exempt and no tax is payable under the Ordinance due to this exemption, the share received in the capacity as member out of the income of the association shall remain exempt. |
| **OUR COMMENTS:** The Bill seeks to add an explanation clarifying that in case the income of AOP is exempt the share of profit of its member will also remain exempt. | | |

| **Special provisions relating to payment of tax through electricity connections** | | **Section 99A** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| ***99A. Special provisions relating to traders***<br>(1) Subject to sub-section (3), tax payable on the profits and gains of a trader who upto thirty first day of December, 2015 has not filed a return for any of the preceding ten tax years shall be computed in accordance with the rules laid down in Part I of the Ninth Schedule… | | (1) Notwithstanding anything contained in the Ordinance, a tax shall be charged and collected from retailers other than Tier-I retailers …..<br>(2) A retailer who has paid sales tax under sub-section (9) of section 3 of Sales Tax Act, 1990, shall not be required to pay tax …...<br>(3) The tax collected or paid under this section shall be final tax on the income …….. the electricity connection is installed… |
| **OUR COMMENTS:** The Bill seeks to replace the existing non-functional section, where small traders were given an opportunity to become filers with minimal amount of tax, whereas the tax under the existing section was paid till tax year 2018.<br>However, the Bill seeks to introduce the concept of fixed taxation on utility bills of small retailers other than Tier 1 retailers. The tax will be imposed ranging from Rs. 3,000/- to Rs. 10,000/- , whereas for specified retailers and service providers defined through income tax general order of FBR (to be issued) the said tax will be Rs. 50,000/-The said general order will also define the scope and mechanism of tax in detail. | | |

| Tax credit for charitable organizations | | Section 100C Sub-Section (4) Clause (e) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| (e) Approval of Commissioner has been obtained as per requirement of clause (36) of section 2:<br>Provided that the condition of approval in respect of persons mentioned in Table-II of clause (66) of Part I of the Second Schedule to this Ordinance, shall take effect from the first day of July, ***2022*** and the requirements of clause (36) of section 2, shall not be applicable for earlier years. | | In the proviso for the expression "2022" the expression "2024" shall be substituted. |
| **OUR COMMENTS:** The Bill seeks to extend the date from which requirement to seek approval under section 2 (36) i.e. status as a non-profit organization, will be compulsory for organizations named in clause 66 Table 2, from July 2022 to July 2024. | | |

| Recharacterization of income and deductions | | Section 109 Sub-Section (1) Clause (e) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **"New Clause shall be added"** | | For the purpose of determining liability the Commissioner may:<br><br>(e) from tax year 2018 and onwards, treat a place of business in Pakistan as a permanent establishment, if the said place fulfills the conditions as specified in sub-clause (g) of clause (41) of section 2. |
| **OUR COMMENTS:** The Bill seeks to increase the powers of Commissioner under this section, where the Commissioner can treat a business as permanent establishment if it fulfills the definition from tax year 2018 and onwards. | | |

| Unexplained income or assets | | Section 111 Sub-Section (4) & (5) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **"New Explanation shall be added"** | | *Explanation:* For removal of doubt, it is clarified that the remittance through money service bureaus…. provided under this sub-section. |
| *Explanation:* For the removal of doubt, a separate notice under this section is not required to be issued if the explanation regarding nature and sources of amount credited or the investment of money, valuable article, or the funds from which expenditure was made has been confronted to the taxpayer through a notice under sub-section (9) of section 122 of this Ordinance. | | Explanation: For the removal of doubt, it is clarified that ……. sources of;<br>(i) any amount credited in a person's books of account; or<br>(ii) any investment made or ownership of money or valuable article; or<br>(iii) funds from which expenditure was made; or<br>(iv) suppression of any production, sales, or any amount chargeable to tax; or<br>(v) suppression of any item of receipt liable to tax in whole ……. |

<table>
<tr><th>Unexplained income or assets</th><th>Section 111 Sub-Section (4) & (5)</th></tr>
<tr><td colspan="2">OUR COMMENTS: The Bill seeks to complete the legal formality, by making part of the Finance Bill, for the explanation introduced through Tax Laws (Third Amendment) Ordinance, 2021, whereby it was clarified that remittance through money service bureaus, exchange companies or money transfer operators will also be considered as foreign exchange remitted through normal banking channel for the purpose of Rs. 5 million threshold where no questions are to be asked.<br><br>The Bill further seeks to introduce clarification of technical nature that inquiry related to any amount credited, investment made, expenditure made, suppression of production/sales, a notice may not necessarily be issued under section 111.</td></tr>
</table>

<table>
<tr><th>Minimum tax on the income of certain persons (carried forward)</th><th>Section 113 Sub-Section (2) Clause (c)</th></tr>
<tr><th>Existing</th><th>Proposed Amendment</th></tr>
<tr><td>(c) where tax paid under sub-section (1) exceeds the actual tax payable under Part I, clause (1) of Division I, or Division II of the First Schedule, the excess amount of tax paid shall be carried forward for adjustment against tax liability under the aforesaid Part of the subsequent tax years…</td><td>“Clause shall be Omitted”</td></tr>
<tr><td colspan="2">OUR COMMENTS: The Bill seeks to disallow carrying forward minimum tax i.e., earlier it could be carried forward for five years, which it cannot be now.</td></tr>
</table>

<table>
<tr><th>Powers to enforce filing of returns</th><th>Section 114B</th></tr>
<tr><th>Existing</th><th>Proposed Amendment</th></tr>
<tr><td>“New Section shall be added”</td><td>(1) Notwithstanding anything contained in any other law for the time being in force, the Board shall have the powers to issue income tax general order in respect of persons who are not appearing on active taxpayers’ list but are liable to file return under the provisions of the Ordinance… Include:<br>(a) disabling of mobile phones or SIMS.<br>(b) discontinuance of electricity or gas connection.<br>…<br>(4) No person shall be included in the general order under sub-section (1) unless following conditions have been met:<br>(a) notice under sub-section (4) of section 114 has been issued;<br>(b) date of compliance of the notice under sub-section (4) of section 114 has elapsed; and<br>(c) the person has not filed the return…</td></tr>
<tr><td colspan="2">OUR COMMENTS: The Bill to complete the legal formalities by making it part of the Finance Bill related to introduction of section 114B through Tax Laws (Third Amendment) Ordinance, 2021, whereby the FBR has been empowered to take the following measures against persons who are not appearing in Active Taxpayers’ List i.e. non-filers and are liable to file their income tax returns:<br><br>(a) Disabling of Mobile Phones or Mobile Phone Sims;<br>(b) Discontinuance of electricity connection; and</td></tr>
</table>

| Powers to enforce filing of returns | | Section 114B |
|---|---|---|
| (c) Discontinuance of gas connection.<br><br>The above action would be taken through an Income Tax General Order and a person's name will only be included in such order if the following events have occurred:<br><br>(a) Notice to file return has been issued<br>(b) Date of compliance of the above notice has elapsed;<br>(c) The person has not filed the return.<br><br>A person's mobile phones or sims, electricity connection and gas connection will only be restored if the Board or the concerned Commissioner is satisfied that the person has file his return or he was not liable to file his return in the first place.<br><br>This is an important development in the taxation laws of Pakistan which reflects the approach of the Federal Government to broaden the tax base of the Economy. We believe that this is a step in the right direction if used appropriately. However, if these powers are used to harass the general public, then the Board will lose the confidence of taxpayers even more. | | |

| **Best judgement assessment** | | **Section 121 Sub-Section (3)** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| An assessment order under this section shall only be issued within ***five*** years after the end of the tax year or the income year to which it relates. | | For the word "five", the word "six" shall be substituted. |
| **OUR COMMENTS:** The Bill seeks to extend the timeline under which best judgement assessment can be issued. Earlier it was five years after the end of the tax year or the income year to which the assessment relates, which is now proposed to be six years. | | |

| **Amendment of assessments** | | **Section 122 Sub-Section (9)** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| Provided that order under this section shall be made within one hundred and ***twenty*** days of issuance of show cause notice or within such extended period… This proviso shall be applicable to a show cause notice issued on or after the first day of July, 2021. | | In the first proviso, for the word "twenty", the word "eighty" shall be substituted. |
| **OUR COMMENTS:** The Bill seeks to extend the timeline under which order has to be issued after issuance of show cause notice under this section. Earlier it was 120 days which is now proposed to be 180 days. | | |

## Alternative Dispute Resolution — Section 134A

The Bill seeks to substitute the existing section dealing with **'Alternative Dispute Resolution'**, comparison of which is as follows:

| Description | Existing | Proposed |
|---|---|---|
| **Appointment of committee** | within **30 days** of receipt of application | within **45 days** of receipt of application |
| **Composition** | (i) Chief Commissioner Inland Revenue having jurisdiction over the case<br>(ii) Two persons from the notified panel of Board i.e., CA, CMA and Advocates with 10 years' experience and reputable businessmen. | (i) Chief Commissioner Inland Revenue having jurisdiction over the case<br>(ii) To be nominated by taxpayer from FBR panel being **either** CA, CMA and Advocates with 10 years' experience or officer of inland revenue retired in BS 21 or reputable businessmen nominated by Chamber of Commerce and Industry.<br>(iii) From FBR panel based on consensus of (i) and (ii), or FBR if no consensus reached. |
| **Withdrawal** | Petition to be withdrawn before court/tribunal after decision | Petition to be withdrawn before committee starts proceeding. |
| **Decision days** | 60 days with 30 days further extendable | 120 days |
| **Dissolution** | If decision not made within the given time i.e., 60 days extendable 30 days. But on dissolution second committee will be formed. | If decision not made within the given time i.e., 120 days. |
| **Restoration of appeal with court/tribunal** | On dissolution of second committee | On dissolution of committee |
| **Court/Tribunal decision days** | Not defined | Within six months of communication of order |

## Imports — Section 148 Sub-Section (7) & (7A)

| Existing | Proposed Amendment |
|---|---|
| The tax required to be collected under this section shall be ***minimum*** tax on the income of the importer arising from the imports subject to sub-section (1) and this sub-section shall not apply in the case of import of goods on which tax is required to be collected under this section at the rate of 1% or 2% by an industrial undertaking for its own use. | For the word, "minimum", the word "final" shall be substituted.<br><br>The expression "at the rate of 1% or 2%", shall be omitted. |

| Imports | Section 148 Sub-Section (7) & (7A) |
|---|---|
| **Existing** | **Proposed Amendment** |
| **“New Sub-Section shall be added”** | (7A) Notwithstanding anything contained in sub-section (7), the tax required to be collected under this section shall be minimum tax on the income every person arising from imports of following goods:<br>(i) edible oil;<br>(ii) packaging material;<br>(iii) paper and paper board; or<br>(iv) plastics:<br>Provided that the Board with the approval of Minister in-charge may…… |

**OUR COMMENTS:** The Bill seeks to reintroduce final tax regime for commercial importers, whereas for industrial undertakings the tax is restored to be adjustable, irrespective of raw material used. However, importers of the following goods are still proposed to be taxed as minimum tax, whereas this list can be amended by FBR with the approval of the Federal Minister:

(i) Edible oil;
(ii) Packaging material;
(iii) Paper and paper board; or
(iv) Plastics.

| Salary | Section 149 Sub-Section (1) |
|---|---|
| **Existing** | **Proposed Amendment** |
| Every person responsible for paying salary to an employee shall, at the time of payment, deduct tax from the amount paid at the employee’s average rate of tax computed at the rates specified in Division I of Part I of the First Schedule on the estimated income of the employee chargeable under the head “Salary” for the tax year in which the payment is made after making adjustment of tax withheld from employee under other heads and tax credit admissible under section 61, ***62, 63 and 64*** during the tax year after obtaining documentary evidence, as may be necessary, for… | The expression “62, 63, 64” shall be omitted. |

**OUR COMMENTS:** The Bill seeks to omit the section references relating to deductible allowance on profit on debt against house loan, tax credit on investment in shares and insurance and tax credit on contribution in pension fund. Since these sections are proposed to be omitted by this Bill.

| **Payments to non-residents** | | **Section 152 Sub-Section (1DC) & (1DD)** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **"New Sub-Section shall be added"** | | Every exchange company licensed by the State Bank of Pakistan shall deduct tax at the time of making payment of service charges or commission or fee…at the rates given in Division IV, Part I of the First Schedule:<br><br>Provided that where such person retains service charges or commission or fee, by whatever name called from the amount payable to the exchange company on any account……… |
| **"New Sub-Section shall be added"** | | Every banking company while making payment to card network company or payment gateway or any other person, … shall deduct tax at the rates given in Division IV, Part I of the First Schedule:<br><br>Provided that where card network company or payment gateway or any other person retains money in relation to aforementioned services from the amount payable to the banking company on any account, the banking company shall be deemed to have paid the amount and the banking company shall collect the tax accordingly. |

**OUR COMMENTS:** The Bill seeks to introduce withholding tax on service charges or commission fee of global money transfer operators, international money transfer operators, any person engaged in international money transfers. For Banking Company, it will be required to withhold tax on transaction fee, services charges, commission, licensing fee of card network company or payment gateway and interbank financial telecommunication service provider. The tax will be withheld @ 10% of the fee/charges which shall be final tax. This tax will be withheld, even if the charges/fee is not paid but adjusted against balance of the said service provider.

| **Export of Services** | | **Section 154A Sub-Section (1) Clause (a)** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| Every authorized dealer in foreign exchange shall, at the time of realization of foreign exchange proceeds on account of the following, deduct tax from the proceeds at the rates specified in Division IVA of Part III of the First Schedule:<br>(a) Exports of computer software or IT services or IT enabled services ***in case tax credit under section 65F is not available***; | | The expression "in case tax credit under section 65F is not available", shall be omitted. |

**OUR COMMENTS:** The Bill seeks to propose amendment in section 154 after proposed abolishment of 100% tax credit available on IT enabled services and computer software. Since now tax will be withheld on each of the proceeds related to the said services.

| Certificate of collection or deduction of tax | Section 164 Sub-Section (1) |
|---|---|
| **Existing** | **Proposed Amendment** |
| Every person collecting tax under Division II of this Part or deducting tax from a payment under Division III of this Part 7 or 8 deducting or collecting tax under Chapter XII shall, …… collected or deducted and such other particulars as may be prescribed. | For the words "challan of payment" the expression "Computerized Payment Receipt (CPR)" shall be substituted.<br>"Provided that in case of persons or class of persons notified as SWAPS agent, SWAPS Payment Receipt (SPR) shall be replaced with Computerized Payment Receipt (CPR)." |
| A person required to furnish a return of taxable income for a tax year shall attach to the return copies of the ***challan of payment*** on the basis of which a certificate is provided to the person under this section in respect of tax collected or deducted in that year. | For the words "challan of payment", the expression "Computerized Payment Receipt (CPR) or SWAPS Payment Receipt (SPR)" shall be substituted. |

**OUR COMMENTS:** The Bill seeks to replace the word 'challan of payment' with 'Computerized Payment Receipt (CPR)' being a technical correction. Whereas, a new proviso is proposed to be introduced to name payment receipt from SWAPS as 'SWAPS receipts' after the proposal of introducing SWAPS in the Bill.

| Payment of tax collected or deducted by SWAPS agents | Section 164A |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New Section shall be added"** | (1) Subject to the Ordinance, the Board may, by notification in the official gazette, notify any person…may be prescribed.<br>(2) The tax collected or purported to be collected or deducted or purported to be deducted under the Ordinance by a notified SWAPS agent and credited to the Commissioner through digital mode, shall be treated to have been paid under section 160 of the Ordinance…<br>(4) Any notified SWAPS agent shall not be eligible…if notified SWAPS agent fails to integrate with Board.<br>(5) All persons from whom the tax has been collected or deducted by the notified SWAPS agents shall be eligible for credit of tax withheld against SPR issued by SWAPS Agent… |

**OUR COMMENTS:** The Bill seeks to introduce the concept of notified SWAP Agents who shall be obligated to integrate themselves with the Synchronized Withholding Administration and Payment System for the purpose of tax required to be deducted under the Income Tax Ordinance.

The tax so collected shall be credited to the concerned Commissioner Inland Revenue through digital mode and the number of SWAPS Payment Receipt (SPR) shall replace the Computerized Payment Receipt Number (CPR) for the purpose of the Income Tax Ordinance, 2001.

In case of failure to integrate with the system of the FBR, a notified SWAP Agent shall not be entitled to tax credits or exemption under the Income Tax Ordinance, 2001.

| Tax collected or deducted as a final tax | Section 169, Sub-Section (1) Clause (b) |
|---|---|
| **Existing** | **Proposed Amendment** |
| The tax required to be deducted is a final tax ***under*** sub-section (1E)… on the income from which it was deductible. | after the word "under", the expression "sub-section (7) of section 148," shall be inserted. |

**OUR COMMENTS:** The Bill seeks to make a necessary amendment in Section 169 of the Income Tax Ordinance, 2001 by inserting the expression "sub-section (7) of Section 148" in order to bring re-introduction of final tax regime for commercial importers in line with the corresponding amendments in Section 148 of the Income Tax Ordinance, 2001.

| Records | Section 174 Sub-Section (3) |
|---|---|
| **Existing** | **Proposed Amendment** |
| The accounts and documents required to be maintained under this section shall be maintained for six years after the end of the tax year to which they relate. | New proviso shall be added, namely:<br>"Provided that limitation prescribed under this sub-section shall not apply to the records pertaining to income, assets, expenses or transactions to which clause (ii) of sub-section (2) of section 111 applies." |

**OUR COMMENTS:** The Bill seeks to insert a proviso in Section 174(3) of the Income Tax Ordinance, 2001 whereby the limitation of time period for the purpose of record keeping for maximum of six years would not be applicable on records pertaining to alleged concealed income, assets, expenses or transactions incurred abroad.

| National Database and Registration Authority (NADRA) | Section 175B |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New section shall be added"** | (1) The National Database and Registration Authority shall, on its own motion or upon application …. tax base or carrying out the purposes of the Ordinance…<br>(4) The NADRA may compute indicative income and tax liability of anyone mentioned under sub-sections (1) or (2) by use of artificial intelligence, mathematical or statistical modeling or any other modern device or calculation method.<br>(5) The indicative income and tax liability computed by the NADRA under sub-section (4) shall be …. shall be construed to be an amended assessment order… |

**OUR COMMENTS:** The Bill seeks to insert Section 175B of the Income Tax Ordinance whereby the NADRA shall on its own motion or on application by the Federal Board of Revenue share its records and information available for the purpose of broadening of tax base.

Moreover, NADRA shall also be authorized to make proposals and provide information pertaining to amounts which have escaped taxation. The concerned person shall be informed regarding the said amounts and the tax liability which he/she would be required to pay. If the said amount is not paid then the Federal Board of Revenue shall be authorized to take necessary action under the Income Tax Ordinance, 2001.

| National Database and Registration Authority (NADRA) | Section 175B |
|---|---|
| **Existing** | **Proposed Amendment** |

Whereas, if the amount determined by NADRA is paid off then the said amount shall be treated as an assessment order under Section 120 or 122 of the Income Tax Ordinance, 2001.

It is rather surprising that the manner in which the assessment of a taxpayer would be amended without any provision of a show-cause notice nor conducting a detailed audit but rather merely relying on information provided by NADRA. This would increase the amount of litigations pending with the Appellate forums and the above provision may also be challenged with the Honorable High Courts.

The above section was previously introduced through the Income Tax Laws (Third Amendment) Ordinance, 2021. However, in order to get the same approved through the Parliament, the said section has now been made part of the Finance Bill, 2022.

| **Audit** | **Section 177 Sub-Section (6) & (6A)** |
|---|---|
| **Existing** | **Proposed Amendment** |
| (6) After compilation of the audit, the commissioner shall…. containing audit observations and finding. | sub-section (6), shall be omitted; and |
| (6A) After ***issuing the audit report***, the Commissioner may, if considered necessary, amend the assessment … taxpayer under sub-section (9) of section 122. | in sub-section (6A), for the expression, "issuing the audit report", the expression "completion of the audit", shall be substituted. |

**OUR COMMENTS:** The Bill seeks to omit Section 177(6) of the Income Tax Ordinance, 2001 i.e. the requirement on the concerned officer to issue an audit report upon completion of audit and highlighting the observations/issues noted during the course of audit. Currently, where a taxpayer had explained the issues raised in the audit report, then it wasn't necessary that the assessment of a taxpayer would be amended.

Moreover, the expression ***"completion of audit"*** is proposed to substitute the expression ***"issuing the audit report"*** under Section 177(6A) of the Income Tax Ordinance. As a result of the above proposed amendments, it seems that the officer can proceed with initiating proceedings for amendment of assessment of a taxpayer without issuing an audit report but merely completing audit, thus leaving a taxpayer helpless at the hands of the field formations of the Federal Board of Revenue.

| **Record of beneficial owners** | **Section 181E** |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New section shall be added"** | (1) Every company and association of persons shall electronically furnish particulars of its beneficial owners in such form and manner as may be prescribed.<br>(2) Every company and association of persons shall update the particulars of its beneficial owners as and when there is a change in the particulars of the beneficial owners." |

**OUR COMMENTS:** The Bill seeks to insert Section 181E of the Income Tax Ordinance, 2001 whereby every Company and Association of Persons shall be required to electronically furnish a record of its beneficial ownership to the Federal Board of Revenue and notify any subsequent changes therein.

| Record of beneficial owners | Section 181E |
|---|---|
| This would tantamount to duplication of work and unnecessary hassle for Companies under the Companies Act, 2017 as the above information is already furnished to the Securities and Exchange Commission of Pakistan. | |

**Offences and penalties** **Section 182**

**Following changes have been proposed or new penalties have been proposed to be inserted:**

| Offence | Comments |
|---|---|
| Failure to furnish return within due date | Rate of penalty rationalized. Minimum penalty in case of Individual deriving Income from Salary is 75% or more enhanced from Rs.5,000/- to Rs.10,000/- and in other cases penalty enhanced from Rs. 40,000/- to Rs.55,000/-. |
| Fail to furnish particulars of its beneficial owners. | This section provides that a company or an Association of Persons shall pay a penalty of Rs.1,000,000/- for each default. |
| 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 Rs.50,000 for first default of 07 days, Rs.100,000 for second default of next 07 days and Rs.50,000 for each week after the second consecutive week of default. Provided that no penalty shall be imposed if extension is granted by the Commissioner. |
| Avoid the requirements in a manner prescribed for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board. | Such person shall pay a penalty of Rs.500,000/- or 200% of the amount of tax involved, whichever is higher. |
| Fails to registered his business transactions with the Board or its computerized system under the Ordinance or if registered but not in a manner as required under law. | Such person shall be liable to pay a penalty up to Rs.100 million, and if the offence will continues for a period of 2 months after imposition of penalty, his business premises shall be sealed till such time to register his business in the manner as required under law. |
| Fails to integrate his business transactions with the Board or its computerized system under the Ordinance or if integrate but not in a manner as required under law. | Such person shall be liable to pay:<br>i) penalty of Rs.500,000/- for first default;<br>ii) penalty of Rs,1,000,000/- for second default after 15 days of order for first default;<br>iii) penalty of Rs.2,000,000/- for third default after 15 days of order for second default;<br>iv) penalty of Rs.3000,000/- for fourth default after 15 days of order for third default;<br>If such person fails to integrate his business within 15 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 required under law. |

| Prosecution for non-compliance with certain statutory obligations | Section 191 Sub-Section (1) |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New clause shall be added"** | "(h) integrate his business with Board's computerized system; or<br>(i) generate tax invoice verifiable by the Board's system;" |

**OUR COMMENTS:** The Bill seeks to insert the following offences under Section 191(1) of the Income Tax Ordinance, 2001 which would be liable to imprisonment of a term not exceeding one year or a fine or both:

**(1)** A taxpayer who fails to integrate his business with the Board's computerized system or

**(2)** A taxpayer who fails to generate tax invoice verifiable by the Board's system.

| Uniform | Section 209A |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New section shall be added"** | The Board may by notification in the official gazette, prescribe rules for wearing of uniform by officers and staff of Inland Revenue Service of Pakistan." |

**OUR COMMENTS:** The Bill seeks to insert Section 209A wherein the Federal Board of Revenue is empowered to prescribe rules for wearing of uniform by officers and staff of Inland Revenue Service of Pakistan.

| Condonation of time limit | Section 214A |
|---|---|
| **Existing** | **Proposed Amendment** |
| Where any time or period has been specified under any of the provisions of the Ordinance or rules made there-under within which any application is to be made or any act or thing is to be done, the Board ***may***, in any case or class of cases, permit such application to be made or such act or thing to be done within such time or period as it may consider appropriate. | after the word "may," in the beginning, the expression " at any time before or after the expiry of such time or period," shall be inserted. |

**OUR COMMENTS:** The Bill seeks to insert the expression ***"at any time before or after the expiry of such time or period"*** in Section 214A of the Income Tax Ordinance, 2001 in order to empower the Federal Board of Revenue to condone the time limit of any act under the Income Tax Ordinance, 2001 at any time before or after the expiry of such time limit.

| Uniform | | Section 216 Sub-Section (2) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| Notwithstanding anything contained in the Qanun-e-Shahadat, 1984, or any other law for the time being in force, no court or other authority shall be, save as provided in this Ordinance, entitled to require any public servant to produce before it any return, accounts, or documents contained in, or forming a part of the records relating to any proceedings under this Ordinance, or any records of the Income Tax Department generally, or any part thereof, or to give evidence before it in respect thereof. | | Notwithstanding anything contained in the Qanun-e-Shahadat, 1984, the National Accountability Ordinance, 1999 (XVIII of 1999), the Federal 60 Investigation Agency Act, 1974 (VIII or 1975) and the Right of Access to Information Act, 2017 (XXXIV of 2017), or any other law ….. part of the records relating to any proceedings under the Ordinance, or declarations made under the Voluntary Declaration of Domestic Assets Act, 2018, the Foreign Assets (Declaration and Repatriation) Act, 2018 or the Assets Declaration Act, 2019 or any records of the Income Tax Department generally, or any part thereof, or to give evidence before it in respect thereof. |
| **OUR COMMENTS:** The Bill seeks to substitute Section 216(2) of the Income Tax Ordinance, 2001 whereby no public servant shall be required to produce any record under the Income Tax Ordinance, 2001 or relating to asset amnesty declaration for 2018 or 2019 as evidence in a court of law or otherwise. The above restriction of disclosure shall apply regardless of the Qanun-e-shahadat, 1984, National Accountability Ordinance, 1999, the Federal Investigation Agency Act, 1974 and the Right of access to information Act, 2017 or any other law. | | |

| Proceeding against authority and persons | | Section 216A |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| Subject to section 227, the Board shall prescribe rules for initiating criminal proceedings against any authority mentioned in section 207 and officer of the Directorate General mentioned in Part II and Part III of Chapter XI including any person subordinate to the aforesaid authorities or officers of the Directorates General who willfully and deliberately commits or omits an act which results in under benefit or advantage to the authority or the officer or official or to any other person… | | **"Section shall be Omitted"** |
| **OUR COMMENTS:** The Bill seeks to omit Section 216A of the Income Tax Ordinance, 2001 wherein the Federal Board of Revenue was empowered to prescribe rules for initiating criminal proceedings against its field formations/officers who deliberately commit or omit an act which results an advantage or benefit to such officer.<br><br>This omission proposal is rather questionable and would increase the trust deficit between the taxpayer and collection as it would create an impression that the officers would not be answerable under the law. | | |

| Electricity consumption | Section 235 Sub-Section (1A) |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New sub-section shall be added"** | In addition to tax collectible under sub-section (1), there shall be collected tax at the rates given in the Division IV of Part IV of First Schedule from retailers and service providers as provided under section 99A of the Ordinance. |

**OUR COMMENTS:** The Bill seeks to insert a sub-section (1A) after sub-section (1) of Section 235 of the Income Tax Ordinance, 2001 in order to create the obligation of specified retailers and service providers identified in the proposed Section 99A (discussed earlier) to pay advance tax on their electricity consumption in addition to the advance tax already levied under this Section.

The additional tax proposed to be levied shall be in lieu of the income tax to be paid by such specified service providers and retailers.

| Advance Tax on sale or transfer of immovable Property | Section 236C Sub-Section (3) |
|---|---|
| **Existing** | **Proposed Amendment** |
| Advance tax under sub-section (1) shall not be collected if the immovable property is held for a period exceeding four years. | for the word "four", the word "ten" shall be substituted. |

**Advance Tax on sale or transfer of immovable Property** — **Section 236C Sub-Section (3)**

**OUR COMMENTS:** The Bill seeks to substitute the word "four" with the word "ten" under Section 236C(3) of the Income Tax Ordinance, 2001 as a result of which tax would not be deducted by the registrar of property from the seller of such property if the holding period was more than ten years rather than four years, currently.

This would create unnecessary tax implication on a seller of immovable property as through the Bill, it is proposed that the capital gain on immovable property shall not be chargeable to tax after a holding period of six years for an open plot, two years for a flat or four years for a constructed property. Therefore, if a property is held for more than six years and then sold subsequently, then a taxpayer would have to pay an unnecessary amount of tax under Section 236C of the Income Tax Ordinance, 2001.

| Collection of advance tax by educational institutions | Section 236I |
|---|---|
| **Existing** | **Proposed Amendment** |
| There shall be collected advance tax from a person not appearing on the active taxpayers' list at the rate specified in Division XVI of Part-IV of the First Schedule on the amount of fee paid to an educational institution… | **"Section shall be Omitted"** |

**OUR COMMENTS:** The Bill seeks to omit Section 236I of the Income Tax Ordinance, 2001 wherein tax was required to be deducted by educational institutions on the fee of the children of non-active taxpayers. This was a mechanism used by the Federal Government to provide incentive to a person to come under the tax net and its commission is counter productive towards the increasing of tax net in the country.

| **Payment to residents for use of machinery and equipment** | | **Section 236Q** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| Every prescribed person making a payment in full or in part including a payment by way of advance to a resident person for use or right to use industrial, commercial and scientific equipment shall deduct tax from the gross amount at the rate specified in… | | **“Section shall be Omitted”** |
| **OUR COMMENTS:** The Bill seeks to omit Section 236Q of the Income Tax Ordinance, 2001 wherein advance tax was required to be deducted on payments made to a resident person for use or right to use of industrial, commercial or scientific equipment at specified rates.<br><br>As a result of this omission, no tax would now be required to be deducted, however, it may be argued that the above business activity may fall under the ambit of services and therefore Section 153(1)(b) of the Income Tax Ordinance, 2001 may now be applicable after this proposed amendment. | | |

| **Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards** | | **Section 236Y** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **“New section shall be added”** | | (1) Every banking company shall collect advance tax, at the time of transfer of any sum remitted outside Pakistan, on behalf of any person who has completed a credit card or debit card or prepaid card transaction with a person outside Pakistan at the rate specified in Division XXVII of Part IV of the First Schedule.<br>(2) The advance tax collected under this section shall be adjustable. |
| **OUR COMMENTS:** The Bill seeks to re-introduce Section 236Y of the Income Tax Ordinance, 2001 wherein tax would now once again be deducted by banking companies on amounts remitted or transferred outside Pakistan through credit card, debit card or prepaid card transactions at the specified rates, discussed later in this document in Division XXVII, Part IV of the First Schedule.<br><br>**The said tax would be adjustable.** | | |

| **Electronic record** | | **Section 237A Sub-Section (3)** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **“New sub-section shall be added”** | | In case of an integrated enterprise, no sale shall be made or service shall be rendered, as the case may be, without generating fiscal invoices as prescribed. |
| **OUR COMMENTS:** The Bill seeks to insert sub-section (3) in Section 237A of the Income Tax Ordinance, 2001 wherein the restriction to record any sale transaction against only electronic fiscal invoices has been placed on those taxpayers who are required to integrate their system with the Federal Board of Revenue electronically. | | |

| Prize schemes to promote tax culture | | Section 237B |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **"New section shall be added"** | | 1) The Board may prescribe prize schemes to encourage the general public to make purchases, or avail services only from integrated enterprises issuing tax invoices.<br>2) The Board may prescribe procedure for mystery shopping in respect of invoices issued by integrated enterprises randomly and in case of any discrepancy, all the relevant provisions of the Ordinance shall apply accordingly. |

**OUR COMMENTS:** The Bill seeks to insert Section 237B of the Income Tax Ordinance, 2001 in order to empower the Federal Board of Revenue to introduce prize schemes to encourage general public to make purchases against only integrated enterprises issuing tax invoices.

Moreover, the proposed section also seeks to empower the Federal Board of Revenue to prescribe procedures for deploying mystery shoppers in order to verify whether integrated invoices are being issued or not.

# First Schedule

**Rate of Tax for Individuals & Association of Persons (Other Than Salaried Individual) – Part I, Division I, Clause (1)**

| S.No. | Taxable Income | Existing | Proposed | Tax Incidence/(Relief) |
|---|---|---|---|---|
| 1. | Where taxable income does not exceed Rs. 400,000 | 0% | - | NIL |
| 2. | Where the taxable income exceeds Rs.400,000 but does not exceed Rs. 600,000 | 5% of the amount exceeding Rs. 400,000 | 0% | Upto (Rs. 10,000) |
| 3. | Where taxable income exceeds Rs.600,000 but does not exceed Rs.800,000 | Rs. 10,000 plus 10% of the amount exceeding Rs. 600,000 | 5% of the amount exceeding Rs. 600,000 | Upto (Rs. 20,000) |
| 4. | Where taxable income exceeds Rs.800,000 but does not exceed Rs.1,200,000 | Rs. 30,000 plus 10% of the amount exceeding Rs. 800,000 | Rs. 10,000 + 12.5% of the amount exceeding Rs. 800,000 | Upto (Rs. 10,000) |
| 5. | Where taxable income exceeds Rs.1,200,000 but does not exceed Rs. 2,400,000 | Rs. 70,000 plus 15% of the amount exceeding Rs. 1,200,000 | Rs. 60,000 + 17.5% of the amount exceeding Rs. 1,200,000 | Upto Rs. 20,000 |
| 6. | Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000 | Rs. 250,000 plus 20% of the amount exceeding Rs. 2,400,000 | Rs. 270,000 + 22.5% of the amount exceeding Rs. 2,400,000 | Upto Rs. 35,000 |
| 7. | Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs.4,000,000 | Rs. 370,000 plus 25% of the amount exceeding Rs. 3,000,000 | Rs. 405,000 + 27.5% of the amount exceeding Rs. 3,000,000 | Upto Rs. 60,000 |
| 8. | Where taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000 | Rs. 620,000 plus 30% of the amount exceeding Rs. 4,000,000 | Rs. 680,000 + 32.5% of the amount exceeding Rs. 4,000,000 | Upto Rs. 110,000 |
| 9. | Where taxable income exceeds Rs.6,000,000 | Rs. 1,220,000 plus 35% of the amount exceeding Rs. 6,000,000 | Rs. 1,330,000 + 35% of the amount exceeding Rs. 6,000,000. | Rs. 110,000 and above |

**Rate of Tax for Salaried Individuals (Income under the head salary exceeds 75% of taxable income) – Part I, Division I, Clause (2)**

| S.No. | Taxable Income | Existing | Proposed | Tax Incidence/(Relief) |
|---|---|---|---|---|
| 1. | Where taxable income does not exceed Rs. 600,000 | 0% | 0% | NIL |
| 2. | Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000 | 5% of the amount exceeding Rs. 600,000 | Rs. 100 | Upto (Rs. 29,900) |
| 3. | Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000 | Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000 | 7% of the amount exceeding Rs. 1,200,000 | Upto (Rs. 48,000) |
| 4. | Where taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,400,000 | Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000 | Rs. 42,000 plus 7% of the amount exceeding Rs. 1,800,000 | Upto (Rs. 96,000) |
| 5. | Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 2,500,000 | Rs. 180,000 plus 15% of the amount exceeding Rs. 2,400,000 | Rs. 84,000 plus 12.5% of the amount exceeding Rs. 2,400,000 | Upto (Rs. 98,500) |
| 6. | Where taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000 | Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000 | Rs. 96,500 + 12.5% of the amount exceeding Rs. 2,500,000 | Upto (Rs. 148,500) |
| 7. | Where taxable income exceeds Rs. 3,500,000 but does not exceed Rs. 3,600,000 | Rs. 370,000 plus 20% of the amount exceeding Rs. 3,500,000 | Rs. 221,500 + 12.5% of the amount exceeding Rs. 3,500,000 | Upto (Rs. 156,000) |
| 8. | Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 5,000,000 | Rs. 390,000 plus 20% of the amount exceeding Rs. 3,600,000 | Rs. 234,000 plus 17.5% of the amount exceeding Rs. 3,600,000 | Upto (Rs. 191,000) |
| 9. | Where taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 6,000,000 | Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000 | Rs. 479,000 plus 17.5% of the amount exceeding Rs. 5,000,000 | Upto (Rs. 241,000) |
| 10. | Where taxable income exceeds Rs. 6,000,000 but does not exceed Rs. 8,000,000 | Rs. 895,000 plus 22.5% of the amount exceeding Rs. 6,000,000 | Rs. 654,000 plus 22.5% of the amount exceeding Rs. 6,000,000 | Upto (Rs. 241,000) |

| S.No. | Taxable Income | Existing | Proposed | Tax Incidence/(Relief) |
|---|---|---|---|---|
| 11. | Where taxable income exceeds Rs. 8,000,000 but does not exceed Rs. 12,000,000 | Rs. 1,345,000 plus 25% of the amount exceeding Rs. 8,000,000 | Rs. 1,104,000 plus 22.5% of the amount exceeding Rs. 8,000,000 | Upto (Rs. 341,000) |
| 12. | Where taxable income exceeds Rs. 12,000,000 but does not exceeds Rs. 30,000,000 | Rs. 2,345,000 plus 27.5% of the amount exceeding Rs.12,000,000 | Rs. 2,004,000 plus 32.5% of the amount exceeding Rs. 12,000,000. | Upto (Rs. 559,000) |
| 13. | Where taxable income exceeds Rs. 30,000,000 but does not exceeds Rs. 50,000,000 | Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30,000,000 | Rs. 7,854,000 plus 32.5% of the amount exceeding Rs. 30,000,000. | Upto (Rs. 1,059,000) |
| 14. | Where taxable income exceeds Rs. 50,000,000 but does not exceeds Rs. 75,000,000 | Rs. 13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000 | Rs. 14,354,000 plus 32.5% of the amount exceeding Rs. 50,000,000. | Upto (Rs. 1,059,000) |
| 15. | Where taxable income exceeds Rs. 75,000,000 | Rs. 21,420,000 plus 35% of the amount exceeding Rs. 75,000,000 | Rs. 22,479,000 plus 32.5% of the amount exceeding Rs. 75,000,000. | Minimum (Rs. 1,059,000) |

**Rate of Tax for Companies – Part I, Division II**

| S. No | Type of Person | Existing | Proposed |
|---|---|---|---|
| 1. | Small Company | 22% (Tax Year 2021) | - |
| | | 21% (Tax Year 2022) | 20% |
| | | 23% (Tax Year 2023 and onwards) | 20% |
| 2. | Banking Company | 35% | 45% |
| 3. | Any Other Company | 29% | 29% |

**Rate of Tax for Companies (Super Tax) – Part I, Division IIA**

| S. No | Person | Rate of Super Tax | | | |
|---|---|---|---|---|---|
| | | Rate ( Percentage of Income) | | | |
| | | Tax Year 2018 | Tax Year 2019 | Tax Year 2020 | [1]*[Tax Year 2021 and 2022]* |
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1. | Banking Company | 4% | 4% | 4% | 4% |
| 2. | Person other than a banking company, having income equal to or exceeding Rs. 500 Million. | 3% | 2% | 0% | 0% |

[1]Words ***"Tax year 2021 and onwards"*** proposed to be substituted with the words ***"Tax year 2021 and 2022"*** through the Finance Bill, 2022.

### Tax on High Earning Persons for Poverty Alleviation U/S 4C – Part I, Division IIB

| S. No | Income under section 4C | Rate of tax |
|---|---|---|
| 1. | Where income does not exceed Rs. 300 million | 0% of the income |
| 2. | Where income exceeds Rs. 300 million | 2% of the income |

### Rate of Tax on Certain Payments to Non-Residents – Part I, Division IV

| S. No | Types of Payments | Existing | Proposed |
|---|---|---|---|
| 1. | Royalty or Fee for technical services | 15% | 15% |
| 2. | [1] *[Any other case]* | 5% | [2] *[10%]* |

[1]Words ***"Fee for offshore digital services"*** proposed to be substituted with the words ***"Any other case"*** through the Finance Bill, 2022. Currently the above table only specifies tax rates for royalty or fee for technical services.

[2]The Rate of ***5%*** is proposed to be substituted with the rate of ***10%*** through the Finance Bill, 2022

### Capital Gains on Disposal of Securities – Part I, Division VII

| S. No. | Existing | | Proposed | |
|---|---|---|---|---|
| | **Period** | ***Tax year 2022 and onwards*** | **Period** | ***Tax year 2023 and onwards*** |
| 1. | Where holding period of a Security is less than 12 months | **12.5%** | Where the holding period does not exceed one year | **15%** |
| 2. | Where holding period of a Security is 12 months or more but less than 24 months | **12.5%** | Where the holding period exceeds one year but does not exceed two years | **12.5%** |
| 3. | Where holding period of a Security is 24 months or more but the security was acquired on or after 01-07-2013 | **12.5%** | Where the holding period exceeds two years but does not exceed three years | **10%** |
| 4. | Where the security was acquired before 01-07-2013 | **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%** |
| 6. | ***"New Serial Nos. Inserted"*** | | 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 the members of Pakistan Mercantile Exchange | **5%** | Future commodity contracts entered into by members of Pakistan Mercantile Exchange | **5%** |

| OUR COMMENTS: |
|---|
| Currently rate of tax on capital gain on securities was dependent on holding period and year of acquisition, whereas through the Finance Bill, 2022 it is proposed that the rate of tax on capital gain on securities will now dependent only on holding period not on year of acquisition of securities. Furthermore, where the holding period of the securities remains within one year the tax rate has been increased from 12.5% to 15%. |

### Tax on Capital Gains on disposal of Immovable Property – Part I, Division VIII

| Existing | | |
|---|---|---|
| **S.No.** | **Amount of Gain** | **Rate of tax** |
| 1. | Where the gain does not exceed Rs. 5 million | 3.5% |
| 2. | Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million | 7.5% |
| 3. | Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million | 10% |
| 4. | Where the gain exceeds Rs. 15 million | 15% |

| Proposed | | | | |
|---|---|---|---|---|
| **S.No.** | **Holding Period** | **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%** | **-** | **-** |

| OUR COMMENTS: |
|---|
| Currently the rate of tax of capital gain on immoveable property was dependent on the amount of gain computed. Moreover, the rate of tax was the same on all types of immoveable property regardless of whether it was a constructed property, open plot or flat.<br><br>Now through the Finance Bill, 2022 the above table is proposed whereby the rate of tax is only dependent on holding period and the rate of tax has been bifurcated for each type of property i.e. open plot, constructed property and flat. |

## Tax on Deemed Rental Income – Part I, Division VIIIC

The concept of tax on deemed rental income is proposed to be added through the insertion of section 7E vide the Finance Bill, 2022. The rate of tax under section 7E shall be 20%. For details refer our comments in the relevant section.

## Rate of Advance Tax on Import U/s 148 – Part II, Division II

| S.No. | Persons | Existing | Proposed |
|---|---|---|---|
| 1. | Persons importing goods classified in Part I of the Twelfth Schedule | 1% of the import value as increased by customs-duty, sales tax and federal excise duty | 1% of the import value as increased by customs-duty, sales tax and federal excise duty |
| 2. | Persons importing goods classified in Part II of the Twelfth Schedule | 2% of the import value as increased by customs-duty, sales tax and federal excise duty | 2% of the import value as increased by customs-duty, sales tax and federal excise duty [1]***[and 4% of the import value as increased by customs duty, sales tax and federal excise duty in case of commercial importer]*** |
| 3. | Persons importing goods classified in Part III of the Twelfth Schedule | 5.5% of the import value as increased by customs-duty, sales tax and federal excise duty | 5.5% of the import value as increased by customs-duty, sales tax and federal excise duty |
| **OUR COMMENTS:** | | | |
| [1]The Rate of **4%** is proposed to be added in the case of commercial importers importing goods classified under Part II of the Twelfth Schedule through the Finance Bill, 2022. Currently goods classified in Part II of the Twelfth Schedule are subject to **2%** rate of tax regardless of whether it is imported by commercial importer or not. | | | |

## Rate of Advance Tax on Import of Mobile Phones U/s 148 – Part II, Division II

| S.No. | C&F Value of mobile phone (in US Dollar) | Existing | | Proposed | |
|---|---|---|---|---|---|
| | | Tax (in Rs.) | | | |
| | | In CBU Condition PCT Heading 8517.1219 | IN CKD/SKD Condition under PCT Heading 8517.1211 | In CBU Condition PCT Heading 8517.1219 | IN CKD/SKD Condition under PCT Heading 8517.1211 |
| 1. | Up to 30 except smart phones | 70 | 0 | 70 | 0 |
| 2. | Exceeding 30 and up to 100 and smart phones up to 100 | 100 | 0 | 100 | 0 |
| 3. | Exceeding 100 and up to 200 | 930 | 0 | 930 | 0 |
| 4. | Exceeding 200 and up to 350 | 970 | 0 | 970 | 0 |
| 5. | Exceeding 350 and up to 500 | 3,000 | 5,000 | 5,000 | 3,000 |
| 6. | Exceeding 500 | 5,200 | 11,500 | 11,500 | 5,000 |

| OUR COMMENTS: |
|---|
| The rate of advance tax on import of mobile phones value exceeding $ 350 is proposed to be changed as per the above table. |

**Rate of Advance Tax on Payments for Goods or Services U/s 153 – Part III, Division III**

| S.No. | Existing | Proposed |
|---|---|---|
| 1. | 3% of the gross amount payable, in the cases of transport services, freight forwarding services, air cargo services, ………………………….………. travel and tour services. | 3% of the gross amount payable, in the cases of transport services, freight forwarding services,….……. travel and tour services, ***[REIT management services, services rendered by National Clearing Company of Pakistan Limited]*** |
| **OUR COMMENTS:** | | |
| The reduced rate of advance tax on payment for services under section 153 of 3% is now proposed to be also applicable on REIT management services, services rendered by National Clearing Company of Pakistan Limited through the Finance Bill, 2022. | | |

**Rate of Advance Tax on Exports of Services U/s 154A – Part III, Division IVA**

| S.No. | Types of Receipts | Existing | Proposed |
|---|---|---|---|
| 1. | Export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board. | 1% of proceeds | ***0.25 % of proceeds*** |
| 2. | Any other case | 1% of proceeds | 1% of proceeds |
| **OUR COMMENTS:** | | | |
| Currently a flat rate of **1%** on export of all types of services is provided. The Finance Bill, 2022 proposes a reduced rate of **0.25%** of export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board. | | | |

**Advance Tax on Motor Vehicles (Passenger transport vehicles plying for hire) U/s 234 – Part IV, Division III**

| S.No. | Capacity | Existing | Proposed | |
|---|---|---|---|---|
| | | Rs per seat per annum | Rs. per seat per annum | |
| | | | Non Air Conditioned | Air Conditioned |
| 1. | Four or more persons but less than ten persons. | 50 | 500 | 1,000 |
| 2. | Ten or more persons but less than twenty persons. | 100 | 1,500 | 2,000 |
| 3. | Twenty persons or more. | 300 | 2,500 | 4,000 |
| **OUR COMMENTS:** | | | | |
| Currently a reduced rate of tax per annum is imposed on passenger transport vehicles plying for hire on the basis of registered seating capacity. The Finance Bill, 2022 proposes an increased rate of advance tax under section 234 of the Income Tax Ordinance, 2001 on the basis of registered seating capacity and also seeks to bifurcate rate of tax applicable between Air conditioned and Non-air conditioned vehicles. | | | | |

### Advance Tax on Electricity Consumption for Tier-1 Retailers – Part IV, Division IV

| S.No. | Gross amount of monthly bill | Proposed |
|---|---|---|
| 1. | Where the amount does not exceed Rs. 30,000 | Rs. 3,000 |
| 2. | Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000 | Rs. 5,000 |
| 3. | Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000 | Rs. 10,000 |
| 4. | Specified retailers and service providers through Income Tax General Order | Rs. 50,000 |
| **OUR COMMENTS:** | | |
| The rate of advance tax on electricity consumption for Tier-1 Retailers is proposed to be added which is leviable under section (99A) and collectable under sub-section (1A) of section 235 through the Finance Bill, 2022. | | |

### Advance Tax on Purchase, Registration and Transfer of Motor Vehicles U/s 231B – Part IV, Division VII

| S.No. | Engine Capacity | Existing | Proposed |
|---|---|---|---|
| 1. | Upto 850cc | Rs. 7,500 | ***Rs. 10,000*** |
| 2. | 851cc to 1000cc | Rs. 15,000 | ***Rs. 20,000*** |
| 3. | 1001cc to 1300cc | Rs. 25,000 | ***Rs. 25,000*** |
| 4. | 1301cc to 1600cc | Rs. 50,000 | ***Rs. 50,000*** |
| 5. | 1601cc to 1800cc | Rs. 75,000 | ***Rs. 150,000*** |
| 6. | 1801cc to 2000cc | Rs. 100,000 | ***Rs. 200,000*** |
| 7. | 2001cc to 2500cc | Rs. 150,000 | ***Rs. 300,000*** |
| 8. | 2501cc to 3000cc | Rs. 200,000 | ***Rs. 400,000*** |
| 9. | Above 3000cc | Rs. 250,000 | ***Rs. 500,000*** |

**OUR COMMENTS:**

The Finance Bill, 2022 proposes an increased rate of advance tax in clause (1) of section 231B of the Income Tax Ordinance, 2001 as per the above table on the basis of Engine capacity of the motor vehicles.

Further, a proviso has been added as ***"provided that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles"*** through the Finance Bill, 2022.

The Finance Bill, 2022 also proposes to include two provisos in clause (2) of section 231B of the Income Tax Ordinance, 2001 as ***"Provided that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be Rupees twenty thousand"***

***"Provided further that the rate of tax to be collected under this clause shall be reduced by ten percent each year from the date of first registration in Pakistan"***

### Rate of Advance Tax on Sale or Transfer of Immoveable Property U/s 236C – Part IV, Division X

| Existing | Proposed |
|---|---|
| 1% | ***2%*** |

**OUR COMMENTS:**

The Finance Bill, 2022 proposes an increased rate of advance tax under section 236C of the Income Tax Ordinance, 2001 on sale or transfer of Immoveable property from **1%** to **2%** as per the above table.

### Advance Tax on TV Plays and Advertisements U/s 236CA – Part IV, Division XA

| S.No. | Description | Existing | Proposed |
|---|---|---|---|
| 1. | Foreign-produced TV drama serial or play | Rs.1,000,000 per episode | Rs.1,000,000 per episode |
| 2. | Foreign-produced TV play (single episode) | Rs.3,000,000 | Rs.3,000,000 |
| 3. | Advertisement starring foreign actor | Rs.500,000 per second | [1] ***[Rs.100,000 per Second]*** |
| **OUR COMMENTS:** | | | |
| [1] The Finance Bill, 2022 proposes a decreased rate of advance tax on advertisement starring foreign actor under section 236CA of the Income Tax Ordinance, 2001 as per the above table. | | | |

### Advance Tax Collected by Educational Institutions U/s 236I – Part IV, Division XVI

| Existing | Proposed |
|---|---|
| 5% | ***Omitted*** |
| **OUR COMMENTS:** | |
| The advance tax collected by educational institutions under section 236I has been omitted through the Finance Bill, 2022. | |

### Advance Tax on Purchase of Immoveable Property U/s 236K – Part IV, Division XVIII

| Existing | Proposed |
|---|---|
| 1% | ***2%*** |
| **OUR COMMENTS:** | |
| The Finance Bill, 2022 proposes an increased rate of advance tax under section 236K of the Income Tax Ordinance, 2001 on purchase of Immoveable property from **1%** to **2%** as per the above table. | |

### Advance Tax on Payment to a Resident Person for Right to Use Machinery & Equipment U/s 236Q – Part IV, Division XXIII

| Existing | Proposed |
|---|---|
| 10% | ***Omitted*** |
| **OUR COMMENTS:** | |
| The advance tax on payment to a resident person for right to use machinery & equipment under section 236Q has been omitted through the Finance Bill, 2022. | |

### Advance Tax on Amount Remitted Abroad Through Credit, Debit or Prepaid Cards U/s 236Y – Part IV, Division XXVII

| Proposed |
|---|
| ***1%*** |
| **OUR COMMENTS:** |
| A new division is proposed to be added after the omitted Division XXVI, at the same tax rate which was omitted through Finance Act, 2021. The advance tax of 1% under section 236Y is proposed to be imposed on amount remitted abroad through credit, debit or prepaid cards. |

# Second Schedule

## Exemption from Total Income – Part I

| Clause | Description | Impact |
|---|---|---|
| **23A** | Replacement of 50% bar on accumulated balance and limitation of eligible persons | The bill seeks to remove the bar on accumulated balance of voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 that was previously set at 50%, now it shall be wholly exempted without condition of restriction of eligible person. |
| **23B** | Omitted. | The bill seeks to omit the Clause 23B wherein, an individual person used to receive monthly payment from pension accounts with a pension fund manager or an approved annuity plan, as the conditions have been revoked and has become part of Clause 23A. |
| **66 (A)(I) Table 1** | Re-numbering has been done and seven (7) new institutions has been added enabling them to claim exemption. | The bill seeks to re-number S. Nos. (xlx) to (xlxv) to S. Nos. (I) to (Iv) respectively. And after S. No. (Iv), (re-numbered) seven new institution name has been added namely:<br>i. Pakistan Mortgage Refinance Company Limited.;<br>ii. The Pakistan Global Sukuk Programme Company Limited."<br>iii. Karandaaz Pakistan from tax year 2015 onwards<br>iv. Pakistan Sweet Homes Angles and Fairies Place<br>v. Public Private Partnership Authority for tax year 2022 and subsequent four tax years<br>vi. Dawat-e-Islami Trust<br>vii. Hamdard Laboratories (Waqf) Pakistan |
| **66(B)(2) Table 2** | Revocation of exemption of total income formerly derived by certain institutions which were subject to section 100c. | The bill seeks to enhance exemption of three institutions as they are included in Clause 66A Table 1 namely:<br>i. Pakistan Sweet Homes Angels and Fairies Place.<br>ii. Dawat-e-Islami Trust<br>iii. Pakistan Mortgage Refinance Company Limited. |
| **99** | Rationalization. | Currently the income of a Collective Investment Scheme and RIET is exempt if it distributes 90% of its income after being reduced by capital gains. The Bill seeks to insert the expression "and accumulated losses" whereby the threshold of 90% above shall be considered after reducing the income with both capital gains and accumulated losses. |

| Clause | Description | Impact |
|---|---|---|
| **102A** | Omitted. | The bill seeks to withdraw the exemption of subsidy granted by the Federal Government. |
| **103D & 126EA** | Rationalization. | The bill seeks to rationalize the expression of Special Technology Zones Authority Ordinance, 2020 vides substituting the same with Special Technology Zones Authority Act, 2021 (XVII of 2021) |
| **132** | Explanation added. | The bill seeks to provide explanation that exemption under this clause shall continue to remain available to those persons to whom exemption under this clause was available on or before 30 June, 2021 before insertion of sixth proviso vide Finance Act, 2021. Furthermore, exemption under this clause shall be available for the life cycle of the project or 25 years from the date of commencement of commercial production, whichever is earlier. |
| **150** | Exemption awarded. | The bill seeks to provide exemption to Income derived by Siyahkalem Engineering Construction Industry and Trade Company Limited derived from Earthquake Reconstruction and Rehabilitation Authority, w.e.f. tax year 2017. |
| **151** | Exemption awarded to Cinema Owners. | The bill seeks to provide incentive on income derived by Cinema owners, for construction of new cinema in areas where there is no cinema, for a period of five years from the commencement of cinema operations provided that construction of cinema to start on or before December 31, 2023. |

**Reduction in Tax Rates – Part II**

| Clause | Description | Impact |
|---|---|---|
| **24C** | Insertion of new item for reduced rate section 153(1)(a) for Active Tax Payers. | The bill seeks to add the item “cement” so that distributors, dealers, sub-dealers, wholesalers and retailers deriving receipts from sale of cement can avail reduced rate of 0.25%. |
| **24D** | Insertion of new item for reduced rate section 113 for Active Tax Payers. | The bill seeks to add the item “cement” for reduced rate of 0.25% being minimum tax on turnover under Section 113 of the IT Ordinance to distributors, dealers, sub-dealers, wholesalers and retailers. |

## Reduction in Tax Liability – Part III

| Clause | Description | Impact |
|---|---|---|
| **1** | Omitted. | The bill seeks to revoke the benefit of separate block of income of flight engineers, navigators of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Junior Commissioned Officers or other ranks of Pakistan Armed Forces; on the amount received as flying allowance and furthermore, submarine allowance of the officers of the Pakistan Navy. |
| **1AA** | Omitted. | The bill seeks to revoke the reduced rate of tax available to pilots of any Pakistani airlines on the allowances received by them. |
| **6** | Reduction in rate. | The bill seeks to reduce the rate of tax deduction yield or profit on investment in Bahbood Savings Certificate or Pensioners Benefit Account and Shuhada Family Welfare Account from 10% to 5%. |
| **9A** | Omitted. | The bill seeks to revoke the tax reduction available to serving or ex-employees of Armed Forces, Federal and Provincial Governments, on first sale of immoveable property. |
| **20** | Omitted. | The bill seeks to revoke the amended brought in March 2022 through amended Finance Ordinance 2022. |

## Exemption from Specific Provisions – Part IV

| Clause | Description | Impact |
|---|---|---|
| **11A** | Entities excluded from paying minimum tax U/s 113. | The bill seeks to exclude the payment of turnover tax U/s 113 to the Mobile phone manufacturers engaged in the local manufacturing. |
| **12B** | Extension in exemption U/s 148. | The bill seeks to extend the exemption for non-deduction of tax U/s 148 in respect of items mentioned Under clause 12B Part IV Second Schedule up-to 30-December-2021 |
| **12BA** | Exemption for non-deduction of tax U/s 148 to entity providing face masks. | The bill seeks to provide exemption from non-deduction of tax U/s 148 on import of thirty million adult 3xPly Knit face masks received from M/s HANES Brands Inc. North Carolina, USA for Lahore Division only. |
| **12O** | Exemption for non-deduction of tax U/s 148 to entity donating drones. | The bill seeks to provide exemption from non-deduction of tax U/s 148 on donation of drones received from Ministry of Agriculture and Rural Affairs (MARA), Government of China to Pakistan through Sea Route. |

| Clause | Description | Impact |
|---|---|---|
| **12P** | Exemption from U/s 148 for import of cinematographic equipment. | The bill seeks to provide exemption from non-deduction of tax U/s 148 on import of cinematographic equipment as notified by the Federal Government |
| **60DA** | Rationalization. | The bill seeks to rename Special Technology Zones Authority Act, 2021 (XVII of 2021) |
| **86** | Omitted. | The bill seeks to withdraw exemption from applicability of section 111 for investments made by individual in a green field industrial undertaking, an association of persons in an industrial undertaking and company in an industrial undertaking. |
| **95** | Exclusion from provision U/s 147, 151, 152, 236A and 236K. | The bill seeks to provide exemption from provisions U/s. 147, 151, 152, 236A and 236K i.e. it shall not be applicable to the Second Pakistan International Sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and The Pakistan Global Sukuk Programme Company Limited, as a payer. |
| **96** | Exclusion from provision U/s 151, 153, 155 and 236C. | The bill seeks to provide exemption from provisions U/s. 151, 153, 155 and 236C to the Second Pakistan International Sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and the Pakistan Global Sukuk Programme Company Limited, as a recipient |
| **97A** | Exclusion from provision U/s 37, 236C and 236K. | The bill seeks to provide exemption from provisions U/s. 37, 236C and 236K to National Highway Authority in respect of transfer of immovable property to the Pakistan Global Sukuk Programme Company Limited and in respect of transfer of immoveable property to National Highway Authority from the Second Pakistan International Sukuk Company Limited or the Pakistan Global Sukuk Programme Company Limited. |
| **120** | Exclusion from provision of Divisions II and III of Part V of Chapter X and Chapter XII of the Ordinance. | The bill seeks to provide exemption from provisions of Divisions II and III of Part V of Chapter X and Chapter XII of the Ordinance i.e. deduction of withholding tax to entities mentioned in Table 1 of clause (66) of Part I of the Second Schedule as recipients of payment but they will remain performing their duties as withholding tax agent. |
| **105A** | Exclusion from provision U/s 177 and 214C. | The bill seeks to provide exemption from provisions U/s 177 and 214C to a person whose income tax affairs have been audited in any of the preceding four tax years provided that the Commissioner may select a person under section 177 for audit with approval of the Board |

# Fourth Schedule

**Rules for the computation of the profits and gains of insurance business**

| Clause | Description | Impact |
|---|---|---|
| **6DA** | Application of provisions U/s 4C. | The bill seeks to apply provisions of newly inserted section 4C on the income from insurance business which provides that the person earning more than rupees three hundred million will pay tax at the rates specified in Division IIB of Part I of the First Schedule from tax year 2022 onwards (discussed earlier in this document). |

# Fifth Schedule

**Rules for the computation of the profits and gains from the exploration and production of petroleum**

| Clause | Description | Impact |
|---|---|---|
| **4AA** | Application of provisions U/s 4C. | The bill seeks to apply provisions of newly inserted section 4C on the income from exploration and production of petroleum business which provides that the person earning more than rupees three hundred million will pay tax at the rates specified in Division IIB of Part I of the First Schedule from tax year 2022 onwards (discussed earlier in this document). |

# Seventh Schedule

**Rules for the computation of the profits and gains of a banking company and tax payable thereon**

| Clause | Description | Impact |
|---|---|---|
| **6C sub-rule (6A)** | Increase in the tax rates. | The bill seeks to increase tax rates on taxable income attributable to investment in the Federal Government securities. New rates shall be:<br>i. 55% in-case of the gross advances to deposit ratio as on last day of the tax year is upto 40%;<br>ii. 49% in-case the gross advances to deposit ratio as on last day of the tax year exceeds 40% but does not exceed 50%; and, |

| Clause | Description | Impact |
|---|---|---|
| | | iii. at the rates provided in Division II of Part I of the First schedule if gross advances to deposit ratio as on last day of the tax year exceeds 50%. |
| **Clause** | **Description** | **Impact** |
| **7CA** | Application of provisions U/s 4C. | The bill seeks to apply provisions of newly inserted section 4C on the income from banking business which provides that the person earning more than rupees three hundred million will pay tax at the rates specified in Division IIB of Part I of the First Schedule from tax year 2022 onwards (discussed earlier in this document). |

# Tenth Schedule

**Rules for persons not appearing in the active taxpayers' list**

| Clause | Description | Impact |
|---|---|---|
| **1** | Change in tax rate U/s 231B and 236K. | The bill seeks to increase the tax rate of Advance tax on private motor vehicles and Advance tax on purchase or transfer of immovable Property for persons not appearing in the Active Taxpayers List (ATL) from 100% to 200%. |
| **10** | Clauses (e), (p) and (t) shall be omitted and clause (ca) shall be added. | The bill seeks to omit reference of section 156B (Withdrawal of Balance under Pension fund), 236I (Collection of Advance Tax by Educational Institutions) & 236Q (Payment to Residents for use of Machinery and Equipment), from the rule implying tax on the person not appearing in the ATL. Furthermore, the bill seeks to add the tax deducted under section 154A (Export of Services) in the purview of Tenth Schedule. |

# Twelfth Schedule

**Deduction of tax U/s 148 (imports)**

**Part-1**

| PCT Code | Description | Impact |
|---|---|---|
| **27.01** | Addition of new items. | The bill seeks to add new items, which are coal; briquettes, ovoids and similar solid fuels manufactured from coal resulting in decrease of tax rate from 2% to 1%. |

**Part 2**

| PCT Code | Description | Impact |
|---|---|---|
| **27.01** | Omitted. | The bill seeks to omit items which are Coal; briquettes, ovoids and similar solid fuels manufactured from coal as they are added to Part 1 of the same schedule. |
| **8504.3100** | Addition of new items. | The bill seeks to add item which are SMD Inductors for LED Bulb and Lights, the tax shall be deducted on such items at rates of 2% and 4% for commercial importers. |
| **8504.4090** | Addition of new items. | The bill seeks to add item which are Constant Current Power Supply of LED Lights and Bulbs, the tax shall be deducted on such items at rates of 2% and 4% for commercial importers. Previously, these items were included in Part III i.e. tax deductible at the rate of 5.5%. |
| **8532.2200** | Addition of new items. | The bill seeks to add items which are Electrical Capacitors Aluminum Electrolytic for LED Bulbs and Lights. The tax shall be deducted on such items at rates of 2% and 4% for commercial importers. Previously, these items were included in part III i.e. tax deductible at the rate of 5.5%. |
| **8539.9020** | Addition of new items. | The bill seeks to add items which are Base Cap for all Kinds of LED Bulbs. The tax shall be deducted on such items at rates specified in First Schedule. Previously, these items were included in Part III i.e. tax deductible at the rate of 5.5%. |
| **8539.9090** | Addition of new items. | The bill seeks to add items which are Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Bulbs. The tax shall be deducted on such items at rates specified in First Schedule. Previously, these items were included in Part III i.e. tax deductible at the rate of 5.5%. |
| **8539.9090** | Addition of new items. | The bill seeks to add items which are Housing/Shell, Shell Cover and Base Cap for all Kinds of LED Bulbs. The tax shall be deducted on such items at rates specified in First Schedule. Previously, these items were included in Part III i.e. tax deductible at the rate of 5.5%. |

| PCT Code | Description | Impact |
|---|---|---|
| **9001.9000** | Addition of new items. | The bill seeks to add items which are Lenses for LED Bulbs and Lights. The tax shall be deducted on such items at rates specified in First Schedule. Previously, these items were included in Part III i.e. tax deductible at the rate of 5.5%. |
| **9405.1090** | Addition of new items. | The bill seeks to add items which are Housing/Shell, Shell Cover and Base Cap for all Kinds of LED Lights. The tax shall be deducted on such items at rates specified in First Schedule. Previously, these items were included in Part III i.e. tax deductible at the rate of 5.5%. |
| **9405.9900** | Addition of new items. | The bill seeks to add items which are Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Lights. The tax shall be deducted on such items at rates specified in First Schedule. Previously, these items were included in Part III i.e. tax deductible at the rate of 5.5%. |

# Thirteenth Schedule

| Serial # | Description | Impact |
|---|---|---|
| **63** | Addition of NPO's from which a person can obtain Tax Credit. | The bill seeks to add all entities mentioned in Table-I of clause (66) of Part-I of the Second Schedule of the Ordinance, so that donors can get tax credit on their donations made to these specified institutions under Section 61 of the Income Tax Ordinance, 2001. |

TAX
COMMENTARY

# SALES TAX

2022

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# SALES TAX

| Definition - Goods | Section 2 clause (12) |
|---|---|
| **Existing** | **Proposed Amendment** |
| "goods" include every kind of movable property other than actionable claims, money, stocks, shares and securities. | after the word "include", the words and comma "production, transmission and distribution of electricity," shall be added. |
| **OUR COMMENTS:** The definition of 'goods' is proposed to be amended by adding the words 'production, transmission and distribution of electricity'. This would mean to brought the production, transmission and distribution of electricity within the ambit of sales tax. | |

| Definition - Sales tax | Section 2 clause (29A) sub-clause (b) |
|---|---|
| **Existing** | **Proposed Amendment** |
| Sales tax means – a fine, penalty or fee imposed or charged under this Act. | after the word "Act", the words "excluding fee and service charges imposed and collected under section 76" shall be added. |
| **OUR COMMENTS:** The definition of 'sales tax' is proposed to be amended whereby fee and service charges imposed and collected under section 76 of the Act are proposed to be excluded from the definition of 'sales tax'. | |

| Definition - Supply | Section 2 clause (33) |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New sub-clause shall be added"** | new sub-clause shall be added, namely:<br>"(e) production, transmission and distribution of electricity." |
| **OUR COMMENTS:** The definition of 'supply' is proposed to be amended by adding the words 'production, transmission and distribution of electricity' in order to harmonize the changes proposed to be made in the definition of 'goods'. | |

| Definition - Tier-1 retailer | Section 2 clause (43A) sub-clause (g) |
|---|---|
| **Existing** | **Proposed Amendment** |
| **"New sub-clause shall be added"** | the following new sub-clause shall be inserted namely - "(ga) a person engaged in supply of articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal;" |
| **OUR COMMENTS:** The scope of 'tier-1 retailers' is being proposed to be enhanced by amending the definition through insertion of a new clause to include 'the persons engaged in supply of articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal'. | |

| Scope of tax | Section 3 sub-section (1A) |
|---|---|
| **Existing** | **Proposed Amendment** |
| Where taxable supplies are made to a person who has not obtained ***registration number***, there shall be charged, levied and paid a further tax at the rate of three percent of the value in addition… | after the words "registration number", the words "or he is not an active taxpayer" shall be inserted. |

| Scope of tax | | Section 3 sub-section (1A) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **OUR COMMENTS:** The scope of further tax is proposed to be enhanced. Presently, 'further tax' is charged on taxable supplies made to a person who has not obtained registration number. In addition to the aforesaid, the proposed amendment seeks to charge 'further tax' on taxable supplies made to a person who is not an active taxpayer. | | |

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| Scope of tax | | Section 3 sub-section (7) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| The tax shall be withheld at the rate as specified in the Eleventh Schedule, by any person or class of persons being purchaser of goods or services as withholding agent for the purpose of depositing the same, in such manner and subject to such conditions or restrictions as the Board may prescribe in this behalf through a notification in the official Gazette. | | for the full stop at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:<br>"Provided that in case of the online market place facilitating the sale of third-party goods, the liability to withhold tax on taxable supplies of such party at the rates specified in column (4) against S. No. 8 of the Eleventh Schedule to the Sales Tax Act, 1990 shall be on the operator of such market place." |
| **OUR COMMENTS:** The Finance Bill has introduced a proviso in Section 3(7) of the Act whereby the responsibility to withhold sales tax has been proposed to be placed on operators of online market places facilitating the sale of third-party goods at the rate of 2% while making payments to such third parties.<br><br>This amendment has been introduced to bring into the tax net, the small-scale suppliers who are marketing and selling their products through platforms such as Daraz and such others.<br><br>The proviso was previously added by the Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021 and is being made part of the Bill in order to get the same approved by the Parliament. | | |

| Scope of tax | | Section 3 sub-section (9) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| Tax shall be charged from retailers, other than those falling in Tier-1, through their monthly electricity bills, at the rate of five percent where the monthly bill amount does not exceed rupees twenty thousand and at the rate of seven and half per cent where the monthly bill amount exceeds the aforesaid amount, and the electricity supplier shall deposit the amount so collected directly without adjusting against his input tax: | | (i) for the words "five per cent where the monthly bill amount does not exceed rupees twenty thousand and at the rate of seven and half per cent where the monthly bill amount exceeds the aforesaid amount", the words "rupees three thousand per month where the monthly bill amount does not exceed rupees thirty thousand, rupees five thousand per month where the monthly bill amount exceeds rupees thirty thousand but does not exceed rupees fifty thousand and rupees ten thousand per month where the monthly bill amount exceeds rupees fifty thousand" shall be substituted; after sub-section (9), the following additional proviso shall be inserted, namely:<br><br>"Provided that the Board may through a general order prescribe any persons or class of person who shall pay rupees fifty thousand per month through their monthly electricity bill." |

| Scope of tax | | Section 3 sub-section (1A) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |

**OUR COMMENTS:** Presently, sales tax on retailers (other than tier-1 retailers) is charged through their monthly electricity bills at the rate of 5% where monthly bill amount does not exceed Rs 20,000 and at the rate of 7.5% where monthly bill amount exceeds Rs 20,000.

It is now proposed to redefine these sales tax limits. The proposed amendment seeks to levy this sales tax through monthly electricity bills at Rs 3,000 per month where monthly bill amount does not exceed Rs 30,000. If the monthly bill amount exceeds Rs 30,000 but does not exceed Rs 50,000, sales tax levy will be Rs 5,000 per month and Rs 10,000 per month will be charged where the monthly bill amount exceeds Rs 50,000.

The proposed amendment further empowers the Federal Board of Revenue to prescribe, through a general order, any persons or class of person who shall pay Rs 50,000 per month through their monthly electricity bill.

| Scope of tax | | Section 2 sub-section (11) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **"New sub-section shall be added"** | | "Notwithstanding anything contained in the Act, the Board through Notification in the official Gazette, may require any person or class of persons to integrate their invoice issuing machines with the Board's Computerized System for real time reporting of sales in such mode and manner and from such date as may be prescribed." |

**OUR COMMENTS:** The Finance Bill, through the introduction of a new sub-section 11 of Section 3, seeks to empower the Federal Board of Revenue to impose the requirement on any person or class of person to integrate their invoice issuing machines with the Board's computerized system for real time monitoring of sales.

Previously, only Tier-I retailers were required to integrate their point of sales systems with the FBR's systems. However, it seems that the Government of Pakistan aims to use this system to prevent fiscal evasion in other sectors of the economy as well.

This sub-section was previously added by the Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021 and is being made part of the Bill in order to get the same approved by the Parliament.

| Time and manner of payment | | Section 6 sub-section (5) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **"New sub-section shall be added"** | | "The Federal Government may, subject to such conditions, limitations and restrictions as it may impose, by notification in the official Gazette, allow payment of sales tax on installments basis by the Federal or Provincial Governments or any public sector organization on import or supply of any goods or class of goods:<br>Provided that such payment may be allowed from any previous date specified in the notification under this sub-section." |

| Time and manner of payment | | Section 6 sub-section (5) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **OUR COMMENTS:** By adding a new sub-section 5, the Finance Bill seeks to empower the Federal Government to allow the payment of sales tax on installment basis by the Federal or Provincial Governments or any public sector organization on import or supply of any goods or class of goods. The proposed amendment further provides that payment on installment basis may be allowed from any previous date. | | |

| Tax credit not allowed | | Section 8B sub-section (1)(m) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| (m) the input goods or services attributable to supplies made to un-registered person, on pro-rata basis, for which sale invoices do not bear the NIC number or NTN as the case may be, of the recipient as stipulated in section 23. | | **"Clause shall be Omitted"** |
| **OUR COMMENTS:** Presently, a registered person is not entitled to reclaim input tax or deduct input tax paid on the input goods or services attributable to supplies made to unregistered person on pro-rata basis, for which sales invoices do not bear the NIC number or NTN of the recipient. This condition was introduced through Finance Act, 2019 and was a major step towards the documentation of undocumented economy.<br><br>The requirement of bearing NIC number or NTN of the recipient on sales invoices is now proposed to be done away with by omitting the clause m of sub-section 1 of section 8. Consequently, on approval of proposed amendment, the status prior to Finance Act, 2019 will be restored and a registered person will be entitled to reclaim input tax or deduct input tax on supplies made to unregistered person for which sales invoices do not bear the NIC number or NTN of the recipient. | | |

| Adjustable input tax | | Section 8B sub-section (1) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| Notwithstanding anything contained in this Act, in relation to a tax period, a registered person other than public limited companies listed on Pakistan Stock Exchange shall not be allowed to adjust input tax in excess of ninety per cent of the output tax for that tax period. | | the words "other than public limited companies listed on Pakistan Stock Exchange" shall be omitted. |
| **OUR COMMENTS:** Presently, all registered persons are not allowed to adjust input tax in excess of ninety (90) percent of the output tax in a tax period with the exception of public limited companies listed on Pakistan Stock Exchange which were excluded from the ambit of this Section through Finance Act 2021. Through the newly inserted amendment, this exclusion of public limited companies listed on Pakistan Stock Exchange is being proposed to be withdrawn. As a result, after the approval of proposed amendment, all public limited companies listed on Pakistan Stock Exchange will not be allowed to adjust input tax in excess of ninety (90) percent of the output tax in a tax period. | | |

| Discontinuance of gas and electricity connections | | Section 14AB |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| | | Notwithstanding anything contained in this Act or any other law for the time being in force, the Board shall have power through Sales Tax General Order |

| Discontinuance of gas and electricity connections | | Section 14AB |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **"New sub-section shall be added"** | | to direct the gas and electricity distribution companies for discontinuing the gas and electricity connections of any person who fall in the following categories, namely:<br>(a) Any person, including tier-1 retailers, who fail to register for sales tax purpose or<br>(b) Notified tier-1 retailers registered but not integrated with the Board's Computerized System<br>Provided that upon registration or integration, as the case may be, of the above said persons, the Board shall notify the restoration of their gas or electricity connection through Sales Tax General Order. |

**OUR COMMENTS:** The Finance Bill, through the introduction of Section 14AB in the Act, has proposed to empower the Federal Board of Revenue to direct the gas and electricity distribution companies, through sales tax general orders, to discontinue the electricity and gas connection of the following persons:

- Any person, including tier-1 retailers, who fail to register for sales tax purpose; or
- Notified tier-1 retailers registered but not integrated with the Board's Computerized System.

Once the above persons are compliant, then a sales tax general order would be issued again for the purpose of restoration of their connection.

It seems that the Government of Pakistan has taken inspiration from the recent restrictions imposed on non-vaccinated people. The difference being that certain restrictions are now being placed on non-compliant persons.

This sub-section was previously added by the Tax Laws (Third Amendment) Ordinance, 2021 dated September 15, 2021 and is being made part of the Bill in order to get the same approved by the Parliament.

| Tax invoices (particulars) | | Section 23 sub-section (1) |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| (b) "name, address and registration, number of the recipient and NIC or NTN of the unregistered person, as the case may be, excluding supplies... does not exceed rupees one hundred thousand… | | clause (b) shall be substituted, namely:<br>"name, address and registration number of the recipient". |

**OUR COMMENTS:** Presently, a registered person making a taxable supply is required to issue a serially numbered tax invoice bearing NIC number or NTN of the unregistered person where transaction value exceeds Rs 100,000. This condition was earlier introduced through Finance Act, 2019 and was a major step towards the documentation of undocumented economy.

The requirement of bearing NIC number or NTN of the unregistered person on sales invoices is now proposed to be done away with by substituting the relevant clause. Consequently, on approval of proposed amendment, the status prior to Finance Act, 2019 will be restored and a registered person will be entitled to issue a serially numbered tax invoice without bearing the NIC number or NTN of the unregistered person.

| **Directorate General of Training and Research** | | **Section 30C** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| The Directorate General of Training and Research shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board, may by notification in the official Gazette, appoint. | | for the marginal heading "Directorate General of Training and Research", the words "Inland Revenue Services Academy" shall be substituted;<br><br>for the words "Directorate General of Training and Research", the words "Inland Revenue Services Academy" shall be substituted; |
| **OUR COMMENTS:** Through the proposed amendment, the Finance Bill seeks to remove the Directorate General of Training and Research and a new department named 'Inland Revenue Services Academy' is proposed to be established. | | |

| **Offences and penalties** | | **Section 33** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| Any person, who is integrated for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or barcode or bears duplicate invoice number or counterfeit barcode, or any person who abets commissioning of such offence. | | in the Table, in serial number 24, in column (1),<br>(a) after the word "barcode", the words "or QR code" shall be inserted; and<br>(b) after the word "barcode", occurring for the second time, the words "or QR code or defaces the prescribed invoice number of barcode or QR code" shall be inserted. |
| **OUR COMMENTS:** The Finance Bill proposed amendment to the offences specified under Section 33 of the Sales Tax Act, 1990 as under:<br><br>Serial No. 24 provides the penalty against the offence where any person, who is integrated for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or barcode or bears duplicate invoice number or counterfeit barcode, or any person who abets commissioning of such offence.<br><br>The proposed amendment seeks to widened the scope under this serial. Where any person issues an invoice which does not carry the prescribed QR code or bears duplicate QR code or defaces the prescribed invoice number of barcode or QR code, he will also be penalized under this serial. | | |

| **Uniform** | | **Section 77** |
|---|---|---|
| **Existing** | | **Proposed Amendment** |
| **"New section shall be added"** | | The Board may, by notification in the official Gazette, prescribe rules for wearing of uniform by officers and staff of Inland Revenue Services." |
| **OUR COMMENTS:** The Finance Bill, through the introduction of Section 77 in the Act, has proposed to empower the Federal Board of Revenue to prescribe rules for wearing of uniform by officers and staff of Inland Revenue Services. | | |

# The Third Schedule

### Sales tax in 'retail mode'

The proposed amendment seeks to correct the respective Pakistan Customs Tariff (PCT) heading number error by making appropriate amendment.

# The Sixth Schedule

### Exempted Supplies

### Table 1

### Exemption from levy of sales tax on imports and supplies has been proposed to be granted to following items

- Goods imported by various agencies of the United Nations, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts and, Orders, rules and regulations made thereunder; and agreements by the Federal Government:

  Provided that such goods are charged to zero-rate of customs duty under the Customs Act, 1969 (IV of 1969), and the conditions laid therein.

  Provided further that exemption under this serial shall be available with effect from the 15th day of January, 2022.

- 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 on such goods under the Customs Act, 1969, (IV of 1969).

- Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.

- Goods temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate of customs duty subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969 (IV of 1969).

- Tractor

- Seeds for Sowing

- Machinery, equipment and materials imported either for exclusive use within the limits of Export Processing Zone or for making exports therefrom, and goods imported for warehousing purpose in Export Processing Zone, subject to the conditions that such machinery, equipment, materials and goods are imported by investors of Export Processing Zones, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (IV of 1969) and rules made thereunder shall mutatis mutandis, apply.

### Table 2

Exemption from levy of sales tax on local supplies has been proposed to be granted on to following items:

- Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal on which tax has been paid at the import stage @ 4%.
- Prepared food or foodstuff supplied by Restaurants and caterers

Exemption from levy of sales tax on local supplies of ware potato and onions has been proposed to be withdrawn.

### Table 3

Exemption from levy of sales tax has been proposed to be granted to following items subject to certain conditions:

- Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through hydel, oil, gas, coal, nuclear and renewable energy sources including under construction projects entered into an implementation agreement with the Government of Pakistan prior to 15th day of January, 2022.
- Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.

### Conditions

(i) This concession shall also be available to primary contractors of the project upon fulfilment of the following conditions, namely: -

  (a) the contractor shall submit a copy of the contract or agreement under which he intends to import the goods for the project;

  (b) the Chief Executive or head of the contracting company shall certify in the prescribed manner and format 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.

Further, the proposed amendments seek to correct the respective Pakistan Customs Tariff (PCT) heading number error by making appropriate amendments.

# The Eighth Schedule

### Table 1

### Reduced rate on supplies withdrawn

Presently, supplies of certain items included in the Eighth Schedule are subject to reduced rate of sales tax. The Finance Bill seeks to omit the following items from the purview of the Eighth Schedule which will now be subject to standard rate of sales tax of seventeen (17) percent:

- Agricultural tractors
- Locally produced coal
- Import of electric vehicle in CBU condition

In addition to the standard rate of sales tax of seventeen (17) percent, the rate of sales tax on potassium chlorate is proposed to be reduced from Rs 90 per KG to Rs 60 per KG.

### Reduced rate on supplies allowed

The amendment is proposed to add certain items in the Eighth Schedule. Accordingly, supplies of following items being included in the Eighth Schedule will now be subject to reduced rate of sales tax:

- Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal provided no input tax shall be adjusted at a reduced sales tax rate of three (3) percent.

- Import of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal provided no input tax shall be adjusted at a reduced sales tax rate of four (4) percent.

- Local supply of reclaimed lead 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, at a reduced sales tax rate of one (1) percent.

# The Twelfth Schedule

### Value addition tax

The proposed amendment seeks to impose the sales tax on account of minimum value addition at a rate of three (3) percent on import of compressor scrap, motor scrap and copper cable cutting scrap imported by a manufacturer for in-house consumption.

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TAX
COMMENTARY

# CUSTOMS ACT

2022

Result Assured Services for Growth

# CUSTOMS ACT

**Definitions** **Section 2(bbc)**

The bill seeks to add the new definition, “bordering and coastal areas” by defining bordering and coastal areas along international line in order to curb smuggling of essential commodities.

**Definitions** **Section 2(kka, qb)**

The bill seeks to amend these clauses to align Custom Act, 1969 with the Pakistan Single Window (PSW) Act, 2021 in terms of Section 3(3) of PSW Act, 2021.

**Definitions** **Section 2(kkd)**

The bill seeks to define, “essential commodities” which are likely to be smuggled out of the country through international borders due to price differential in the international market.

**Definitions** **Section 2(oa, pb, sa, sb)**

The bill seeks to insert clause (oa) by defining “other government agencies”, (pb) “Pakistan Single Window”, (sa) “trade control” and (sb) “un-authorized access” in order to align Custom Act, 1969 with the Pakistan Single Window (PSW) Act, 2021 in terms of Section 3(3) of PSW Act, 2021.

**Definitions** **Section 2(s)**

The bill seeks to discourage the smuggling by including essential commodities in the definition of smuggle.

**Director General of training and research** **Section 3C**

The bill seeks to substitute marginal heading as Pakistan Custom Academy.

**General power to exempt from customs-duties** **Section 19**

The bill seeks to restore the powers of the Federal Government to exempt customs duty for the purpose of development of backward area and to provide legal cover till June 30, 2023.

**Provisional determination of liability** **Section 81(2)**

The bill seeks to facilitate trade and avoid delay in realization of government revenue by amending time period of correctly determination of the amount of duty, taxes and charges from six months to ninety days.

**Period for which goods may remain warehoused** **Section 98**

The propose amendment allows the Additional Collector to extend warehousing period to one month to facilitate trade by expediting grant of request for extension.

**Frustrated cargo how dealt with** **Section 138**

The amendment seeks to amend section to align the Custom Act, 1969 with the Import Policy Order, 2020.

**Punishment for offences** **Section 156**

The bill seeks to add essential commodities in the definition of smuggling. By this amendment the penalties, fines and punishment of imprisonment are imposed for smuggling of essential commodities. Further, a new serial number 105 is proposed for penalties, fines and punishment of imprisonment in order to align the Custom Act, 1969 with the PSW Act, 2021, in term of section 3(3) pf PSW Act, 2021.

**Extent of Confiscation** **Section 157**

Omission of second proviso in sub section (2) seeks to omit procedural work in order to align with SRO 499 (I)/2009 dated 13.06.2009.

**Power to stop and search conveyances** **Section 164**

The proposed amendment in sub section 3 will restrict the stop and search operations in relations to the smuggling of essential commodities within the bordering and coastal areas.

**Procedure in case of seizure of essential commodities** **Section 170A**

The bill seeks to insert new section to restrict the seizing agency to deposit the seized good "essential commodities" in nearest custom-house or the nearest place appointed by the Collector of Customs.

**Power of adjudication** **Section 179**

The proposed amendment will rationalize the work load of adjudicate authorities and quick disposal of legal cases. By this proposed amendment, pecuniary jurisdiction of additional collector enhances from three million to five million and in case of deputy collector from one million to two million.

**Reference to high court** **Section 196**

This proposed amendment will empower an officer of customs to prefer an application to the high court. It will harmonize this section with section 194A.

**Wharfage or storage fees and port charges** **Section 203**

By propose substitution the cost of doing business will reduce and it will rationalize the dues charged by the terminal operators.

**Protection of action taken under the Act** **Section 217**

The bill seeks to amendment this section to protect the action taken in good faith by the officers of provincial government especially in case of smuggling of essential commodities.

# First Schedule

In chapter 1 to 99 of the First Schedule, number of entries are substituted to propose relief to industries and common man. Major relief measures are as follows;

- The custom duty has been downward rationalized at 3% for polymers of ethylene & 16% for biaxially-oriented polypropylene (BOPP) to incentivize the packaging industry.
- Reduction in custom duties and additional custom duties from 16% to 11% on direct and reactive dyes.
- The custom duty on aluminum paste and powder has been exempted & it has been reduced for glycerol from 20% to 16% to galvanize the coating industry.
- Rationalization of tariff, on medium density fiberboard / high density fiberboard, from 16% to 11%.
- Import of certain animal organs are exempted to encourage export oriented industry.
- Reduction in custom duty from 20% to 16% on import of plywood, veneered panels & similar laminated wood.
- Continuation of regulatory duty at 20% on import of disodium carbonate to protect local industry.
- Reduction in regulatory duty from 30% to 20% on import of case hardening steel to promote its business.
- Regulatory duty of 15% on chrome yellow has been withdrawn.

# Fifth Schedule

In fifth Schedule of Customs Act, 1969, a number of intermediary raw materials are being proposed to exemption/reduction of custom duty, additional custom duty and regulatory duty:

- Exemption in custom duty and additional custom duty for agriculture sector and farmers has been widened in finance bill. i.e. farm mechanization, agricultural machinery pertaining to irrigation, drainage, harvesting & processing. It also includes plant protection equipments.
- Reduction in customs duty and additional customs duty have been reduced to 5% on manufacturing of filters other than automotive.
- The manufactures of LED lights and bulbs are encouraged by providing exemption on five more items along with parts of LED lights and bulbs.
- Exemption have been granted on import of poly-butylene terephthalate (raw material) to promote the local manufactures of brush ware.
- Reduction of custom duty from 16% to 0% on import of stamping foils used for manufacturing of optical fiber cable.
- Exemption of custom duty and additional custom duty from 16% & 4%, respectively, on import of membrane for filtering / purifying water, to assure the availability of filtered water.
- To boost the local manufacturing industry of first aid bandages, an exemption has been granted on custom duties of raw materials for first aid bandages, from 5%.

- Reduction in custom duty from 11% to 3% on import of flavoring powders for preparation of food.
- Exemption of duties on raw materials of aluminum conductor composite core manufactures from 16%.
- Regulatory duty of 10% has been imposed on imports of other paper, paperboard, cellulose wadding and webs of cellulose fibers to protect the local industry.
- Exemption of regulatory duty available on import of high carbon wire rod has been withdrawn.
- To galvanize the local manufactures, regulatory duty has been increased by 10% on import of optical fiber cables.

Following relief measures are proposed for common man;

- To encourage the local manufacturing of pharmaceutical, custom duties have been exempted on 26 more active pharmaceutical ingredient. Moreover, on drug, named “Grafalon” has also been exempted.
- To make life easier for low vision individuals, Iris vision, a gadget which help in reading and writing easily, has been exempted from custom duty.

TAX
COMMENTARY

# OTHER LAWS

2022

RASG

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# FEDRAL EXCISE ACT

**Definition of 'duty' amended** **Section 2, Clause 9**

The definition of 'duty' is proposed to be amended whereby fee and service charges imposed and collected under section 49 of the Act are proposed to be excluded from the definition of 'duty'.

**Directorate general of training and research** **Section 29 (2) (c)**

Through the proposed amendment, the Finance Bill seeks to remove the Directorate General of Training and Research and a new department named 'Inland Revenue Services Academy' is proposed to be established.

**Uniform** **Section 50**

The Finance Bill, through the introduction of Section 50 in the Act, has proposed to empower the Federal Board of Revenue to prescribe rules for wearing of uniform by officers and staff of Inland Revenue Services.

# The First Schedule

The Finance Bill, 2022 seeks to enhance the rate of Federal Excise Duty (FED) on various excisable goods and services in the following manner:

**Table I – Excisable Goods**

| Item Description | Existing | Proposed |
|---|---|---|
| E-liquids by whatsoever name called, for electric cigarette kits. | Rs 10 per ml | Rs 10,000 per kg |
| Locally produced cigarettes if their on- pack printed retail price exceeds Rs. 5,960 per thousand cigarettes | Rs. 5,200 per thousand Cigarettes | Rs. 5,600 per thousand Cigarettes |
| Locally produced cigarettes if their on-pack printed retail price exceeds Rs. 5,960 per thousand cigarettes | Rs. 1,650 per thousand Cigarettes | Rs. 1,850 per thousand Cigarettes |
| Filter rod for cigarettes | Re 1 per filter rod | Rs 1,500 per kg |

**Table II – Excisable Services**

| Item Description | Existing | Proposed |
|---|---|---|
| Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan, Club, business and first class | Rs 10,000 | Rs 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 |

# ISLAMABAD CAPITAL TERRITORY (SALES TAX ON SERVICES) ORDINANCE, 2001 - THE SCHEDULE

**Table-1**

| Sr. No | Description of service provided | Impact |
|---|---|---|
| 1. | Addition of service providers and reduction in rate | The bill seeks to add service providers in respect of, farmhouses, restaurants and suppliers of food and drinks. Furthermore, the rate of sales tax on services is reduced by 1% i.e. from 16% to 15%. |
| **The Bill seeks to reduce the rate of sales tax on services by 1% i.e. from 16% or 17% (wherever applicable) to 15% on the following services:** | | |
| 2. | Advertisement on television and radio; | |
| 3. | Services provided by persons authorized to transact business on behalf of others–<br>(a) stevedore;<br>(b) customs agents; and<br>(c) ship chandlers. | |
| 4. | Courier services and cargo services by road provided by courier companies; | |
| 5. | Construction services with specified exclusions; | |
| 7. | Services provided by persons engaged in contractual execution of work with specified exclusions; | |
| 8. | Services provided for personal care by beauty parlours, clinics and slimming clinics, body massage centres, pedicure centres; including cosmetic and plastic surgery by such parlours/clinics with specified exclusions; | |
| 9. | Management consultancy services; | |
| 10. | Services provided by freight forwarding agents, and packers and mover; | |
| 11. | Services provided by software or IT-based system development consultants; | |
| 12. | Services provided by technical, scientific and engineering consultants; | |
| 13. | Services provided by other consultants; | |
| 14. | Services provided by tour operators and travel agents including all their allied services or facilities (other than Hajj and Umrah); | |
| 15. | Manpower recruitment agents including labour and manpower supplies; | |
| 16. | Services provided by security agencies; | |
| 17. | Services provided by advertising agents; | |
| 18. | Share transfer or depository agents; | |
| 19. | Business support services; | |
| 20. | Services provided by fashion designers; | |
| 21. | Services provided by architects, town planners and interior decorators; | |
| 22. | Services provided in respect of rent a car; | |
| 23. | Services provided by specialized workshops or undertaking; | |
| 24. | Services provided for purposes including fumigation services, maintenance and repair or cleaning services, janitorial services, dredging or de-silting services and other similar services; | |
| 25. | Services provided by underwriter, indenters, commission agents including brokers (other than stock) and auctioneers; | |

| | |
|---|---|
| 26. | Services provided by laboratories other than services relating to pathological or diagnostic tests for patients; |
| 27. | Services provided by health clubs, gyms, physical fitness centres, indoor sports and games centres and body or sauna massage Centres; |
| 28. | Services provided by laundries and dry Cleaners; |
| 29. | Services provided by cable TV operators; |
| 30. | Technical analysis and testing services; |
| 31. | Services provided by TV or radio program producers or production houses; |
| 32. | Transportation through pipeline and conduit services; |
| 33. | Fund and asset (including investment) management services; |
| 34. | Services provided by inland port operators terminal operators including services in respect of public bonded warehouses, excluding the amounts received by way of fee under any law or by-law; |
| 35. | Technical inspection and certification services and quality control; |
| 36. | Erection, commissioning and installation services; |
| 37. | Event management services; |
| 38. | Valuation services; competency and eligibility testing services with specified exclusions; |
| 39. | Exhibition or convention services; |
| 40. | Services provided in respect of mining of minerals, oil & gas including related and allied Activities; |
| 41. | Services provided by property dealers and realtors; |
| 42. | Services provided by Car/automobile dealers; |
| 43. | Services provided by car/ automobile dealers; |
| 44. | Advertisement on hoarding boards, pole signs and signboards, and websites or internet; |
| 45. | Services provided by landscape designers; |
| 46. | Sponsorship services; |
| 47. | Services provided or rendered by legal practitioners and consultants; |
| 48. | Services provided by accountants and auditors; |
| 49. | Service provided or rendered by Stockbrokers, future brokers and commodity brokers, money exchanger, surveyors, outdoor photographers, event photographers, videographers, art painters, auctioneers (excluding value of goods) and registrar to an issue; |
| 50. | Services provided by race clubs: Entry/ admission and other services; |
| 51. | Services provided or rendered by corporate law consultants; |
| 52. | Visa processing services, including advisory or consultancy services for migration or visa application filing services; |
| 53. | Debt collection services and other debt recovery services; |
| 54. | Supply chain management or distribution (including delivery) services; |
| 55. | Services provided or rendered by persons engaged in inter-city transportation or carriage of goods by road or through pipeline or conduit; |
| 56. | Ready mix concrete services; |
| 57. | Public relations services; |
| 58. | Training or coaching services other than education services; |
| 59. | Cleaning services including janitorial services, collection of waste and processing of domestic waste; |

**Table-2**

| Sr. No | Description | Impact |
|---|---|---|
| 11. | Omitted | The bill seeks to omit services provided for personal care by beauty parlors, clinics and slimming clinics and so on as specified in Sr. No. 11 of table-2 of the Schedule to the Islamabad Capital Territory (Sales tax on Services) Ordinance, 2001. As a result of this, now these services would be taxable at the statutory rate of ***fifteen percent rather than a reduced rate of five percent.*** |


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