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# Amendments in federal taxation laws through Finance Act, 2020

# Preamble

The National Assembly approved the Finance Bill 2020 with certain amendments proposed therein and after the assent of the President of Pakistan, Finance Act, 2020 has been enacted on 30 June 2020.

This publication contains a review of changes made in Income Tax Ordinance, 2001, Sales Tax Act, 1990, Federal Excise Act, 2005 and The Customs Act, 1969 through the Finance Act, 2020.

This document contains the comments, which represent our interpretation of the legislation. We recommend that while considering their application to any particular case reference be made to the specific wordings of the relevant statute.

This publication is also available on our website [www.kpmg.com.pk](http://www.kpmg.com.pk)

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# Income Tax Ordinance, 2001

## Mandatory installation of Electronic Fiscal device in case of company and non-company cases

The FBR vide SRO 296(1)/2020 proposed insertion of Chapter VIIA to the Rules, 2002 namely 'Online Integration of Businesses' whereby the companies were required to install electronic fiscal device (EFD) which interalia includes restaurants, hotels, motels, guest houses, marriage halls, intercity travel by road, courier services, Medical practitioners, accountants, hospitals or medical cares etc. In cases, other than company, the taxpayers were required to install the device operating in eight major cities, which included: Karachi, Lahore, Islamabad, Rawalpindi, Faisalabad, Multan, Peshawar, and Gujranwala and the FBR intended to make it mandatory the installation of EFD for services.

By installation of EFD following tasks were to be performed:

- Receive, record, analyze and store fiscal data;
- Format fiscal data into fiscal invoices or bills;
- Transmit the fiscal data to the board's computerized system through secure means; and
- Print invoice or bills.

The Finance Act, 2020 [Act] has now defined the term integrated enterprise in line with draft SRO 296 issued on 9 April 2020 by the Federal Board of Revenue (FBR) providing rules for online integration of business in the Rules, 2002.

The Act has defined integrated enterprise as:

*a person integrated with the Board through approved fiscal electronic device and software and who fulfills obligations and requirements for integration as may be prescribed*

## Scope of Non-Profit Organization [NPO] limited to include establishment for general public

NPO means persons other than individual which is established for religious, educational, charitable, welfare or development purposes, or for the promotion of an amateur sport.

The Act has omitted the term 'development purposes' and inserted the term 'purposes for general public' meaning thereby that the prescribed activities are need to be available to general public for an entity to qualify as NPO.

## Taxation of Pakistan resident ship owning company - introduced

Section 7A provides tax rate for resident person engaged in the business of shipping based on

tonnage tax. The provision of this section was expiring on 30 June 2020. Initially the bill proposed to extend this till 30 June 2023, however the Act has now extended this till 30 June 2030.

The Act has also extended the scope of provision of section 7A to a Pakistan resident ship owning company registered with Securities and Exchange Commission of Pakistan after 15 November 2019 having its own sea worthy vessel registered under Pakistan flag. The tax payable by such company shall be equal to 75 US cents per ton of gross registered tonnage per annum.

### **Deductions against Income from House Property**

The Act has restored the scheme of taxation for Individual and AOP from separate block of taxation to net income basis. As a background until 2016 income from house property in both cases were on net income basis.

Finance Act, 2019 amended the taxation regime to provide:

*Property income upto Rs. 4 Million was liable to be taxed as a separate block of income without deduction of expenses.*

*Income of property of more than Rs. 4 Million, the Individual and AOP were allowed to opt for taxation on net income basis.*

The Act has withdrawn the threshold of Rs. 4 million therefore making option available to all levels of income on net income basis.

Further the Act has provided that expenses on account of collection charges shall be restricted from 6% to 4% in all cases.

### **Threshold of inadmissible deductions against business income revised**

The Act has inserted the following enhancements:

- Under section 21(l) any expenditure for a transaction under a single account head which in aggregate, other than through banking channel is proposed to be enhanced from Rs.50,000 to Rs.250,000.
- Other payment from Rs.10,000 to Rs.25,000.
- Salary exceeding fifteen thousand rupees made other than through crossed cheque or direct transfer of funds is currently not deductible. The Act has now enhanced this threshold to Rs.25,000.

### **Utility bills**

The Act has inserted a provision that expenditure on account of utility bill in excess of limits and in violation of conditions as may be prescribed shall be disallowed.

### *Expenditure on sales attributable to unregistered persons in case of industrial undertaking*

The Act has inserted a provision that expenditure attributable to sales made to persons required to be registered but not registered under the Sales Tax Act 1990 by an industrial undertaking shall be disallowed.

The expenditure to be disallowed shall be calculated as follows.

$$(A/B) \times C$$

where

- A - total amount of deductions claimed under this Part;
- B - the turnover for the tax year; and
- C - the total amount of sales exclusive of sales tax and federal excise duty to persons required to be registered but not registered under the Act, 1990 where sales equal to or exceed rupees one hundred million per person.

The bill proposed that disallowance of expenditure under this clause shall not exceed twenty percent of total deductions claimed, however, the Act has reduced this limit to ten percent.

The bill proposed that the Board may, exempt persons or classes of persons from this clause on the basis of hardship.

The Act has withdrawn the proposal of exemption on the basis of hardship and has provided that the Board may grant this exemption subject to such conditions and limitations as may be specified and that this clause will come into force from 01 October 2020.

### **Split of depreciation allowance in the year of purchase and in the year of disposal**

Section 22 allows deduction of depreciation on depreciable assets used in the business in the tax year.

Currently, full year depreciation is allowable in the year of acquisition and no depreciation is admissible in the year of disposal.

The Act has inserted a proviso for reduction in allowable depreciation deduction to 50% when a depreciable asset is brought to use in the persons business for the first time in a tax year commencing from 1 July 2020. Consequently, Act has also provided that depreciation deduction shall be allowed equal to 50% in the year of disposal on assets brought to use in tax year commencing from 1 July 2020.

Above amendment will effectively result into apportionment of depreciation by allowing 50% in

the year of acquisition and 50% in the year of disposal.

### Deduction on account of lease rentals

Currently a deduction is allowed for a tax year for any lease rental incurred by a person to a scheduled bank, financial institution, an approved modaraba, an approved leasing company or a Special Purpose Vehicle on behalf of the Originator for an asset used by the person for the purposes of business.

The Act has inserted a new provision to limit the cost of passenger transport vehicle, not plying for hire, to the extent of principal amount of Rs. 2.5 million for claim of lease rental as allowable deduction against business income.

### Capital gain on sale of immovable property- Rationalization of holding period and tax rates

Taxation of immovable property was introduced through Finance Act 2012 subject to holding periods without any distinction as to open plot and constructed property.

The Finance Act 2019 provided the computation of taxable gain on disposal of open plots and constructed property respectively subject to the holding period.

S. No.	Holding period of open plot	Holding period of constructed property	Taxable Gain
1	Not exceeding one year	Not exceeding one year	100%
2	Exceeds one year but does not exceed eight years	Exceeds one year but does not exceed four years	75%
3	Exceeds eight years	Exceeds four years	0

The Act has inserted a section to combine the computation of capital gain on disposal of open plots and constructed property with a newly inserted provision explaining computation of the amount of gain arising on disposal of immovable property subject to the holding period as under:

S. No.	Holding period	Taxable Gain
(1)	(2)	(3)
1	Not exceeding one year	100%
2	Exceeds one year but does not exceed two years	75%
3	Exceeds two years but does not exceed three years	50%
4	Exceeds three years but does not exceed four years	25%
5	Exceeds four years	0

Related provision for collection of advance tax under section 236C have also been aligned for holding period from five to four years.

## Shares of Public Company

The Act has inserted a new sub-section 3B in section 37A stating that 'shares of a public company' shall be considered as security if such company is a public company at the time of disposal of such shares.

By this change sale of shares of public company will be taxed under section 37A even if the holder of such shares originally obtained private company's shares which was subsequently listed and holding period for this purpose will be computed from the date private company's shares were acquired till the date of disposal under section 37A.

## Resident companies engaged in Hotel business

The Act has included resident companies engaged in the hotel business in Pakistan under the definition of 'industrial undertaking' effective from 1 July 2020.

Further, the Act has provided that in case of loss under the head "income from business" by the aforesaid company for tax year commencing on or after 1 July 2020 the said loss shall be carried forward for eight years.

## Limit of tax credit on charitable donations between associates

Section 61 entitled a taxpayer to claim tax credit on donation paid to specified institution.

The amount of tax credit is calculated by applying average of tax on the amount of donation.

The amount of donation entitled to tax credit as above is to be calculated as the total amount of donations including the fair market value of any property given, however subject to limits based on taxable income.

The Act has reduced the limits in case of donation to associates from 30% to 15% in case of individual or AOP and in case of company from 20% to 10% of the taxable income of the donor.

## Cap on date of enlistment for claiming tax credit

Section 65C entitled a company to claim tax credit in case it opts for enlistment in any registered stock exchange in Pakistan.

The tax credit is allowed at 20% of the tax payable for the tax year in which said company is enlisted and for the following three tax years provided that the tax credit for the last two years is to be allowed at 10% percent of the tax payable.



Currently, this tax credit is not timebound but now the Act has inserted that this tax credit shall be applicable if company opts for such enlistment by 30 June 2022. ~~please remove bold font~~

### Tax credit for NPOs

Act has provided for the NPO, Trust, or Welfare Institutions are entitled to tax credit equal to 100% of tax payable including minimum tax and final tax subject to fulfillment of specified conditions.

The Act has included a new condition requiring NPO, Trust, or Welfare Institutions to submit a statement of voluntary contributions and donations received in the immediately preceding tax year which has been filed in the prescribed form and manner.

### Taxation of surplus funds

Under section 100C(1A), the surplus funds of NPO, Trust, or Welfare Institutions are to be taxed at ten percent.

The bill proposed to remove donations received from an associate from the scope of 'restricted funds' meaning thereby donations from associates even with obligations placed on them would have formed part of surplus funds subject to tax at ten percent. The Act has, however, removed this restriction.

### Taxation of Construction Industry including Builder and Developers

The Federal Government vide Tax Laws (Amendment) Ordinance, 2020 laid down special provisions for taxation of builders and developers on a project specific basis. These are now enacted through this Act.

For sake of brevity we would like you to refer to the page No. 38 for detailed comments on these amendments.

### Restriction on foreign Profit on Debt payable to Associates

The Act has introduced section 106A for disallowing deduction of foreign profit on debt payable to non-resident person or associate effectively by 15% in case of foreign controlled resident company.

Subject to the provisions related to transaction between Associates under section 108 and recharacterisation of income and deductions under section 109, a deduction for foreign profit on debt claimed by foreign controlled resident company other than insurance or a banking company during a tax year, shall be disallowed according to following formula:

$$B - (A+B) \times 0.15$$

where

- A the taxable income before depreciation and amortization; and
- B the foreign profit on debt claimed as deduction

This section shall not apply to a foreign-controlled resident company if the total foreign profit on debt claimed as deduction is less than ten million rupees for a tax year.

Where in computing the taxable income for a tax year, full effect cannot be given to a deduction for foreign profit on debt, the excessive amount shall be added to the amount of foreign profit on debt for the following tax year and shall be treated to be part of that deduction, or if there is no such deduction for that tax year, be treated to be the deduction for that tax year and so on for three tax years.

This section is applicable in respect of foreign profit on debt accrued with effect from 1 July 2020, even if debts were contracted before 1 July 2020.

It may be pertinent to mention that profit on foreign debt is restricted under thin capitalization rules provided under section 106. Sub-section 4 of section 106A has provided that the disallowed amount shall be higher of the disallowed amount under this section and under section 106 i.e. Thin capitalisation.

For the purpose of this section:

- a) "foreign-controlled resident company" means a resident company in which fifty per cent or more of the underlying ownership of the company is held by a non-resident person either alone or together with an associate or associates; and
- b) "foreign profit on debt" means interest paid or payable to a non-resident person or an associate of the foreign-controlled resident company and includes-
  - i. interest on all forms of debt;
  - ii. payments made which are economically equivalent to interest;
  - iii. expenses incurred in connection with the raising of finance;
  - iv. payments under profit participating loans;
  - v. imputed interest on instruments such as convertible bonds and zero-coupon bonds;
  - vi. amounts under alternative financing arrangements such as Islamic finance;
  - vii. the finance cost element of finance lease payments;
  - viii. capitalized interest included in the balance sheet value of related asset, or the amortisation of capitalised interest;

- ix. amounts measured by reference to a funding return under transfer pricing rules;
- x. where applicable, notional interest amounts under derivative instruments or hedging arrangements related to an entity's borrowings;
- xi. certain foreign exchange gains and losses on borrowings and instruments connected with the raising of finance;
- xii. guarantee fees with respect to financing arrangements; and
- xiii. arrangement fee and similar cost related to the borrowing funds.

### Agreements for avoidance of double taxation and prevention of fiscal evasions

Currently section 107 empowers the Federal Government to enter into tax treaty, tax information exchange agreement, a multilateral convention, an inter-governmental agreement or similar agreement or mechanism for the avoidance of double taxation or for the exchange of information for the prevention of fiscal evasion or avoidance of taxes including automatic exchange of information with respect to taxes on income imposed under this Ordinance (or any other law for the time being in force and under the corresponding laws in force in that country and may, by notification in the official

Gazette), make such provisions as may be necessary for implementing the said instruments.

The Act has inserted the term 'spontaneous' along with 'automatic' with respect to exchange of information for the purpose of imposing taxes on income under the Ordinance.

### Un-Explained suppressed amount of production, sales or any amount treated as Business Income

Presently under section 111(1) any amount credited, value of investment, money, value of the article or amount of expenditure suppressed, amount of production, sales or any other amount chargeable to tax or of any items of receipt liable to tax as not appropriately explained is to be included into person's income chargeable to tax under the head 'Income from other sources'.

Now the Act has provided that the following shall be treated as income from business (instead of income from other sources) if not adequately explained in the Commissioners opinion.

- any suppressed amount of production,
- sales or any amount chargeable to tax or
- of any item of receipt liable to tax for which the person offers no explanation about the nature and source of such amount credited.

## Scope of Minimum tax extended to PE of non-resident

Presently, minimum tax on turnover under section 113 at prescribed rates is applicable on a resident company, individuals and associations of persons, having turnover of PKR 10 million or more in the tax year 2017 and onwards.

The Act has extended the scope of minimum tax under section 113 of the Ordinance 2001 to a PE of non-resident.

## Return of income

Every person whose income falls under final tax regime was required to file statement under section 115.

The Act has introduced a requirement for every person to furnish a return of income whose income for the year is subject to final taxation.

This Act has empowered FBR to prescribe different returns for different classes of income or persons including persons subject to final taxation.

It has also empowered Commissioner to grant approval for revision of return in case of a bonafide omission or wrong statement.

Since the filing of statement of final taxation under section 115(4) of the Ordinance has been done away with and the persons or classes of person

whose income fall under final taxation will be required to file return of income therefore corresponding changes have been made in section 118 which provides for the method of filing the statement, thereby deleting the wordings on becoming redundant.

Similarly, the clause providing for extension of time for filing the statement of final taxation has been omitted from section 119 on becoming redundant.

## Taxpayer's profile

In order to improve documentation, Act has inserted a new section 114A requiring following persons to furnish a profile:

- Person applying for registration under section 181;
- Person deriving income chargeable to tax under the head of "income from business";
- Person whose income is subject to final taxation;
- Any non-profit organization as defined in clause (36) of section 2;
- Any other person prescribed by the Board.

The said profile shall:

- be in the prescribed form and accompanied by such annexures, statements or documents as may be prescribed;
- fully state, in the specified form and manner, the relevant particulars of –
  - (i) bank accounts;
  - (ii) utility connections;
  - (iii) business premises including all manufacturing, storage or retail outlets operated or leased by the taxpayer;
  - (iv) types of businesses; and
  - (v) such other information as may be prescribed;
- be signed by the person being an individual, or the person's representative where section 172 applies; and
- filed electronically on the web as prescribed by the Board
- A taxpayer's profile shall be furnished,
  - on or before the 31 December 2020 in case of person registered under section 181 before the 30 September 2020; and
  - within 90 days registration in case of a person not registered under section 181 before the 30 September 2020.
- A taxpayer's profile shall be updated within 90 days of change in any of the relevant particulars of information as mentioned in clause (b) of sub-section (2).

The Act has excluded taxpayer from ATL who fails to furnish or updates his profile within the time prescribed in this regard.

The Act also provided that such person shall be included in ATL upon filing the profile subject to payment of surcharge at following rates:

<i>Taxpayer's category</i>	<i>Rupees</i>
Company	20,000
Association of Persons	10,000
Individuals	1,000

## Revision of Wealth Statement

Currently, a person who discovers any omission or wrong statement in his wealth statement can furnish a revised wealth statement at any time before issuance of notice under section 122(9) for that tax year.

The Bill had proposed to subject the revision of wealth statement with the prior approval of the Commissioner who shall grant approval in case of a

bona fide omission or wrong statement in the wealth statement. The Act has removed this condition; however, revision of wealth statement will be intimated to the Commissioner in the form and manner to be prescribed. The Act has also inserted a proviso that where the Commissioner is of the opinion that the revision is not for the purpose of correcting a bona fide omission or wrong statement, he may declare such revision as void through an order in writing after providing an opportunity of being heard.

Further, the Act has also provided for limitation of revision of the wealth statement of five years from the due date of filing of return for that tax year.

### **Automatic re-computation of taxable income and tax payable parameters**

Where a complete return has been filed by a taxpayer the same is taken as an assessment of taxable income made by the Commissioner including the tax due thereon equal to those respective amounts as declared by the taxpayer in the return and the return so filed is treated as deemed assessment order issued by the Commissioner upon the filing date of return. However, in case the return is not complete the Commissioner is empowered to issue a notice to the taxpayer seeking from him to fulfil any deficiencies noticed by him (other than incorrect amount of tax payable on taxable income declared in the return or short payment of tax payable), provided that no such notice shall be issued after

expiry of 180 days from the end of the financial year in which return was furnished.

The Act has introduced a new concept of deemed assessment whereby the assessment will be deemed to be made by the commissioner and the return to be taken as completed if the return filed by the taxpayer is processed through automated system to arrive at the correct amounts of total income, taxable income and tax payable by making adjustments for:

- i) Any arithmetical error in the return;
- ii) Any incorrect claim apparent from any information in the return;
- iii) Disallowance of any loss, deductible allowance or tax credit claimed under Parts VIII, IX and X respectively of Chapter III;
- iv) And disallowance of any carry forward loss under section 182A(1)(b) [erroneously reference to Chapter IV has been made instead of Chapter III vide Finance Act 2018).

The scope of the 'arithmetically error' and 'incorrect claim apparent from any information in the return' has also been explained in the Act.

Provided that an opportunity of being heard on the intended adjustments to be made shall be given through a system generated notice to the taxpayer

and no adjustments shall be made without such notice.

Provided further that, in case no reply is filed by the taxpayer within 30 days of the issue of such notice, the adjustments shall be made as proposed in the notice.

Provided also that where no adjustments have been made within six months of filing of return, the amounts as declared in the return by the taxpayer shall be deemed to have been taken as adjusted amounts on the return filing day and the taxpayer shall be intimated through IRIS accordingly.

Hence, the very concept of universal self-assessment has been disturbed and effectively it is no more there in the law and the position of the erstwhile 1979 Ordinance has apparently been restored which will further shake the confidence of the taxpayers in FBR.

Further, the amendments enacted may be cumbersome for both the taxpayers and the field formations as follows:

- enhance the limitation for amendment for six more months as the return will not be treated as deemed assessment order unless the proposed adjustments are made or taken to be made.
- in the presence of sub-section (3) of section 120 the introduction of these provisions may double jeopardize the taxpayers.
- This will also create a parallel provision empowering the Commissioner to revise the version declare by the taxpayer especially in view of this proposed sub-section is made appealable as well through appropriate amendment in section 127 in case the taxpayer is dissatisfied.
- Further, tax payment has been subjected to system verification of FBR. This will create hardship for the taxpayers for the reasons the system may not verify credits under certain sections, tax period mistake in CPRN etc. It is not provided for as to how the difference between the claim of the taxpayer and the system verification will be catered. Since the provision is proposed to be made appealable therefore it may increase the litigation.
- It also poses a question as to how the taxpayers who are required to file the return manually will be catered under this proposed automated assessment for adjustment. It appears that they will still be qualified for self-assessment even after the amendment. This will not be equal treatment of the taxpayers and against the principle of equality.

- Further, how the already overburdened automated system 'IRIS' will cater and provide for application of these changes.

### Statement of final taxation – best judgement assessment

Applicability of best judgement assessment as envisaged under section 121 has been deleted.

### Amendment of assessment

The Commissioner is empowered to amend or further amend an assessment order under section 122(5) on the basis of definite information acquired from an audit or otherwise.

The Act has now empowered the Commissioner to amend or further amend an assessment order on the basis of audit or on definite information.

The above amendment appears to nullify the impact of legal objections and judicial pronouncements.

### Agreed assessment

The Act has introduced a new section for making agreed assessments, in the cases not involving concealment of income or the cases involving interpretation of law having effect on other cases, whereby after issuance of the show-cause notice under section 122(9) the taxpayer has been provided with an option to file offer of settlement

as per prescribed form with the Assessment Oversight Committee [Committee] but the taxpayer will also be required to file reply to the notice to the Commissioner.

The Committee after examining the offer along with the case record and hearing the taxpayer is empowered to accept or modify the offer through consensus and will communicate its decision to the taxpayer.

Once the taxpayer accepts the decision of the Committee, he shall deposit the amount of tax payable including any amount of penalty and default surcharge as per decision of the Committee and thereafter the Commissioner shall pass the amended order in accordance with the decision of the Committee.

The taxpayer will be divested with his right to appeal to challenge said amended order based on the agreed assessment, however no further proceedings shall be undertaken on the issues decided by the Committee unless the tax so agreed has not be deposited by the taxpayer.

In case the Committee has not been able to arrive at a consensus or where the taxpayer is not satisfied with the decision of the Committee, the case shall be referred back to the Commissioner and he shall proceed further to dispose of the matter on the basis of reply to the show-cause notice filed by the taxpayer.



The Committee shall consist of the Chief Commissioner, the Commissioner and the Additional Commissioner all having jurisdiction over the taxpayer. The Board is empowered to make rules regulating the procedure of the Committee and matters relating to the proceedings of the Committee.

The introduction of the above provision will not only ease out the revenue generation for FBR but also its burden of litigation will be reduced by manifold. Further, the amendment may burden the taxpayer to the exposure of similar assessments for other tax years as well once he agrees for a tax year.

### Appeal before the Commissioner Appeals

The Act has made sub-section (2A) of section 120 to be appealable.

Further, the prescribed fee for filing of appeal has been increased as follows:

Appeal against an assessment:

- i) In the case appellant is a company from Rs. 1,000 to Rs. 5,000
- ii) In the case appellant is not a company from Rs. 1,000 to Rs. 2,500

Appeal against any other order:

- i) In the case appellant is a company from Rs.1,000 to Rs.5,000
- ii) In the case appellant is not a company from Rs.200 to Rs.1,000

Further, it has been provided that the Commissioner (Appeals) shall specify the amount of tax upheld in the order passed by him.

### Condition of mandatory payment of 10 percent of tax upheld for filing of appeal before Appellate Tribunal removed

The Bill proposed that appeal to be filed by taxpayer against the order of the Commissioner (Appeals) shall not be admitted by the Tribunal unless 10% of the tax demand upheld by the Commissioner (Appeals) has been deposited by the taxpayer and the memo of the appeal is accompanied by proof of the same.

The proposed amendment was expected to create hardship for the taxpayer as in case of exorbitant tax demands 10% thereof becomes very significant hence would have impeded the exercise of right to appeal by the taxpayer which was a principle of natural justice and the fundamental rights hence this amendment may not have hold the field if challenged before the superior judiciary in view of certain judicial precedents including judgment of Lahore High Court available in the field on this principle.

Addressing the above apprehensions, this proposed amendment has not been carried by the Act, hence, removed.

Further, the prescribed fee for filing the appeal has been increased from Rs.2,000 to Rs.5,000 in case of company and from Rs.2,000 to Rs.2,500 in cases other than company.

### Alternative Dispute Resolution provisions revamped

The Act has enacted following changes:

— The constitution of committee to be appointed by the Board has been amended as follows:

- Currently the Committee comprises of an Officer of Inland Revenue not below the rank of Commissioner. The Act has replaced it with Chief Commissioner Inland Revenue having jurisdiction over the case.
- Currently one person from a panel notified by the Board comprising of Chartered Accountants, Cost and Management Accountant, Advocates, having minimum of ten years in the field of taxation can be nominated by the taxpayer.
- The Act has provided to appoint two, instead of one, person from the panel. These shall however to appointed by the

Board i.e. entitlement of taxpayer to nominate has been proposed to be omitted.

- Currently the auditors or authorized representative of the taxpayers cannot be nominated as committee member. This restriction is not part of new scheme envisaged under this section.
  - A reputable businessman can currently be nominated by Chambers of Commerce. This is not part of enacted provision.
  - Currently a member of committee includes a retired judge not below the rank of District and Sessions Judge as agreed by Officer of Inland and the other nominated person. The Act does not have this provision.
- Currently the aggrieved person and the Board are required to withdraw the appeals pending before the appellate authority in the absence of which the committee shall not commence its proceedings. Further that an order to this effect is to be communicated to the Board within 75 days of the appointment of ADRC else the ADRC shall be dissolved.

This mechanism has been withdrawn. It is provided that the Board shall now communicate the order of appointment of committee to the court of law or the appellate authority where the dispute is pending and the Commissioner.

However, it is provided that unless the appeal is withdrawn by the taxpayer the decision of the committee shall not be binding on the Commissioner.

As is currently provided, the decision of the committee shall remain to be non-binding on the taxpayer.

Currently recovery of tax payable by a taxpayer in connection with dispute before committee is deemed to be stayed on withdrawal of appeal by the taxpayer. This has now been replaced. The Committee may grant stay against recovery of tax payable by a taxpayer in case of hardship for a period not exceeding 120 days in aggregate or till the decision of the committee or it's dissolution, whichever is earlier.

In case the said order is not communicated to the Commissioner within 60 days of service of decision of committee upon the aggrieved person, the decision of committee shall not be binding on the Commissioner.

- Upon receipt of the order of dissolution by the taxpayer the court of law of the Appellate Authority is currently required to decide the appeal within six months. The timeline has been removed.

## Mode of recovery of tax

In case the outstanding tax demand as referred to in the notice under section 138(1) is not paid within the specified time, the Commissioner is empowered to proceed to recover the said amount from the taxpayer through any of the following modes:

- Attachment and sale of any moveable or immovable property of the taxpayer;
- Appointment of receiver for the management of the movable or immovable property of the taxpayer; and
- Arrest of the taxpayer and his detention in prison for a period not exceeding 6 months.

The Act has introduced another mode of recovery of outstanding tax demand as specified under clauses (a), (ca) and (d) of sub-section (1) of Section 48 of the Act 1990. These are:

- Deduction of amount owing to the taxpayer current lying with the Commissioner [clause a];
- Stop clearance of imported or manufactured goods [clause ca]; and
- Imposing of embargo [clause d]

## Quarterly advance tax

The editorial amendments have been made in subsection (2) of Section 147.

The Act has also empowered the FBR to prescribe the manner for furnishing of the estimate and calculation of the amount of advance tax payable through Iris or any other automated system specified by FBR.

Though this amendment appears to be procedural however this may give rise to various differences in taxpayer's version of the turnover and the turnover which will be calculated by automated system.

## Advance tax collection on imports

Section 148 of the Ordinance prescribes collection of advance tax by collector of imports from importers on the value of goods as per the rates specified in the Part II of the First Schedule.

The Act has made following changes in this section:

- Insertion of twelfth schedule specifying the goods that will be subject to collection of tax under this section.
- Substitution of rates currently given in the Part II of the First Schedule, the Act has provided new rates in respect to goods falling in Part I, II and III respectively to the Twelfth Schedule.

- Under subsection 7, the tax collected under this section is minimum tax except in case of:
  - a) raw material, plant, machinery, equipment and parts by an industrial undertaking for its own use;
  - c) motor vehicles in CBU condition by manufacturer of motor vehicles;
  - d) large import houses; and
  - e) A foreign film imported

The Act has omitted the clauses (a) to (e) above and provided that tax collected shall not be minimum tax in case 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.

The Act has provided that in case of goods classified under Part III of the Twelfth Schedule which are used both as raw material and finished goods, the Board may by notification in the official Gazette, specify that goods imported by a person or class of persons as raw material for its own use shall be treated as classified under Part II of the Twelfth Schedule, subject to such conditions and procedure as may be prescribed.

- Currently the tax collected at import is minimum tax in respect of edible oil, packing

material, plastic material and import of ships by shipbreakers.

The Act has omitted minimum tax regime in above cases.

These will fall in the normal or minimum tax regime depending on the rate of collection of tax.

- Value of goods currently means value of the goods as determined under the Customs Act, 1969 (IV of 1969), as if the goods were subject to ad valorem duty increased by the customs-duty, federal excise duty and sales tax, if any, payable in respect of the import of the goods

The Act has provided that in case of goods chargeable to tax at retail price under the Third Schedule of the Sales Tax Act, 1990, the retail price of such goods increased by sales tax payable in respect of the import and taxable supply of the goods. The current definition is to apply in rest of the cases.

### **Tax on local purchase of cooking oil or vegetable ghee**

Currently the manufacturers of cooking oil or vegetable ghee, or both are chargeable to tax at the rate of two percent on purchase of locally produced edible oil being the final tax in respect of income accruing from locally produced edible oil.

The Act has omitted this section.

The manufacturers of cooking oil or vegetable ghee, or both shall accordingly fall under normal tax regime.

### **Change of taxation regime of advertisement services to non-resident media person from final to minimum tax regime**

Presently, payments made for advertisement services to non-resident media person relaying from outside Pakistan is subject to final tax under section 152(1AAA).

The Act has changed the tax regime from 'final tax' to 'minimum tax' in line with changes made for other payments to non-resident person through the Finance Act, 2019.

### **Change of taxation regime of payment to Permanent Establishment (PE) of a non-resident person from final to minimum tax regime**

PE of a non-resident person receiving payments from resident persons on account of sale of goods and execution of a contract are currently under normal tax regime under section 152(2A), however, resident persons are subject to minimum tax regime on receiving similar payments.

The Act has changed the taxation regime of PE of a non-resident person from normal taxation to minimum taxation except sale of goods by a company being a manufacturer of such goods keeping it consistent with resident person.

### **Toll manufacturing charges subject to tax withholding as 'goods'**

Presently, payment to 'toll manufacturer' is subject to withholding of tax under section 153(1)(b) of the Ordinance, 2001 on amount received considering them as 'service provider'.

The Act has classified payment to 'toll manufacturer' as sale of goods and subject to withholding of tax under section 153(1)(a) of the Ordinance.

### **Expeditious issuance of exemption certificate in case of sale of goods by listed company**

The Commissioner is empowered to issue exemption certificate in respect of payment without deduction of tax or at a reduced rate of tax except where tax deduction is minimum tax. However, no time period is prescribed for issuance of the said certificate.

The Act has provided that in case sale of goods by public listed company, the Commissioner is required to issue such certificate within fifteen days

of filing of application where advance tax liability has been discharged.

The Act has also provided for automatic issuance of such certificate by IRIS where the Commissioner does not issue the same within fifteen days of filing of application. However, the Commissioner may modify or cancel the certificate issued automatically by IRIS on the basis of reasons to be recorded and after providing opportunity to being heard to the applicant.

### **Enhancement of threshold for becoming 'prescribed person' for tax withholding purposes**

Currently, individuals and AOPs having turnover of Rs. 50 million or above in any of the preceding tax years and a person registered under the Act 1990, without any threshold of turnover, is considered as 'prescribed person' for tax withholding purposes.

The Act has enhanced the turnover threshold to Rs. 100 million or above in any of the preceding tax years in case of all the above persons.

### **Filing of withholding tax statements**

Prior to amendment made through the Finance Supplementary (Second Amendment) Act, 2019, withholding tax statements were required to be filed on monthly basis. The said Act replaced the requirement of filing of withholding tax statements from monthly basis to biannual.

The Act now provided to change the requirement of filing of withholding tax statements from 'biannually' to 'quarterly'. Such statements are proposed to be filed by 20<sup>th</sup> day of the following month after each quarter end.

The Act has also provided for filing of such quarterly withholding tax statement by persons involved or engaged in economic transactions as prescribed by the Board.

The Act has also inserted a proviso that the requirements for filing quarterly statements shall not be applicable in case the same has been furnished under section 165A relating to furnishing of information by banks.

### **Furnishing of information of profit on debt by banking companies without limit**

Currently, banking companies are *inter alia* required under section 165A to furnish list of persons receiving profit on debt exceeding Rs. 500,000 and tax deductions thereon during preceding financial year.

The Act has done away with the said limit, meaning thereby, a banking company will be required to furnish details of persons receiving profit on debt irrespective of the quantum of profit on debt.

### **Issuance of centralized income tax refunds**

In order to facilitate taxpayers and for transparency of the affairs, an enabling provision has been introduced for expeditious processing and automatic payment of refunds by the Board through a centralized refund processing system.

### **Real-time access to information and databases by various agencies**

The Act has provided that arrangement shall be made by the following agencies to provide real-time access to information and database to the Board:

- NADRA;
- FIA, Bureau of Emigration and Overseas Employment;
- ICT, provincial and local land record and development authorities;
- ICT and provincial Excise and Taxation Departments;
- Utilities Companies;
- Any other agency, authority, institution or organization as notified by the Board.

In case of sharing of utilities connections, update about the ratio of sharing or particulars of the user will be furnished by 1 January 2021.

The Commissioner or any other authorized officer may access to such real-time information or databases for purpose of making an audit of a taxpayer or a survey of persons liable to tax. The Board may make rules relating to such real-time access for audit or survey.

### Audit proceedings electronically

The Act has empowered the Commissioner to conduct audit proceedings under section 177 electronically through video links or any other facility as may be prescribed by the Board.

### Determination of taxable income on the basis of sectoral benchmark ratios

The Act has empowered the Commissioner to determine taxable income of a taxpayer on the basis of sectoral benchmark ratios prescribed by Board where a taxpayer does not provide the required record, documents, books of accounts or sufficient explanation etc. Furthermore, the Board may notify business sector ratios on the basis of comparative cases, financial ratios, production ratios, gross profit ratio, net profit ratio, recovery ratio, wastage ratio and such other ratios in respect of such sectors may be prescribed.

### Offences and penalties

The Act has introduced following new penalties for failing to update profile and for contravening the

provisions relating to compulsory registration in certain cases.

S. No.	Offence	Penalty
4A	Any person who is required to furnish or update a taxpayer's profile but fails to furnish or update within the due date.	Such a person shall pay a penalty of Rs. 2,500 for each day of default from the due date subject to a minimum penalty of Rs.10,000.
4B	Any person who contravenes the provisions of section 181AA.	Such a person shall pay a penalty of Rs. 10,000 for each connection provided to an unregistered person.

### Assessment of default surcharge without payment of tax

The Act has empowered the Commissioner to make assessment of default surcharge under section 205 for the period of default or part thereof despite that the tax due has not actually been paid.

### Automated case selection system

In order to ensure transparency, the Act has introduced a new concept of electronic and randomized allocation of cases through an automated case selection system. After a case has been selected for audit, the jurisdiction for audit and adjudication is proposed to be assigned to separate officers through automated case selection system which is an algorithm for randomly



assigning cases to officers through technological modes.

### **Delegation of power of revision of withholding tax recovery order**

The Finance Act, 2019 empowered the Commissioner to amend or further amend an order of withholding tax recovery if he considers that the original order is erroneous and prejudicial to the interest of revenue.

The Act has restricted the Commissioner not to delegate these powers below the rank of Additional Commissioner.

### **Exclusion from the term 'motor vehicle' for collection of advance tax**

The Act has inserted an Explanation that the term 'motor vehicle' will not include a rickshaw, motorcycle-rickshaw and any other motor vehicle having engine capacity upto 200cc for the purposes of advance tax collection under sections 231B of the Ordinance, 2001.

It is recalled that the Board had issued a press release on 25 July 2019 to this effect, however, the Act has made this as part of the statute.

### **Exemption certificate to industrial and commercial consumer of electricity**

Currently, by virtue of SRO 1053(I)/2010 dated 22 November 2010, an industrial and commercial consumer of electricity is entitled to obtain exemption certificate under section 235, if advance tax liability for the entire year is discharged.

Now such facility has become a part of the statute.

### **Sale by auction includes "renewable of licenses"**

Renewal of licenses is generally not considered as sale by auction and therefore, loss of revenue with respect to advance tax collection under section 236A.

The Act has inserted an explanation whereby sale by public auction or auction by tender includes renewal of license previously sold through public auction or auction by tender and that where payment is received in installments, advance tax is to be received with each installment.

### **Relief to active taxpayers from tax collection by educational institutions**

At present, advance tax is collected by educational institutions where annual fee exceeds Rs, 200,000.

The Act has excluded taxpayers who appear on ATL from the application of this tax collection.

## Change of tax regime of rental of machinery or equipment from final to minimum tax

At present, withholding of tax from payment to resident person for use of machinery and equipment is subject to final tax under section 236Q.

The Act has changed the regime from 'final tax' to 'minimum tax'.

## Omission of withholding / collection of advance tax

Currently there are number of withholding / collection of advance tax provisions which created hardship to the taxpayers. In order simplify the withholding / collection of advance tax provisions, the Act has omitted the following withholding / advance tax provisions:

Section	Description
	expenses remitted abroad
236U	Advance tax on insurance premium
236X	Advance tax on tobacco

Section	Description
148A	Tax on local purchase of cooking oil or vegetable ghee by certain persons
156B	Withdrawal of balance under pension fund
235B	Tax on steel melters and composite units
236D	Advance tax on functions and gatherings
236F	Advance tax on cable operators and other electronic media
236J	Advance tax on dealers, commission agents and arhatis etc.
236R	Collection of advance tax on education related

## First schedule

### Capital gains on disposal of Securities

*(Division VII, Part I, First Schedule)*

The Act has maintained the rate of tax on capital gains on securities for tax year 2021 and onwards, as applicable in tax years 2018 to 2020.

### Tax on Capital gains on disposal of immovable property

*(Division VIII, Part I, First Schedule)*

The Act has reduced the existing capital gains tax on disposal of immovable properties by fifty percent.

The new applicable rates are as under:

Capital Gains	Rate
Where the gain does not exceed Rs. 5 million	2.5%
Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	5%
Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	7.5%
Where the gain exceeds Rs. 15 million	10%

## Rates of advance tax at import stage

*(Part II, First Schedule)*

The Act has revised the rate of tax on imports.

The following new rates are applicable with respect to goods classified in Part I, II and III of the Twelfth Schedule.

Goods classified as per Twelfth Schedule	Proposed Rate
Part I	1%
Part II	2%
Part III	5.5%

Whereas, following separates tax rate are applicable on the specified importers:

Importer	Proposed Rate
Manufacturers covered under rescinded SRO 1125(I)/2011 dated 31 December 2011 as it stood on 28 June 2019	1%
Persons importing finished pharmaceutical products not manufactured otherwise in Pakistan; and	4%

The Act has introduced new rate of tax on import of mobile phone with respect to following PCT Headings:

- PCT Heading 8517.1219 for Completely Built Unit (CBU) condition.
- PCT Heading 8517.1211 for semi-knocked down (SKD) and completely knocked down (CKD) condition.

The new tax rate on import of mobile phones are as under:

C & F Value (in USD)	Tax in Rupees	
	CBU	CKD/SKD
Up to 30 except smart phones	70	Nil
Exceeding 30 and up to 100 and smart phones up to 100	100	Nil
Exceeding 100 and up to 200	930	Nil
Exceeding 200 and up to 350	970	Nil
Exceeding 350 and up to 500	3,000	5,000
Exceeding 500	5,200	11,500

#### Advance tax on dividend

*(Division I, Part III, First Schedule)*

The Act has removed the anomaly created by the Finance Bill with respect to rate of withholding tax applicable on mutual funds by prescribing separate rate.

The following withholding tax rates shall be applicable:

Company	Rate
Dividend paid by Independent Power Producers	7.5%
Dividend paid by mutual funds	15%
Dividend paid by exempt and loss-making companies	25%
All others	15%

#### Profit on debt

*(Division IA, Part III, First Schedule)*

Reduced withholding tax rate of 10% is applicable where the yield or profit on debt is rupees five hundred thousand or less.

The Act has introduced an amendment that in order to seek tax deduction at 10%, the recipient shall furnish a certificate to the payer that during the tax year the yield or profit paid is rupees five hundred thousand or less.

In case the recipient fails to furnish a certificate, the payer shall be obliged to deduct tax at standard rate of 15%.

#### Return on investment in Sukuks

*(Division IB, Part III, First Schedule)*

The Act has increased the withholding tax rate from 15% to 25% on payment of return on investment in sukuk to a company. Now, the withholding tax

rate will be at par with the chargeable tax rate applicable in case of a company.

### Payment to non-resident

#### *(Division II, Part III, First Schedule)*

Act has reduced the tax rate from 8% to 3% in case of non-resident company for specified sectors and bringing it at par with the resident companies.

The reduce rate has been introduced to be applicable for following sectors:

- transport services
- freight forwarding services
- air cargo services
- courier services
- manpower outsourcing services
- hotel services
- security guard services
- software development services
- IT services and IT enabled services as defined in clause (133) of Part I of the Second Schedule
- tracking services

- advertising services (other than by print or electronic media)
- share registrar services
- engineering services
- car rental services
- building maintenance services
- services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited
- inspection and certification
- testing and training services.

The Act has included 'engineering services' in the list of reduced rate sectors, though it was proposed to be excluded in the Finance Bill.

In the case of resident company few new sectors which have been included in the list of reduced rate sectors. Whereas, no such parallel amendment has been made in the case of non-resident companies.

## Payment for goods or services

### *(Division III, Part III, First Schedule)*

The Act has included toll manufacturing under the category of sale of goods for withholding tax purposes under section 153(1)(a) of the Ordinance.

The proposed amendment could create an anomaly as toll manufacturing is considered as services instead of goods as per interpretation made by the Hon'ble High Court of Sindh in 2015 PTD 2533.

This may give rise to dispute with the tax authorities, who may treat the recipient of toll manufactured goods as not falling in the ambit of manufacturer hence his income from such goods fall in the minimum tax regime.

Further, the Act has retained 'engineering services' in the list of reduced tax rate sectors though it was proposed for exclusion by the Finance Bill.

Furthermore, following new sectors have been introduced, who may now enjoy reduced tax rate of 3%.

- Warehousing services
- Services rendered by asset management companies
- Data services provided under license issued by Pakistan Telecommunication Authority,

- Telecommunication infrastructure (tower) services.

The reduced rate would be the minimum tax on the income arising from the services so rendered.

## Advance tax at the time of sale by auction

### *(Division VIII, Part IV, First Schedule)*

The Act has reduced the withholding advance tax on sale of immovable property by auction from 10% to 5%.

## Advance tax on extraction of minerals

### *(Division XXVI, Part IV, First Schedule)*

The advance tax on extraction of mineral is required to be collected at 5% rate from persons who are not appearing in the active taxpayers' list.

The Act has enhanced the scope of the advance tax to all persons, including those whose name appear on the active taxpayers' list.

## Advance tax - omissions

The Act has omitted the following withholding advance tax provisions:

Section	Advance tax
236F	Cable operators and other than electronic media

Section	Advance tax
236J	Dealers, commission agents and arhatis, etc.
236R	Education related expenses remitted abroad
236U	Insurance premium

## Second schedule

### Exemption from total income

#### *(Part I, First Schedule)*

- The section 156B provides mechanism for deduction of tax on withdrawal of balance from Pension Fund. Under clause (23A) of Part I of the Second, exemption has been provided from deduction of tax under section 156B.

The Act has omitted section 156B and introduced amendments in clause (23A) to bring the whole scheme of deduction on payments received from Voluntarily Pension System Rules, 2005.

As per clause (23A) the accumulated balance upto 50% received by the eligible person received under the Voluntary Pension System Rules, 2005 is exempt from tax, at time of his eligible person's:

- (a) retirement, or
- (b) disability rendering him unable to work; or

- (c) death by his nominated survivors

The Act has amended clause (23A) and has introduced mechanism for deduction of tax on withdrawals in excess of 50% of the accumulated balance where withdrawal is made before retirement age or withdrawal at the time of or after retirement age. The fund manager shall charge the withdrawal at the average rate of tax paid in the preceding three tax years in accordance with section 12(6).

No tax shall be deducted on payments received;

- in case of disability rendering him unable to work; or
  - in case of his death by his nominated survivors.
- The Act has introduced following new institutions in clause (61). Any donation, subject to conditions, made to in these institutions shall be exempt from tax:
    - The Prime Minister's COVID-19 Pandemic Relief Fund-2020
    - Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI)
    - Lahore University of Management Sciences

- Dawat-e-Hadiya, Karachi
- Baitussalam Welfare Trust
- Patients' Aid Foundation
- Alkhidmat Foundation
- Alamgir Welfare Trust International

The Act has also introduced conditions with respect to donations made by an associate. Such donations shall not exceed:

- in the case of an individual or association of persons, fifteen percent of the taxable income of the person for the year.
- in the case of a company, ten percent of the taxable income of the person for the year.

The amount so donated shall be paid through a crossed cheque drawn on a bank.

Under clause (66), any income of certain specified institutions is treated as exempt. The Act has divided the institutions into two tables.

- 1) **Table 1:** any income of institutions, foundations, societies, boards, trusts and funds, whose name appear in the table is entitled to exemption. The exemption shall not be subject to any condition.

- 2) **Table 2:** any income of institutions, foundations, societies, boards, trusts and funds, whose name appeared in the table is entitled exemption through claim of hundred percent tax credit as per the requirement of section 100C of the Ordinance. The exemption shall be subject to fulfilment of conditions given in section 100C with effect from 1 July 2021.

The Act has introduced new entrants in each of the two tables.

#### **Table 1:**

- Pakistan International Sukuk Company Limited.
- The Prime Minister's COVID-19 Pandemic Relief Fund 2020.
- Saarc Arbitration Council (SARCO).
- International Parliamentarians' Congress.
- National Endowment Scholarship for Talent (NEST).

#### **Table 2:**

- Lahore University of Management Sciences, Lahore.
- Dawat-e-Hadiya, Karachi.



- Ghulam Ishaq Khan Institute of Engineering Sciences and Technology.
  - Society for the Promotion of Engineering Sciences and Technology in Pakistan (SOPREST).
  - Businessmen Hospital Trust.
  - Baitussalam Welfare Trust.
  - Alamgir Welfare Trust International
  - Foundation University
- The Act has extended the exemption to Development REIT Scheme with the object of development and construction of residential buildings upto 30 June 2023. The exemption is be available to the profit and gains on sale of immovable property.
- The Act has extended the exemption to income of a rental REIT scheme upto 30 June 2023. The exemption is to be available to the profit and gains on sale of immovable property.
- Please refer page No. 4 of this publication for detailed commentary.
- The Act has included **Gwadar Free Zone** in clause (126A). The inclusion shall be deemed to be inserted from 1 June 2020.

The **Gwadar Free Zone** was included in clause (126A) by the Ordinance 2019 with effect from 6 February 2007. The amendment seeks to change the effective date.

- The Act has included the following new companies in clause (126AB) and deemed the same to be inserted from 1 June 2020
- China Overseas Ports Holding Company Pakistan (Private) Limited,
  - Gwadar International Terminal Limited
  - Gwadar Marine Services Limited
  - Gwadar Free Zone Company Limited.

Under clause (126AB) exemption was granted to profit on debt derived by the foreign lenders or any local banks having more than seventy five percent shareholding of the Government or state bank of Pakistan under Financing Arrangement with China Overseas Ports Holding Company Limited for a period of twenty-three years. The exemption period shall be effective from 1 June 2020.

- The Act has included **Gwadar Free Zone** in clause (126AC) and deemed the same to be inserted from 1 June 2020.

Under clause (126AC) income derived by contractors and sub-contractors of China

Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gwadar International Terminal Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited from Gwadar Free Zone operations is exempt for a period of twenty years. The exemption period shall be effective from 1 June 2020

- The Act has extended the exemption available to zone enterprise as defined in the Special Economic Zones Act, 2012 by including the co-developers defined in Special Economic Zone Rules, 2013, subject to the furnishing of certificate by:
  - the developer that he has not claimed exemption under this clause and relinquished his claim in favour of co-developers; and,
  - the Special Economic Zone Authority validating that the developer has not claimed exemption under this clause and relinquished his claim in favour of co-developers.
- The Act has granted exemption to any income derived by the Federal Government Employees Housing Authority for the tax year 2020 and the following four tax years.

## Reduction in tax rates

### *(Part II, Second Schedule)*

- The Act has reduced the rate of tax to 10% on profit on debt paid to non-resident individual on account of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident Rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan. The tax deducted shall be final tax.
- The Act has reduced the rate of tax to 1.5% of the gross amount of payment paid by Utility Stores Corporation of Pakistan to a person other than a company in respect of supply of following
  - tea
  - spices
  - salt
  - dry milk
  - sugar
  - pulses

- wheat flour
- ghee supplied.

The benefit of reduced rate is available for the period commencing from 7 April 2020 to 30 September 2020. The following items supplied under a brand name, shall not be eligible for reduced rate:

- tea
- spices
- salt
- dry milk.

The reduced rate shall not be applicable where the rate of tax under clause 153(1)(a) is less than 1.5% under any provisions of the Ordinance.

### Reduction in tax liability

#### *(Part III, Second Schedule)*

- The Act has introduced clause (9B) to facilitate developers and builders by reducing the amount of tax payable by 90% on the income from projects of 'low cost housing' developed or approved by Naya Pakistan Housing and Development Authority (NAPHDA) or under the Ehsaas Program.

### Exemption from specific provisions

#### *New exemptions*

- The Act has exempted the following from turnover tax under section 113:
  - Modaraba that are qualifying for exemption under clause (100) of Part I of Second Schedule.
  - The Prime Minister's COVID-19 Pandemic Relief Fund 2020.
  - the Federal Government Employees Housing Authority for the tax year 2020 and the following four tax years.
  - Hajj Group Operators in respect of turnover relating to Hajj operations for the tax year 2021.
  - A resident company engaged in hotel business in Pakistan in respect of turnover for the period starting on the first day of April 2020 and ending on the thirtieth day of September 2020
- The Act has introduced following exemption on import under section 148:
  - Collection of tax on import of certain pharmaceutical equipment and products for use during COVID-19 pandemic. The

exemption was earlier introduced through the SRO 236(I)/2020 dated 20 March 2020. The provisions of section 148 shall not apply to the import of items for a period commencing from 20 March 2020 to 30 September 2020.

- Import of pulses during the period commencing from 7 April 2020 to 30 September 2020.
  - Import of finished drug Remdesivir 100 mg injection and injectable solution 100 mg vial for the period starting from the 22nd day of June 2020 and ending on the date as may be notified by the Board in the official Gazette on recommendation of the National Health Services, Regulation and Coordination Division.
- The Act has introduced mechanism for exemption of tax on imports of medicines for treatment of life-threatening rare diseases not manufactured in Pakistan, subject to the following conditions
- the import is approved by the Board, through notification in the official Gazette
  - the specification and quantity of medicine is recommended by the National Health Services, Regulation and Coordination Division in a prescribed format on a case to case basis; and
  - such medicine is required for the personal use of the importing person or his immediate family member.
- The Act further empowers the Board that where circumstances exist to take immediate action in emergency situations, on recommendation of a provincial health department or a tertiary care hospital of the Federal or Provincial Government, provisionally allow import of such quantity of medicine which does not exceed sixty days usage.
- Recipient of payment under section 153 on account of sales of goods, rendering or providing of services and execution of contract:
- a Provincial Government.
  - local authority.
  - persons who are residents of Azad Kashmir and execute contracts in Azad Kashmir only and produce a certificate to this effect from the concerned income tax authority.
  - persons receiving payments from a company or an association of persons having turnover of fifty million rupees or more or from an individual having turnover of fifty million rupees or more exclusively for the supply of agriculture produce including fresh milk, fish by any person engaged in fish farming, live chicken, birds

and eggs by any person engaged in poultry farming and by an industrial undertaking engaged in poultry processing which has not been subjected to any process other than that which is ordinarily performed to render such produce fit to be taken to market.

- companies receiving payments for the supply of electricity and gas.
- companies receiving payments for the supply of crude oil.
- hotels and restaurants receiving payments in cash for providing accommodation or food or both, as the case may be.
- shipping companies and air carriers receiving payments for the supply of passenger tickets and for the cargo charges of goods transported.
- individuals who are not registered under section 181 of the Ordinance, receiving payments for the supply of sand, bricks, grit, gravel, crushed stone, soft mud or clay.
- artisans, plumbers, electricians, surface finishers, carpenters, painters or daily wagers, receiving payments in respect of services provided or rendered to the construction sector including construction of buildings, roads, bridges and other such

structures or the development of land, subject to the following conditions, name:

- services under this clause are provided or rendered by an individual who is not registered under section 181
- the name, Computerized National Identity Card Number and address of such individual is recorded by the recipient of such service.
- payment for such services is made directly to such individual.

The above clause covers most of the exemptions given in SRO586(I)/91.

— Tax on imports under section 148 by the following:

- the Federal Government.
- a Provincial Government.
- a Local Government.
- a foreign company and its associations whose majority share capital is held by a foreign government.
- a person who imports plant and machinery for execution of a contract with the Federal Government or a provincial government or a

local government and produces a certificate from that government.

- companies importing high speed diesel oil, light diesel oil, high octane blending component or kerosene oil, crude oil for refining and chemical used in refining thereof in respect of such imports.
- Petroleum (E&P) companies covered under the Customs and Sales Tax Notification No. S.R.O.678 (I)/2004, dated 7 August 2004, except motor vehicles imported by such companies.

The above exemptions are already given under SRO947(I)/2008. However, few of the exemptions given in the SRO have not been incorporated in this clause.

- Hajj Group Operator in respect of Hajj operations from section 152
- The Act has extended the exemption on import of ships and other floating crafts including tugs, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistani entity and flying Pakistani flag. The period of exemption has been extended upto the year 2030.
- Pak Rupee Account in respect of section 231A, 231AA and 236P to the extent of foreign

remittances credited into such account during that tax year tax year.

- Tax on commission received by retail branchless banking agent on any amount disbursed by the Ehsaas Emergency Cash Transfer Program during the period from 16 April 2020 to 30 September 2020.
- With respect to section 236P in relation to non-resident rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan of a non-resident individual investing in a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944.
- Normal withholding tax on dividend, received by non-resident person, shall be applicable without increasing the tax by hundred percent, even if the name of non-resident do not appear in the active taxpayers list as prescribed under the Tenth schedule.
- Non-resident company not to file return of income where the income of non-resident having no permanent establishment in Pakistan is subject to final tax regime and arises solely by reason of capital gain or profit on debt earned from the investment in debt securities and Government securities including treasury bill and Pakistan investment bonds through special convertible rupee account maintained

with a banking company or financial institution in Pakistan.

- Non-resident individual not to file return of income, where the income is taxable under final tax regime, and from tax registration solely by reason of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan.
- Section 151, 231A, 231AA and 236P not to apply on Prime Minister's COVID-19 Pandemic Relief Fund 2020.
- Section 236P not to apply at the time of transfer of any amount towards the Prime Minister's COVID-19 Pandemic Relief Fund 2020.

### Withdrawal of exemptions

Act has withdrawn following exemptions:

- Collection of tax under section 148 on import of raw material by an industrial undertaking.
- Deemed approval given to M/s Dawat-e-Hadiya, Karachi and Lahore University of Management

Sciences, Lahore under 2(36)(c) as these institutions are proposed to be included in the proposed Table 2 in clause 66 of Part I of Second Schedule.

- Steel melters and composite steel units with respect to section 153(1)(a), as a payer, in respect of purchase of scrap, provided tax is collected under section 235B.
- Option to file return under clauses 56C, 56D, 56E and 56G to be taxed under normal tax regime instead of minimum tax regime.

### Seventh and Tenth Schedule

#### Seventh Schedule

Seventh Schedule prescribed rules for computation of profits and gains of banking companies.

The corporate rate of tax applicable on a banking company has been prescribed at 35% under the First Schedule. Whereas, Super tax at 4%, under section 4B, was made applicable for tax year 2021 by Finance Supplementary (Second Amendment) Act, 2019.

The Act has made suitable amendment in the Seventh Schedule with respect to the corporate tax rate and Super tax for tax year 2021.

## Tenth Schedule

The Tenth Schedule provides special provisions relating to persons not appearing in the Active Taxpayers' list:

- The Act deleted the reference to section 115(4) wherever appearing in the Tenth Schedule, as section 115(4) has been deleted from the Ordinance.
- The Act has amended the Tenth Schedule. After amendment the following payments, made to non-resident person, shall not be increased by hundred percent withholding tax under the Tenth Schedule:
  - Payment to non-resident for royalty and Fee for Technical Services.
  - Insurance or reinsurance premium.
  - Payment under section 152(2), which are otherwise not covered under section 152.
  - Payments to non-resident individual, on account of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident Rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan.
- The following payments are to be made liable to hundred percent increase in tax rate, if the name of the person do not appear on the active taxpayers' list:

Section	Particulars
152(2A)(a)	payments to PE of non-resident on account of sale of goods.
236V	advance tax on extraction of minerals

The following section stand deleted by virtue of separate amendment hence, not to have any impact on the Tenth Schedule:

Section	Particulars
235B	tax on steel melters and composite units
236D	advance tax on functions and gatherings
236F	advance tax on cable operators and other electronics
236J	advance tax on dealers, commission agents and arhatis etc.
236R	collection of advance tax on education related expenses remitted abroad
236U	advance tax on insurance premium.
236X	advance tax on tobacco.



## Taxation of Builders and Developers (including Eleventh Schedule)

The tax incentive package announced in April 2020 for revival of construction sector through a Presidential Ordinance is now made part of the law through the Act. While there are no significant changes from the amendments brought earlier, it would be in the fitness of things to summarize the key changes without repeating the details:

- The construction sector declared as an ‘industrial undertaking’ through suitable amendment in the Ordinance. Consequently, the sector is now entitled to seek exemption from advance tax otherwise collectible on import of machinery.
- Introduction of a fixed rate tax regime effective from Tax Year 2020 for builders and developers through promulgation of the Eleventh Schedule read with section 100D of the Ordinance. The scheme is optional and covers ‘new projects’ (that start after 17 April 2020 but before 31 December 2020) to be completed by 30 September 2022; and ‘existing projects’ also to be completed by the said date. Where the said scheme is opted for, no credit will be admissible for tax paid at source under any provision of the Ordinance, save on purchase of property. The option can be e-filed through the Board’s IRIS software by 31 December 2020 or 30 days of start of a new project, whichever is earlier.
- For the purposes of the Eleventh Schedule, a project will be considered complete in case of a builder when the grey structure is completed – that is when the roof of the top floor has been laid as per the approved plan. For a developer however, the project will be considered complete on satisfaction of following conditions:
  - at least 50% of the total plots have been booked in the name of buyers; and
  - at least 40% of the sale proceeds have been received;
  - landscaping has been completed; and
  - at least 50% of the roads have been laid up to subgrade level as certified by the approving authority or NESPAK.
- Immunity from probe regrading source of investment with respect to amount invested as capital in a building or land subject to certain conditions, including first purchaser of such building or land. The immunity however does not cover public office holders or their benamidars, a public company, a real estate investment trust and a company whose income is exempt under any provision of the Ordinance.
- A builder or developer shall be entitled to incorporate profits and gains from the projects

in his books of account or wealth statement upto ten time of tax paid. In the initial proposal the low-cost housing schemes were not entitled to this benefit, but the Act has extended it to them as well. Profits and gains in excess of ten time of tax paid can be incorporated in the books of accounts or wealth statement only if tax is paid at the rate applicable to the taxpayer on net income basis.

- Exemption on dividend income received from a company being a builder or a developer out of the profits and gains derived from a project covered under the Eleventh Schedule.
- Exemption from withholding tax obligations on purchase of building material except steel and cement; and on services of plumbing, electrification, shuttering and allied works obtained from non-corporate service providers.
- Tax liability to be computed on annual basis for each eligible project as under and payable on quarterly basis as per the following formula:

$$\frac{\text{Tax Liability as per rates prescribed}}{\text{Estimated project life}}$$

In case of development of plots and construction of buildings on the same plots, both rates shall apply.

For low-cost projects developed or approved by Naya Pakistan Housing and Development Authority (NAPHDA) or under the Ehsaas program, the tax rates levied will be reduced by 90%.

The Act has introduced general reduction in capital gains tax leviable on sale of immovable property by reducing the holding threshold for non-taxation to 04 years as against 08 years at present for open plots; in addition to complete exemption on first sale of residential property of area not exceeding 500 square yards in case of a house and 4,000 square feet in case of a flat.

Persons	Property Type	Area	(A) Karachi, Lahore and Islamabad	(B) Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta	Urban Areas not specified in A and B
		<b>Area in Sq. Fts.</b>	<b>Rate per Sq. ft.</b>		
<b>Tax on Builders</b>	<b>Commercial Buildings</b>	Any size	Rs.250	Rs.230	Rs.210
		up to 3000	Rs.80	Rs.65	Rs.50
	3000 & above		Rs.125	Rs.110	Rs.100

Persons	Property Type	Area	(A)	(B)	Urban Areas not specified in A and B
			Karachi, Lahore and Islamabad	Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta	
		Area in Sq.Yds.	Rate per Sq. Yds.		
Tax on Developers	Entire Project (Other than Industrial Area)	Any size	Rs.150	Rs.130	Rs.100
	Development of Industrial Area	Any size	Rs.20	Rs.20	Rs.10

Respective rates shall apply for building being used for both residential and commercial purpose.

## Tax Rate Card

### Tax rates for salaried individuals

#### [Division I, Part I]

Where the income of an individual chargeable under the head "salary" exceeds seventy-five per cent of his taxable income, the following rates of tax (which remained unchanged from previous tax year) will apply:

S. No.	Taxable income	Rate of tax
1.	Where the taxable income does not exceed Rs. 600,000	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,800,000	Rs. 30,000 plus 10% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 1,800,000 but does not exceed Rs. 2,500,000	Rs. 90,000 plus 15% of the amount exceeding Rs. 1,800,000
5.	Where taxable income exceeds Rs. 2,500,000 but does not exceed Rs. 3,500,000	Rs. 195,000 plus 17.5% of the amount exceeding Rs. 2,500,000
6.	Where taxable income exceeds Rs. 3,500,000 but	Rs. 370,000 plus 20% of the

S. No.	Taxable income	Rate of tax
	does not exceed Rs. 5,000,000	amount exceeding Rs. 3,500,000
7.	Where taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 8,000,000	Rs. 670,000 plus 22.5% of the amount exceeding Rs. 5,000,000
8.	Where taxable income exceeds Rs. 8,000,000 but does not exceed Rs. 12,000,000	Rs. 1,345,000 plus 25% of the amount exceeding Rs.8,000,000
9.	Where taxable income exceeds Rs. 12,000,000 but does not exceed Rs.30,000,000	Rs. 2,345,000 plus 27.5% of the amount exceeding Rs.12,000,000
10.	Where taxable income exceeds Rs. 30,000,000 but does not exceed Rs.50,000,000	Rs. 7,295,000 plus 30% of the amount exceeding Rs. 30,000,000
11.	Where taxable income exceeds Rs. 50,000,000 but does not exceed Rs.75,000,000	Rs. 13,295,000 plus 32.5% of the amount exceeding Rs. 50,000,000
12.	Where taxable income exceeds Rs.75,000,000	Rs. 21,420,000 plus 35% of the amount exceeding Rs. 75,000,000

## Tax rates for individuals (other than salaried individuals) and Association of Persons

### [Division I, Part I]

No change in the tax rates for individuals and association of persons has been made. The tax rates applicable for the Tax Year 2021 are set out in the following Table:

S. No.	Taxable income	Rate of tax
1.	Where the taxable income does not exceed Rs. 400,000	0%
2.	Where the taxable income exceeds Rs. 400,000 but does not exceed Rs.600,000	5% of the amount exceeding Rs. 400,000
3	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 10,000 plus 10% of the amount exceeding Rs. 600,000
4.	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	Rs. 70,000 plus 15% of the amount exceeding Rs.1,200,000
5.	Where the taxable income exceeds Rs.2,400,000 but does not exceed Rs.3,000,000	Rs. 250,000 + 20% of the amount exceeding Rs.2,400,000
6.	Where the taxable income	Rs.370,000 +

S. No.	Taxable income	Rate of tax
	exceeds Rs.3,000,000 but does not exceed Rs.4,000,000	25% of the amount exceeding Rs.3,000,000
7.	Where taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 620,000 plus 30% of the amount exceeding Rs. 4,000,000
8.	Where taxable income exceeds Rs. 6,000,000	Rs. 1,220,000 plus 35% of the amount exceeding Rs. 6,000,000

## Rate of tax for companies

### [Division II, Part I]

Company other than banking company shall continue to be taxed at the rate of 29% for the Tax Year 2021 and onwards.

Banking company shall continue to be taxed at the rate of 35% for the Tax Year 2021 and onwards.

## Tax rate for small company

### [Division II, Part I]

Tax rate for small company for the Tax Year 2021 and onwards is tabulated as under:

Tax Year	Rate
2021	22%
2022	21%
2023 and onward	20%

### Super Tax

*[Division IIA, Part I]*

Tax Year	Banking company	Person, other than a Banking company, having income equal to or exceeding Rs. 500 million
2021	4%	0%

### Rate of Dividend Tax

*[Division III, Part I]*

S No.	Category	Rate
1.	Dividend distributed by independent Power Purchasers where such dividend is a pass-through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be reimbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity.	7.5%

S No.	Category	Rate
2.	Dividend received from a mutual fund and cases other than those mentioned in S. No. 1 & 3.	15%
3.	Dividend received from a company where no tax is payable by such company due to exemption of income or carry forward business losses or claim of tax credits.	25%

### Rates for Profit on Debt (other than a company)

*[Division IIIA, Part I]*

Tax rates applicable on profit on debt derived by an individual or association of persons are as follows:

S.No.	Profit on debt	Rate
1.	Where profit on debt does not exceed Rs 5,000,000	15%
2.	Where profit on debt exceeds Rs 5,000,000 but does not exceed Rs 25,000,000	17.5%
3.	Where profit on debt exceeds Rs 25,000,000 but does not exceed Rs. 36,000,000	20%

### Tax rates on return on investment in *sukuks* received from special purpose vehicle

#### [Division IIIB, Part I]

Tax rates on return on investment in *sukuks* received by a person from a special purpose vehicle are as follows:

S. No	Category	Rate
a)	Company	25%
b)	Individual & AOP if the return on investment is more than Rs. 1 million.	12.5%
c)	Individual & AOP if the return on investment is less than Rs. 1 million.	10%

### Tax rates on certain payments / income to non-residents.

#### [Division IV & V, Part I]

S. No	Category	Rate
a)	Royalty	15%
b)	Fee for technical services	15%
c)	Offshore digital services	5%
d)	Shipping Income	8%
e)	Air transport Income	3%

### Tax rates for individuals and association of persons in respect of income from property

#### [Division VIA, Part I]

Tax rates applicable on income from property derived by an individual or association of persons are as follows:

S. No	Category	Rate
1	Where gross amount of rent is up to Rs.200,000	Nil
2	Where gross amount of rent exceeds Rs. 200,000 but does not exceed Rs. 600,000	5% of the amount exceeding Rs. 200,000
3	Where gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 1,000,000	Rs.20,000 + 10% of the amount exceeding Rs. 600,000
4	Where gross amount of rent exceeds Rs. 1,000,000 but does not exceed Rs. 2,000,000	Rs.60,000 + 15% of the amount exceeding Rs. 1,000,000
5	Where gross amount of rent exceeds Rs.2,000,000 but does not exceed Rs.4,000,000	Rs.210,000 + 20% of the amount exceeding Rs. 2,000,000
6	Where the gross amount of rent exceeds Rs.4,000,000 but does not exceed Rs.6,000,000.	Rs.610,000 plus 25% of the gross amount exceeding Rs.4,000,000

S. No	Category	Rate
7	Where the gross amount of rent exceeds Rs.6,000,000 but does not exceed Rs.8,000,000	Rs.1,110,000 plus 30% of the gross amount exceeding Rs.6,000,000
8	Where the gross amount of rent exceeds Rs.8,000,000	Rs.1,710,000 plus 35% of the gross amount exceeding Rs.8,000,000

### Capital gains on disposal of securities

#### [Division VII, Part I]

The tax rates on capital gain on disposal of listed securities are as under:

S. No.	Period	Tax Year 2016	Tax Year 2017	Tax Years 2018, 2019, 2020 and onwards	
				Securities acquired before 01.07.2016	Securities acquired after 01.07.2016
(1)	(2)	(4)	(5)	(6)	(7)
1	Where holding period of a security is less than twelve months	15%	15%	15%	15%

S. No.	Period	Tax Year 2016	Tax Year 2017	Tax Years 2018, 2019, 2020 and onwards	
				Securities acquired before 01.07.2016	Securities acquired after 01.07.2016
2	Where holding period of a security is twelve months or more but less than twenty-four months	12.5%	12.5%	12.5%	15%
3	Where holding period of a security is twenty-four months or more but the security was acquired on or after 1st July 2013.	7.5%	7.5%	7.5%	15%



S. No.	Period	Tax Year 2016	Tax Year 2017	Tax Years 2018, 2019, 2020 and onwards	
				Securities acquired before 01.07.2016	Securities acquired after 01.07.2016
4	Where the security was acquired before 1st July 2013	0%	0%	0%	0%
5	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	0%	5%	5%	5%

### Capital gains on disposal of Immovable Property

#### [Division VIII, Part I]

The new tax rates on capital gain on disposal of Immovable properties are as under:

S.No.	Amount of gain	Rate
1.	Where the gain does not exceed Rs. 5 million	2.5%

S.No.	Amount of gain	Rate
2.	Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	5%
3.	Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	7.5%
4.	Where the gain exceeds Rs. 15 million	10%

### Minimum tax u/s 113

#### [Division IX, Part I]

The minimum tax rates on turnover for the specified sectors are as under:

S.No.	Person(s)	Rate
1.	<ul style="list-style-type: none"> <li>- Oil marketing companies, Oil refineries, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.)</li> <li>- Pakistani Airlines.</li> <li>- Poultry industry including poultry breeding, broiler production, egg production and poultry feed production.</li> <li>- Dealers or distributors of fertilizer.</li> <li>- Person running an online marketplace as defined in clause</li> </ul>	0.75%

S.No.	Person(s)	Rate
	(38B) of section 2.	
2.	<ul style="list-style-type: none"> <li>- Distributors of pharmaceutical products, fast moving consumer goods and cigarettes;</li> <li>- Petroleum agents and distributors who are registered under the Act, 1990.</li> <li>- Rice mills and dealers</li> <li>- Flour mills.</li> </ul>	0.25%
3.	Motorcycle dealers registered under the Act, 1990.	0.30%
4.	In all cases (other than 1 to 3 & 5).	1.5%
5.	<p>Clause (24D) of Part II of the Second Schedule –</p> <p>Dealers and sub-dealers of sugar, cement and edible oil, subject to the condition that the names are appearing on the ATL issued under the Act, 1990 and the Ordinance, 2001.</p>	0.25%

## Withholding tax rates table – previous and new

Note: 1: \* Person whose name do not appear in the Active Taxpayers List are subject to hundred percent increased withholding tax rates as prescribed in the First Schedule except for specified exclusions given in the Tenth Schedule.

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
<b>148</b>	<b>Collection of tax at Imports</b>						
(a)	Persons importing goods classified in Part I of the Twelfth Schedule	-	1 / *2	-	-	Minimum / not minimum in the hands of industrial undertaking	Minimum / not minimum in the hands of industrial undertaking
(b)	Persons importing goods classified in Part II of the Twelfth Schedule	-	2 / *4	-	-	Minimum / not minimum in the hands of industrial undertaking	Minimum / not minimum in the hands of industrial undertaking
(c)	Persons importing goods classified in Part III of the Twelfth Schedule	-	5.5 / *11	-	-	Minimum	Minimum
(d)	Import by persons covered under SRO. 1125(I)2011 dated 31 December 2011						
	Manufacturer	1 / *2	1 / *2	Adjustable	Adjustable	Adjustable	Adjustable
	Commercial importers	3 / *6	-	Minimum	Minimum	-	-

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
(e)	Persons importing finished pharmaceutical products that are not manufactured in Pakistan as certified by DRAP.	4 / *8	4 / *8	Minimum	Minimum	Minimum	Minimum
(f)	Import of Mobile phones	Varying rates	Varying rates	Minimum	Minimum	Minimum	Minimum
(g)	Value of goods inclusive of customs duty, FED and sales tax (if any) imported by:						
	Industrial undertaking	5.5 / *11	-	Adjustable	Adjustable	-	-
	Industrial undertaking importing remeltable steel (PCT Heading 72.04) & directly reduced iron for own use.	1 / *2	-	Adjustable	Adjustable	-	-
	Person importing potassic fertilizers in pursuance of Economic Committee of the Cabinet decision No. ECC – 155/12/2004 dated 9 December 2004.	1 / *2	-	Minimum	Minimum	-	-

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	Person importing urea	1 / *2	-	Minimum	Minimum	-	-
	Person importing gold	1 / *2	-	Minimum	Minimum	-	-
	Person importing cotton	1 / *2	-	Minimum	Minimum	-	-
	Person importing coal	4 / *8	-	Minimum	Minimum	-	-
	Person importing LNG.	1 / *2	-	Minimum	Minimum	-	-
	Person importing pulses	2 / *4	-	Minimum	Minimum	-	-
	Other companies	5.5 / *11	-	-	Minimum	-	-
	Other taxpayers	6 / *12	-	Minimum	-	-	-
	Industrial undertaking, importing plastic raw material (PCT Heading 39.01 to 39.12 ) (company / others)	1.75 / *3.5	-	Minimum	Minimum	-	-
	Commercial importer, importing plastic raw material (PCT Heading 39.01 to 39.12 ) (company / others)	4.5 / *9	-	Minimum	Minimum	-	-

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
(h)	Import of ships by ship breakers	4.5 / *9	-	Minimum	Minimum	-	-
<b>149</b>	<b>Salary</b>	Progressive rates	Progressive rates with no changes	Adjustable	N/A	Adjustable	N/A
	Director fee	20	20	Adjustable	N/A	Adjustable	N/A
<b>150</b>	<b>Dividend</b>						
(a)	Independent Power Purchasers where such dividend is a pass through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be reimbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity.	7.5 / *15	7.5 / *15	Final	Final	Final	Final

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
(b)	Dividend payment by company where no tax is payable by such company due to exemption of income or carry forward business losses or claim of tax credit	-	25 / *50	Final	Final	Final	Final
(e)	Dividend payment by mutual fund	15 / *30	15 / *30	Final	Final	Final	Final
(e)	Any other case	15 / *30	15 / *30	Final	Final	Final	Final
<b>150A</b>	<b>Return on investment in sukuk</b>						
	Special purpose vehicle or a company shall deduct tax on the gross amount of return on investment in sukuk in case sukuk-holder is:						
	- Company	15 / *30	25 / *50	Adjustable	Adjustable	Adjustable	Adjustable
	- Ind & AOP (where the return is more than one million)	12.5 / *25	12.5 / *25	Adjustable	Adjustable	Adjustable	Adjustable
	- Ind & AOP (where the return is less than one million)	10 / *20	10 / *20	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
<b>151</b>	<b>Profit on debt</b>						
(a)	Yield on an account, deposit or a certificate under the National Savings Scheme or Post office saving account	15 / *30 (10 / *20 subject to condition that the yield is Rs. 500,000 or less)	15 / *30 (10 / *20 subject to filing of certificate by the recipient that the yield is Rs. 500,000 or less)	Minimum / Adjustable	Adjustable	Minimum/ Adjustable	Adjustable
(b)	Profit on a debt, being an account or deposit maintained with a banking company or a financial institution	15 / *30 (10 / *20 subject to condition that the yield is Rs. 500,000 or less)	15 / *30 (10 / *20 subject to filing of certificate by the recipient that the yield is Rs. 500,000 or less)	Minimum / Adjustable	Adjustable	Minimum/ Adjustable	Adjustable
(c)	Profit on any security by Federal Government issued, a Provincial Government or a local Government other than profit on National Saving Scheme or Post Office Saving account to any person	15 / *30 (10 / *20 subject to condition that the yield is Rs. 500,000 or less)	15 / *30 (10 / *20 subject to filing of certificate by the recipient that the yield is Rs. 500,000 or less)	Minimum / Adjustable	Adjustable	Minimum/ Adjustable	Adjustable



Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
(d)	Profit on any bond, certificate, debenture, security or instrument of any kind (excluding loan agreement between a borrower and a banking company or a development finance institution) issued by a banking company, a financial institution, company as defined in the Companies Ordinance, 1984 and a body corporate formed by or under any law for the time being in force, to any person other than a financial institution	15 / *30 (10 / *20 subject to condition that the yield is Rs. 500,000 or less)	15 / *30 (10 / *20 subject to filing of certificate by the recipient that the yield is Rs. 500,000 or less)	Minimum / Adjustable	Adjustable	Minimum/ Adjustable	Adjustable
<b>152</b>	<b>Payments to non-residents</b>						
(a)	Royalty and technical fee	15 / *30	15	Final	Final	Final	Final
(b)	Execution of a contract or sub-contract under the construction, assembly or installation project in Pakistan including a contract for the supply of	7	7	Minimum	Minimum	Minimum	Minimum

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	supervisory activities in relation to such projects or any other contract for construction or services rendered relating thereto						
(c)	Contract for advertisement services rendered by TV Satellite channel	7	7	Final	Final	Minimum	Minimum
(d)	Insurance premium or re-insurance premium	5 / *10	5	Minimum	Minimum	Minimum	Minimum
(e)	Advertisement services relaying from outside Pakistan	10	10	Final	Final	Minimum	Minimum
(f)	Profit on debt to non-resident person not having a PE in Pakistan  Payments to an individual, on account of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased	10  -	10  10	Adjustable / Final in specified situations	Adjustable / Final in specified situations	Adjustable / Final in specified situations	Adjustable / Final in specified situations

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	exclusively through a bank account maintained abroad, a non-resident Rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan						
(g)	Fee for offshore digital services	5	5	Final	Final	Final	Final
(h)	Other payments	20 / *40	20	Adjustable	Adjustable	Adjustable	Adjustable
<b>152(2A)</b>	<b>Payments to PE of a non-resident</b>						
(a)	Sale of goods						
	- Company	4	4 / *8	-	Adjustable	-	Minimum / not minimum subject to conditions
	- Other than company	4.5	4.5 / *9	Adjustable	-	Minimum	-
(b)	Transport services	2 / *4	3 / *6	Minimum	Minimum	Minimum	Minimum
(c)	Freight forwarding services, air	8 / *16 (for company)	3 / *6	Minimum	Minimum	Minimum	Minimum

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in /clause (133) of Part I of the Second Schedule, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services	10 / *20 (for individual and AOP)					

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
(c)	Services not covered above						
	- Company	8 / *16	8 / *16	-	Minimum	-	Minimum
	- Other than company	10 / *20	10 / *10	Minimum	-	Minimum	-
(d)	Execution of a contract	7 / *14	7 / *14	Adjustable	Adjustable	Minimum	Minimum
(e)	Sports Person	10 / * 20	10 / *20	Adjustable	-	Minimum	-
<b>152A</b>	<b>Payments for foreign produced commercials</b>						
	Payment to non-resident person directly to through an agent for foreign produced commercial for advertisement	20/*40	20 / *40	Final	Final	Final	Final
<b>153</b>	<b>Goods, services and execution of a contract</b>						
(a)	Sales of rice, cotton seed or edible oils	1.5 / *3	1.5 / *3	Minimum	Minimum / not minimum for manufacturer / listed company	Minimum	Minimum / not minimum for manufacturer / listed company
(b)	Dealers and sub-dealers of sugar, cement and edible oil.	0.25	0.25/ *0.50	Minimum	Minimum	Minimum	Minimum

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
(c)	Sales of fast moving consumer goods by the distributors, in the case of: - Company	2 / *4	2 / *4	-	Minimum / not minimum subject to conditions	-	Minimum / not minimum subject to conditions
	- Other taxpayers	2.5 / *5	2.5 / *5	Minimum	-	Minimum	-
(d)	Sale of any other goods in the case of: - Company	4 / *8	4 / *8 (including toll manufacturing)	-	Minimum / not minimum for manufacturer / listed company subject to conditions	-	Minimum / not minimum for manufacturer / listed company subject to conditions
	- Other taxpayers	4.5 / *9	4.5 / *9 (including toll manufacturing)	Minimum	-	Minimum	-
(e)	Warehousing services, services rendered by asset management companies, data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) services.	-	3 / *6	Minimum	Minimum	Minimum	Minimum

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
(f)	Transport services, Freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in clause (133) of Part I of the Second Schedule, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection, certification, testing and training services	3 / *6	3 / *6	Minimum	Minimum	Minimum	Minimum
(g)	Other services in the case of:						

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	- Company	8 / *16	8 / *16	-	Minimum	-	Minimum
	- Other taxpayers	10 / *20	10 / *20	Minimum	-	Minimum	-
(h)	Electronic and print media for advertisement services in the case of:						
	- Company	1.5 / *3	1.5 / *3	-	Minimum	-	Minimum
	- Other taxpayers	1.5 / *3	1.5 / *3	Minimum	-	Minimum	-
(i)	Execution of a contract in the case of:						
	- Company	7 / *14	7 / *14	-	Minimum/ not minimum for listed company / subject to conditions	-	Minimum / not minimum for listed company / subject to conditions
	- Other taxpayer	7.5 / *15	7.5 / *15	Minimum	-	Minimum	-
	- Sports person	10 / *20	10 / *20	Minimum	-	Minimum	-
(j)	Deduction by exporter or an export house on payment for rendering of certain services	1 / *2	1 / *2	Minimum / not minimum subject to conditions	Minimum / not minimum subject to conditions	Minimum	Minimum
<b>153B</b>	<b>Royalty</b>						
	Royalty paid to resident person	15 / *30	15 / *30	Adjustable	Adjustable	Adjustable	Adjustable



Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
<b>154</b>	<b>Export</b>						
(a)	Export proceeds, proceeds from sales of goods to an exporter under an inland back-to-back letter of credit or any other arrangement, export of goods by an industrial undertaking located in an Export Processing Zone, Collection by a collector of customs at the time of clearing of goods exported	1	1	Final	Final	Final	Final
(b)	Indenting commission	5	5	Final	Final	Final	Final
<b>155</b>	<b>Income from Property</b>						
	Annual rent of immovable property including rent of furniture and fixtures and amounts for services relating to such property						
	- In the case of company	15	15		Adjustable		Adjustable

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	- In the case of other taxpayers	Progressive rates	Progressive rates	Adjustable		Adjustable	
<b>156</b>	<b>Prizes and winnings</b>						
(a)	Amount of prize bond winning.	15 / *30	15 / *30	Final	Final	Final	Final
(b)	Prize on cross-word puzzle.	15 / *30	15 / *30	Final	Final	Final	Final
(c)	Amount of raffle/lottery winning, prize on winning a quiz, prize offered by a company for promotion of sales	20 / *40	20 / *40	Final	Final	Final	Final
<b>156A</b>	<b>Petroleum products</b>						
	Commission and discount to petrol pump operators	12 / *24	12 / *24	Final	Final	Final	Final
<b>156B</b>	<b>Withdrawal of balance under pension fund</b>						
	Withdrawal of amount before the retirement age or it is in excess of 50% of the accumulated balance at or after the	Average rate of preceding three years	Omitted	Adjustable	N/A	-	-

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	retirement age.						
<b>231A</b>	<b>Cash withdrawal</b>						
	Cash withdrawal exceeding Rs 50,000 from all bank accounts in a single day.	*0.6 of the amount withdrawn	*0.6 of the amount withdrawn	Adjustable	Adjustable	Adjustable	Adjustable
<b>231AA</b>	<b>Transactions in banks</b>						
	Sale against cash of any instrument including Demand Draft, Payment Order, Online Transfer, Telegraphic Transfer, CDR, STDR, RTC exceeding Rs. 25,000 in a day.	*0.6 of the transaction	*0.6 of the transaction	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
<b>231B</b>	<b>Advance tax on private motor vehicle</b>	Varying slabs	Varying slabs with no change (excluding rickshaw, motorcycle-rickshaw and any other vehicle with engine capacity of up to 200cc)	Adjustable	Adjustable	Adjustable	Adjustable
	- On registration of motor vehicle.						
	- On transfer of registration or ownership of a private motor vehicle.						
	- On sale of motor vehicle.						
	Leasing company or a Schedule bank or an investment bank or a DFI or a Modaraba shall at the time of leasing of motor vehicle to non-filer collect advance tax.	4	4 / *8	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
<b>233</b>	<b>Brokerage &amp; Commission</b>						
(a)	Commission to advertisement agent	10 / *20	10 / *20	Minimum	Minimum	Minimum	Minimum
(b)	Life Insurance Agent where commission is less than Rs. 0.5 million per annum	8 / *16	8 / *16	Minimum	Minimum	Minimum	Minimum
(c)	Payment of brokerage and commission	12 / *24	12 / *24	Minimum	Minimum	Minimum	Minimum
<b>233A</b>	<b>Collection of tax by stock exchange</b>						
(a)	On purchase of shares, in lieu of commission of the Member	0.02 / *0.04 of purchase value	0.02 / *0.04 of purchase value	Adjustable	Adjustable	Adjustable	Adjustable
(b)	On sale of shares, in lieu of commission of the Member	0.02 / *0.04 of sale value	0.02 / *0.04 of sale value	Adjustable	Adjustable	Adjustable	Adjustable
<b>233AA</b>	<b>Collection of tax by NCCPL</b>						
	On margin financing, trading financiers and lenders	10	10	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
<b>234</b>	<b>Tax on motor vehicle</b>						
	Registered laden weight/ Seating capacity/ Engine capacity and life of vehicle used	Varying rates	Varying slabs with no change (excluding rickshaw, motorcycle-rickshaw and any other vehicle with engine capacity of up to 200cc)	Adjustable	Adjustable	Adjustable	Adjustable
<b>234A</b>	<b>CNG stations</b>						
	On amount of gas & electricity bill	4 / *8	4 / *8	Minimum	Minimum	Minimum	Minimum
<b>235</b>	<b>Electricity consumption</b>						
(a)	Electricity bill up to Rs 20,000.	Slab rates	Slab rates with no change	Minimum	Adjustable	Minimum	Adjustable
(b)	On electricity bill exceeding Rs 20,000 (Industrial consumer / commercial consumer)	5 /12	5 /12	Minimum / Adjustable subject to conditions	Adjustable	Minimum / Adjustable subject to conditions	Adjustable

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
<b>235A</b>	<b>Domestic electricity consumption</b>						
	On electricity bill is Rs 75,000 or more	7.5	7.5	Adjustable	-	Adjustable	-
<b>235B</b>	<b>Tax on steel melters, composite unit etc.</b>						
	On electricity bill of steel melters, and composite steel units.	Rs. 1 per unit of electricity consumed	Omitted	Non-adjustable	Non-adjustable	-	-
<b>236</b>	<b>Telephone &amp; internet bill</b>						
(a)	Telephone bill exceeding Rs 1,000	10	10	Adjustable	Adjustable	Adjustable	Adjustable
(b)	Subscriber of internet and prepaid internet card or sale of units through any electronic medium or whatever form	12.5	12.5	Adjustable	Adjustable	Adjustable	Adjustable
(c)	Mobile telephone and prepaid card for telephones or sale of units through any electronic medium or whatever form	12.5	12.5	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
<b>236A</b>	<b>Sale by auction / tender</b>						
	Gross sale price of the property	10 / *20	10 / *20	Adjustable	Adjustable	Adjustable	Adjustable
	Lease of right to collect toll	10 / *20	10 / *20	Final	Final	Final	Final
	Gross sale price of immovable property	-	5 / 10*	Adjustable	Adjustable	Adjustable	Adjustable
<b>236B</b>	<b>Purchase of air ticket</b>						
	On gross amount of purchase of domestic air ticket	5	5	Adjustable	Adjustable	Adjustable	Adjustable
<b>236C</b>	<b>Sale or transfer of immovable property</b>						
	On gross amount of consideration, where the holding period is less than four (five) years.	1 / *2	1 / *2	Adjustable / minimum	Adjustable / minimum	Adjustable / minimum	Adjustable / minimum



Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
<b>236D</b>	<b>Advance tax on functions and gatherings</b>						
	On total amount of bill of arranging or holding a function including payment of food, service or facility located in certain areas.	5 / 5,000 / 10,000 / 20,000 whichever is higher	Omitted	Adjustable	Adjustable	-	-
<b>236F</b>	<b>Advance tax on cable operators and other electronic media.</b>						
	- On issuance or renewal of license for distribution services in case of cable operator.	Varying amount	Omitted	Adjustable	Adjustable	-	-
	- On issuance or renewal of license for distribution services in case of IPTV, FM Radio, MMDS, Mobile TV, Satellite TV etc.	20% of permission or renewal fee	Omitted	Adjustable	Adjustable	-	-
	- Permission or renewal fee from every TV Channel on which foreign TV drama	50% of permission or renewal	Omitted	Adjustable	Adjustable	-	-

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	serial or a play in any language, other than English, is screened or viewed.	fee					
<b>236G</b>	<b>Advance tax on sales of specified goods to distributors, dealers and wholesalers</b>						
	- Fertilizer	0.7 / *1.4	0.7 / *1.4	Adjustable	Adjustable	Adjustable	Adjustable
	- Other than fertilizer	0.1 / *0.2	0.1 / *0.2	Adjustable	Adjustable	Adjustable	Adjustable
<b>236H</b>	<b>Advance tax on sales of specified goods to retailers or wholesaler</b>						
	- Electronics	1 / *2	1 / *2	Adjustable	Adjustable	Adjustable	Adjustable
	- Others	0.5 / *1	0.5 / *1	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
<b>236HA</b>	<b>Advance tax on sale of certain petroleum products</b>						
	On sale of petroleum products to petrol pump operator or distributor	0.5 / *1	No change	Final	Final	Final	Final
<b>236I</b>	<b>Collection of advance tax by educational institutions</b>						
	On amount of fee exceeding Rs. 200,000	5	*5	Adjustable	Adjustable-	Adjustable	Adjustable
<b>236J</b>	<b>Advance tax on issuance or renewal of license to dealers, commission agents and arhatis etc.</b>	Varying amount	Omitted	Adjustable	Adjustable	-	-
<b>236K</b>	<b>Advance tax on purchase of immovable property</b>						
	On purchaser or transferee for registering or attesting transfer of any immovable property.	1 / *2 (of the FMV)	1 / *2 (of the FMV)	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	On collection of payments in installments	1 / *2 (of the FMV)	1 / *2 (of the FMV)	Adjustable	Adjustable	Adjustable	Adjustable
<b>236L</b>	<b>Advance tax on purchase of international air ticket</b>						
	On sale of international air ticket for first / executive class. (First class / others excluding economy class)	Rs. 16,000 / Rs. 12,000 per person	Rs. 16,000 / Rs. 12,000 per person	Adjustable	Adjustable	Adjustable	Adjustable
<b>236P</b>	<b>Advance tax on banking transactions otherwise than through cash</b>						
	Advance tax from non – filer on specified banking transactions where the sum of these transactions from all bank accounts exceeds Rs. 50,000 in a day.	*0.6	*0.6	Adjustable	Adjustable	Adjustable	Adjustable

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
				Previous		New	
		Previous	New	Ind. & AOP	Company	Ind. & AOP	Company
<b>236Q</b>	<b>Payment to residents for use of machinery and equipment</b>						
	- Payment to resident person for use or right to use industrial, commercial and scientific equipment	10	10	Final	Final	Minimum	Minimum
	- Payment to resident person on account of rent of machinery	10	10	Final	Final	Minimum	Minimum
<b>236R</b>	<b>Collection of advance tax on education related expenses remitted abroad</b>	5	Omitted	Adjustable	Adjustable	-	-
<b>236S</b>	<b>Dividend in Specie</b>						
(a)	Independent Power Purchasers where such dividend is a pass through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is	7.5 / *15	7.5 / *15	Final	Final	Final	Final

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
	required to be re-imbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity.						
(b)	Dividend payment by company where no tax is payable by such company due to exemption of income or carry forward business losses or claim of tax credit	-	25 / *50	Final	Final	Final	Final
(e)	Dividend payment by mutual fund	15 / *30	15 / *30	Final	Final	Final	Final
(e)	Any other case	15 / *30	15 / *30	Final	Final	Final	Final
<b>236U</b>	<b>Collection of tax on insurance premium from persons who are not appearing in Active Taxpayers List</b>						
	- General Insurance premium	4	Omitted	Adjustable	Adjustable	-	-
	- Life insurance premium if exceeding Rs. 0.3 million per annum.	1	Omitted	Adjustable	Adjustable	-	-

Sec.	Type of Payment	Rate %		Status of tax collected / deducted			
		Previous	New	Previous		New	
				Ind. & AOP	Company	Ind. & AOP	Company
<b>236V</b>	<b>Collection of tax on extraction of minerals</b>						
(a)	Advance tax collection on value of minerals from persons (previously who are not appearing in Active Taxpayers List)	5	5 / *10	Adjustable	Adjustable	Adjustable	Adjustable
<b>236X</b>	<b>Advance tax on tobacco</b>						
	Pakistan Tobacco Board or its contractor at the time of collecting cess on tobacco shall collect tax on purchase value of tobacco.	5	Omitted	Adjustable	Adjustable	-	-
<b>236Y</b>	<b>Advance tax on person remitting amounts through credit, debit or prepaid cards</b>						
	Every banking company on transfer of sum remitted outside Pakistan.	1 / *2	1 / *2	Adjustable	Adjustable	Adjustable	Adjustable

# Sales Tax Act, 1990

## “Active taxpayer” to exclude blocked person and to include a person who fails to file quarterly statements

Clause (a) of sub-section (1) of section 2 of the Act 1990 inter alia defines active taxpayer to mean a person who is not blacklisted or whose registration is not suspended or is not blocked in terms of section 21 of the Act, 1990. Perusal of section 21 reveals that there is no concept of blocking a registered person.

Therefore, the Act has omitted the condition '*is not blocked*' from above clause to bring it in line with section 21 of the Act, 1990.

Further, Clause (d) provides that a registered person who fails to file two consecutive monthly withholding tax statements under section 165 of the Ordinance shall not be an active taxpayer.

The Act has harmonized Clause (d) with provisions of section 165 of the Ordinance whereby registered person who fails to file quarterly statement under the Ordinance will no longer be an active taxpayer.

## “Output tax” to include sales tax levied under Islamabad Capital Territory

Subsequent to 18<sup>th</sup> constitutional amendment, provincial sales tax legislations were promulgated and chargeability and collection of sales tax on services were delegated to provinces.

The Act has harmonized the definition of output tax so as to substitute provincial sales tax with the sales tax levied under Islamabad Capital Territory (Tax on Services) Ordinance, 2001 which remains within the domain of FBR.

## “Value of supply” to include electricity supplied by WAPDA

With effect from 01 July 2019, clause (h) was inserted in sub-section (46) of section 2 of the Act 1990 after elimination of the Sales Tax Special Procedure Rules, 2007 while WAPDA was not mentioned in the amendment inserted by the Finance Act, 2019.

The Act has amended Clause (h) of sub-section (46) of section 2 in order to include WAPDA with effect from 01 July 2019 along with Independent Power Producers.

Further, the Act has added a new clause (j) in sub-section (46) of section 2 of the Act 1990 which is applicable on the registered persons dealing in used vehicles sold in open markets after making certain value addition. The value of supply represent difference between sale and purchase price. However, this clause is only applicable where used car is purchased from general public and sales tax was originally paid at the time of import or manufacture. The Act has also empowered the Board to make rules regarding valuation method of aforesaid used vehicles.



### **Determination of tax liability – Board empowered to restrict wastage of material**

The Act has inserted sub-section (5) in section 7 whereby the Board is empowered to restrict wastage of materials on which input tax has been claimed in respect of goods or class of goods.

### **Adjustment of Input tax in case of locally manufactured electric vehicles**

Section 8B of the Act 1990 specify the limit of adjustment of input tax i.e. a registered person is not allowed to adjust input tax in excess of ninety percent of the output tax for a tax period.

The Act has inserted sub-section (4A) in section 8B whereby input tax in case of locally manufactured electric vehicles which are classified in Eight Schedule and subject to reduce rate of sales tax shall be limited to the extent of output tax and no refund / carry forward of excess input tax shall be allowed to persons dealing in locally manufactured electric vehicles. The aforesaid change was not originally proposed in Finance Bill and became part of the statute through Act.

### **Empowering Commissioner or Inland Revenue Officer to follow the decision of High Court or Appellate Tribunal while finalizing the pending assessment**

Similar to section 124A of the Income Tax Ordinance the Act has inserted a new section 11C

which specifies that where question of law has been decided by a High Court or the Appellate Tribunal on or after 01 July 1990 in the case of a registered person, the Commissioner or the Officer of Inland Revenue may follow the said decision in case of said taxpayer in so far as it applies to question of law arising in any assessment pending before the Commissioner or an officer of Inland Revenue, until the decision of the High Court or of the Appellate Tribunal is reversed or modified.

Further, it is provided that in case subsequently, decision of the High Court or the Appellate Tribunal is reversed or modified, the Commissioner or the Officer of Inland Revenue may, within a period of one year of receipt of decision, modify the assessment so that it conforms with the final decision. In such case, expiry of the limitation period will not apply.

### **Tax invoice – Threshold enhanced from Rs. 50,000/- to Rs. 100,000/-**

Tax invoice shall inter alia bear the CNIC number in case of supplies made to unregistered persons, excluding supplies made by a retailer where transaction value inclusive of sales tax does not exceed fifty thousand rupees.

The Act has enhanced the foregoing limit specified in section 23(1)(b) of the Act, 1990 from fifty thousand rupees to one hundred thousand rupees.

## Electronic access to records and documents for the purpose of audit

In the wake of Covid-19 pandemic, a new sub-clause (2A) has been inserted in section 25 of the Act 1990 to conduct the audit proceedings electronically through video links or any other facility.

## Offences and penalties

In term of serial number 25 of the table provided in section 33 of the Act 1990, the business premises of any person is sealed and embargo is placed on his sales after six months from imposing of penalty of one million rupees, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system but:

- Fails to get himself registered under the Act 1990.
- If registered, fails to integrate in the manner as required under law.

The Act has reduced the foregoing defaulting period from six months to two months. Further, the restriction for embargo on sales has been omitted, however, the business premises will remain sealed till such time that the person integrates his business.

Further, the Act has prescribed a new penalty as under:

S. No.	Offences	Penalties	Section reference
28	Any person who is required to share information under section 56AB, fails to do so in the manner as required under the law	Twenty-five thousand rupees for first default and fifty thousand rupees for each subsequent default	56AB

## Authorized officers empowered to real time electronic access to records

The authorized officers under section 38 of the Act, 1990 have free access to business or manufacturing premises, registered office, or any other place where any stock or record is maintained or kept by the registered person.

The Act has extended scope of access to include real time electronic access to records of the registered person. Further, the Board has been empowered to make rules in relation to real time access for audit.

## Commissioner (Appeals) not to admit any documentary evidence not presented at assessment stage

Similar to sub-section (5) of section 128 of the Income Tax Ordinance, 2001 the Act has inserted a

new sub-section (5) in section 45B of the Act 1990 which provides that the Commissioner (Appeals) shall not admit any documentary evidence which was not produced before the assessing officer unless the Commissioner (Appeals) is satisfied that the appellant was prevented by sufficient cause from producing such material or evidence before the assessing officer.

Further, the existing appeal filing fee of one thousand rupees has been enhanced as under:

Appeal fee against	In case of company	Other than company
Assessment	Rs.5,000	Rs.2,500
Any other case	Rs.5,000	Rs.1,000

### Alternative dispute resolution provisions revamped

The concept of alternative dispute resolution was first introduced by the Finance Ordinance, 2002 to provide an avenue for the expeditious settlement of disputes between the Board and taxpayers and to reduce the high pendency of cases at various appellate forums.

In a bid to make the mechanism more effective, the Act has substituted the provisions relating to alternative dispute resolution under section 47A of the Act, 1990. Following are the salient features of the new scheme:

- The Board after examining the application of an aggrieved person shall appoint a Committee within 60 days consisting of Chief Commissioner and two persons from a panel comprising of Chartered Accountants, Cost and Management Accountants, Advocates, having minimum of ten years' experience in the field of taxation and reputable businessmen.
- The Committee may stay the recovery of tax payable up to 120 days in aggregate or till the decision of committee whichever is earlier.
- The Committee will be required to pass the order within 120 days of its appointment failure of which shall dissolve the committee and the appeal shall stand restored under specified procedure.
- The decision of the Committee shall be binding on the Commissioner where the aggrieved person has withdrawn the appeal pending before any appellate authority or the court of law and has communicated the order of withdrawal to the Commissioners within 60 days of the service of decision of the Committee.
- If the Committee fails to decide the dispute within the period of 120 days, FBR shall dissolve the Committee and the matter shall be decided by the appellate authority and the withdrawn appeal of the taxpayer shall stand reinstated.

## Real time access to information and database by the Board

The Act has empowered the Board through insertion of section 56AB to receive real time access of information and databases from following organizations / authorities:

- The National Database and Registration Authority
- Federal Investigation Agency
- The Bureau of Emigration and Overseas Employment
- Islamabad Capital Territory and Provincial and local land record and development authorities
- Islamabad Capital Territory and Provincial Excise and Taxation Departments
- All electricity suppliers and gas transmission and distribution companies
- Any other agency, authority, institution or organization notified by the Board

The information shall be kept confidential and only be used for tax purposes.

## Certain transactions not admissible – supply to unregistered person

Vide the Tax Laws (Amendment) Act, 2020, sub-section (4) was inserted in section 73 of the Act whereby registered manufactures or producers were restricted to make all taxable supplies exceeding value of one hundred million rupees in a financial year and ten million rupees in a month, to registered persons.

The Act has enhanced the scope of this sub-section by imposing the aforesaid restriction to all registered persons.

The Act has also inserted a new clause (4)(d) with following wordings:

“persons or classes of person, specified by the Board through notification in the official Gazette subject to such conditions and restrictions as may be specified therein.”

This clause seems a misfit in section 73(4) as it neither contains any proviso nor clauses “a” to “c”.

## Zero Rating applicable to Gwadar Port and Gwadar Free Zone under Fifth Schedule

The Act has inserted below entries relating to Gwadar Port and Gwadar Free Zone which were earlier incorporated in Fifth Schedule of Act, 1990 through Tax Laws (Amendment) Ordinance, 2019. The below entries shall be effective from 01 June

2020 and subject to certain conditions, restrictions and procedures.

Entry No.	Description of goods
13	Supplies of raw materials, components and goods for further manufacture of goods in the Gwadar Free Zone and export thereof, provided that in case of supply to tariff area of Pakistan, tax shall be charged on the value assessed on the Goods Declaration for import.
14	Supplies of locally manufactured plant and machinery of the following specifications, to manufacturers in the Gwadar Free Zone, subject to the conditions, restrictions and procedure given below, namely: <ul style="list-style-type: none"> <li>(i) plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer.</li> <li>(ii) apparatus, appliances and equipment specifically meant or adapted for use in conjunction with the machinery specified in clause (i).</li> <li>(iii) mechanical and electrical control and transmission gear meant or adapted for use in conjunction with machinery specified in clause (i).</li> <li>(iv) parts of machinery as specified in clauses (i), (ii) and (iii), identifiable for use in or with such machinery.</li> </ul>

### Exemptions applicable to Gwadar Free Zone under Sixth Schedule

The Act has inserted below entry relating to Gwadar Free Zone which was earlier incorporated in Sixth Schedule of Act, 1990 through Tax Laws (Amendment) Ordinance, 2019. The below entry shall be effective from 01 June 2020.

Entry No.	Description of goods
100D	Machinery, equipment, materials and goods imported either for exclusive use within the limits of Gwadar Free Zone, or for making exports therefrom, subject to the conditions that such machinery, equipment, materials and goods, are imported by investors of Gwadar Free Zone, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (Act IV of 1969) and rules made thereunder shall, mutatis mutandis, apply provided that if any of such goods is taken out of the Zone for purpose other than the export, the tax on the same shall be paid by the importer.

### Extension of period of exemptions in Sixth Schedule

Import and supply of ships and all floating crafts including tugs, dredgers, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity and flying the Pakistan flag is exempt from levy of Sales Tax till the year 2020. The Finance Bill proposed extension of said exemption till 2023 however, the Act has extended the exemption till 2030.

### New Exemptions under Sixth Schedule

Table-I

Entry No.	Description of goods	PCT heading
154	Dietetic foods intended for consumption by children suffering from inherent metabolic disorder subject to the conditions that the	Respective headings

Entry No.	Description of goods	PCT heading
	importer shall acquire approval and quota from Ministry of National Health Services, Regulations and Coordination.	
155	Oil cake and other solid residues, whether or not ground or in the form of pellets	2306.1000
156	Import of CKD kits by local manufacturers of following Electric Vehicles:	
	(i) Road Tractors for semi-trailers (Electric Prime Movers)	8701.2060
	(ii) Electric Buses	8702.4090
	(iii) Three-Wheeler Electric Rickshaw	8703.8030
	(iv) Three-Wheeler Electric Loader	8704.9030
	(v) Electric Trucks	8704.9059
	(vi) Electric Motorcycle	8711.6090

Table-III

Entry No.	Description of goods	PCT heading	Conditions
20	Plant and machinery for the assembly / manufacturing of electric vehicles	Respective headings	The exemption shall be admissible on one-time basis for setting up the new assembly and/or manufacturing facility of the vehicles and expansion in the existing units to the extent of electric vehicles specific plant and machinery, duly approved/ certified

Entry No.	Description of goods	PCT heading	Conditions
			and determined by the Engineering Development Board (EDB)

The Finance Bill proposed new exemption on dietetic foods at entry number 154 in Table-I of Sixth Schedule, however, Act has also introduced some other exemptions as tabulated above.

### Substitutions of exemptions under Sixth Schedule

Serial number 15A has been substituted whereby exemptions provided on parts and components for manufacturing LED lights and bulbs are being substituted as follows:

Entry No.	Description of goods	PCT heading
15A	Parts and Components for manufacturing LED lights:	
	(i) Housing /shell. Shell cover and base cap for all kinds of LED lights and bulbs	Respective Headings
	(ii) Bare and stuffed Metal Clad Printed Circuit Boards (MCPCB) for LED	8534.0000
	(iii) Constant Current Power Supply for of LED Lights and Bulbs (1-300W)*	8504.4090
	(iv) Lenses for LED lights and bulbs.	9001.9000

The above exemption shall be available only if imported by LED light manufacturers registered under the Act, 1990 and subject to annual quota determination by the Input Output Co-Efficient Organization.

### Amendments in Reduced rates under Eighth Schedule

Entry No.	Description of goods	Rate of sales tax	
		Existing	Revised
56	Potassium Chlorate (KClO <sub>3</sub> )	17% along with rupees 70 per kilogram	17% along with rupees 80 per kilogram
66	Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales	14%	12%

Cake and other solid residues, whether or not ground or in the form of pellets were subjected to reduced rate of sales tax of 5% under Eighth Schedule. The Act has omitted Cake and other solid residues from Eighth Schedule and inserted the same in Sixth Schedule thereby rendering them exempt from sales tax.

### Reduced Rate items under Eighth Schedule New

Entry No.	Description of goods	PCT heading	Rate
70	Following locally manufactured electric vehicles (Local supplies Only)		
	(i) Road Tractors for semi-trailers (Electric Prime Movers)	8701.2060	1%
	(ii) Electric Buses	8702.4090	1%
	(iii) Three-Wheeler Electric Rickshaw	8703.8030	1%
	(iv) Three-Wheeler Electric Loader	8704.9030	1%
	(v) Electric Trucks	8704.9059	1%
	(vi) Electric Motorcycle	8711.6090	1%

### Substitution of Ninth Schedule

Through Finance Bill, the charge of fixed sales tax on smart phones up to the value of USD 30 was proposed to be amended, however, the Act has substituted Ninth Schedule which is tabulated below:

Table-I

Sales Tax on supply (payable at the time of supply by CMOs):

S No.	Description / Specification of goods	Sales tax on supply (payable at the time of supply by CMOs)
1.	Subscriber Identification Module (SIM) Cards	Rs. 250

Table-II

Cellular mobile phones in CKD/CBU form:

S No. (1)	Description / Specification of goods (2)	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs) (3)	Sales tax on import in CKD/SKD condition (4)	Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4) (5)
1.	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:			
A	Not exceeding US\$ 30 (excluding smart phones)	Rs. 130	Rs. 10	Rs. 10
B	Not exceeding	Rs. 200	Rs. 10	Rs. 10

S No. (1)	Description / Specification of goods (2)	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs) (3)	Sales tax on import in CKD/SKD condition (4)	Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4) (5)
	US\$ 30 (smart phones)			
C	Exceeding US\$ 30 but not exceeding US\$ 100	Rs. 200	Rs. 10	Rs. 10
D	Exceeding US\$ 100 but not exceeding US\$ 200	Rs. 1,680	Rs. 10	Rs. 10
E	Exceeding US\$ 200 but not exceeding US\$ 350	Rs. 1,740	Rs. 1,740	Rs. 10
F	Exceeding US\$ 350 but not exceeding US\$ 500	Rs. 5,400	Rs. 5,400	Rs. 10
G	Exceeding US\$ 500	Rs. 9,270	Rs. 9,270	Rs. 10



## New Fixed Rate items inserted in Tenth Schedule

Through Finance Bill no change was proposed in the Tenth Schedule which specifies fixed rates of sales tax on different items. The Act has introduced fixed rate of sales tax on cement or concrete blocks. The goods specified under Tenth Schedule through Act is as follows:

S No.	Description / Specification of goods	Sales tax
1.	Paver	Rs. 2 per sq. ft
2.	Hollow block (volume less than 1 cubic feet)	Rs. 3 per piece
3.	Solid block (volume less than 1 cubic feet)	Rs. 3 per piece
4.	Kerb Stone (volume less than 1 cubic feet)	Rs. 5 per piece
5.	Kerb stone (volume greater than 1 cubic feet)	Rs. 10 per piece

It is also specified that no input tax adjustment shall be allowed against fixed sales tax paid under Tenth Schedule.

## Amendments in sales tax withholding provisions under Eleventh Schedule

The rate of withholding tax was enacted in Eleventh Schedule through Finance Act, 2019. A withholding agent is required to withhold tax as per the supplier category as to registered or unregistered person.

The Act has replaced the words “registered person” with “active taxpayer”. The existing and revised rates are given below.

S. No.	Withholding agent	Supplier category	Existing rate	Revised rate
1	Companies as defined in Income Tax Ordinance, 2001	Registered Person (Active Taxpayers)	1/5 <sup>th</sup> of Sales Tax shown on invoice	No change
		Active taxpayers registered as a wholesaler, dealer or distributor	1/10 <sup>th</sup> of Sales Tax shown on invoice	No change
		Registered Person (Inactive taxpayers)	1/5 <sup>th</sup> of Sales Tax shown on invoice	5% of gross value
		Unregistered Person	5% of gross value	No change
2	Federal and Provincial government	Registered Person (Active	1/5 <sup>th</sup> of Sales Tax shown	No change

S. No.	Withholding agent	Supplier category	Existing rate	Revised rate
	departments, autonomous bodies and public sector organizations	Taxpayers)	on invoice	
		Active taxpayers registered as a wholesaler, dealer or distributor	1/10 <sup>th</sup> of Sales Tax shown on invoice	No change
		Registered Person (Inactive taxpayers)	1/5 <sup>th</sup> of Sales Tax shown on invoice	Whole of Sales Tax applicable on gross value of supplies
		Unregistered Person	Whole of Sales Tax applicable on gross value of supplies	No change

It is further stated that albeit sales tax withholding rate is specified for active taxpayers however, sales tax withholding is not applicable on the supplies made by an active taxpayer to another registered person as per exception (viii) specified in Eleventh Schedule.

Further, through Finance Bill, no change was proposed in the exceptions on which sales tax withholding is not applicable, however, the Act has inserted a new exception in Eleventh Schedule vis-a-vis sales tax withholding is not applicable on supply of sand, stone, gravel/crush and clay to low cost housing schemes sponsored or approved

by Naya Pakistan Housing and Development Authority.

### Relaxation of condition for inapplicability of value addition tax under Twelfth Schedule

Value addition tax is not applicable on raw materials and intermediary goods meant for use in an industrial process which are subject to customs duty at the rate less than 16%.

The Act has relaxed the said condition and exempted the charging of value addition tax on all raw materials and intermediary goods imported by a manufacturer for in-house consumption.

# Federal Excise Act, 2005

## Table 1 of First Schedule

### FED introduced on certain goods

The Act has introduced FED on certain goods as tabled below:

S. No.	Description of goods	Tariff heading
8a	E-liquids by whatsoever name called, for electric cigarette kits	Respective heading
55C	Imported double cabin (4x4) pick-up vehicles	8704.2190, 8704.3190
55D	Locally manufactured double cabin (4x4) pick-up vehicles except the vehicles booked on or before the 30 <sup>th</sup> June 2020 subject to the restriction or conditions specified by the Board	8704.2190, 8704.3190

FED proposed to be introduced on 'Caffeinated energy drinks' at 25% of retail price has not been enacted through Finance Act.

### FED on cigarettes, cigars, cheroots and cigarillos

The Act has separately classified cigarettes from cigars, cheroots and cigarillos which were previously subjected to FED at same rate under serial No. 8 of First Schedule. The existing and enacted position is tabled below:

### Existing

S. No.	Description of goods	Tariff heading	FED rate
8	Cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes	24.02	65% of retail price

### Enacted

S. No.	Description of goods	Tariff heading	Enacted FED rate
8	Cigarettes of tobacco or tobacco substitutes excluding locally produced cigarettes	24.02	65% of retail price or Rs. 5,200 per thousand cigarettes whichever is higher
8b	Cigars, cheroots and cigarillos of tobacco and tobacco substitute	Respective heading	65% of retail price or Rs. 10,000 per Kg whichever is higher

### FED rate changes on certain goods

S. No.	Description of goods	Tariff heading	Existing rate	Enacted rate
13	Portland cement, aluminous cement, slag cement, super	25.23	Rs. 2 per kg	Re. 1.5 per kg

S. No.	Description of goods	Tariff heading	Existing rate	Enacted rate
	sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers			
56	Filter rod for cigarettes	5502.0090	Re. 0.75 per filter rod	Re. 1 per filter rod

### Restriction on input FED claim on wastage of material

A new sub-section (2AB) has been inserted through Act which empowers the Board to impose restrictions on wastage of material on which input tax has been claimed in respect of the goods or class of goods.

### Power of tax authorities to modify orders

New Section 14C has been inserted to bind tax authorities to abide by the decision of High Court or the Appellate Tribunal on question of law in respect of cases involving similar question of law pending before the Commissioner regardless of the fact that such decisions are pending before higher appellate forum. However, if the decision of High Court or Appellate Tribunal is subsequently reversed or modified, the Commissioner shall be

empowered to modify the assessment within a period of one

Court or Appellate Tribunal in order to give effect of final decisions.

### Scope for seizure of goods and confiscation enhanced

The scope of certain provision in Section 26 and 27 regarding seizure and confiscation of goods has been broadened to cover all dutiable goods. Previously, these provisions were applicable to cigarette, beverages and un-manufactured tobacco only.

### Upward revision in Appeal fee in company and non-company cases

The mode, manner and other allied matters relating to appeal before Commissioner (Appeal) have already been provided under Federal Excise Rules, 2005. Nevertheless, the mode for filing of appeal and appeal fee with upward revision from Rs. 1,000 to Rs. 2,500 for non-company cases and Rs. 5,000 for company has now been included under Section 33.

### Commissioner (Appeal) empowered not to admit any evidence in appeal if not already produced

The Commissioner (Appeal) has been empowered not to admit any documentary material or evidence during the hearing if not already produced by the

appellant before the assessing officer at the time of adjudication without any sufficient cause.

### Appeal before Appellate Tribunal

The Act has provided that appeal filed before Appellate Tribunal shall be decided as per procedures laid down under Section 131 and 132 of the Income Tax Ordinance, 2001 and rules made thereunder.

### Streamlining provisions of Alternative Dispute Resolution [ADRC] with that of provisions introduced in Income Tax Ordinance, 2001 and Sales Tax Act, 1990

The Act has substituted the provisions relating to ADRC to streamline the scheme and introduce similar provisions for ADRC as have been introduced in Income Tax Ordinance, 2001 and Sales Tax Act, 1990.

### Empowering the Board for selection of audit

The Board is empowered to select persons or classes of persons for audit of records and documents through computer ballot which may be random or parametric. The Board has now been empowered to keep these parameters confidential.

### Frequency of Audit enhanced

The Act has omitted subsection 10 of Section 46 which provided for conducting audit only once in three years.

### Electronic service of notices, orders etc. extended to all registered persons

Provisions relating to electronic communication of notices, orders etc. were previously applicable to limited companies. Now these provisions have been extended to all registered persons.

### Arrangement to access of information and databases on real-time

New Section 47AB has been inserted to make arrangement with National Database and Registration Authority [NADRA], Federal Investigation Agency, Bureau of Emigration and Overseas Employment, Federal and Provincial Local land and Development Authority etc. to enable provision of real time access of information and database about the taxpayer in the prescribed form and manner from such authorities to the Board.

# The Customs Act, 1969

## First Schedule

- The Bill had proposed reduction in customs duty on 90 tariff lines from 11% to 3% and 2 tariff lines from 11% to 0%. The Act has maintained such reductions except for one tariff line i.e. "Chloroparaffins liquid (3824.9980)" where the proposed reduction has not been enacted and existing rate of 11% would continue.
- The Act has reduced customs duty for following raw materials:

Description	Existing rate	Enacted rate
Feldspar (2529.1000)	3%	0%
Other aromatic hydrocarbon (2707.5000)	20%	16%
Transformer Oil (2710.1997)	16%	11%
Carbon black (other than rubber grade) (2803.0020)	20%	16%
Acetylene black (2803.0030)	3%	0%
Ammonium chloride (2827.1000)	3%	0%
Formic acid (2915.1100)	20%	16%
Vinyl acetate (2915.3200)	3%	0%
Adipic acid, its salts and esters (2917.1200)	3%	0%
Tanning substances, tanning preparations based on chromium sulphate (3202.9010)	20%	16%
<b>Disperse dyes and preparations based thereon:</b>		

Description	Existing rate	Enacted rate
Powdered (3204.1110)	16%	3%
Liquid (3204.1120)	16%	11%
<b>Pigments and preparations based thereon:</b>		
Powdered (3204.1710)	16%	3%
Liquid (3204.1720)	16%	11%
Aluminum paste and powder (3212.9010)	16%	11%
Greases (3403.1910)	20%	16%
Shoe adhesives (3506.9110)	16%	11%
Gum Rosin (3806.1010)	3%	0%
Preparations of a kind used as cores or coatings for welding electrodes or rods (3810.9010)	3%	0%
Styrene- acrylonitrile (SAN) copolymers (3903.2000)	3%	0%
Poly(methylene phenyl isocyanate) (crude MDI, polymeric MDI) (3909.3100)	20%	3%
Silicones in primary forms (3910.0000)	3%	0%
Petroleum resins (3911.1010)	20%	16%
Of polyurethanes (3921.1300)	20%	16%
Vulcanised rubber thread and cord. (40.07 and headings related thereto)	20%	16%
Unbleached (4804.2100)	16%	3%
Other (4804.2900)	16%	3%
Refractory products of a kind used in industrial ovens, kilns and furnaces (6903.9010)	16%	11%
Aluminium slugs (7616.9920)	20%	16%

Description	Existing rate	Enacted rate
Buckle (8308.9020)	20%	16%
Pressure-reducing valves (8481.1000)	16%	11%
<b>Electrical transformers, static converters (for example, rectifiers) and inductors (85.04)</b>		
Having a power handling capacity not exceeding 1 kVA (8504.3100)	20%	16%
<b>Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (85.35)</b>		
Up to 17.5 kV (8535.2110)	20%	3%
<b>Liquid crystal devices not constituting articles (90.13)</b>		
Other devices, appliances and instruments (9013.8000)	3%	0%
Liquid meters (9028.2000)	20%	0%

- The Act has increased customs duty for following raw materials:

Description	Existing rate	Enacted rate
Submersible motors of stainless steel (8501.5210)	3%	11%
Modular clean room panels (9406.9050)	3%	20%

- The Act has introduced following new tariff headings alongwith rates of customs duty to be

levied thereon although these were not proposed in the Bill.

Description	Enacted rate
Components for the assembly/manufacture of road tractors for semi-trailers (Electric Prime Movers), in any kit form (8701.2050)	20%
Road Tractors for semi-trailers (Electric Prime Movers) (8701.2060)	20%
Components for the assembly/manufacture of electric auto rickshaw, in any kit form (8703.8020)	50%
Electric auto rickshaw (CBU) (8703.8030)	50%
Components for the assembly/manufacture of Electric trucks, in any kit form (8704.9020)	30%
Electric trucks (CBU) (8704.9030)	30%
Components for the assembly/manufacture of electric motorcycles, in any kit form (8711.6030)	50%
Electric motorcycles (CBU) (8711.6040)	50%
Components for the assembly/manufacture of 3-wheeler electric loader, in any kit form (8711.6050)	50%
3-Wheeler electric loader (CBU) (8711.6060)	50%

## Zero rate Customs Duty through Chapter 99

### Tariff Heading 9903

- The Act has enacted zero-rate for goods imported by the foreign airlines under Air Services Agreements signed by the Aviation Division, Cabinet Secretariat, Government of Pakistan with other countries on the basis of

reciprocity and duly concurred by the Federal Board of Revenue.

### *Tariff Heading 9917*

- Under serial No. (2), the Act has substituted plant & machinery with capital goods as defined in the preamble of the Part-I of the Fifth Schedule to the Customs Act for the purpose of zero rating.

The Act also included Co-developer for the purpose of zero-rating subject to certain conditions.

Under serial No. (3)(i), the Act has included zero-rating for Gwadar International Terminals Limited and Gwadar Marine Services Limited and their contractors and sub-contractors exclusively for construction and operation of the terminals and the Free Zone Area for a period of forty (40) years.

- Under serial No. (3)(ii), the Act has enacted that the Ship bunker oils imported by the Concession holder for the sole purposes of supplying fuels and lubricants to all visiting ships including foreign and local and fishing vessels at Gwadar Port for a period of forty (40) years for zero-rating. Presently, supplying of fuel & lubricants is restricted to only the ships used in the port & its terminal.

- Serial No. (3)(iv) has been substituted by the Act to elaborate and explain the zero-rating as under:

Imports by the following businesses to be established in the Gwadar Free Zone Area for a period of 23 years with effect from 1st July, 2016, packaging, distribution, stuffing and de-stuffing, CFS, container yard, warehousing including cool and cold rooms, transshipment, labelling, light end assembly and re-assembly, imports and exports/value added exports, value adding of imports, other similar or related businesses activities and such commercial activities as are required to support the free zone.

### *Tariff Heading 9925*

- The Act has introduced following items for the purpose of zero-rating:

Dietetic foods for medicinal purposes, subject to submission of provisional enlistment certificate duly issued under the Drug Regulatory Authority Act, 2012 (XXI of 2012), and the rules made thereunder, by the Drug Regulatory Authority of Pakistan.

### *Tariff Heading 9939*

- The Act has included Diagnostic kits for the Cancer and Corona Virus for the purpose of zero-rating.



## Fifth Schedule (Reduced rates)

New insertion

Part I

S. No	Description	Duty Rate	Conditions
36	Machinery, equipment and other project related items for setting up of Submarine Cable Landing stations		If imported by Internet Service providers registered under the Sales Tax Act 1990, duly certified by the Ministry of Information Technology and Telecommunication and Pakistan Telecommunication Authority (PTA), and subject to annual quota determination by the Input Output Co-efficient Organization (IOCO).
	(i) Tubes Pipes and hollow profiles of cast iron (7303.0000)	0%	
	(ii) Articles of non-malleable cast iron (7325.1000)	0%	
	(iii) Static Converters (8504.4090)	0%	
	(iv) Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus (8517.6290)	0%	
	(v) Optical fiber Cables (8544.7000)	0%	
37	Other Electric	11%	If imported by

S. No	Description	Duty Rate	Conditions
	Conductors exceeding 32000 V (8544.6090)		manufacturers of transformers, registered under the Sales Tax Act 1990.

Part II (Table C)

S. No.	Description	Duty Rate
34	Meglumine antimonite (3004.9099)	0%

Part III

S. No.	Description	Duty rate
119	Organic composite solvents and thinners, not elsewhere specified or included; prepared paint or varnish removers, if imported by manufacturer of Butyl Acetate (3814.0000)	5%
120	Plasticised (Poly Vinyl Chloride), if imported by manufacturer of disposable syringes and saline infusion sets (3904.2200)	0%
121	Other saturated Polyesters, if imported by manufacturer of interlining/buckram (3907.9900)	5%
122	(i) Skimmed milk powder (0402.1000)	0%
	(ii) Chickpeas (0713.2010)	
	(iii) Soyabean oil (1507.9000)	
	(iv) Palm Olein (1511.9030)	
	(v) Hydrogenated vegetable fats (1516.2010)	

S. No.	Description	Duty rate
	(vi) Malto dextrins (1702.9030)	
	(vii) Premixes of vitamins and minerals (2106.9090)	
	(viii) Emulsifier (3404.9090)	
	(ix) Antioxidant (3824.9999)	
	If imported by manufacturer of Ready to Use Supplementary Foods (RUSF), duly authorized by United Nations World Food Program (UNWFP)	

#### Condition

The above goods shall be imported by manufacturer registered under the Sales Tax Act, 1990, subject to annual quota determination by Input Output Co-efficient Organization (IOCO).

#### Part V(A) – Table-I

S. No.	Description	Duty rate
1	Electric auto rickshaw	50% of the prevailing tariff rate of customs duty as specified in the First Schedule to the Customs Act, 1969
2	3-Wheeler electric loader	
3	Electric motorcycle	
4	Electric buses	1%
5	Electric trucks	1%
6	Electric prime movers	1%

#### Condition

The goods described in serial No. 1, 2 and 3 shall be imported with the condition that the concession shall be admissible for a period of 5 years with effect from 1 July 2020, on import of 10 electric vehicles (CBU) of the same variant to be assembled/manufactured of the goods specified in serial No. 1, 2 and 3 to the extent of maximum 200 units, to 2-3 wheeler segment, duly approved/certified by the Engineering Development Board (EDB) and in case of any violation, it shall be intimated to FBR immediately.

#### Part V(A) – Table-II

S. No.	Description	Duty rate
1	Electric auto rickshaw (8703.8030)	1%
	(i) Following EV specific components for assembly / manufacturing in any kit form (CKD):-	(notwithstanding the rate of customs duty on these items as specified in the First Schedule to the Customs Act, 1969)
	(a) Batteries other than lead acid (85.07)	
	(b) Battery charger (8504.4020)	
	(c) Controller (8542.3100)	
	(d) Electric Motor (8501.3290)	
	(e) Three connection terminal (8504.9090)	
	(f) Converter (8502.4000)	
	(g) Signal Hook (8504.9090)	
	(ii) Component for assembly / manufacturing in any kit from (CKD) Non-localized parts.	15%

S. No.	Description	Duty rate
	(iii) Component for assembly / manufacturing in any kit form (CKD) Localized parts	15% plus additional Customs Duty levied under SRO 693(I)/2006 dated 1 July 2006
2	3-Wheeler electric loader (8711.6060)	1%
	(i) Following EV specific components for assembly / manufacturing in any kit form (CKD):-	(notwithstanding the rate of customs duty as specified in the First Schedule to the Customs Act, 1969)
	(a) Batteries other than lead acid (85.07)	
	(b) Gear (8483.4019)	
	(c) Electric motor with axle (8501.3290)	
	(d) Controller (8542.3100)	
	(e) Power Switch (8536.5029)	
	(f) Electric auto cut (8504.9090)	
	(g) Battery Charger (8504.4020)	
	(h) Battery Charger (8504.4020)	
	(i) Junction Box (8536.4910)	
	Component for assembly / manufacturing in any kit from (CKD) Non-localized parts.	15%
	Component for assembly / manufacturing in any kit from (CKD) Non-localized parts.	15% plus Additional Customs Duty levied under SRO 693(I)/2006 dated 1 July

S. No.	Description	Duty rate
		2006
3	Electric motorcycle (8711.6040)	
	(i) Following EV specific components for assembly / manufacturing in any kit form (CKD):-	1% (notwithstanding the rate of customs duty as specified in the First Schedule to the Customs Act, 1969)
	(a) Electric Motor (8501.3290)	
	(b) Battery Charger (8504.4020)	
	(c) Switches (8536.5020)	
	(d) Junction Box (8536.4910)	
	(e) Controller (8542.3100)	
	(f) Converter (8454.1000)	
	(g) Batteries other than lead acid (85.07)	
	(ii) Component for assembly / manufacturing in any kit from (CKD) Non-localized parts.	15%
	(iii) Component for assembly / manufacturing in any kit form (CKD) Localized parts	15% plus Additional Customs Duty levied under SRO 693(I)/2006 dated 1 July 2006
4	Electric Buses (8702.4090)	
	- Components in any kit form (CKD) (8702.4010)	1%
5	Electric Trucks (8704.9030)	
	- Components in any kit form (CKD) (8702.4010)	1%
6	Electric Prime Movers (8701.2060)	

S. No.	Description	Duty rate
	- Components in any kit form (CKD) (8701.2050)	1%
	-	

### Condition

The concession shall be admissible on import of CKD kits to manufacturers of above goods for a period of five years with effect from 1 July 2020 subject to certification and quota determination by the Engineering Development Board (EDB) and subject to the conditions as mentioned at Para-2 of SRO 656(I)/2006 dated 22 June 2006.

### Part V(A) – Table-III

S. No.	Description	Duty rate	Condition
1	Plant and machinery specifically designed for use in manufacturing of electric vehicles	0%	(i) The concession shall be admissible on one-time basis for setting up the new assembly and/or manufacturing facility of electric vehicles, and for expansion in the existing units, duly approved/ certified, by the Engineering Development Board (EDB). (ii) The concession shall be admissible to manufacturers of

S. No.	Description	Duty rate	Condition
			the electric vehicles specified in column (2) of Table-II above, subject to certification by EDB that the plant & machinery is specifically designed for use in setting up of electric vehicle manufacturing only.
2	Import of inputs for manufacturing of EV specific parts, as mentioned against S. No 1, 2 and 3 of Table-II, by vendors and OEMs of EV manufacturing	0%	(i) The concession shall be admissible to manufacturers and vendors of EV specific parts, subject to certification and quota determination by EDB. (ii) The concession shall be admissible subject to the conditions mentioned under SRO 655(I)/2006 dated 22 June 2006
3	Import of CBU charges with CKD kits for electric vehicles as specified in column 2 of Table-II	1% (notwithstanding the rate of customs duty as specified in the First Schedule to Customs	The concession shall be admissible on the CBU chargers imported with CKD kits of 2-3 wheelers and HCV vehicles specified in Table-II, subject to EDB certification

S. No.	Description	Duty rate	Condition
		Act, 1969	

### Part VI

S. No.	Description	Duty rate	Condition
7	Aircraft engine (8407.1000)	5%	For use in aircraft and trainer aircraft.

### Change in rate / description

#### Part I

Under serial no. 26, zero-rating for import of plant, machinery and equipment for setting up new industries in erstwhile FATA was available upto 30 June 2020. The Act has extended this facility upto 30 June 2023.

#### Part III

S. No.	Description	Existing rate	Proposed rate
96	Coils of aluminum alloys subject to the certain conditions met by local manufacturer of aluminium beverage cans (7606.9290)	5%	0%
116 (xiii)	Glass board for manufacturing TV panels (LCD, LED, OLED, HDI etc) (8529.9090)	10%	0%

### Definition

Presently, "advance ruling" is defined to mean classification determined by the Board or any officer or committee authorized by the Board for the assessment of the goods intended to be imported or exported.

The Act has amended the definition to include determination of classification, origin or applicability of a particular relief or exemption on goods prior to their importation or exportation for a specified period.

### General power to exempt from customs duties

An amendment has been made in section 19, so as to provide legal cover to notifications issued by the Federal Government under this section upto 30 June 2021.

### Minimal duties not to be demanded

The Act has substituted section 19C in a manner that where the value of imported goods does not exceed Rs. 5,000, no duties and taxes shall be demanded subject to certain conditions and restrictions as may be prescribed by the Board under the rules.

### Fiscal fraud

The Act has inserted new clause in section 32A to take cognizance of the offence of under-invoicing or

over-invoicing and proceedings shall accordingly be initiated under this section subject to conditions or limitations as may be prescribed by the Board under the rules.

### Checking of goods declaration by the Customs

Section 80(3) states that if during the checking of goods declaration, it is found that any statement in the declaration is not correct relating to the assessment, the goods shall be reassessed to duties, taxes and other charges levied thereon.

The Act has inserted a proviso whereby now opportunity of being heard shall be provided to the importer through Customs Computerized System in the case of reassessment.

### Orders of Appellate Tribunal

Under section 194-B the Appellate Tribunal is required to decide the appeal within 60 days or within such extended period as the Tribunal may, for reasons to be recorded in writing fix.

The Act has amended section 194-B to provide that in the case of smuggling, appeals shall be decided within a period of 30 days.

### Alternative dispute resolution

The Act has amended various provisions of section 195C regarding Alternative Dispute Resolution. The salient features of the amendments are as under:

- In lieu of retired judge, any person shall be nominated by the Board from a panel notified by the Board.
- The condition that the aggrieved person or the concerned Collector under Alternative Dispute Resolution shall withdraw the appeal pending before any court of law is no more applicable.
- The Board shall communicate the order of appointment of Committee to the court of law or the appellate authority.
- The decision of the Committee shall be binding on the Collector when the aggrieved person, after satisfying with the decision of the Committee, has withdrawn the appeal pending before the court of law or any appellate authority. In case the withdrawal order is not communicated to the Collector within sixty days from the service of the decision of the Committee, the decision of the Committee shall not be binding on the Collector.

### Authorized economic operator programme

Under section 212A, the Federal Government may devise authorized economic operator programme to provide facilitations relating to secure supply chains of imported and exported goods through simplified procedures.

Now, the Act has empowered the Board to grant benefits to the authorized economic operators which includes -

- (a) laying down any procedure or mode for collection of customs duties, fee, etc.
- (b) deferring collection of customs duties, fees, etc. either in whole or in part.
- (c) condoning or substituting whole or part of the bank guarantee or pay order with any other financial instrument.

The above benefits shall be provided by the Board under the rules subject to the conditions, limitation or restrictions to be made thereunder.

### Advance ruling

The Bill proposed to introduce new section 212B, whereby an applicant desirous of obtaining advance ruling shall make an application stating any of the following questions for the purpose of advance ruling:

- (a) classification of goods
- (b) determination of origin of the goods
- (c) applicability of notifications issued in respect of duties under the Customs Act or any tax or duty chargeable under any other law for the

time being in force as duty of customs leviable under Customs Act.

- (d) any other matter as the Board may specify by notification.

It was also proposed that the advance ruling shall be binding on the applicant as well as on the customs collectorates.

The Act, while incorporating the above proposals, has provided the following:

- The proceedings for issuance of ruling shall be completed within ninety days.
- The Ruling shall be binding on the Customs for one year unless there is a change in law or facts or circumstances, on the basis of which the advance ruling was pronounced.
- An appeal against the Ruling can be filed before the Member Customs (Policy) within thirty days of issuance of Ruling. However, during this period of thirty days, the operation of Ruling shall remain suspended unless the applicant accepts the Ruling.

### Offences and penalties

The Act has substituted serial No. 8(i) and (iii) under section 156 as under:

S. No.	Offences	Penalties	Imprisonment
(i)	Where any goods be smuggled into or out of Pakistan and if the value of goods is:	Such goods shall be liable to confiscation and the person shall be liable to	
	(a) PKR 500,001 to 3,000,000	Not exceeding the value of the goods	Not exceeding two years
	(b) PKR 3,000,001 to 5,000,000	Not exceeding two times the value of the goods	Not exceeding three years but not less than two years.
	(c) PKR 5,000,001 to 7,500,000	Not exceeding three times the value of the goods	Not exceeding five years but not less than two and half years.
	(d) PKR 7,500,001 to 10,000,000	Not exceeding four times the value of the goods	Not exceeding ten years but not less than three years.
	(e) Exceeds PKR 10,000,000	Not exceeding five times the value of the goods	Not exceeding fourteen years but not less than five years alongwith forfeiture of movable and immovable property
(iii)	If the smuggled or prohibited goods comprise currency, gold, silver, platinum or precious stones in any	such currency or goods shall be liable to confiscation and any person concerned in the offence shall be liable to-	

S. No.	Offences	Penalties	Imprisonment
	form. If the value of currency or goods is:		
	(a) Up US\$ 10,000	Not exceeding value of goods	Not exceeding two years
	(b) US\$ 10,001 to 20,000	Not exceeding two times the value of the goods	Not exceeding three years but not less than two years.
	(c) US\$ 20,001 to 50,000	Not exceeding three times the value of the goods	Not exceeding five years but not less than two and half years.
	(d) US\$ 50,001 to 100,000	Not exceeding four times the value of the goods	Not exceeding ten years but not less than three years.
	(e) Exceeds US\$ 100,000	Not exceeding five times the value of the goods	Not exceeding fourteen years but not less than five years alongwith forfeiture of movable and immovable property





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