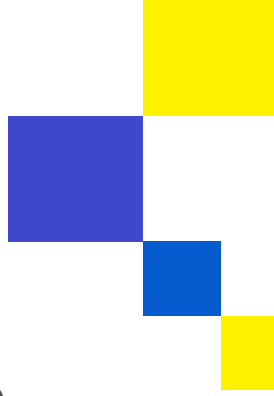


# COMMENTS ON FINANCE BILL, 2023



REANDA HAROON ZAKARIA  
ASSOCIATES

LEGAL & LITIGATION | TAX & CORPORATE LEGAL CONSULTANTS |  
TRANSACTION & FINANCIAL ADVISORY

## COMMENTS ON FINANCE BILL – 2023

The information contained in this document has been prepared on the basis of **Finance Bill 2023** (the “Bill”) and is not intended for advice on any particular matter. No person should act on the basis of any matter contained in this publication without seeking appropriate professional advice. The amendments proposed by this Bill will become effective from **1<sup>st</sup> July 2023** unless specified otherwise after having been enacted as **Finance Act 2023** with or without modification.

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**REANDA HAROON ZAKARIA ASSOCIATES**

**June 10, 2023**



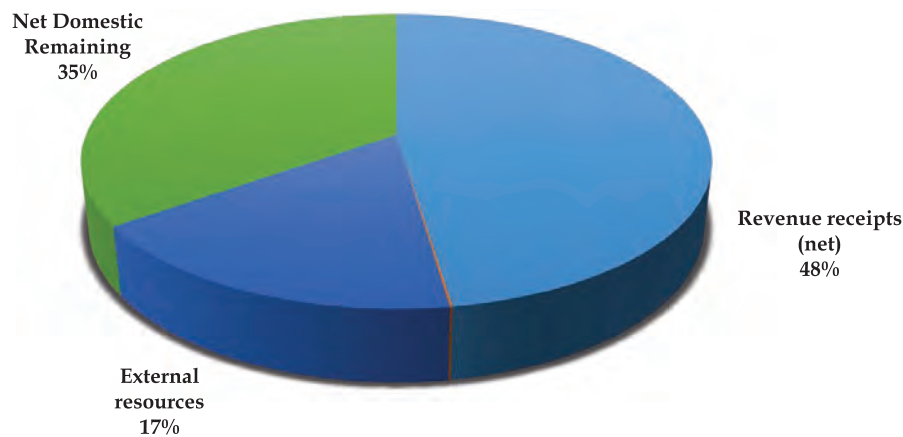
## **BUDGET 2023** **AT A GLANCE**

=== Rupees in Billion ===  
**2023-24**      **2022 -23**  
                          **Revised**

### **RESOURCES**

#### **Internal resources**

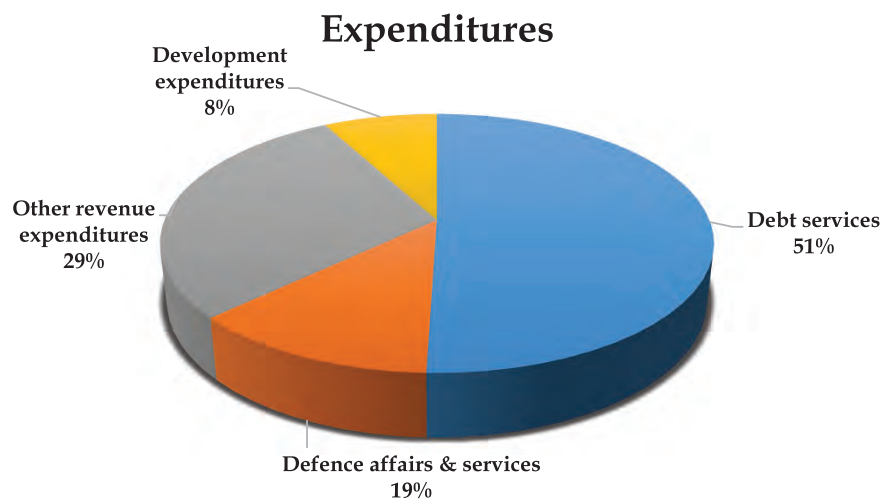
Revenue receipts (net)		
Direct tax	3,759	2,851
Indirect tax	5,441	4,349
Non tax revenue	2,963	1,618
Less: Provincial share	(5,276)	(4,129)
Privatization Proceeds	15	-
	<b><u>6,902</u></b>	<b><u>4,689</u></b>
External resources	<b><u>2,527</u></b>	<b><u>3,324</u></b>
	<b><u>9,429</u></b>	<b><u>8,013</u></b>
Net Domestic Remaining	<b><u>5,031</u></b>	<b><u>3,081</u></b>
	<b><u>14,460</u></b>	<b><u>11,094</u></b>



### **EXPENDITURES**

Current expenditures	13,320	10,527
Development expenditures (PSDP)	1,140	567
	<b><u>14,460</u></b>	<b><u>11,094</u></b>

	=== Rupees in Billion ===	
	<u>2023-24</u>	<u>2022 -23</u>
		<u>Revised</u>
<b><u>Revenue Receipts (Gross)</u></b>		
Direct tax	3,759	2,851
Indirect tax		
Customs	1,178	1,084
Sales Tax	3,538	2,808
Federal Excise	725	457
	<u>9,200</u>	<u>7,200</u>
<b><u>EXPENDITURES</u></b>		
Debt services	7,303	5,520
Defence affairs & services	1,804	1,587
Other revenue expenditures	4,213	3,420
	<u>13,320</u>	<u>10,527</u>
Development expenditures	1,140	567
	<u>14,460</u>	<u>11,094</u>





# FINANCE BILL 2023

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SALIENT FEATURES**FINANCE BILL 2023**

*The purpose of this bill is to make financial provisions for the year beginning on the first day of July, 2023 and it shall come into force on the first day of July, 2023.*

INCOME TAX ORDINANCE, 2001

- Seeks to include bonus shares under definition of income subject to tax @ 10% as final discharge of tax liability.
- Seeks to enhance the limit of foreign remittance from abroad upto US \$ 100,000 in a tax year without explaining source of income.
- Seeks to enhance the scope of definition of permanent establishment.
- Seeks to broaden the definition of SME by including IT & IT enabled services.
- Seeks to re-adjust tax rate table in case of levy of super tax.
- Seeks to allow exemption from income tax in respect of qualified investment.
- Seeks to provide tax credit for construction of a new house by an individual.
- Seeks to enhance scope of associate persons.
- Seeks to extend exemption in case of FATA/PATA upto 30<sup>th</sup> June 2024.
- Seeks to extend exemption in case of sale of immovable property to any REIT scheme upto tax year 30<sup>th</sup> June 2024.
- Seeks to allow exemption from income tax in case of SMES as agro based industry in rural area for the period of five tax years.
- Seeks to allow tax credit in case of builder registered with Directorate General of Designated Non-Financial Business & Professions for tax years 2024 to 2026.
- Seeks to allow tax credit on income in case of youth enterprises for tax years 2024 to 2026.

## SALIENT FEATURES

- Seeks to authorize National Clearing Company of Pakistan Limited to collect super tax on capital gain.
- Seeks to introduce concept of taxability in case of unexpected income.
- Seeks to include super tax liability for the purpose computation of advance tax.
- Seeks to impose withholding tax @ 0.6% on account of cash withdrawal from bank exceeding Rs.50,000/- in a single day in case of person not appearing in the list of Active Taxpayer List.
- Seeks to enhance rate of withholding tax in case of various categories.
- Seeks to reduce turnover tax to 1% in case of listed company.
- Seeks to collect advance tax on foreign domestic workers.
- Seeks to exempt non-resident individuals holding POC-NICOP and CNIC for collection of withholding tax on purchase of property.

### SALES TAX ACT, 1990

- ☞ Seeks to enhance scope of Tier-I retailers, by removing ceiling of area.
- ☞ Seeks to exclude the persons engaged in the supply of articles of jewelry, precious metals or metal clad with precious metals, from the ambit of Tier-I Retailers.
- ☞ Seeks to charge sales tax at zero rate, on certain supply under the Foreign Investment (Promotion and Protection) Act, 2022.
- ☞ Seeks to charge sales tax at zero rate on other drawing, marking out or mathematical calculating instruments (Geometry Boxes).
- ☞ Seeks to expand zero-rate sales tax regime on local supply of commodities under Export Facilitation Scheme, 2021.
- ☞ Seeks to exempt sales tax on supply of Red Chilies, Ginger and Turmeric, other than sold under Brand name or trademark.
- ☞ Seeks to exempt chargeability of sales tax on Blood Bag CPDA-1 with blood transfusion set packed or not packed in aluminum foil.
- ☞ Seeks to exempt chargeability of sales tax on supplies in tribal areas, as defined in the Constitution of Islamic Republic of Pakistan, till 30th June 2024.
- ☞ Seeks to exempt chargeability of sales tax on supply of electricity, to all residential and commercial consumers in tribal areas, till 30th June 2024.
- ☞ Seeks to withdraw exemption of sales tax on import of auto disabled syringes and respective raw materials (being Tubular metal needles & Rubber Gaskets).
- ☞ Seeks to exempt chargeability of sales tax on Contraceptive (and accessories thereof), Bovine semen, saplings, Combined Harvester Thresher, Dryer for agricultural products and No-till-direct (seeder, planters and trans-planters).



## SALIENT FEATURES

- ☞ Seeks to exempt chargeability of sales tax on imported goods, by Software exporters registered with the Pakistan Software Export Board.
- ☞ Seeks to exempt chargeability of sales tax on supply of Yogurt, Butter, Desi Ghee, Cheese, processed cheese, products of meat or meat offal, meat (bovine animals, sheep, goat and uncooked poultry meat) and fish & crustaceans, other than sold under brand name or trademark.
- ☞ Seeks to enhance rate of chargeability of sales tax from twelve percent to fifteen percent on supplies (i.e., finished fabric, and locally manufactured finished articles of textile and textile made ups and leather and artificial leather), made by retail outlets, as are integrated with Board's computerized system for real-time reporting of sales.
- ☞ Seeks to include Medicaments (except filled infusion solution bags, scrubs, detergents, washing preparations, soft soap or no soap, adhesive plaster, surgical tapes, liquid paraffin, disinfectants, cosmetics and toilet preparations), under serial no 81 of the Eighth Schedule to the Sales Tax Act, 1990 to charge sales tax @ 1%, effective from the 01st day July 2022.
- ☞ Seeks to amend conditions on import of raw materials to manufacture pharmaceutical products, for the purpose of levy of sales tax @ 1%, effective from the 01st day July 2022.
- ☞ Seeks into force from the first day of July, 2023.

### FEDERAL EXCISE ACT, 2005

- ☞ Seeks to impose Federal Excise Duty at Rs. 2,000 per item of Energy inefficient fans both locally manufactured and imported which do not comply with the MEPS, notified by PSQCA.
- ☞ Seeks to impose Federal Excise Duty at 20% ad valorem on Incandescent bulbs both locally manufactured and imported.
- ☞ Seeks to impose Federal Excise Duty at 10% on Franchise services, royalty and fee for technical services in Islamabad Capital Territory.
- ☞ Seeks to exempt Federal Excise Duty on import and supply made in case of qualified investment as specified under the Foreign Investment (Promotion and Protection) Act, 2022.
- ☞ Seeks to exempt Services provided or rendered in case of qualified investment as specified under the Foreign Investment (Promotion and Protection) Act, 2022.

## SALIENT FEATURES

### CUSTOM ACT, 1969

- ☞ Seeks to Exempt Customs duties on various brands of papers, Art card and board for Printing of Holy Quran and raw material of raw materials of Diapers, Sanitary Napkins and Adhesive Tape, raw materials of Hemodialyzers fluid / powder, machinery and equipment imported by erstwhile FATA areas till June, 2024 including raw material for manufacturing of Moulds and Dies.
- ☞ Seeks to exempt raw materials/ inputs for Mining and Rice mill machinery including machine tools.
- ☞ Seeks to exempt customs duty on import of seeds for sowing to promote growth in agricultural sector and also on import of shrimps/prawns/juvenile for breeding in commercial fish farms and hatcheries.
- ☞ Seeks to exempt customs duty on roasted peanuts for manufacturing of ready to use supplementary foods (RUSF) by World Food Program certified manufacturers.
- ☞ Seeks to reduce additional customs duties on import of intermediary/ industrial inputs falling under 10 PCT codes, non-localized (CKD) of Heavy Commercial Vehicles (HCVs) and pet scrap for manufactures of polyester filament yarn.
- ☞ Seeks to provide different incentive packages to various industries including pharma sector, solar panels, invertors, and its batteries in order to further encourage the process of industrialization and investment in agriculture sector, in field of Energy efficiency & Conservation as well as Promotion of Information Technology (IT) and IT enabled services.
- ☞ Seeks to increase customs duties on Carbides of Calcium to protect the local industry and on import of articles of glass to protect the local industry.
- ☞ Seeks to increase Export Regulatory Duty on the export of Molasses from 10% to 15%

- ☞ Seeks to align Part (V) of Fifth Schedule to the Customs Act with Auto Industry Development and Export Policy (AIDEP) 2021-26.
- ☞ Seeks to remove regulatory duty on secondhand clothing, fish, tiles, sports goods, IT related equipment, Synthetic Filament Yarn of Polyester not manufactured locally, flat panels, monitors, projectors, and Silicon Steel Sheets.
- ☞ Seeks to rationalize different Tariff Headings and various penal provisions of the Customs Act.
- ☞ Seeks to withdraw fixed duties and taxes on import of old and used vehicles of Asian Makes above 1300 CC under SRO 577(I)/2005.
- ☞ Seeks to enhance the warehousing period for perishable goods from one month to three months.

### **SALES TAX ON SERVICES (Islamabad Capital Territory)**

- ☞ Seeks to allow exemption from sales tax on services, in case of IT and IT enabled services being "Cottage Industries".
- ☞ Seeks to adopt chargeability of sales tax at zero-rate, on certain services under the Foreign Investment (Promotion and Protection) Act, 2022.
- ☞ Seeks to reduce the chargeability of sales tax @ 5% on services, provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc, subjected to the condition that payment is received through Debit or Credit Card, mobile wallets or QR scanning, and no input tax adjustment or refund shall be admissible.
- ☞ Seeks to reduce the chargeability of sales tax from sixteen percent to fifteen percent on services provided by software or IT-based system consultants.
- ☞ Seeks to charge sales tax at fifteen percent on Electric Power Transmission services.
- ☞ Seeks to charge sales tax at five percent on IT services and IT-enabled services, subjected to the condition that no input tax adjustment or refund shall be admissible.



## INCOME TAX

*The purpose of this bill is to make financial provisions for the year beginning on the first day of July, 2023 and it shall come into force on the first day of July, 2023.*

SECTION	PRESENT POSITION	PROPOSED AMENDMENT THROUGH FINANCE BILL 2023
2(29)	<p><b>Income</b></p> <p>“income” includes any amount chargeable to tax under this Ordinance, any amount subject to collection or deduction of tax under section 148, 150, 152(1), 153, 154, 156, 156A, 233, sub-section (5) of section 234 and any amount treated as income under any provision of this Ordinance and any loss of income</p>	<p><i>The definition of income has been proposed to be enhanced to include bonus share declared to be income under section 236Z</i></p> <p>“income” includes any amount chargeable to tax under this Ordinance, any amount subject to collection or deduction of tax under section 148, 150, 152(1), 153, 154, 156, 156A, 233, sub-section (5) of section 234, <b>section 236Z</b> and any amount treated as income under any provision of this Ordinance and any loss of income.</p>
2(41)  2(41)(d)	<p><b>Permanent Establishment</b></p> <p>“permanent establishment” in relation to a person, means a fixed place of business through which the business of the person is wholly or partly carried on</p> <p>...</p> <p>the furnishing of services, including consultancy services, by any person through employees or other personnel engaged by the person for such purpose</p>	<p><i>The definition of permanent establishment has been proposed to enhance the scope of permanent establishment does not restrict to fixed place of business.</i></p> <p>“permanent establishment” in relation to a person, means a place of business through which the business of the person is wholly or partly carried on....</p> <p><i>The definition of permanent establishment has been proposed to include services from entities as well as personnel.</i></p> <p>the furnishing of services, including consultancy services, by any person through employees or other personnel <b>or entity</b> engaged by the person for such purpose</p>

2(41)(g)	<p>a fixed place of business that is used or maintained by a person if the person or an associate of a person carries on business at that place or at another place in Pakistan and</p>	<p><i>The definition of permanent establishment has been proposed to enhance the scope of permanent establishment does not restrict to fixed place of business.</i></p> <p>a place of business that is used or maintained by a person if the person or an associate of a person carries on business at that place or at another place in Pakistan and...</p>
2(59A)	<p><b>Small And Medium Enterprise</b></p> <p>“small and medium enterprise” means a person who is engaged in manufacturing as defined in clause (iv) of sub-section (7) of section 153 of the Ordinance and his business turnover in a tax year does not exceed two hundred and fifty million rupees:</p> <p>Provided that if annual business turnover of a small and medium enterprise exceeds two hundred and fifty million rupees, it shall not qualify as small and medium enterprise in the tax year in which annual turnover exceeds that turnover or any subsequent tax year</p>	<p><i>The new definition of “small and medium enterprise” has been proposed to include the service providers of IT &amp; IT enabled services and to increase the threshold of turnover from two hundred and fifty million to eight hundred million rupees.</i></p> <p>“(59A) “small and medium enterprise” means a person whose business turnover in a tax year does not exceed eight hundred million rupees and who is engaged in –</p> <ul style="list-style-type: none"> <li>(i) manufacturing as defined in clause (iv) of sub-section (7) of section 153 of the Ordinance; or</li> <li>(ii) providing or rendering IT services or IT enabled services as defined in clauses (30AD) and (30AE) of section 2:</li> </ul> <p>Provided that if annual business turnover of a small and medium enterprise exceeds eight hundred million rupees, it shall not qualify as small and medium enterprise in the tax year in which annual turnover exceeds that turnover or any subsequent tax year.”</p>
4C(5A)	<p><b>4C. Super tax on high earning persons.</b></p> <p>...</p> <p><b>NON-EXISTENT</b></p>	<p><i>The following sub-section has been proposed to be introduced to enhance the scope of advance tax u/s 147 to include Super Tax u/s 4C.</i></p> <p>“The provisions of section 147 shall apply on tax payable under this section.”</p>

39(1)(lb)	<p><b>39. Income from other sources.</b></p> <p>...</p> <p><b>NON- EXISTENT</b></p>	<p><i>The following clause has been proposed to be introduced to include bonus share received under income from other sources.</i></p> <p>(lb) income arising to the shareholder of a company, from the issuance of bonus shares;</p>
44A	<p><b>NON-EXISTENT</b></p>	<p><i>The following new section has been proposed to be inserted granting exemption to foreign investors as per specified criteria:</i></p> <p><b>"44A. Exemption under Foreign Investment (Promotion and Protection)</b></p> <p>Act, 2022 (XXXV of 2022). – (1) Taxes on income (including capital gains), withholding taxes, minimum and final taxes under the Ordinance shall be exempt to the extent provided in Second and Third Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 (XXXV of 2022) in respect of qualified investment as specified at Sr. No.1 of the First Schedule to the said Act.</p> <p>(2) All investors and shareholders of the qualified investment, their associates and companies specified in Second and Third Schedule including third party lenders on account of any loan shall also be exempt from taxes and other provisions of the Ordinance to the extent provided in Second and Third Schedule to the said Act</p> <p>(3) Provisions of the Ordinance relating to Anti-Avoidance to the extent specified in the said Act including sections 106, 106A, 108,109 and 109A shall not apply to the persons mentioned in sub-sections (1) and (2).</p>

44A	NON-EXISTENT	(4) Rates of depreciation, initial allowance and pre-commencement expenditure under sections 22, 23 and 25 as on March 20th, 2022 shall continue to be applicable for thirty years as provided in Third Schedule to the said Act in respect of persons mentioned in subsections (1) and (2).
FIRST SCHEDULE	<p align="center"><b><u>FOREIGN INVESTMENT (PROMOTION &amp; PROTECTION) ACT, 2022</u></b></p> <p align="center"><b>FIRST SCHEDULE</b></p> <p align="center"><b>QUALIFIED INVESTMENTS</b></p> <p><i>The following investments are hereby declared to be qualified investments:</i></p> <p>The Reko Diq project in the Province of Balochistan in Pakistan, which includes all work done by the Reko Diq Mining Company (Private) Limited (formerly Tethyan Copper Company Pakistan (Private) Limited) ("RMDC") and its associated companies since its date of incorporation as well as Reko Diq Phase 1, Reko Diq Phase 2 and all subsequent phases, including all roads, pipelines, power generation facilities, transmission lines, processing facilities and any other infrastructure used in or in connection with the Reko Diq project operations, and all lands and orebodies, including Tanjeel, that lie within the mining lease areas granted to RMDC, together with the lands covered by the exploration license and surface lease granted to RMDC pursuant to the Implementation Agreement to be entered into in respect of the Reko Diq project between Barrick Gold Corporation, Oil and Gas Development Company Limited, Pakistan Petroleum Limited, Government Holdings, (Private) Limited, Balochistan Mineral Resources Limited, Pakistan Minerals (Private) Limited, the Islamic Republic of Pakistan and the Province of Balochistan and in connection with the Antofagasta Exit Deed dated March 20, 2022, between the Islamic Republic of Pakistan, the Province of Balochistan and Antofagasta plc.</p>	



65I	NON-EXISTENT	<p><i>The following new section has been proposed to be inserted granting tax credit for construction of new house:</i></p> <p><b>65I. Tax credit for construction of house.</b></p> <p>(1) For tax years 2024 to 2026, a person, being an individual, shall be entitled to a tax credit for a tax year in respect of construction of a new house, provided that the said house is completed during the said tax year and completion certificate is furnished along with return.</p> <p>(2) The amount of tax credit allowed under sub-section (1) shall be lesser of –</p> <p>(a) ten percent of tax assessed to the person for the tax year; or</p> <p>(b) one million rupees.</p> <p>(3) For the purpose of this section, new house means a residential house, layout plan of which is approved by the concerned authority on or after the 1st day of July, 2023.</p>
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85(1)	<p><b>85. Associates.</b></p> <p>(1) Subject to sub-section (2), two persons shall be associates where the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person.</p>	<p><i>Sub-section (1) of section 85 has been proposed to be substituted as follows to elaborate the relationship of associates:</i></p> <p>(1) Subject to sub-section (2), two persons shall be associates where –</p> <p>(i) the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person;</p> <p>(ii) one person sufficiently influences, either alone or together with an associate or associates, the other person;</p> <p>Explanation. - For the purpose of this section, two persons shall be treated as sufficiently influencing each other, where one or both persons, directly or indirectly, are economically and financially dependent on each other and, decisions are made in accordance with the directions, instructions or wishes of each other for common economic goal; or</p> <p>(iii) one person enters into a transaction, directly or indirectly, with the other who is a resident of jurisdiction with zero taxation regime.”</p>
85(5)	<p><b>85. Associates.</b></p> <p>(5) In this section, “relative” in relation to an individual, means –</p> <p>(a) an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or</p>	<p><i>The following amendments are proposed to introduce the definition of jurisdiction with zero taxation regime</i></p> <p>(5) In this section, –</p> <p>(i) “relative” in relation to an individual, means</p>

	(b) a spouse of the individual or of any person specified in clause (a).	(a) an ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual; or  (b) a spouse of the individual or of any person specified in clause (a);  <i>(ii) jurisdiction with zero taxation regime means jurisdiction as may be prescribed</i>
99D	NON-EXISTENT	<p><i>The following new section has been proposed to be inserted to impose additional tax on income earned due to exogenic factors</i></p> <p><b>99D. Additional tax on certain income, profits and gains. -</b></p> <p>(1) Notwithstanding anything contained in this Ordinance or any other law for the time being in force, for any of the preceding five tax years from tax year 2023 and onwards, in addition to any tax charged, paid or payable under any of the provision of the Ordinance, an additional tax shall be imposed on every person who has any income, profit or gains that have arisen to any person or class of persons due to any economic factor or factors that resulted in unexpected income, profits or gains whether or not disclosed in the financial statements.</p> <p>(2) Federal Government, may through a notification in the official Gazette -</p> <p>(a) determine economic factor or factors including but not limited to international price fluctuation having bearing on any commodity price in Pakistan or any sector of the economy or difference in income, profit or gains on account of foreign currency fluctuation;</p>

		<p>(b) provide the rate not exceeding fifty percent of such income, profits or gains;</p> <p>(c) provide for the scope, time and payment of tax payable under this section in such manner and with such conditions as may be specified; and</p> <p>(d) exempt any person or classes of persons, any income or classes of income from the application of this section, subject to any condition as may be specified.</p>
111(4)	<p><b>111. Unexplained income or assets.</b></p> <p>(4) Sub-section (1) does not apply to any amount of foreign exchange remitted from outside Pakistan through normal banking channels not exceeding five million Rupees in a tax year that is en-cashed into rupees by a scheduled bank and a certificate from such bank is produced to that effect.</p>	<p><i>The maximum limit for inflow of foreign remittance under section 111 without any questions of nature and source has been proposed to be enhanced from five million rupees to rupee equivalent of one hundred thousand United States dollars</i></p> <p>(4) Sub-section (1) does not apply to any amount of foreign exchange remitted from outside Pakistan through normal banking channels not exceeding <i>rupee equivalent of one hundred thousand United States dollars</i> in a tax year that is en-cashed into rupees by a scheduled bank and a certificate from such bank is produced to that effect.</p>



113(2)(c)	<p><b>113. Minimum tax on the income of certain persons.</b></p> <p>(c) where tax paid under sub-section (1) exceeds the actual tax payable under Part I,1 [clause (1) of Division I, or] Division II of the First Schedule, the excess amount of tax paid shall be carried forward for adjustment against tax liability under the aforesaid Part of the subsequent tax year:</p> <p>Provided that if tax is paid under sub-section (1) due to the fact that no tax is payable or paid for the year, the entire amount of tax paid under sub-section (1) shall be carried forward for adjustment in the manner stated aforesaid:</p> <p>Provided further that the amount under this clause shall be carried forward and adjusted against tax liability for 3 [three] tax years immediately succeeding the tax year for which the amount was paid.]</p> <p><b>NON-EXISTENT EXPLANATION</b></p>	<p><i>The following new explanation has been proposed to be inserted:-</i></p> <p>(c) where tax paid under sub-section (1) exceeds the actual tax payable under Part I,1 [clause (1) of Division I, or] Division II of the First Schedule, the excess amount of tax paid shall be carried forward for adjustment against tax liability under the aforesaid Part of the subsequent tax year:</p> <p>Provided that if tax is paid under sub-section (1) due to the fact that no tax is payable or paid for the year, the entire amount of tax paid under sub-section (1) shall be carried forward for adjustment in the manner stated aforesaid:</p> <p>Provided further that the amount under this clause shall be carried forward and adjusted against tax liability for 3 [three] tax years immediately succeeding the tax year for which the amount was paid.]</p> <p><b>Explanation. – For the removal of doubt it is clarified that the aforesaid Part referred to in this clause means clause (1) of Division I or Division II of Part I of the First Schedule.</b></p>
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146D	<p><b>NON-EXISTENT</b></p>	<p><i>The following new section has been proposed to be introduced for recovery of liability outstanding under other law</i></p> <p><b>146D. Recovery of liability outstanding under other laws.</b></p> <p>(1) Where any outstanding liability in or under any other statute or law for the time being in force, in respect of any defaulter is –</p> <p>(a) treated as Income Tax arrears in that law;</p> <p>(b) required to be recovered or collected by Commissioner (Inland Revenue); or</p> <p>(c) is referred to Commissioner (Inland Revenue) for the recovery – the Commissioner (Inland Revenue) shall recover the said liability and deposit the receipts in the designated account specified in that law</p>
147(4)(b)	<p><b>147. Advance tax paid by the taxpayer.</b></p> <p>Explanation.- For removal of doubt it is clarified that tax assessed includes tax under sections 113 and 113C</p>	<p><i>The following amendment has been proposed to enhance the scope of advance tax u/s 147 to include Super Tax u/s 4C.</i></p> <p>Explanation.- For removal of doubt it is clarified that tax assessed includes tax under sections <b>4C</b>, 113 and 113C.</p>
147(4AA)	<p><b>147. Advance tax paid by the taxpayer.</b></p> <p>Tax liability under sections 113 and 113C shall also be taken into account while working out payment of advance tax liability under this section.</p>	<p><i>The following amendment has been proposed to enhance the scope of advance tax u/s 147 to include Super Tax u/s 4C.</i></p> <p>Tax liability under sections <b>4C</b>, 113 and 113C shall also be taken into account while working out payment of advance tax liability under this section.</p>

147(4B)	<p><b>147. Advance tax paid by the taxpayer.</b></p> <p><b>NON-EXISTENT EXPLANATION</b></p>	<p><i>The following new explanation has been proposed to be added to clarify tax payable u/s 4C for the purposes of calculating the advance tax payable.</i></p> <p>Explanation. – For removal of doubt, it is clarified that tax assessed includes tax liability under section 4C.</p>
152(5A)	<p><b>152. Payments to non-residents.</b></p> <p>...</p> <p>(5A) The Commissioner on receipt of notice shall, within thirty days, pass an order accepting the contention or making the order under sub-section (6).</p> <p><b>NON-EXISTENT PROVISOS</b></p>	<p><i>The following new provisos have been proposed to be added to provide for automatic issuance of exemption certificate upon expiry of thirty days.</i></p> <p>(5A) The Commissioner on receipt of notice shall, within thirty days, pass an order accepting the contention or making the order under sub-section (6).</p> <p><i>“Provided that the Commissioner shall be deemed to have issued the exemption certificate upon the expiry of thirty days and the certificate shall be automatically processed and issued by Iris subject to the condition that in computing the said period of thirty days, there shall be excluded days taken for adjournment by the applicant:</i></p> <p><i>Provided further that the Commissioner may modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing after providing an opportunity of being heard.</i></p>

154(3B)	<p><b>154. Exports</b></p> <p>...</p> <p>(3B) Every direct exporter and an export house registered under the Duty and Tax Remission for Exports Rules, 2001 provided in Sub-Chapter 7 of Chapter XII of the Customs Rules, 2001 shall, at the time of making payment for a firm contract to an indirect exporter defined under the said rules, deduct tax at the rates specified in Division IV of Part III of the First Schedule</p>	<p><i>The following expression has been proposed to be amended:-</i></p> <p>(3B) Every direct exporter and an export house registered under the Duty and Tax Remission for Exports Rules, 2001 provided in Sub-Chapter 7 of Chapter XII of the Customs Rules, 2001 <b>and Export Facilitation Scheme, 2021</b> shall, at the time of making payment for a firm contract to an indirect exporter defined under the said rules, deduct tax at the rates specified in Division IV of Part III of the First Schedule</p>
154A	<p><b>154A. Export of Services.</b></p> <p>...</p> <p>(2)(b) sales tax returns under Federal or Provincial laws have been filed, if required under the law;</p> <p><b>NON-EXISTENT PROVISIO</b></p>	<p><i>The following new proviso has been proposed to be added to relax the condition of filing of sales tax return for exporters of IT &amp; IT enabled services.</i></p> <p>(b) sales tax returns under Federal or Provincial laws have been filed, if required under the law;</p> <p><b><i>Provided that this condition shall not apply in case of an exporter mentioned in clause (a) of sub-section (1) of this section</i></b></p>
164A	<p><b>164A. Payment of tax collected or deducted by SWAPS agents.</b></p>	<p><i>The marginal note has been proposed to be amended as follows:-</i></p> <p><b>164A. Settlement of transactions liable to Withholding Tax by SWAPS agents</b></p>
168	<p><b>168. Credit for tax collected or deducted.</b></p> <p>.....</p> <p>(3)....</p>	<p><i>The following new clause has been proposed to be added in the following sub-section</i></p> <p><b>168. Credit for tax collected or deducted.</b></p> <p><b>(3)....</b></p> <p><b><i>“(k) sub-section (7) of section 236Z</i></b></p>

169(1)(b)	<p><b>169. Tax collected or deducted as a final tax.</b></p> <p>(1)...</p> <p>(b) the tax required to be deducted is a final tax under sub-section 1E of section 152, 152A, sub-section (4) of section 154, sub-section (2) of section 154A sub-section (3) of section 156, sub-section (2) section 156A or on the income from which it was deductible</p>	<p><i>The following amendment is proposed to give effect to the issuance of bonus shares under the final tax regime.</i></p> <p>(b) the tax required to be deducted is a final tax under sub-section 1E of section 152, 152A, sub-section (4) of section 154, sub-section (2) of section 154A sub-section (3) of section 156, sub-section (2) section 156A or <b>sub-section (7) of section 236Z</b> on the income from which it was deductible.</p>
230J	<p><b>NON - EXISTENT</b></p>	<p><i>The new section has been proposed to be introduced for the establishment of International Centre of Tax Excellence to contribute to the development of tax policy.</i></p> <p><b>230J. International Centre of Tax Excellence.</b></p> <p>(1) There shall be established an Institute to be known as International Centre of Tax Excellence.</p> <p>(2) The functions of the Institute shall be to help contribute to the development of tax policy, prepare model national tax policy, deliver interdisciplinary research in tax administration and policy, international tax cooperation, revenue forecasting, conduct international seminars, workshops and conferences on the current issues faced by tax authorities in the field of international taxation, capacity building of Inland Revenue Officers, tax analysis, improve the design and delivery of tax administration for maximising revenue within existing provisions to close the tax gap or any other function as directed by the Board or the Federal Government.</p>

		<p>(3) There shall be a Nominating Committee comprising the Minister-in-Charge, Secretary Revenue Division and Secretary Finance which shall be responsible for recommending a panel to the Federal Government for the appointment of an Executive Director and independent members of the Executive Committee.</p> <p>(4) There shall an Executive Committee comprising Chairman, Federal Board of Revenue, Member (IR-Policy), Member (IR Operations) and two independent members to be appointed by the Federal Government. Executive Director shall act as Secretary of the Executive Committee.</p> <p>(5) The Nominating Committee shall apply the prescribed criteria for making recommendations of the panel for Executive Director and independent members of the Executive Committee.</p> <p>(6) Executive Director and independent members of the Executive Committee shall be appointed by the Federal Government.</p> <p>(7) Executive Director shall also be the Chief Executive of the Institute and shall work to ensure efficient functioning and day to day administrative functions of the Institute and shall be independent in the discharge of its functions specified under sub-section (8).</p> <p>(8) Executive Committee, for every fiscal year, shall assign the requirements of the Board to be undertaken by the Institute, during the year.</p> <p>(9) The Executive Committee shall prescribe rules for recruitment of the employees of the Institute and Executive Director shall act in accordance with the rules. At least fifty per cent of the employees shall be serving or retired Inland Revenue officers having at least 5 years of experience of tax policy or tax administration.</p>
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		<p>(10) The remuneration and term of employment of the employees of the Institute shall be as prescribed by the Federal Government.</p> <p>(11) The Board may establish a committee to monitor the establishment of the Institute including appointment of the Project Director for the purpose.</p> <p>(12) The Board may, provide such data to the Institute as is necessary for processing and analysis and for discharging its obligations under subsection (8): Provided that such data shall be anonymized before transmission to the Institute and identifying particulars of the taxpayers shall be kept confidential and provisions of sub-section (7) of section 216 shall apply accordingly.</p> <p>(13) The Executive Committee may by notification in the official gazette make rules for carrying out the purposes of this section.</p>
231AB	NON - EXISTENT	<p><i>The new section has been proposed to be introduced for deduction of tax on cash withdrawals from persons not appearing in the ATL.</i></p> <p><b>231AB. Advance tax on cash withdrawal.</b></p> <p>(1) Every banking company shall deduct advance adjustable tax at the rate of 0.6% of the cash withdrawal from a person whose name is not appearing in the active taxpayers' list on the sum total of the payments for cash withdrawal in a day, exceeding fifty thousand rupees.</p>
231C	NON - EXISTENT	<p><i>The new section has been proposed to be introduced for collection of tax on hiring of the services of foreign domestic workers.</i></p> <p><b>231C. Advance tax on foreign domestic workers.</b></p> <p>(1) Any authority issuing or renewing domestic aide visa to any foreign national as a domestic worker at the time of issuing or renewing such visa shall collect from the agency, sponsor or the person as the case may be, employing the services of</p>

		<p>such foreign national a tax of two hundred thousand rupees.</p> <p>(2) The tax collected or collectible under this section shall be adjustable advance tax for the tax year to which it relates on the income of such agency, sponsor or a person, as the case may be, employing the services of such foreign national.</p>
236K	<p><b>236K. Advance tax on purchase or transfer of immovable property.</b></p> <p>(1) Any person responsible for registering, recording or attesting transfer of any immovable property shall at the time of registering, recording or attesting the transfer shall collect from the purchaser or transferee advance tax at the rate specified in Division XVIII of Part IV of the First Schedule.</p> <p>(2) The advance tax collected under sub-section (1) shall be adjustable:</p> <p>Provided that if the buyer or transferee is a non-resident individual holding a Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) who has acquired the said immovable property through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan, the tax collected under this section from such persons shall be final discharge of tax liability for such buyer or transferee.</p>	<p><i>The following proviso has been amended to provide exemption to non-resident individuals holding POC, NICOP and CNIC acquiring property from collection of Tax under section 236K.</i></p> <p>Provided that this section shall not apply if the buyer or transferee is a non-resident individual holding a Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) who has acquired the said immovable property through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan upon submission of certificate as may be prescribed.</p>
236Z	<b>NON - EXISTENT</b>	<p><i>The new section has been proposed to be introduced for collection of tax on bonus shares issued by a company.</i></p> <p><b>236Z. Bonus shares issued by companies.</b></p>

		<p>(1) Notwithstanding anything contained in any law for the time being in force, every company, issuing bonus shares to the shareholders of the company, shall withhold ten percent of the bonus shares to be issued.</p> <p>(2) Bonus shares withheld under sub-section (1) shall only be issued to a shareholder, if the company collects from the shareholder, tax equal to ten percent of the value of the bonus shares issued to the shareholder including bonus share withheld, determined on the basis of day-end price on the first day of closure of books in the case of listed company and the value as prescribed in case of other companies.</p> <p>(3) Tax under sub-section (2), shall be deposited by the company, within fifteen days of closure of books, whether or not tax has been collected by the company under sub-section (2).</p> <p>(4) A company liable to deposit tax under this section shall be entitled to collect and recover the tax deposited from the shareholder, on whose behalf the tax has been deposited, before the issuance of bonus shares.</p> <p>(5) If a shareholder neither makes payment of tax to the company nor collects its bonus shares, within fifteen days of the date of issuance of bonus shares, the company may proceed to dispose of its bonus shares to the extent it has paid tax on its behalf under this section.</p> <p>(6) Issuance of bonus shares shall be deemed to be the income of the shareholder and the tax collected by a company under this section or proceeds of the bonus shares disposed of and paid</p>
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		<p>under this section shall be treated to have been paid on behalf of the shareholder.</p> <p>(7) Tax paid under this section shall be final tax on the income of the shareholder of the company arising from issuing of bonus shares.”;</p>
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**Part I**  
**Division IIB**  
**Super Tax on high Earning Persons**

The Rates of Super Tax under section 4C has been proposed to be amended as under: -

S. No	Income under section 4C	Rate of tax	
		For tax year 2022	For tax year 2023 and onwards
(1)	(2)	(3)	(4)
1.	Where income does not exceed Rs. 150 million	0% of the income	0% of the income
2.	Where income exceeds Rs.150 million but does not exceed Rs.200 million	1% of the income	1% of the income
3.	Where income exceeds Rs. 200 million but does not exceed Rs.250 million	2% of the income	2% of the income
4.	Where income exceeds Rs.250 million but does not exceed Rs.300 million	3% of the income	3% of the income
5.	Where income exceeds Rs.300 million but does not exceeds Rs.350 million		4% of the income
6.	Where income exceeds Rs. 350 million but does not exceeds Rs.400 million	4% of the income	6% of the income
7.	Where income exceeds Rs. 400 million but does not exceeds Rs.500 million		8% of the income
8.	Where income exceeds Rs. 500 million		10% of the income

**Division IX**  
**Minimum tax under section 113]**

Minimum Tax u/s 113 proposed to be amended as under:

S.No	Person(s)	Minimum Tax as percentage of the person's turnover for the year
(1)	(2)	(3)
1.	(a) Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.) (b) Pakistani International Airlines Corporation; and (c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production;	0.75%
2.	(a) Oil refineries (b) Motorcycle dealers registered under the Sales Tax Act, 1990 (c) Oil marketing companies	0.5%
3.	(a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes; (b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; (c) Rice mills and dealers; (d) Tier-1 retailers of fast moving consumer goods who are integrated with Board or its computerized system for real time reporting of sales and receipts; (e) Person's turnover from supplies through e-commerce including from running an online marketplace as defined in clause (38B) of section 2. (f) Persons engaged in the sale and purchase of used vehicles; and (g) Flour mills	0.25%
4.	<b><i>Company listed on Pakistan Stock Exchange, if not covered in S. No.1 to 3 above</i></b>	<b>1%</b>
5.	In all other cases.	1.25%

## PART II RATES OF ADVANCE TAX [See Division II of Part V of Chapter X]

The rate of advance tax to be collected by the Collector of Customs under section 148 has been proposed to be amended as under:

S.No	Persons	Rate
(1)	(2)	(3)
1.	Persons importing goods classified in Part I of the Twelfth Schedule	1% of the import value as increased by customs-duty, sales tax and federal excise duty
2.	Persons importing goods classified in Part II of the Twelfth Schedule	2% of the import value as increased by customs-duty, sales tax and federal excise duty and 3.5% of the import value as increased by customs duty, sales tax and federal excise duty in case of commercial importer
3.	Persons importing goods classified in Part III of the Twelfth Schedule	5.5% of the import value as increased by customs-duty, sales tax and federal excise duty' <i>“and 6% of the import value as increased by customs duty sales tax and federal excise duty in case of commercial importer”</i> .

Provided that the rate specified in column (3), —

- (a) in the case of manufacturers covered under rescinded Notification No. S.R.O 1125(I) /2011 dated the 31<sup>st</sup> December, 2011 as it stood on the 28<sup>th</sup> June, 2019 on import of items covered under the aforementioned S.R.O shall be 1%;
- (b) in case of persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulatory Authority of Pakistan shall be 4%
- (c) in case of importers of CKD kits of electric vehicles for small cars or SUVs with 50 kwh battery or below and LCVs with 150 kwh battery or below shall be one percent



Provided further that the rate of tax on value of import of mobile phone by any person shall be as set out in the following table, namely:-

Table

S.No.	C & F Value of mobile phone (in US Dollar)	Tax (in Rs.)	
		In CBU condition PCT Heading 8517.1219	IN CKD/SKD condition under PCT Heading 8517.1211
(1)	(2)	(3)	(4)
1	Up to 30 except smart phones	70	0
2	Exceeding 30 and up to 100 and smart phones up to 100	100	0
3	Exceeding 100 and up to 200	930	0
4	Exceeding 200 and up to 350	970	0
5	Exceeding 350 and up to 500	5000	3000
6	Exceeding 500	11,500	5,200

## PART III

### DEDUCTION OF TAX AT SOURCE (See Division III of Part V of Chapter X) Division II

Sub paragraph (i) and (ii) of paragraph (4) are proposed to be substituted by the Finance Act, 2023. The substituted sub paragraphs read as follows: -

- (4) The rate of tax to be deducted from a payment referred to in clause (a) of sub-section (2A) of section 152 shall be –
- (i) in case of a company, 5% of the gross amount payable; and
  - (ii) in any other case, 5.5% of the gross amount payable

Sub paragraph (i) and (ii) of paragraph (5) are proposed to be amended as follows:-

- (5) The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (2A) of section 152 shall be –
- (i) 4% of the gross amount payable, in the cases of 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 section 2, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, car rental services, building maintenance services, services rendered of Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services, oilfield services
  - (ii) in cases other than sub-paragraph (i), –
    - (a) in case of a company, 9% of the gross amount payable; and
    - (b) in any other case, 11% of the gross amount payable,

Sub paragraph (ii) of paragraph (6) is proposed to be as follows: -

- (6) The rate of tax to be deducted from a payment referred to in clause (c) of sub-section (2A) of section 152 shall be, –
- (i) 10% of the gross amount payable in case of sportspersons;
  - (ii) 8% of the gross amount payable

### Division III

Sub paragraph (b) of paragraph (1) is proposed to be read as follows: -

- (1) The rate of tax to be deducted from a payment referred to in clause of sub-section (1) of section 153 shall be : -
  - (a) in the case of sale of goods including toll manufacturing, —
  - (i) in case of a company, **5%** of the gross amount payable; and
  - (ii) in any other case, **5.5%** of the gross amount payable,

Sub paragraph (i) and (ii) of paragraph (2) are proposed to be amended as follows:-

- (2) The rate of tax to be deducted from a payment referred to in clause (b) of sub-section (1) of section 153 shall be —
  - (i) **4%** of the gross amount payable, in the cases of 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 section 2, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services including architectural services, warehousing services, services rendered by asset management companies, data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) 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, oilfield services, telecommunication services, collateral management services, travel and tour services 1[, REIT management services, services rendered by National Clearing Company of Pakistan Limited.

**Explanation:** The tax rate under this subparagraph shall be applicable only to a service provider whose services are subjected to withholding tax on gross receipts and the service provider has not agitated taxation of gross receipts before any court of law;

- (ii) in case of rendering of or providing of services other than sub- clause (i),-
  - (a) in case of a company, **9%** of the gross amount payable;
  - (b) in any other case, **11%** of the gross amount payable; and

Sub paragraph (ii) and (iii) of paragraph (3) is proposed to be as follows: -

(3) The rate of tax to be deducted from a payment referred to in clause (c) of sub-section (1) of section 153 shall be : -

- (ii) in case of a company, 7.5% of the gross amount payable; and
- (iii) in any other case, 8% of the gross amount payable

## DIVISION IVA Export of Services

Tax on exports proceeds in Division IVA in serial 1 is applicable for tax year 2024 upto tax year 2026. The amended table is as follows : -

The rate of tax to be deducted under section 154A shall be:-

S. No.	Types of Receipts	Rate of Tax
(1)	(2)	(3)
1.	Export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board	0.25% of proceeds <i>for the years 2024 upto tax year 2026</i>
2.	Any other case	1% of proceeds]

## DIVISION XXVII

### Advance tax on amount remitted abroad through credit, debit or prepaid cards

*The rate of tax to be deducted under section 236Y has been proposed to be 5% of the gross amount remitted abroad.*

## THE SECOND SCHEDULE EXEMPTIONS AND TAX CONCESSIONS

[See section 53]

### PART I

### EXEMPTIONS FROM TOTAL INCOME

The following new organizations has been proposed to be added in sub-clause 1, in column 1 and entries relating there to in column 2 in table 1 : -

**Table 1**

“(lxiii)	<i>The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5<sup>th</sup> August, 2022.</i>
(lxiv)	<i>Film and Drama Finance Fund</i>
(lxv)	<i>Export-Import Bank of Pakistan</i>
(lxvi)	<i>Shaheed Mohtarma Benazir Bhutto Institute of Trauma, Karachi</i>
(lxvii)	<i>Shaheed Zulfikar Ali Bhutto Institute of Science and Technology</i>

- (99A) Profits and gains accruing to a person on the sale of immoveable property or shares of Special Purpose Vehicle] to any type of REIT scheme upto the 30th day of June, **2024**.

*Explanation—* For the purpose of this clause, Special Purpose Vehicle shall have the same meaning as defined under the Real Estate Investment Trust Regulations, 2015.

- (145A) Any income which was not chargeable to tax prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) of any individual domiciled or company and association of persons resident in the Tribal Area forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution with effect from the 1st day of June, 2018 to the 30th day of June, **2024** (both days inclusive).
- (150) Income derived by Siyahkalem Engineering Construction Industry and Trade Company Limited and **Alteraz Engineering Consultant** from contract dated 23rd day of May 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by the Saudi Fund for Development with effect from tax year 2017.
- (154) *New clause has been proposed to be inserted which read as follows: -  
Profits and gains of a small and medium enterprise setup exclusively as agro based industry in a rural area duly notified for a period of five tax years commencing from tax year 2024 and up to tax year 2028.*

*Provided that such enterprise is setup on or after 1st day of July, 2023 and is not formed by the transfer or reconstitution or reconstruction or splitting up of an existing business.*

### PART III

- (21) *New clause has been proposed to be inserted which read as follows: -*
- (a) *For tax year 2024 to tax year 2026, tax payable on profits and gains derived from business chargeable to tax under the head "Income from Business" by a builder registered with Directorate General of Designated Non- Financial Business and Professions from a new building construction project, shall be reduced, not below zero, by ten percent or rupees five million whichever is lower for the tax year in which the builder furnishes along with return the completion certificate issued by the concerned regulatory authority; and*
- (b) *New building project means a project for the construction of building excluding a land development project, layout plan of which is approved by the authority concerned on or after the 1<sup>st</sup> day of July, 2023;*

(22) *New clause has been proposed to be inserted which read as follows: -*

**(a) *For tax years 2024 to tax year 2026, tax payable by a youth enterprise on profit and gains derived from business chargeable to tax under the head "Income from Business" shall be reduced not below zero -***

- (i) *in case of an individual or an association of person by fifty percent or rupees two million whichever is lower; and***
- (ii) *in case of a company, by fifty percent or rupees five million whichever is lower;***

**(b) *For the purpose of this clause -***

- (i) *youth enterprise means a startup established on or after first day of July, 2023 as sole proprietorship concern owned by a youth individual or an AOP all of whose members are youth or a company whose hundred percent shareholding is held or owned by youth individual:***

***Provided that the startup is not formed by the transfer or reconstitution or reconstruction or splitting up of an existing business; and***

- (ii) *youth individual means a natural person up to the age of thirty years as on first day of the commencement of the relevant tax year; and***

**(c) *This clause shall not apply where the startup is covered under clause (19) of Part III of the Second Schedule.***

### **Part IV EXEMPTION FROM SPECIFIC PROVISIONS**

(xlvii) *New sub-clause has been proposed to be inserted in clause (11A) which read as follows:*

***The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5th August, 2022.***

**(100) *omitted***

(121) *New clause has been proposed to be inserted which read as follows: -*

***The provisions of section 151 shall not apply to the Prime Minister's Relief Fund for Flood, Earthquake and other calamities with effect on and from the 5th August, 2022.***

(122) *New clause has been proposed to be inserted which read as follows: -*

***The provisions of section 236 shall not apply on the amount donated through SMS to the Prime Minister's Relief Fund for Flood, Earthquake and other calamities with effect on and from the 5th day of August, 2022.***

**(123)** *New clause has been proposed to be inserted which read as follows: -*

*The provisions of section 148 shall for a period of three months from the 1st day of December, 2022 not apply to goods required and imported for relief operation for flood affectees, duly certified by the National Disaster Management Authority or the Provincial Disaster Management Authority.*

**(124)** *New clause has been proposed to be inserted which read as follows: -*

*The provisions of section 148 shall not apply to tomato (PCT heading 0702.0000) and onion (PCT heading 0703.1000) imported till the 31't day of December, 2022.*

#### THE FOURTH SCHEDULE

(See Section 99)

#### RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF INSURANCE BUSINESS

**(6DB)** *New rules has to be inserted which read as follows : -*

*The provisions of section 99D shall apply to the taxpayers under this Schedule.*

#### THE FIFTH SCHEDULE

(See Section 100)

#### PART I

#### RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS FROM THE EXPLORATION AND PRODUCTION OF PETROLEUM

**(4AC)** *New rules has been proposed to be inserted which read as follows : -*

*The provisions of section 99D shall apply to the taxpayers under this Schedule.*

#### THE SEVENTH SCHEDULE

(See section 100A)

#### RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF A BANKING COMPANY AND TAX PAYABLE THEREON

**(7CA)** *It has been proposed to make following changes in the rule as follows : -*

*The provisions of section 4C shall apply to the taxpayers under this schedule and shall be taxed at the rates specified in Division IIB of Part I of the First Schedule from tax year 2023 onwards.*

**(7CB)** *New rule has been proposed to be inserted which read as follows: -*



*The provisions of section 99D shall apply to the taxpayers under this Schedule.*

**(7D) It has been proposed to make following changes in the rule as follows : -**

*Reduced rate of tax on additional advances for micro, small and medium enterprises.- (1) The taxable income <sup>11[ ]</sup> arising from additional advances to micro, small and medium enterprises, for the tax years 2020 to 2025.*

**(7E) It has been proposed to make following changes in the rule as follows : -**

*Reduced rate of tax on additional advances for low cost housing.- (1) The taxable income arising from additional advances for low cost housing, for the tax years 2020 to 2025, shall be taxed at the rate of 20% instead of the rate provided in Division II of Part I of the First Schedule.*

**(7F) It has been proposed to make following changes in the rule as follows : -**

*Reduced rate of tax on additional advances as Farm Credit.-- (1) The taxable income arising from additional advances for Farm Credit in Pakistan for the tax years 2020 to 2025, shall be taxed at the rate of 20% instead of the rate provided in Division II of Part 1 of the First Schedule.*

**(7G) New rule has been proposed to be inserted which read as follows: -**

*Reduced rate of tax on additional advances for Information Technology Services and Information Technology Enabled Services. -*

- (1) The taxable income arising from additional advances for IT and IT Enabled Services in Pakistan for the tax years 2024 to 2025, shall be taxed at the rate of 20% instead of the rate provided in Division II of Part 1 of the First Schedule.*
- (2) A banking company shall furnish a certificate from external auditor along with accounts while e-filing return of income certifying the amount of such advances made in preceding tax year, additional advance made for the tax year and net mark-up earned from such additional advances for the tax year.*
- (3) Notwithstanding anything contained in this Ordinance, the Commissioner may require the banking company to furnish details of the advances made for IT and IT Enabled Services to determine the applicability of the reduced rate of tax.*
- (4) For the purposes of this rule, the term "IT and IT Enabled Services" shall have the same meaning as provided in section 2 of this Ordinance.*
- (5) "Additional advances" means any average advances disbursed in addition to average amount of such advances made in such sector by the bank for the immediately preceding tax year starting from 2023.*
- (6) The taxable income arising from additional advances under sub-rule (1)*

*shall be determined according to the following formula, namely: -*

*Taxable income subject to reduced rate of tax = A x B/C*

*Where*

- A. is taxable income of the banking company;*
- B. is net mark-up income earned from such additional advances for the tax year as declared in the annual accounts; and*
- C. is total of the net mark-up and non mark-up income of the banking company as per accounts.”;*

*(4) New sub-rule has been proposed to be inserted in rule 8 which read as follows :-*

*Profit on debt and capital gains from Federal Government's sovereign debt or a sovereign debt instrument shall be exempt from tax chargeable under this Ordinance, derived by any non-resident banking company approved by the Federal Government under a sovereign agreement for the purpose of this sub-rule.*

*(5) New sub-rule has been proposed to be inserted in rule 8 which read as follows :-*

*The provisions of sub-rule (6A) of rule 6C shall not apply to a banking company for tax year 2024.*

#### THE EIGHTH SCHEDULE

[Section 100B]

#### RULES FOR THE COMPUTATION OF CAPITAL GAINS ON LISTED SECURITIES

*(4A) New rule has been propose to be inserted which read as follows:*

*Computation, collection and payment of tax under section 4C. – In addition to capital gains tax, NCCPL shall also compute and collect tax under section 4C at the rates specified in Division IIB of Part I of the First Schedule on the amount of capital gains computed under this Schedule in the manner specified in this Schedule and rules made thereunder.*

#### THE THIRTEENTH SCHEDULE

*(See section 61)*

The following new serial number has been proposed to be added in column (1) and entries relating thereto in column (2). The amended table is as follows :-

64.	<i>The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5<sup>th</sup> August, 2022.</i>
65.	<i>Film and Drama Finance Fund.”</i>

## FOURTEENTH SCHEDULE

(See section 100E)

RULES FOR COMPUTATION OF PROFIT AND GAINS  
FOR SMALL AND MEDIUM ENTERPRISES

*Rule 2 has been proposed to be substituted which read as follows:*

**2. Registration. –**

- (1) Small and medium enterprise shall be required to register with FBR on its Iris web portal or Small and Medium Enterprises Development Authority on its SME registration portal (SMERP).*
- (2) Small and medium enterprise engaged in IT services or IT enabled services shall be required to be registered with and duly certified by the Pakistan Software Export Board, in addition to registration on SMERP.*

*The following serial number in column number 1 and entries relating thereto in column No. (2), (3) and (4) of rule 3 has been proposed to be added in table: -*

3.	Category- 3	Where annual turnover exceeds Rupees 250 Million but does not exceed Rupees 800 Million	20% of taxable income"
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*The following serial number in column number 1 and entries relating thereto in column No. (2), (3) and (4) in sub-rule 1 of rule 4 has been proposed to be added in table: -*

3.	Category-3	Where annual business turnover exceeds Rupees 250 Million but does not exceed Rupees 800 Million	0.75% of gross turnover";
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**SALES TAX**

*The purpose of this bill is to make financial provisions for the year beginning on the first day of July, 2023 and it shall come into force on the first day of July, 2023.*

SECTION	PRESENT POSITION	PROPOSED AMENDMENT THROUGH FINANCE BILL 2023
2(12)	<p><b>Goods: -</b></p> <p>“goods” include <i>production, transmission and distribution of electricity</i>, every kind of movable property other than actionable claims, money, stocks, shares and securities;</p>	<p>It has been proposed to omit “<i>production, transmission and distribution of Electricity.</i>”, from the definition of <b>Goods</b>.</p> <p>The proposed amendment has restored original definition of Goods.</p>
2(33)(e)	<p><b>Supply: -</b></p> <p>“supply” means a sale or other transfer of the right to dispose of goods as owner, including such sale or transfer under a hire purchase agreement, and also includes –</p> <p>(e) <i>production, transmission and distribution of electricity.</i></p>	<p>It has been proposed to omit clause (e) i.e., “<i>production, transmission and distribution of Electricity</i>”, from the definition of <b>Supply</b>.</p> <p>The proposed amendment has restored original definition of Supply.</p>

<p>2(43A) (e) (ga)</p>	<p><i>“(43A) [“Tier-1 retailer” means a retailer falling in any one or more of the following categories, namely:-]</i></p> <p><i>(a) a retailer operating as a unit of a national or international chain of stores;</i></p> <p><i>(b) a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;</i></p> <p><i>(c) a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds Rupees 106[twelve] hundred thousand; 107</i></p> <p><i>(d) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers”;</i></p> <p><i>(e) a retailer, whose shop measures one thousand square feet in area or more <sup>110</sup>[or two thousand square feet in area or more in the case of retailer of furniture;] <sup>111</sup>[***]</i></p>	<p>Scope of definition of Tier-I retailer has enlarged, by virtue of proposed amendments, clause (e) and clause (ga) are proposed to be omitted, from the definition of Tier-I Retailers. Amended Definition is as under</p> <p><i>(a) a retailer operating as a unit of a national or international chain of stores;</i></p> <p><i>(b) a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;</i></p> <p><i>(c) a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds Rupees 106[twelve] hundred thousand;</i></p> <p><i>(d) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers”;</i></p> <p><i>(e) Omitted;</i></p>
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2(43A) (e) (ga)	<p><i>[(f) a retailer who has acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan; <sup>113</sup>***]</i></p> <p><i>[(g) a retailer whose deductible withholding tax under sections 236G or 236H of the Income Tax Ordinance, 2001(XLIX of 2001) during the immediately preceding twelve consecutive months has exceeded the threshold as may be specified by the Board through notification in the official Gazette; and</i></p> <p><i>[(ga) a person engaged in supply of articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal excluding a person whose shop measures three hundred square feet in area or less;]</i></p> <p><i>[(h) any other person or class of persons as prescribed by the Board.]</i></p>	<p><i>(f) a retailer who has acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan.</i></p> <p><i>(g) a retailer whose deductible withholding tax under sections 236G or 236H of the Income Tax Ordinance, 2001(XLIX of 2001) during the immediately preceding twelve consecutive months has exceeded the threshold as may be specified by the Board through notification in the official Gazette; and</i></p> <p><i>(ga) Omitted;</i></p> <p><i>(h) any other person or class of persons as prescribed by the Board.]</i></p>
30CA	30CA. Directorate General of Digital Invoicing and Analysis	It has been proposed to substitute as "30CA. Directorate General of Digital Initiatives".
33(23)	23. Any person who manufactures, possesses, transports, distributes, stores or sells <i>cigarette packs</i> with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes	<p>Newly proposed amended definition is as under:</p> <p>23. Any person who manufactures, possesses, transports, distributes, stores or sells <i>Goods or class of goods as specified by the "Board under sub-section (1) of section 40C"</i> with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes</p>

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Sr. No 81, Eighth Schedule</p>	<p>1. Manufacture or import of substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976)</p>	<p><i>Newly proposed amended entry is as under:</i></p> <p>81. Substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976) and medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except the following, even if medicated or medicinal in nature, namely:-</p> <ul style="list-style-type: none"> <li>(a) filled infusion solution bags imported with or without infusion given sets;</li> <li>(b) scrubs, detergents and washing preparations;</li> <li>(c) soft soap or no soap;</li> <li>(d) adhesive plaster;</li> <li>(e) surgical tapes;</li> <li>(f) liquid paraffin;</li> <li>(g) disinfectants, and</li> <li>(h) cosmetics and toilet preparations.</li> </ul> <p>This substitution shall be deemed to have been made from the 1<sup>st</sup> day of July, 2022.</p>
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Sr. No 82, Eighth Schedule	82. Active Pharmaceutical Ingredients, excluding excipients, for manufacture of drugs registered under the Drugs Act, 1976 (XXXI of 1976) or raw materials for the basic manufacture of pharmaceutical active ingredients.	<p><i>Newly proposed amended entry is as under:</i></p> <p>82. Raw materials for the basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products, provided that in case of import, only such raw materials shall be entitled to exemption which are liable to customs duty not exceeding eleven per cent ad valorem, either under the First Schedule or Fifth Schedule to the Customs Act, 1969 (IV of 1969) or under a notification issued under section 19 thereof.</p> <p>This substitution shall be deemed to have been made from the 01<sup>st</sup> day of July, 2022.</p>
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# CUSTOMS ACT

## CUSTOMS ACT

*The purpose of this bill is to make financial provisions for the year beginning on the first day of July, 2023 and it shall come into force on the first day of July, 2023.*

SECTION	PRESENT POSITION	PROPOSED AMENDMENT THROUGH FINANCE BILL 2023
2(s)	<b>Smuggle</b>	<i>By way of this proposed amendment, the scope of Smuggling activities in relation to carrying, transporting, removing, depositing, harboring, keeping, concealing, retailing or enroute pilferage of transit goods] or evading payment of customs duties or taxes leviable thereon,- has been further expanded by inserting the particular words “anywhere within the territorial jurisdiction of Pakistan”</i>
79	<b>Declaration and assessment for home consumption or warehousing [or transshipment].</b>  <b>NON-EXISTENT</b>	<i>Through this proposed amendment a new proviso has been added and read as under:  “Provided further also that in case of land customs station at border, the owner of any imported goods shall file Goods Declaration (GD) for home consumption or warehousing or transshipment or any other approved purpose, within three days of arrival of goods at the border Customs station.”;</i>
98	<b>Period for which goods may remain warehoused.</b>	<i>Through this proposed amendment the period of keeping of perishable in the warehouse has been extended from one month to three months.</i>

156(ii)/(iii)	<p><b>Punishment for offences.</b></p> <p>(ii) If any person, as specified in the rules contravenes the requirement of placement of invoice and packing list inside the import container or consignment.</p> <p>(iii) The minimum penalty of Rs. 50,000 and maximum of Rs. 25,000 provided in case of if any person fails to attach or electronically upload mandatory documents required under section 79 or 131 of the Customs Act, 1969.</p>	<p><i>Through this proposed amendment the serial no. ii has been deleted.</i></p> <p><i>Through this proposed amendment the fixed penalty of Rs. 50,000 has been prescribed therein.</i></p>
179	<p><b>Power of adjudication.</b></p>	<p><i>By way of this proposed amendment the new proviso has been added which reads as under:</i></p> <p><b><i>“Provided that the respondent may opt for adjudication through the customs computerized system for such goods or offences as notified by the Board.”</i></b></p>
194A	<p><b>Appeals to Appellate Tribunal</b></p>	<p><i>Through this proposed amendment the new clause (g) has added and reads as under:</i></p> <p><b><i>“(g) an appellate order or a quasi-judicial order passed by the Chief Collector of Customs under provisions of this Act and the rules made thereunder provided that such appeal shall be heard by a special bench consisting of one technical member and one judicial member.”;</i></b></p>

## SALES TAX ON SERVICES (Islamabad Capital Territory)

### SALES TAX ON SERVICES (Islamabad Capital Territory)

*The purpose of this bill is to make financial provisions for the year beginning on the first day of July, 2023 and it shall come into force on the first day of July, 2023*

SECTION	PRESENT POSITION	PROPOSED AMENDMENT THROUGH FINANCE BILL 2023
3(2A)(a)	NON-EXISTENT	(5AB) “cottage industry” means a manufacturing concern, which fulfils each of following conditions, namely: –  (a) does not have an industrial gas or electricity connection.  (b) is located in a residential area.  (c) does not have a total labor force of more than ten workers; and  (d) annual turnover from all supplies does not exceed [eight] million rupees; to the extent of freelance exporter, exclusively dealing in export of IT and IT enable services.
3(2A)(b)	New Insertion	It has been proposed to insert chargeability of sales tax at zero-rate, on certain services under the Foreign Investment (Promotion and Protection) Act, 2022, amended position of clause 3(2A)(b) is as under:  <i>(b) Serial no 2 and serial no 8A, in column (1), and the entries relating thereto of the Fifth Schedule read with section 4.</i>

# Connect With Us.

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