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Following changes have been made through Finance Act, 2020

Income Tax Ordinance, 2001

Section	Finance Bill, 2020	Finance Act, 2020
2(29C)(ab)	Industrial Undertaking ...	<i>Companies engaged in hotel business shall be treated as industrial undertaking from 1st day of July 2020. New sub-clause reads as under:</i> (ab) from the first day of July, 2020 a resident company engaged in the hotel business in Pakistan.
7A(2)	7A. Tax on shipping of a resident person ...	<i>The limit for applicability of section 7A has been extended to 2023.</i> (2) The provisions of this section shall not be applicable after the 30 th June, 2023
15A(1)(h)	(h) any expenditure, not exceeding two per cent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section, paid or payable by the 3[company] in the year wholly and exclusively for the purpose of deriving rent chargeable to tax under the head, "Income from Property" including administration and collection charges	<i>The deduction claimable on account of admin and collections charges on rental income has been enhanced to four percent. The amended clause reads as under:</i> (h) any expenditure, not exceeding four per cent of the rent chargeable to tax in respect of the property for the year computed before any deduction allowed under this section, paid or payable by the 3[company] in the year wholly and exclusively for the purpose of deriving rent chargeable to tax under the head, "Income from Property" including administration and collection charges
21	(q) any expenditure attributable to sales made to persons required to be registered but not registered under the Sales Tax Act, 1990 by an industrial undertaking computed according to the following formula, namely:— (A/B) x C	<i>The extent of disallowance under this clause has been relaxed to ten percent. Further the applicability of this clause has been deferred for three months</i> (q) any expenditure attributable to sales made to persons required to be registered but not registered under the Sales Tax Act, 1990 by an industrial undertaking computed according to the following formula, namely:— (A/B) x C

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	<p>where— A is the total amount of deductions claimed under this Part; B is the turnover for the tax year; and C is the total amount of sales exclusive of sales tax and federal excise duty to persons required to be registered but not registered under the Sales Tax Act, 1990 where sales equal or exceed rupees one hundred million per person: Provided that disallowance of expenditure under this clause shall not exceed twenty percent of total deductions claimed under this Part: Provided further that the Board may, by notification in the official Gazette, exempt persons or classes of persons from this clause on the basis of hardship</p>	<p>where— A is the total amount of deductions claimed under this Part; B is the turnover for the tax year; and C is the total amount of sales exclusive of sales tax and federal excise duty to persons required to be registered but not registered under the Sales Tax Act, 1990 where sales equal or exceed rupees one hundred million per person: Provided that disallowance of expenditure under this clause shall not exceed ten percent of total deductions claimed under this Part: Provided further that the Board may, by notification in the official Gazette, exempt persons or classes of persons from this clause subject to such conditions and limitations as may be specified therein: Provided also that this clause shall come into force with effect from the first day of October, 2020.</p>
37A(3B)	<p>37A. Capital gain on disposal of securities ...</p>	<p><i>A new sub-section has been inserted providing clarification that where shares disposed off at the time of disposal are of a public company same shall be treated as security.</i></p> <p>(3B) For the purpose of this section, “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.</p>
57(2B)	<p>Non-Existent</p>	<p><i>Resident companies engaged in business of hotel business shall be allowed to carry forward losses for eight years.</i></p> <p>(2B) Where a loss, referred to in sub-section (2), relating to a tax year commencing on or after the first day of July, 2020 is sustained by a resident company engaged in the hotel business in Pakistan, the said loss shall be carried forward for a period of eight years.</p>

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<p>100C(1B)</p>	<p>(1B) For the purpose of sub-section (1A), surplus funds mean funds or monies: ... (d) are not part of restricted funds. Explanation.- For the purpose of this sub-section, "restricted funds" mean any fund received by the organization but could not be spent and treated as revenue during the year due to any obligation placed by a donor not being an associate of the organization.</p>	<p><i>Earlier it was proposed that restricted fund for the purpose of surplus fund would not include funds received from donor as an associate of the organization. In the enacted act, this condition has been done away with.</i></p> <p>(1B) For the purpose of sub-section (1A), surplus funds mean funds or monies: ... (d) are not part of restricted funds. Explanation.- For the purpose of this sub-section, "restricted funds" mean any fund received by the organization but could not be spent and treated as revenue during the year due to any obligation placed by the donor.</p>
<p>116</p>	<p>Where a person, who has furnished a wealth statement, discovers any omission or wrong statement therein, he may, without prejudice to any liability incurred by him under any provision of this Ordinance, furnish a revised wealth statement along with the revised wealth reconciliation and the reasons for filing revised wealth statement, with the prior approval of the Commissioner, at any time before the receipt of notice under subsection (9) of section 122, for the tax year to which it relates. Provided that the Commissioner shall grant approval in case of a bonafide omission or wrong statement. Explanation.— For the removal of doubt it is clarified that wealth statement cannot be revised after the expiry of five years from the due date of filing of return of income for that tax year</p>	<p><i>Earlier it was proposed that revision of wealth statement would be subject to prior approval of Commissioner. Now the condition has been relaxed to the extent that revised wealth statement would be filed under intimation to the Commissioner.</i></p> <p>Where a person, who has furnished a wealth statement, discovers any omission or wrong statement therein, he may, without prejudice to any liability incurred by him under any provision of this Ordinance, furnish a revised wealth statement along with the revised wealth reconciliation and the reasons for filing revised wealth statement, under intimation to the Commissioner in the prescribed form and manner, at any time before the receipt of notice under subsection (9) of section 122, for the tax year to which it relates. Provided that where the Commissioner is of the opinion that the revision under this sub-section 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.</p>

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		Explanation.— For the removal of doubt it is clarified that wealth statement cannot be revised after the expiry of five years from the due date of filing of return of income for that tax year
131	(2A) No appeal under sub-section (1) shall be admitted by the Appellate Tribunal unless ten percent of the amount of tax upheld by the Commissioner (Appeals) has been deposited by the taxpayer.	<i>Earlier it was proposed that appeal before ATIR would be admitted subject to payment of ten percent of the tax demand upheld. However this proposed amendment has not been approved.</i> Omitted
148	148. Imports ...	<i>A new proviso has been inserted empowering board to notify goods to be classified under Part of twelfth schedule if the goods imported can be used as both raw material and finished goods.</i> Provided further 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

First Schedule

Part III

Division III

Following new services has been made part of services subject to deduction of tax at 3%

Warehousing services, services rendered by asset management companies, data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) services.

Further the proposal to omit engineering services from 3% category has been done away with meaning thereby engineering services would be subject to tax at 3%.

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Second Schedule

Part I

(61) Alamgir welfare trust has been inserted in clause (61) meaning thereby any donation to Alamgir welfare trust would be allowed as straight deduction.

(99A) The time limit for exemption of capital gain by a person on disposal of immovable property to development or rental RIET has been enhanced to 30th day of June 2023.

Part IV

(11A) following has been made exempt from provision of section 113 of the Ordinance:

(xxxvii) Hajj Group Operators in respect of turnover relating to Hajj operations for the tax year 2021;

(xxxviii) 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.

A new clause has been inserted providing exemption from tax at import stage as under:

(12E) The provisions of section 148 shall not apply to persons on import of medicines for treatment of life threatening rare diseases not manufactured in Pakistan, subject to the following conditions, namely:—

(i) the import is approved by the Board, through notification in the official gazette;

(ii) 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

(iii) such medicine is required for the personal use of the importing person or his immediate family member:

Provided that where circumstances exist to take immediate action in emergency situations, the Board may, 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 under this clause which does not exceed sixty days usage.

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Payment made to following person shall be exempt from deduction of tax under section 153 of the Ordinance.

(ix) 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; and

(x) 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, namely: –

(a) services under this clause are provided or rendered by an individual who is not registered under section 181;

(b) the name, Computerized National Identity Card Number and address of such individual is recorded by the recipient of such service; and

(c) payment for such services is made directly to such individual.

Clause 98 has been amended to extend scope of exemption on import of ships and other floating crafts to tax year 2030 by Pakistani entity flying Pakistani flag.

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Sales Tax Act, 1990

Section	Finance Bill, 2020	Finance Act 2020
2(46)(j)	<p>(j) in case of registered person who is engaged in purchasing used vehicles from general public on which sales tax had already been paid at the time of import or manufacturing, and which are, later on, sold in the open market after making certain value addition, value of supply will be the difference between sale and purchase price of the said vehicle.”</p>	<p><i>The board has been empowered to determine basis of valuation for used vehicles.</i></p> <p>(j) in case of registered person who is engaged in purchasing used vehicles from general public on which sales tax had already been paid at the time of import or manufacturing, and which are, later on, sold in the open market after making certain value addition, value of supply will be the difference between sale and purchase price of the said vehicle on the basis of the valuation method prescribed by the Board”</p>
8B(4A)	<p>8B Adjustable Input Tax ...</p>	<p><i>A new sub-section has been inserted restricting claim of input tax on locally manufactured electric vehicles to the extent of output tax only.</i></p> <p>(4A) Notwithstanding anything contained in sub-sections (1), (2) and (3), input tax allowed in case of locally manufactured electric vehicles subject to reduced rate of tax under the Eighth Schedule shall be limited to the extent of amount of output tax and no refund or carry forward of excess input tax shall be allowed</p>
73(4)	<p>73 Certain transactions not admissible</p>	<p><i>The following clause has been inserted whereby board has been empowered to allow any person to make sales to unregistered persons.</i></p> <p>(d) 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.</p>

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In sixth schedule, Table I, following new headings are inserted

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 semitrailers (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

In sixth schedule, Table III, following new heading is inserted

20	Plant and machinery for the assembly/ manufacturing of electric vehicles	Respective heading	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 and determined by the Engineering Development Board (EDB).
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In Eight Schedule, following new headings are inserted

70	Following locally manufactured electric vehicles		1%	Local supplies only
	(i) Road Tractors for semitrailers (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%	

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Ninth Schedule has been amended to levy tax on SIM cards at the time of supply by CMO at Rs. 250 per sim card.

New table has been inserted in Tenth Schedule to levy fixed tax on following goods

TABLE

S. No.	Item	Tax
(1)	(2)	(3)
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: and

Note: No input tax adjustment shall be allowed against the tax paid under this Schedule.

Following goods has been inserted in exclusion list of Eleventh Schedule meaning thereby no withholding tax shall be applicable.

(ix) Supply of sand, stone, gravel/crush and clay to low cost housing schemes sponsored or approved by Naya Pakistan Housing and Development authority.

Federal Excise Act, 2005

In First Schedule in Table I, proposal to levy twenty five percent duty on caffeinated energy drinks has been omitted.

Earlier, vide Finance Bill 2020, it was proposed to reduce excise duty from rupees 2 per kg to one rupee and seventy five paise on cement. However vide Finance Act, 2005 same has been further reduced to one rupee and fifty paise per kg.