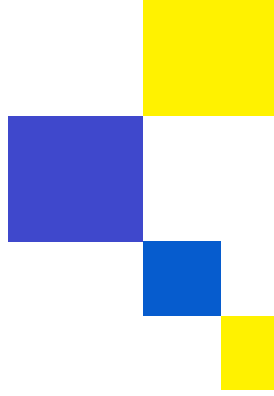


# COMMENTS ON FINANCE ACT, 2023



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## COMMENTS ON FINANCE ACT, 2023

The information contained in this document has been prepared on the basis of **Finance Act 2023** (the “FA”) as approved by the National Assembly on 26<sup>th</sup> June 2023 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 through the FA will become effective from **1<sup>st</sup> July 2023** unless specified otherwise.

This document attempts to provide a comparison along with our comments on the FA and is published for our clients and our team for information and guidance only and should not be published or reproduced without prior written permission of the Firm.

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**REANDA HAROON ZAKARIA ASSOCIATES**

**June 27, 2023**

# FINANCE ACT 2023

## *Table of Contents*

Detailed Comparison and Comments on	Page No.
Income Tax	01 - 51
Sales Tax	52 - 65
Islamabad Capital Territory [Sales Tax on Services]	66 - 69

# INCOME TAX

## INCOME TAX

Amended position as per Finance Act 2023 (the "FA") is provided hereunder.

SECTION	PRESENT POSITION	AMENDED POSITION THROUGH FINANCE ACT 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 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)	<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><i>The definition of permanent establishment has been enhanced so that the scope of permanent establishment does not restrict to fixed place of business.</i></p> <p>"permanent establishment" in relation to a person, means <b>a place of business</b> through which the business of the person is wholly or partly carried on....</p>
2(41)(bb)	<p><b>NON-EXISTENT</b></p>	<p><i>The definition of permanent establishment has been further amended to include virtual business presence in Pakistan.</i></p> <p><b>"(bb) virtual business presence in Pakistan including any business where transactions are conducted through internet or any other electronic medium, with or without having any physical presence."</b></p>

2(41)(d)	the furnishing of services, including consultancy services, by any person through employees or other personnel engaged by the person for such purpose	<p><i>The definition of permanent establishment has been amended 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)	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><i>The definition of permanent establishment has been amended so that the scope of permanent establishment is not restricted to fixed place of business.</i></p> <p><b>a place</b> 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><del>“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:</del></p> <p><del>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</del></p>	<p><b>NOT ADOPTED IN THE FA</b></p> <p><del>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.</del></p> <p><del>“(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—</del></p> <ul style="list-style-type: none"> <li><del>(i) manufacturing as defined in clause (iv) of sub-section (7) of section 153 of the Ordinance; or</del></li> <li><del>(ii) providing or rendering IT services or IT enabled services as defined in clauses (30AD) and (30AE) of section 2:</del></li> </ul> <p><del>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</del></p>
4C(5A)	<p><b>4C. Super tax on high earning persons.</b></p> <p>...</p> <p><b>NON-EXISTENT</b></p>	<p><del>The following sub-section has been introduced to enhance the scope of advance tax u/s 147 to include Super Tax u/s 4C.</del></p> <p><b>“The provisions of section 147 shall apply on tax payable under this section.”</b></p>

7E	<p><b>7E. Tax on deemed income.</b></p> <p>...</p> <p><b>NON-EXISTENT PROVISIO</b></p>	<p><i>The requirement of persons appearing in Active Taxpayers' List (ATL) has been added to be excluded from the purview of tax on deemed income. Therefore, the following proviso has been added in section 7E(2)(i). This was not proposed under the Finance Bill 2023.</i></p> <p><b>"Provided that the exclusions mentioned at clauses (a), (e), (f) and (g) of this subsection shall not apply in case of a person not appearing in the active taxpayers' list, other than persons covered in rule 2 of the Tenth Schedule."</b></p>
21(m)	<p><b>21. Deductions not allowed.</b></p> <p>(m) any salary paid or payable exceeding twenty-five thousand rupees per month other than by a crossed cheque or direct transfer of funds to the employee's bank account or through digital means.</p>	<p><i>Through the FA, the threshold for salaries which can be paid in modes other than banking channel has been enhanced to PKR 32,000/-. This was not proposed under the Finance Bill 2023.</i></p> <p><b>"(m) any salary paid or payable exceeding thirty-two thousand rupees per month to an individual other than by a crossed cheque or direct transfer of funds to the employee's bank account or through digital means."</b></p>

37A(1) Second Proviso	<p><b>37A. Capital gain on disposal of securities.</b></p> <p>...</p> <p><b>NON- EXISTENT PROVISIO</b></p>	<p><i>Through the FA, the following proviso has been added whereby section 37A shall not be applicable on disposal of shares where PSX and NCCPL are not involved, or the details are not furnished to the said institutions. <b>This was not proposed under the Finance Bill 2023.</b></i></p> <p><b>“Provided further that this section shall not apply to the disposal of shares:</b></p> <p><b>(i) of a listed company made otherwise than through registered stock exchange and which are not settled through NCCPL;</b></p> <p><b>(ii) through initial public offer during listing process except where the detail of such disposal is furnished to NCCPL for computation of capital gains and tax thereon under this section, and the provisions of section 37 shall apply on such disposal of shares of a listed company or disposal of shares through initial public offer, accordingly.”</b></p>
39(1)(1b)	<p><b>39. Income from other sources.</b></p> <p>...</p> <p><b>NON- EXISTENT</b></p>	<p><i>The following clause has been introduced to include bonus share received under income from other sources.</i></p> <p><b>(1b) income arising to the shareholder of a company, from the issuance of bonus shares;</b></p>



44A	NON-EXISTENT	<p><i>The following new section has been inserted granting exemption to foreign investors as per specified criteria:</i></p> <p><b>“44A. Exemption under Foreign Investment (Promotion and Protection) Act, 2022 (XXXV of 2022). - (1) Taxes on income (including capital gains), advance tax, withholding taxes, minimum and final taxes under this Ordinance shall, for the period and to the extent provided in the Second and Third Schedules 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 or investors, be exempt or subject to tax at the rate and in the manner specified under the said Act.</b></p> <p><b>(2) All investors and shareholders of the qualified investment, their associates and companies specified in the Second and Third Schedules to the said Act including third party lenders on account of any loan shall also be exempt from taxes and other provisions of this Ordinance or subject to tax at the rate and in the manner specified under the said Act for the period and to the extent provided in the Second and Third Schedules to the said Act.</b></p> <p><b>(3) Provisions of this Ordinance relating to Anti-Avoidance, for the period and to the extent specified in the said Act including sections 106, 106A, 108, 109 and 109A, shall not apply to the persons and amounts mentioned in sub-sections (1) and (2).</b></p>
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44A	NON-EXISTENT	<p>(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).</p> <p>(5) For the purpose of this section, the terms defined under the Second and Third Schedules to the said Act shall apply <i>mutatis mutandis</i> to this Ordinance."</p>
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		<p><b>NOT ADOPTED IN THE FA</b><del>The following new section has been proposed to be inserted granting tax credit for construction of new house:</del></p> <p><b>65I. Tax credit for construction of house.</b></p> <p>(1) <del>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.</del></p> <p>(2) <del>The amount of tax credit allowed under sub-section (1) shall be lesser of —</del></p> <p>(a) <del>ten percent of tax assessed to the person for the tax year; or</del></p> <p>(b) <del>one million rupees.</del></p> <p>(3) <del>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, 202</del></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 amended 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><b>(ii) one person sufficiently influences, either alone or together with an associate or associates, the other person;</b></p> <p><b>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</b></p> <p><b>(iii) one person enters into a transaction, directly or indirectly, with the other who is a resident of jurisdiction with zero taxation regime."</b></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 have been made 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).	<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>(b) a spouse of the individual or of any person specified in clause (a);</p> <p><b>(ii) jurisdiction with zero taxation regime means jurisdiction as may be prescribed."</b></p>
99D	<b>NON-EXISTENT</b>	<p><i>The following new section has been 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><b>(1) Notwithstanding anything contained in this Ordinance or any other law for the time being in force, for any of the last three tax years preceding the tax year 2023 and onwards, in addition to any tax charged or chargeable, paid or payable under any of the provisions of this Ordinance, an additional tax shall be imposed on every person being a company who has any income, profit or gains that have arisen due to any economic factor or factors that resulted in windfall income, profits or gains.</b></p> <p><b>(2) Federal Government, may through a notification in the official Gazette:</b></p> <p><b>(a) specify sector or sectors, for which this section applies;</b></p> <p><b>(b) determine windfall income, profits or gains and 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;</b></p>

		<p>(c) provide the rate not exceeding fifty percent of such income, profits or gains;</p> <p>(d) provide for the scope, time and payment of tax payable under this section in such manner and with such conditions as may be specified in the notification; and</p> <p>(e) exempt any person or classes of persons, any income or classes of income from the application of this section, subject to any conditions as may be specified in the notification.</p> <p>(3) The Federal Government shall place before the National Assembly the notification issued under this section within ninety (90) days of the issuance of such notification or by the 30<sup>th</sup> day of June of the financial year, whichever is earlier."</p>
100B	<p><b>100B. Special provision relating to capital gain tax.</b></p> <p>(1) Capital gains on disposal of listed securities and tax thereon, subject to section 37A, shall be computed, determined, collected and deposited in accordance with the rules laid down in the Eighth Schedule.</p>	<p><i>Through the FA sub-section 1 of section 100B has been amended to incorporate super tax under section 4C. This was not proposed under the Finance Bill 2023.</i></p> <p>"(1) Capital gains on disposal of listed securities and tax thereon, <b>including super tax under section 4C</b> subject to section 37A, shall be computed, determined, collected and deposited in accordance with the rules laid down in the Eighth Schedule."</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><b>NOT ADOPTED IN THE FA</b></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>
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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 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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134A	<p><b>134A. Alternative Dispute Resolution.</b></p> <p>(1) Notwithstanding any other provision of the Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to:</p> <p>(a) the liability of tax of one hundred million and above against the aggrieved person or admissibility of refund, as the case may be;</p> <p>(b) the extent of waiver of default surcharge and penalty; or</p> <p>(c) any other specific relief required to resolve the dispute; may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated.</p> <p>(2) The application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute, including an offer of tax payment, from which, the applicant would not be entitled to retract.</p> <p>(3) The Board may, after examination of the application of an aggrieved person, appoint a committee, within forty-five days of receipt of such application in the Board, comprising:</p> <p>(i) Chief Commissioner Inland Revenue having jurisdiction over the case;</p>	<p><i>Through the FA, certain amendments have been made to make the forum of Alternative Dispute Resolution more effective. This was not proposed under the Finance Bill 2023.</i></p> <p><b>"134A. Alternative Dispute Resolution.</b></p> <p>(1) Notwithstanding any other provision of this Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to:</p> <p>(a) the liability of tax of one hundred million rupees or above against the aggrieved person or admissibility of refund, as the case may be;</p> <p>(b) the extent of waiver of default surcharge and penalty; or</p> <p>(c) any other specific relief required to resolve the dispute, may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an appellate authority, except where criminal proceedings have been initiated.</p> <p>(2) The application for dispute resolution under sub-section (1) shall be accompanied by an initial proposition for resolution of the dispute, including an offer of tax payment.</p> <p>(3) The Board may, after examination of the application of an aggrieved person, appoint a committee, within fifteen days of receipt of such application in the Board, comprising:</p> <p>(i) a retired judge not below the rank of a judge of a High Court, who shall also be the Chairperson of the Committee,</p>
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<p>(ii) person to be nominated by the taxpayer from a panel notified by the Board comprising:</p> <p>(a) chartered accountants, cost and management accountants and advocates having a minimum of ten years' experience in the field of taxation;</p> <p>(b) officers of the Inland Revenue Service who have retired in BS 21 or above; or</p> <p>(c) reputable businessmen as nominated by Chambers of Commerce and Industry:</p> <p>Provided that the taxpayer shall not nominate a Chartered Accountant or an advocate if the said Chartered Accountant or the advocate is or has been an auditor or an authorized representative of the taxpayer; and</p> <p>(d) person to be nominated through consensus by the members appointed under (i) and (ii) above, from the panel as notified by the Board in clause (ii) above:</p> <p>Provided that where the member under this clause cannot be appointed through consensus, the Board may nominate a member proposed by the taxpayer eligible to be nominated as per clause (ii).</p> <p>(4) The aggrieved person, or the Commissioner, or both, as the case may be, shall withdraw the appeal pending before any court of law or an Appellate Authority, after constitution of the committee by the Board under sub-section (3), in respect of dispute as mentioned in sub-section (1).</p> <p>(5) The committee shall not commence the proceedings under sub-section (6)</p>	<p>to be nominated by the Board from a panel notified by the Law and Justice Division for such purpose;</p> <p>(ii) the Chief Commissioner Inland Revenue having jurisdiction over the case; and</p> <p>(iii) a person to be nominated by the taxpayer from a panel notified by the Board comprising:</p> <p>(a) chartered accountants, cost and management accountants and advocates having a minimum of ten years' experience in the field of taxation;</p> <p>(b) officers of the Inland Revenue Service who stood retired in BS 21 or above; or</p> <p>(c) reputable businessmen as nominated by the Chambers of Commerce and Industry:</p> <p>Provided that the taxpayer shall not nominate a chartered accountant or an advocate if the said chartered accountant or the advocate is or has been an auditor or an authorized representative of the taxpayer.</p> <p>(4) The Board shall communicate the order of appointment of Committee to the aggrieved person, court of law or the appellate authority where the dispute is pending and to the concerned Commissioner.</p> <p>(5) The Committee appointed under sub-section (3) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within forty-five days of its appointment</p>
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<p>unless the order of withdrawal by the court of law or the Appellate Authority is communicated to the Board:</p> <p>Provided that if the order of withdrawal is not communicated within seventy five days of the appointment of the committee, the said committee shall be dissolved and provisions of this section shall not apply.</p> <p>(6) The Committee appointed under sub-section (3) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:</p> <p>Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal under sub-section (5) shall be excluded.</p> <p>(7) The decision by the Committee under sub-section (6) shall not be cited or taken as a precedent in any other case or in the same case for a different tax year.</p> <p>(8) The recovery of tax payable by a taxpayer in connection with any dispute for which a Committee has been appointed under sub-section (3) shall be deemed to have been stayed on withdrawal of appeal up to the date of decision by the Committee or the dissolution of the Committee whichever is earlier.</p> <p>(9) The decision of the committee under sub-section (6) shall be binding on the Commissioner and the aggrieved person.</p>	<p>extendable by another fifteen days for the reasons to be recorded in writing.</p> <p>(6) The decision by the Committee under sub-section (5) shall not be cited or taken as a precedent in any other case or in the same case for a different tax year.</p> <p>(7) The recovery of tax payable by a taxpayer in connection with any dispute for which a Committee has been appointed under sub-section (3) shall be deemed to have been stayed on the constitution of Committee till the final decision or dissolution of the Committee, whichever is earlier.</p> <p>(8) The decision of the Committee under sub-section (5) shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before the court of law or any appellate authority in respect of dispute as mentioned in sub-section (1) and has communicated the order of withdrawal to the Commissioner:</p> <p>Provided that if the order of withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the Committee upon the aggrieved person, the decision of the Committee shall not be binding on the Commissioner.</p> <p>(9) Subject to sub-section (10), the Commissioner shall also withdraw the appeal, if any, pending before any court of law or an appellate authority in respect of dispute as mentioned in sub-section (1) within thirty days of the communication of the order of withdrawal by the aggrieved person to the Commissioner.</p>
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<p>(10) If the Committee fails to decide within the period of one hundred and twenty days under sub-section (6), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the Appellate Authority which issued the order of withdrawal under sub-section (5) and the appeal shall be treated to be pending before such court of law or the Appellate Authority as if the appeal had never been withdrawn.</p> <p>(11) The Board shall communicate the order of dissolution to the court of law or the Appellate Authority and the Commissioner.</p> <p>(12) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the Appellate Authority, which shall decide the appeal within six months of the communication of said order.</p> <p>(13) The aggrieved person may make the payment of income tax and other taxes as decided by the committee under sub-section (6) and all decisions, orders and judgments made or passed shall stand modified to that extent.</p> <p>(14) The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the member appointed under clause (i) of sub-section (3).</p> <p>(15) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.</p>	<p>(10) The aggrieved person shall make the payment of income tax and other taxes and within such time as decided by the Committee under sub-section (5) and all decisions and orders made or passed shall stand modified to that extent.</p> <p>(11) If the Committee fails to decide within the period of sixty days under sub-section (5), the Board shall dissolve the Committee by an order in writing and the matter shall be decided by the court of law or the appellate authority where the dispute is pending under litigation.</p> <p>(12) The Board shall communicate the order of dissolution to the aggrieved person, court of law or the appellate authority and to the Commissioner.</p> <p>(13) On receipt of the order of dissolution, the court of law or the appellate authority shall decide the appeal within six months of the communication of the said order.</p> <p>(14) The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the member appointed under clause (ii) of sub-section (3).</p> <p>(15) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section."</p>
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146D	<p><b>NON-EXISTENT</b></p>	<p><i>The following new section has been introduced for recovery of liability outstanding under other law.</i></p> <p><b>"146D. Recovery of liability outstanding under other laws.</b></p> <p><b>(1) Where any outstanding liability in or under any other statute or law for the time being in force enacted through an Act of Parliament, in respect of any defaulter is -</b></p> <p><b>(a) treated as Income Tax arrears in that law;</b></p> <p><b>(b) required to be recovered or collected by Commissioner (Inland Revenue); or</b></p> <p><b>(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."</b></p>
147(4)	<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 inserted 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 inserted 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>

## INCOME TAX

147(4B)	<b>147. Advance tax paid by the taxpayer.</b> <b>NON-EXISTENT EXPLANATION</b>	<i>The following new explanation has been added to clarify tax payable u/s 4C for the purposes of calculating the advance tax payable.</i>  Explanation. – For removal of doubt, it is clarified that tax assessed includes tax liability under section <b>4C</b> .
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147(5C)	NON-EXISTENT	<p>The following new sub-section has been added whereby advance tax is required to be discharged on project-by-project basis by persons deriving income as builders and developers. <i>This was not proposed under the Finance Bill 2023.</i></p> <p><b>“(5C) Notwithstanding anything contained in this section, every person deriving income from the business of:</b></p> <p><b>(i) construction and disposal of residential, commercial or other buildings; or</b></p> <p><b>(ii) development and sale of residential, commercial or other plots for itself or otherwise, shall be liable to pay adjustable advance tax on Project-by-Project basis, as may be prescribed, for the tax year as per the rates specified in Part IIB of the First Schedule in four equal installments:</b></p> <p><b>Provided that such advance tax shall be payable to the Commissioner in accordance with sub-sections (5) and (5A):</b></p> <p><b>Provided further that the provisions of sub-sections (7) to (10) shall <i>mutatis mutandis</i> apply.”</b></p>
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## “Part IIB

### Rates of Advance Tax

[see sub-section (5C) of section 147]

Rate in respect of			
(1)	(2)	(3)	(4)
Area in	Karachi, Lahore and Islamabad	Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Sialkot, Bahawalpur, Peshawar, Mardan, Abbottabad, Quetta	Urban Areas not specified in columns (2) and (3)
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(i) FOR COMMERCIAL BUILDINGS			
Sq. Ft.	-	-	-
Any size	Rs. 250 per Sq. ft.	Rs. 230 per Sq. ft.	Rs. 210 per Sq. ft.
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(i) FOR RESIDENTIAL BUILDINGS			
Sq. Ft.	-	-	-
upto 3000	Rs. 80 per Sq. ft.	Rs. 65 per Sq. ft.	Rs. 50 per Sq. ft.
3000 and above	Rs. 125 per Sq. ft.	Rs. 110 per Sq. ft.	Rs. 100 per Sq. ft.
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(ii)			
Sq. Yds.	-	-	-
Any size	Rs. 150 per Sq. yd	Rs. 130 per Sq. yd	Rs. 100 per Sq. yd
TAX ON PERSONS FALLING UNDER SECTION 147(5C)(iii) FOR DEVELOPMENT OF INDUSTRIAL AREA			
Sq. Yds.	-	-	-
Any size	Rs. 20 per Sq. yd	Rs. 20 per Sq. yd	Rs. 10 per Sq. yd

Provided that in case of mixed use buildings having both commercial and residential areas, respective rates mentioned above shall apply:

Provided further that in case of development of plots and constructing buildings on the same plots as one project, both rates shall apply.”;

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 added to provide for automatic issuance of exemption certificate upon expiry of thirty (30) 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><b>“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:</b></p> <p><b>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.”</b></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 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 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>"Provided that this condition shall not apply in case of an exporter mentioned in clause (a) of sub-section (1) of this section"</b></p>
164A	<p><b>164A. Payment of tax collected or deducted by SWAPS agents.</b></p>	<p><i>The marginal note has been 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 added in the following sub-section:</i></p> <p><b>168. Credit for tax collected or deducted.</b></p> <p>(3)....</p> <p><b>"(k) sub-section (7) of section 236Z"</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 has been made 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	NON - EXISTENT	<p><i>The new section has been 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><b>(1) There shall be established an Institute to be known as International Centre of Tax Excellence.</b></p> <p><b>(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.</b></p>
		<p><b>(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.</b></p> <p><b>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</b></p>

	<p>(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> <p>(10) The remuneration and term of employment of the employees of the Institute shall be as prescribed by the Federal Government.</p>
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		<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 subsection (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 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><b>(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.</b></p> <p><b><i>Explanation.</i> – For removal of doubt, it is clarified that the said fifty thousand rupees shall be aggregate cash withdrawals in a single day."</b></p>
231C	NON - EXISTENT	<p><i>The new section has been 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 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>
236C	<p><b>236C. Advance Tax on sale 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 seller or transferor advance tax at the rate specified in Division X of Part IV of the First Schedule.</p>	<p><i>The following amendment has been made to restrict the person registering the transfer of immoveable property if the tax liability under section 7E is not discharged. This was not proposed under the Finance Bill 2023.</i></p> <p><b>236C. Advance Tax on sale or transfer of immovable Property.</b></p> <p>(1) <b>Subject to sub-section (2A), any person</b> 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 seller or transferor advance tax at the rate specified in Division X of Part IV of the First Schedule.</p> <p><b>(2A) Notwithstanding anything contained in any other law, for the time being in force, any person responsible for registering, recording or attesting transfer of any immovable property shall not register, record or attest transfer unless the seller or transferor has discharged its tax liability under section 7E and evidence to this effect has been furnished to the said person in the prescribed mode, form and manner.</b></p>

236K	<p><del>236K. Advance tax on purchase or transfer of immovable property.</del></p> <p><del>(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.</del></p> <p><del>(2) The advance tax collected under sub-section (1) shall be adjustable:</del></p> <p><del>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.</del></p>	<p><del>NOT ADOPTED IN THE FA</del></p> <p><del>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.</del></p> <p><del>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</del></p>
236Z	<p><del>NON - EXISTENT</del></p>	<p><del>The new section has been introduced for collection of tax on bonus shares issued by a company.</del></p> <p><del>"236Z. Bonus shares issued by companies.</del></p> <p><del>(1) Notwithstanding anything contained in any law for the time being in force, every company, issuing bonus shares to</del></p>

		<p>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 under this section shall be treated to have been paid on behalf of the shareholder.</p>
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		(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."
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**The First Schedule  
Part I  
Division I**

Through the FA, the rate of tax for tax year 2023 and onwards has been increased as provided in the tables below.

**Rates of Tax for Individuals and Association of Persons**

Sr. No.	Taxable Income	Existing Rate	New Rate
1	Where the taxable income does not exceed Rs 600,000	0%	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	5% of the amount exceeding Rs. 600,000	7.5% of the amount exceeding Rs. 600,000
3	Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 10,000 + 12.5% of the amount exceeding Rs.800,000	Rs. 15,000 + 15% of the amount exceeding Rs. 800,000
4	Where taxable income exceeds Rs.1,200,000 but does not exceed Rs. 2,400,000	Rs.60,000 + 17.5% of the amount exceeding Rs.1,200,000	Rs. 75,000 + 20% of the amount exceeding Rs. 1,200,000
5	Where taxable income exceeds Rs.2,400,000 but does not exceed Rs. 3,000,000	Rs. 270,000 + 22.5% of the amount exceeding Rs.2,400,000	Rs. 315,000 + 25% of the amount exceeding Rs. 2,400,000
6	Where taxable income exceeds Rs.3,000,000 but does not exceed Rs. 4,000,000	Rs.405,000 + 27.5% of the amount exceeding Rs.3,000,000	Rs. 465,000 + 30% of the amount exceeding Rs. 3,000,000
7	Where taxable income exceeds Rs.4,000,000 but does not exceed Rs. 6,000,000	Rs. 680,000 + 32.5% of the amount exceeding Rs.4,000,000	Rs. 765,000 + 35% of the amount exceeding Rs. 4,000,000.
8	Where taxable income exceeds Rs.6,000,000	Rs. 1,330,000 + 35% of the amount exceeding Rs.6,000,000.	

## Rates of Tax for Salaried Individuals

Sr. No.	Taxable Income	Existing Rate	New Rate
1	Where the taxable income does not exceed Rs 600,000	0%	0%
2	Where taxable income exceeds Rs.600,000 but does not exceed Rs.1,200,000	2.5% of the amount exceeding Rs. 600,000	2.5% of the amount exceeding Rs. 600,000
3	Where the taxable income exceeds Rs.1,200,000 but does not exceed Rs.2,400,000	Rs. 15,000 + 12.5% of the amount exceeding Rs.1,200,000	Rs. 15,000 + 12.5% of the amount exceeding Rs. 1,200,000
4	Where the taxable income exceeds Rs.2,400,000 but does not exceed Rs.3,600,000	Rs. 165,000 + 20% of the amount exceeding Rs.2,400,000	Rs. 165,000 + 22.5% of the amount exceeding Rs. 2,400,000
5	Where the taxable income exceeds Rs.3,600,000 but does not exceed Rs.6,000,000	Rs. 405,000 + 25% of the amount exceeding Rs.3,600,000	Rs. 435,000 + 27.5% of the amount exceeding Rs. 3,600,000
6	Where the taxable income exceeds Rs.6,000,000 but does not exceed Rs.12,000,000	Rs. 1,005,000 + 32.5% of the amount exceeding Rs.6,000,000	Rs. 1,095,000 + 35% of the amount exceeding Rs. 6,000,000.
7	Where taxable income exceeds Rs.12,000,000	Rs. 2,955,000 + 35% of the amount exceeding Rs. 12,000,000	

**The First Schedule  
Part I  
Division IIB  
Super Tax on high Earning Persons**

The Rates of Super Tax under section 4C has been amended as provided below.

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	4% of the income
6.	Where income exceeds Rs. 350 million but does not exceeds Rs.400 million		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

## The First Schedule Part I Division VII

Through the FA, the first proviso has been substituted due to which the capital gains arising on disposal of securities acquired before July 1, 2013 will be subject to tax at 0%.

PRESENT POSITION	AMENDED POSITION THROUGH FINANCE ACT 2023
<p>Provided that for securities except at S. No. 8 of the table:</p> <p>(i) the reduced rates of tax on capital gain arising on disposal shall apply where the securities are acquired on or after the first day of July, 2022; and</p> <p>(ii) the rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or before the 30th day of June, 2022 irrespective of holding period of such securities:</p>	<p>Provided that for securities except at S. No. 8 of the table:</p> <p>(i) the reduced rates of tax on capital gain arising on disposal shall apply where the securities are acquired on or after the first day of July, 2022; and</p> <p><b>“(ii) the rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the first day of July, 2013 but on or before the 30th day of June, 2022; and</b></p> <p><b>(iii) the rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the first day of July, 2013:”</b></p>

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

**NOT ADOPTED IN THE FA**

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

**The First Schedule**  
**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 amended as under.

S. No (1)	Persons (2)	Rate (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' and 6% of the import value as increased by customs duty sales tax and federal excise duty in case of commercial importer.

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

## The First Schedule

### **PART IIB** **RATES OF ADVANCE TAX** [see sub-section (5C) of section 147]

Through the FA, an amendment has been made in section 147 where advance tax is required to be discharged on a project-by-project basis by persons deriving income as builders and developers. The tax rate is per the following table:

		Rate in respect of	
(1)	(2)	(3)	(4)
Area in	Karachi, Lahore and Islamabad	Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Sialkot, Bahawalpur, Peshawar, Mardan, Abbottabad, Quetta	Urban Areas not specified in columns (2) and (3)
<b>TAX ON PERSONS FALLING UNDER SECTION 147(5C)(i) FOR COMMERCIAL BUILDINGS</b>			
Sq. Ft.	-	-	-
Any size	Rs. 250 per Sq. ft.	Rs. 230 per Sq. ft.	Rs. 210 per Sq. ft.
<b>TAX ON PERSONS FALLING UNDER SECTION 147(5C)(i) FOR RESIDENTIAL BUILDINGS</b>			
Sq. Ft.	-	-	-
upto 3000	Rs. 80 per Sq. ft.	Rs. 65 per Sq. ft.	Rs. 50 per Sq. ft.
3000 and above	Rs. 125 per Sq. ft.	Rs. 110 per Sq. ft.	Rs. 100 per Sq. ft.
<b>TAX ON PERSONS FALLING UNDER SECTION 147(5C)(ii)</b>			
Sq. Yds.	-	-	-
Any size	Rs. 150 per Sq. yd	Rs. 130 per Sq. yd	Rs. 100 per Sq. yd
<b>TAX ON PERSONS FALLING UNDER SECTION 147(5C)(ii) FOR DEVELOPMENT OF INDUSTRIAL AREA</b>			
Sq. Yds.	-	-	-
Any size	Rs. 20 per Sq. yd	Rs. 20 per Sq. yd	Rs. 10 per Sq. yd:

Provided that in case of mixed use buildings having both commercial and residential areas, respective rates mentioned above shall apply:

Provided further that in case of development of plots and constructing buildings on the same plots as one project, both rates shall apply.”;

**The First Schedule**  
**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) have been substituted by the FA. The substituted sub paragraphs is 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.

## The First Schedule PART III 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

**The First Schedule**  
**PART III**  
**DIVISION IVA**  
**Export of Services**

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

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

<b>S. No.</b>	<b>Types of Receipts</b>	<b>Rate of Tax</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
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 <b>for the years 2024 up to tax year 2026</b>
2.	Any other case	1% of proceeds

**The First Schedule  
PART IV  
Division VII  
Advance Tax on Purchase, Registration and Transfer of  
Motor Vehicles**

Through the FA, the rate of advance tax collected on registration of motor vehicle by motor registration authority or by the manufacturer on sale of motor vehicle has been amended as under:

**“(1) The rate of tax under sub-sections (1) and (3) of section 231B shall be as set out in the following Table:**

S. No.	Engine Capacity	Existing Tax in Rs	Revised Tax
1	Up to 850 cc	10,000	10,000
2	851cc to 1000cc	20,000	20,000
3	1001cc to 1300cc	25,000	25,000
4	1301cc to 1600cc	50,000	50,000
5	1601cc to 1800cc	150,000	150,000
6	1801cc to 2000cc	200,000	200,000
7	2001cc to 2500cc	300,000	6% of the value
8	2501cc to 3000cc	400,000	8% of the value
9	Above 3000cc	500,000	10% of the value

**Provided that the value for the purpose of S. Nos. 7 to 9 of the above Table shall be in case of motor vehicle:**

- (i) imported in Pakistan, the import value assessed by the Customs authorities as increased by customs duty, federal excise duty and sales tax payable at import stage;**
- (ii) manufactured or assembled locally in Pakistan, the invoice value inclusive of all duties and taxes; or**
- (iii) auctioned, the auction value inclusive of all duties and taxes:**

**Provided further that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles.”**

**The First Schedule  
PART IV  
Division VIII  
Advance tax at the time of sale by auction**

The rate of collection of tax under section 236A shall be 10% of the gross sale price of any property or goods sold by auction **and sale by auction of train management services by Pakistan Railways.**

Provided that in case of immovable property sold by auction, the rate of collection of tax under this section shall be 5% of the gross sale price.

**The First Schedule  
PART IV  
Division X  
Advance tax on sale or transfer of  
Immovable property**

The rate of tax to be collected under section 236C shall be **3%** of the gross amount of the consideration received.

**The First Schedule  
PART IV  
Division XVIII  
Advance tax on purchase of  
Immovable property**

The rate of tax to be collected under section 236K shall be **3%** of the fair market value.

**The First Schedule  
PART IV  
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

In clause (66), the following new organizations have been proposed to be added in sub-clause (1), in column (1) and entries relating thereto in column (2) in Table 1:

Table 1

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

In clause (66), in sub-clause (2), in Table 2, in column (1), after S. No (xlv) and entry relating thereto in column (2), the following new S. Nos. and entries relating thereto in column (2) shall be added, namely:

Table 2

(xlv)	Balochistan Bar Council
(xlvi)	Islamabad Bar Council
(xlvii)	Khyber Pakhtunkhwa Bar Council
(xlviii)	Punjab Bar Council
(xlix)	Sindh Bar Council
(l)	Shaheed Zulfikar Ali Bhutto Foundation (SZABF)

#### NOT ADOPTED IN FA

~~(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 up to 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.

**NOT ADOPTED IN FA**

~~(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****NOT ADOPTED IN FA**

~~(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.~~

## THE SECOND SCHEDULE PART IV EXEMPTION FROM SPECIFIC PROVISIONS

New sub-clause (xlv) has been inserted in clause (11A) as follows:

**(xlv) The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5<sup>th</sup> August, 2022.**

**(100) omitted**

(109A) The provisions of sections in Division III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax which were not applicable prior to commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) shall not apply to individual domiciled or company and association of persons resident in the Tribal Areas 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).]

(110) The provisions of sections in Division III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax which were not applicable prior to commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) shall not apply to individual domiciled or company and association of person resident in the Tribal Areas 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).]

**(121) New clause has been inserted which reads 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 inserted which reads 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 inserted which reads 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 inserted which reads 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 rule has been inserted which reads 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 rule has been inserted which reads 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)** *The following change has been made in this rule:*

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 inserted which reads as follows:*

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

## NOT ADOPTED IN FA

**(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 =  $A \times B/C$~~

~~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 inserted in rule 8 which reads 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 inserted in rule 8 which reads 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 inserted which reads 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 TENTH SCHEDULE

(See section 100BA)

In rule 10, the following new subrule has been inserted, namely:

(ga) tax deducted under section 231AB;

## THE THIRTEENTH SCHEDULE (See section 61)

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

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



## FOURTEENTH SCHEDULE

(See section 100E)

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

## NOT ADOPTED IN FA

*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

## SALES TAX

Amended position as per Finance Act 2023 (the "FA") is provided hereunder.

SECTION	PRESENT POSITION	AMENDED POSITION THROUGH FINANCE ACT 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>Through the FA, "<i>production, transmission and distribution of electricity</i>", has been omitted from the definition of Goods.</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>Through the FA, sub-clause (e) i.e., "<i>production, transmission and distribution of Electricity</i>", has been omitted from the definition of Supply.</p> <p>The proposed amendment has restored original definition of Supply.</p>

2(43A) (e) (ga)	<p><i>(43A) "Tier-1 retailer" means a retailer falling in any one or more of the following categories, namely:</i></p> <p>(a) <i>a retailer operating as a unit of a national or international chain of stores;</i></p> <p>(b) <i>a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;</i></p> <p>(c) <i>a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds Rupees 106[twelve] hundred thousand; 107</i></p> <p>(d) <i>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>(e) <i>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>The scope of definition of Tier-I retailer has been enlarged, by virtue of amendments, clause (e) and clause (ga) are omitted, from the definition of Tier-I Retailers. Amended Definition is as under:</p> <p>(a) <i>a retailer operating as a unit of a national or international chain of stores;</i></p> <p>(b) <i>a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;</i></p> <p>(c) <i>a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds Rupees 106[twelve] hundred thousand;</i></p> <p>(d) <i>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>(e) <b>Omitted;</b></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>
3(1A)	<p><b>Further Tax</b></p> <p><i>Subject to the provision of sub section (6) of section 8 or any notification issued thereunder, where taxable supplies are made to a person who has not obtained registration number [or he is not an active taxpayer], there shall be charged, levied and paid a further tax at the rate of three percent of the value in addition to the rate specified in sub sections (1), (1B), (2), (5), [(6) and section 4] provided that the Federal Govt. may, by notification in the official Gazette, specify the taxable supplies in respect of which the further tax shall not be charged, levied and paid.</i></p>	<p><b>Through the FA, the rate of further tax has been enhanced to 4%. The amended section reads as follows:</b></p> <p><i>Subject to the provision of sub section (6) of section 8 or any notification issued thereunder, where taxable supplies are made to a person who has not obtained registration number [or he is not an active taxpayer], there shall be charged, levied and paid a further tax at the rate of <b>four</b> percent of the value in addition to the rate specified in sub sections (1), (1B), (2), (5), [(6) and section 4] provided that the Federal Govt. may, by notification in the official Gazette, specify the taxable supplies in respect of which the further tax shall not be charged, levied and paid.</i></p>

30CA	<p><b>30CA. Directorate General of Digital Invoicing and Analysis -</b></p> <p><i>The Directorate General of Digital Invoicing and Analysis shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.</i></p>	<p>Through the FA, section 30CA has been amended as follows:</p> <p><b><i>“30CA. Directorate General of Digital Initiatives -</i></b></p> <p><b><i>The Directorate General of Digital Initiatives shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.”</i></b></p>
33(23)	<p>23. Any person who manufactures, possesses, transports, distributes, stores or sells <b>cigarette packs</b> with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes.</p>	<p><b>Newly amended definition under the FA is as under:</b></p> <p>23. Any person who manufactures, possesses, transports, distributes, stores or sells <b>goods or class of goods as specified by the Board under sub-section (1) of section 40C</b> with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes.</p>

47A	<p><b>47A. Alternative Dispute Resolution</b></p>	<p><b>The FA has amended section 47A to facilitate ease of doing business, reduced litigation &amp; cost of litigation by revamping Alternative Dispute Resolution mechanism and make it more effective.</b></p> <p><b>47A. Alternative Dispute Resolution.</b> (1) Notwithstanding any other provision of this Act, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to –</p> <p>(a) the liability of sales tax of one hundred million rupees or above against the aggrieved person or admissibility of refund, as the case may be;</p> <p>(b) the extent of waiver of default surcharge and penalty; or</p> <p>(c) any other specific relief required to resolve the dispute, may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an appellate authority, except where criminal proceedings have been initiated.</p> <p>(2) The application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute, including an offer of payment of sales tax.</p> <p>(3) The Board may, after examination of the application of an aggrieved person, appoint a committee, within fifteen days of receipt of such application in the Board, comprising, –</p> <p>(i) a retired judge not below the rank of a judge of a High Court, who shall also be the Chairperson of the Committee, to be nominated by the Board from a panel notified by the Law and Justice Division for such purpose;</p> <p>(ii) Chief Commissioner Inland Revenue having jurisdiction over the case; and</p> <p>(iii) person to be nominated by the registered person from a panel notified by the Board comprising</p>
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	<p>(a) chartered accountants, cost and management accountants and advocates having a minimum of ten years' experience in the field of taxation;</p> <p>(b) officers of the Inland Revenue Service who stood retired in BPS 21 or above; or</p> <p>(c) reputable businessmen as nominated by Chambers of Commerce and Industry:</p> <p>Provided that the registered person shall not nominate a chartered accountant or an advocate if the said chartered accountant or the advocate is or has been an auditor.</p> <p>(4) The Board shall communicate the order of appointment of committee to the aggrieved person, court of law or the appellate authority where the dispute is pending and the concerned Commissioner.</p> <p>(5) The committee appointed under sub-section (3) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within forty-five days of its appointment extendable by another fifteen days for the reasons to be recorded in writing.</p> <p>(6) The decision by the committee under sub-section (5) shall not be cited or taken as a precedent in any other case or in the same case for a different tax year.</p> <p>(7) The recovery of sales tax payable by a registered person in connection with any dispute for which a committee has been appointed under sub-section (3) shall be deemed to have been stayed on the constitution of committee till the final decision or dissolution of the committee, whichever is earlier.</p> <p>(8) The decision of the committee under sub-section (5) shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before the court of law or any appellate authority in respect of dispute as mentioned in sub-section (1) and has</p>
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		<p><i>communicated the order of withdrawal to the Commissioner:</i></p> <p><i>Provided that if the order of withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the committee upon the aggrieved person, the decision of the committee shall not be binding on the Commissioner.</i></p> <p><i>(9) Subject to sub-section (10), the Commissioner shall also withdraw the appeal, if any, pending before any court of law or an appellate authority in respect of dispute as mentioned in sub-section (1) within thirty days of the communication of the order of withdrawal by the aggrieved person to the Commissioner.</i></p> <p><i>(10) The aggrieved person shall make the payment of sales tax and other duty and taxes and within such time as decided by the committee under sub section (5) and all decisions and orders made or passed shall stand modified to that extent.</i></p> <p><i>(11) If the committee fails to decide within the period of sixty days under sub-section (5), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the appellate authority where the dispute is pending under litigation.</i></p> <p><i>(12) The Board shall communicate the order of dissolution of the committee to the aggrieved person, court of law or the appellate authority and the Commissioner.</i></p> <p><i>(13) On receipt of the order of dissolution of the committee, the court of law or the appellate authority shall decide the appeal within six months of the communication of said order.</i></p> <p><i>(14) The Board may prescribe the amount to be paid as remuneration for the services of the members of the committee, other than the member appointed under clause (ii) of sub-section (3).</i></p> <p><i>(15) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.</i></p>
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Fifth Schedule Sr. No. 8A	A new Serial Number has been inserted.	Through FA, a new serial number 8A has been added to enable zero-rating of sales tax on import and supply by, for or to a qualified investment under (Promotion and Protection) Act, 2022 to promote foreign investment and exports.  "8A. Imports or supplies made by, for or to a qualified investment as specified at Serial No.1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act."
Fifth Schedule Sr. No. 12	12 (xvii) Preparations suitable for infants, put up for retail sale not exceeding rupees five hundred per two hundred grams (PCT Heading 1901.1000)  12 (xxv) Geometry boxes (PCT heading 9017.2000)	<b>Amended entries are provided below:</b>  12 (xvii) Preparations suitable for infants, put up for retail sale not exceeding rupees <b>six</b> hundred per two hundred grams (PCT Heading 1901.1000).  12 (xxv) <b>other drawing, marking out or mathematical calculating instruments (geometry box)</b> (PCT heading 9017.2000)
Fifth Schedule Sr. No. 21	21. Local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions as specified therein.	<b>Amended entry is provided below:</b>  21. Local supplies of <b>commodities</b> , raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions as specified therein.

## SALES TAX

Sixth Schedule Table-1 Sr. Nos. 16, 17, 18	<p>16. Red chillies excluding those sold in retail packing bearing brand names and trademarks.</p> <p>17. Ginger excluding those sold in retail packing bearing brand names and trademarks.</p> <p>18. Turmeric excluding those sold in retail packing bearing brand names and trademarks.</p>	<p><b>Amended entries are provided below:</b></p> <p>16. Red chillies excluding those sold <b>under</b> brand names and trademarks.</p> <p>17. Ginger excluding those sold <b>under</b> brand names and trademarks.</p> <p>18. Turmeric excluding those sold <b>under</b> brand names and trademarks.</p>
Sixth Schedule Table-1 Sr. Nos. 121	<p>121. Blood Bag CPDA-1 with blood transfusion set pack in aluminum foil with set.</p>	<p><b>Through FA, an explanation has been added as follows:</b></p> <p>121. Blood Bag CPDA-1 with blood transfusion set pack in aluminum foil with set.</p> <p><b>Explanation.- For removal of doubt, it is clarified that the blood transfusion sets not packed in aluminum foil imported with blood bags CPDA-1, in corresponding quantity in same consignment are also exempt.</b></p>
Sixth Schedule Table-1 Sr. Nos. 151 & 152	<p>(i) Supply/ import of plant, machinery, equipment for installation in tribal areas;</p> <p>(ii) Supply/ import of industrial inputs by the Industries located in tribal areas;</p> <p>(iii) Supplies of electricity to all residential and commercial consumers in tribal areas; and</p> <p>(iv) Supplies of electricity to such industries (excluding steel and ghee or cooking oil industries) in the tribal areas which were set up and started their industrial production before March 31, 2018.</p>	<p><b>Through the FA, exemption of sales tax to tribal areas expires on June 30, 2023; and has been extended for one year till June 30, 2024.</b></p>

Sixth Schedule Table-1 Sr. No. 168	168. Fertilizers	Amended entry is as under:  168. Fertilizers <b>excluding DAP</b>
Sixth Schedule Table-2 Sr. No. 27	27. Wheat Bran	Amended entry is as under:  27. Wheat Bran <b>[This exemption shall apply from the 1st day of July, 2018]</b>

<p>Sixth Schedule Table-2 Sr. Nos. 32, 34, 35, 36, 37, 39, 41, 42</p>	<p>32. Yogurt, excluding that sold in retail packing under brand names or trademarks</p> <p>34. Butter, excluding that sold in retail packing under brand names or trademarks</p> <p>35. Desi ghee, excluding that sold in retail packing under brand names or trademarks</p> <p>36. Cheese, excluding that sold in retail packing under brand names or trademarks</p> <p>37. Processed cheese not grated or powdered, excluding that sold in retail packing under brand names or trademarks</p> <p>39. Products of meat or meat offal excluding sold in retail packing under brand names or trademarks</p> <p>41. Meat of bovine animals, sheep, goat and uncooked poultry meat excluding those sold in retail packing under brand names or trademarks</p> <p>42 Fish and crustaceans excluding those sold in retail packing under brand names or trademarks</p>	<p><b>Amended entries are provided below:</b></p> <p>32. Yogurt, excluding that sold under brand names or trademarks</p> <p>34. Butter, excluding that sold under brand names or trademarks</p> <p>35. Desi ghee, excluding that sold under brand names or trademarks</p> <p>36. Cheese, excluding that sold under brand names or trademarks</p> <p>37. Processed cheese not grated or powdered, excluding that sold under brand names or trademarks</p> <p>39. Products of meat or meat offal excluding sold under brand names or trademarks</p> <p>41. Meat of bovine animals, sheep, goat and uncooked poultry meat excluding those sold under brand names or trademarks</p> <p>42 Fish and crustaceans excluding those sold under brand names or trademarks</p>
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Sr. No 66, Eighth Schedule					Amended entry is as under:			
	66.	Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales	12%	if supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months"; and	66.	Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales	15%	if supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months"; and

# SALES TAX

Sr. No 81, Eighth Schedule	81. Manufacture or import of substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976)	Amended entry is as under:			
		81.	<p>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> <p>(a) filled infusion solution bags imported with or without infusion given sets;</p> <p>(b) scrubs, detergents and washing preparations;</p> <p>(c) soft soap or no soap;</p> <p>(d) adhesive plaster;</p> <p>(e) surgical tapes;</p> <p>(f) liquid paraffin;</p> <p>(g) is infectants, and</p> <p>(h) cosmetics and toilet preparations.</p> <p>This substitution shall be deemed to have been made from 1st day of July, 2022.</p>	1%	<p>Subject to the conditions that:</p> <p>(i) Tax charged and deposited by the manufacturer or importer, as the case may be, shall be final discharge of tax in the supply chain</p> <p>(ii) No input tax shall be adjusted in the supply chain</p>

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.	Amended entry is as under:				
		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 reduced rate as specified in column (4) 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.	1%	Subject to the conditions that:  (i) DRAP shall certify item-wise requirement of manufacturers of drugs and APIs and in case of import shall furnish all relevant information to Pakistan Customs Computerized System; and  (ii) No input tax shall be adjusted in the supply chain.	
Sr. No 83, Eighth Schedule	NON-EXISTENT					
		83.	DAP	Respective headings	5%	Subject to the condition that no refund of excessive input tax, if any, shall be admissible



## SALES TAX ON SERVICES (Islamabd Capital Territory)

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

Amended position as per Finance Act 2023 (the "FA") is provided hereunder.

SECTION	PRESENT POSITION	AMENDED POSITION THROUGH FINANCE ACT 2023
3(2A)(a)	<del>NON-EXISTENT</del>	<p><b><i>NOT ADOPTED IN FA</i></b></p> <p><del>(5AB) — "cottage industry" means a manufacturing concern, which fulfils each of following conditions, namely:—</del></p> <p><del>(a) does not have an industrial gas or electricity connection.</del></p> <p><del>(b) is located in a residential area.</del></p> <p><del>(c) does not have a total labor force of more than ten workers; and</del></p> <p><del>(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.</del></p>
3(2A)(b)	<i>New Insertion</i>	<p>Through the FA, to allow for 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:</p> <p>(b) serial no 2 <b><i>and serial number 8A</i></b>, in column (1), and the entries relating thereto of the Fifth Schedule read with section 4.</p>

# SALES TAX ON SERVICES (ICT)

Table 1, Sr. No. 1					Amended as follows:			
	#	Description	PCT Heading	Rate of Tax	#	Description	PCT Heading	Rate of Tax
	1	<p>Services provided or rendered by hotels, motels, guest houses, farmhouses, restaurants, marriage halls, lawns, clubs and caterers.</p> <p>Services provided are rendered by hotels motels, guest houses and farm houses.</p> <p>Services provided or rendered by restaurants.</p> <p>Services provided or rendered by marriage halls and lawns.</p> <p>Services provided or rendered by clubs.</p> <p>Services provided or rendered by carters, suppliers of food and drinks.</p>	98.01	Fifteen percent	1	<p>(i) Services provided or rendered by hotels, motels, guest houses, farmhouses, marriage halls, lawns, clubs and caterers.</p> <p>(ii) 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.</p>	98.01	<p>(i) Fifteen percent</p> <p>(ii) (a) Five percent where payment against services is received through debit or credit cards, mobile wallets or QR scanning subject to the condition that no input tax adjustment or refund shall be admissible; and</p> <p>(b) Fifteen percent where payment received in cash</p>

## SALES TAX ON SERVICES (Islamabd Capital Territory)

Table 1, Sr. No. 11					<b>Amended as follows:</b>			
	11	Services provided by software or IT-based system development consultants.	9815.6000	Sixteen percent	11	IT services and IT-enabled services.  Explanation: - For the purpose of this Entry:  (a) "IT services" include but not limited to software development, software maintenance, system integration, web design, web development, web hosting and network design; and  (b) "IT enabled services" include but not limited to inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, human resources (HR) services, telemedicine centres, data entry operations, cloud computing services, data storage services, locally television programs and insurance claims processing.	Respective headings	Fifteen percent



SALES TAX ON SERVICES (ICT)

Table 1, Sr. No. 60	NON-EXISTENT	New serial number added as follows:			
		60	Electric Power Transmission Services	--	15%