



TAMAM ASSOCIATES

FINANCE ACT, 2023

Commentary – TA2303

IMPORTANT NOTICE

These comments summarise important changes introduced by the Finance Act, 2023 in respect of Income Tax, Federal Sales Tax and Islamabad Capital Territory Sales Tax on Services. For better understanding of the effect of changes in the Income Tax Ordinance, 2001, Sales Tax Act, 1990 and Islamabad Capital Territory (Tax on Services) Ordinance, 2001, we suggest these should be read with reference to the main provisions of the law of words, spellings etc., having no effect on the existing provisions and those of administrative nature with no fiscal or legal effect, have been ignored. Unless otherwise indicated, all the changes are effective for the Tax Year 2023. For the purposes of collection or deduction of tax, changes take effect from July 01, 2023.

July 5, 2023

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SALIENT FEATURES

Income Tax

- Bonus shares have been included in the definition of income and final tax @ 10% has been levied on bonus shares.
- Limit for paying salary in cash has been enhanced from Rs. 25,000 to Rs. 32,000.
- Builders and developers have also been made liable to pay advance tax under section 147.
- Super tax payable by high earning persons has been subjected to payment in advance under section 147.
- Exemption from tax on income, capital gain, withholding taxes, minimum and final tax, as provided in the Foreign Investment (Promotion and Protection) Act, 2022 have also now been provided under this Ordinance.
- Slab rates of tax for salary income as well as business income of individuals and association of persons (AOP) have been increased and number of slabs have been reduced.
- Additional tax would be payable for any of the preceding three (3) tax years, effective from tax year 2023 onwards, on unexpected (windfall) income, profit or gains at the rate not exceeding 50% of such income, profit, or gains.
- Condition of filing sales tax returns, under the Federal and Provincial laws, for claiming tax deductible as final tax for registered exporters of computer software, IT services or IT enabled services has been dispensed with.
- Advance tax on cash withdrawal by a non-active taxpayer has been again levied @ 0.6%.
- Rates of super tax on high earning persons increased for incomes exceeding Rs. 350 million.
- Rate of tax collection on commercial imports has been increased from 5.5% to 6%.
- Rates of tax deductions from payments to residents and non-residents for supply of goods, rendering of services and under a contract have been increased by 1%.
- Advance tax on foreign currency remitted abroad through credit, debit or prepaid cards has been increased from 1% to 5%.
- Tax exemption on income arising in Ex-PATA and Ex-FATA areas has been extended up to June 30, 2024.

Federal Sales Tax

- Rate of further tax has been increased from 3% to 4%.
- "Production, transmission and distribution of electricity" has been excluded from the definition of "goods" and "supply" thus making them a service.

- Putting to private, business, or non-business use of self-produced goods will not be treated as “supply”.
- Retailers not operating as a unit of national or international chain of stores and jewellers have been excluded from the definition of “Tier-1 Retailer”.
- Imports or supplies made by, for or to a qualified investment under the Foreign Investment (Promotion or Protection) Act, 2022 will be subject to zero rate tax.
- Exemption from sales tax already available to persons operating in Ex-FATA and Ex-PATA areas has been extended up to June 30, 2024.
- Rate of tax on supply of fabric and leather products has been increased from 12% to 15%.

Islamabad Capital Territory Sales Tax on Services

- Services provided by restaurants including coffee, food (including ice cream) Parlors and similar nature outlets have been subjected to tax @ 5% provided the payment is received through debit or credit card or a similar mode, provided that input tax adjustment will not be allowed. In case of receipt of payment in cash, rate of tax will continue to be 15%.
- Rate of tax for software or IT based system development services reduced from 16% to 15%.
- Electric Power Transmission Services have been made taxable at 15%.

INCOME TAX ORDINANCE, 2001

2

Definitions

- (29) By including bonus shares in the definition of “income”, bonus shares have been subjected to tax.
- (41) By amending this clause, the condition of having a “Fixed” place of business to be considered a “Permanent Establishment (P.E.)” has been removed.
- (bb) By adding this clause, virtual business presence in Pakistan including any business transactions which are conducted through internet or any other electronic medium, with or without any presence, have also been included in the definition of PE.
- (d) Provision of services through a “entity” added in the definition of P.E.

4C

Super tax on high earning persons

- (2)(iv) By amending this clause, “capital gains on listed securities” have been included in the scope of income for the purpose of this section.
- (5A) This new sub-section makes it obligatory to consider the tax payable under this section for the purpose of paying advance tax.

Three more slab rates have been added to tax the income exceeding Rs. 350 million under this section at higher rates.

7E

[Tax on deemed income](#)

(2) proviso

Exemptions provided to certain assets will not be available to those persons who are not active taxpayer, other than those not required to file return of income under Rule 2 of the Tenth Schedule.

21

[Deductions not allowed](#)

(m)

Limit of cash payment of salary per month per person has been increased from Rs. 25,000 to Rs. 32,000.

37A

[Capital gains on sale of securities](#)

(1) 2nd

proviso

By substituting this proviso, this section will not be applicable in respect of disposal of shares:

- i) Of a listed company made otherwise than through registered stock exchange and which are not settled through NCCPL;
- ii) Through initial public offer during listing process except where detail of such disposal is furnished to NCCPL for computation of capital gains and tax thereon under this section.

39

[Income from other sources](#)

(Lb)

Bonus shares will be treated as “income from other sources” as per this newly added clause.

44A

[Exemption under Foreign Investment \(Promotion and Protection\) Act, 2022 \(“F1 \(P&P\) Act”\)](#)

This newly inserted section provides as under:

- 1) Exemption from taxes on income (including capital gains), withholding, minimum and final tax as provided in the Second and Third Schedule of the F1 (P&P) Act in respect of qualified investment as specified at S. No. 1 of the First Schedule to the F1 (P&P) Act.
- 2) Above stated exemption will also be available to all investors and shareholders of the qualified investment, their associates and companies specified in the Second and Third Schedule including third party lenders on account of any loan, to the extent provided in Second and Third Schedule of the above referred Act.
- 3) Anti avoidance provisions to the extent stated in F1 (P&P) Act including sections 106, 160A, 108, 109 and 109A shall not apply to persons mentioned in (1) and (2) above.
- 4) Rates of depreciation, initial allowance, and pre-commencement expenditure under sections 22, 23 and 25 as on March 20, 2022, have been frozen for 30 years in respect of persons mentioned in (1) and (2) above.

85

Associates

- (1) Sub-section (1) has been substituted to broaden the conditions of being Associates to include where:
- (a) the relationship between two persons is such that one acts according to the intention of other or both persons may be reasonably expected to act according to the intention of a third person;
 - (b) One person influences, either alone or together with an associate or associates, the other person.
Two persons will be treated as influencing each other if one or both persons are, directly or indirectly, economically, and financially dependent on each other and decisions are made etc. for common economic goal.
 - (c) One person enters into a transaction, directly or indirectly, with another person who is resident of jurisdiction with zero taxation regime.
- (5) This substituted sub-section adds reference to “jurisdiction with zero taxation regime” to mean jurisdiction as may be defined.

99D

Additional tax on certain income, profits, and gains

This newly added section provides to levy additional tax on income, profit or gains of a company that have arisen unexpectedly (windfall) for any of the preceding three tax years from the Tax Year 2023 and onwards due to any economic factor or factors, whether or not disclosed in the financial statements.

The Federal Government is authorised to notify in the Gazette, as under, in this respect:

- a) Specify sector or sectors to which this section applies;
- b) Determine windfall income, profits or gains and economic factor or factors including international price fluctuation having a bearing on commodity price in Pakistan or any sector of the economy or difference in profit or gains on account of foreign currency fluctuation;
- c) Provide the rate of tax not exceeding 50% of such income, profit or gains;
- d) Provide for scope, time and payment of the tax payable in such manner and with such conditions as may be specified; and
- e) Exempt any person or classes of persons, any income or classes of income from application of this section, subject to any conditions that may be specified.

- 100B [Special provision relating to capital gain tax](#)
By amending this sub-section, “Super tax on high earning persons” has been included in the scope of this section.
- (1)
- 134A [Alternative Dispute Resolution](#)
Through this substituted section, following changes have been introduced:
- i) Appointment of Committee will be made within 15 days instead of 45 days.
 - ii) A retired judge of the High Court will be appointed as a committee member who will also be Chairperson of the committee.
 - iii) Instead of withdrawal of appeal by the aggrieved party, appointment of Committee will be communicated to the court of law or the appellate authority where the dispute is pending and to the Commissioner.
 - iv) The aggrieved taxpayer, if satisfied with the decision of committee, will withdraw the appeal pending before the court of law or the appellate authority and communicate such withdrawal to the Commissioner.
 - v) In case no decision is made by the committee within 60 days, the Board will dissolve the committee and inform this to the court of law or the appellate authority and to the Commissioner.
 - vi) On receipt of order of dissolution, the court of law or the appellate authority will decide the pending appeal within 06 months.
- 146D [Recovery of liability outstanding under other laws](#)
This new section provides that where the outstanding liability under any other statute or law is treated as “Income Tax Arrear”, the Commissioner Inland Revenue will recover the same and deposit in the designated account.
- 147 [Advance tax paid by the taxpayer](#)
- (4), (4AA), (4B) These sub-sections have been amended to also prescribe “Super tax on high earning persons” under section 4C as liable to advance tax payment.
- (5C) This new sub-section brings following categories of taxpayers within the scope of advance tax:
“Every person deriving income from the business of:
- i) Construction and disposal of residential, commercial, or other buildings; or

- ii) Development and sale of residential, commercial or other plots for itself or otherwise.

shall pay advance tax on Project-to-Project basis, as may be prescribed in newly inserted Part IIB of First Schedule in four equal instalments.

152

[Payment to non-residents](#)

(5A)

proviso 1
and 2

These new provisos have been added to provide that, where the exemption certificate is not issued within thirty (30) days of receipt of notice, the Commissioner (CIR) will deem to have issued the certificate which will be automatically processed and issued by IRIS.

However, the CIR may modify or cancel such issued exemption certificate on the basis of reasons to be recorded in writing after providing opportunity of being heard.

154

[Exports](#)

(3B)

Under this amended sub-section, direct exporters and export house registered with Export Facilitation Scheme, 2021 have also been accepted for the purpose of entering into contract with indirect exporter and tax deduction therefrom.

154A

[Export of services](#)

(2)(c)

proviso

This added proviso withdraws the condition of filing sale tax returns under the Federal and Provincial laws by the exporters of computer software, IT services and IT enabled services for availing the reduce tax rate of 0.25%.

168

[Credit for tax collected or deducted](#)

(3)(k)

This new clause provides that no credit of tax will be allowed in respect of final tax on bonus shares.

169

[Tax collected or deducted as a final tax](#)

(1)(b)

Reference to section 236Z (7) has been added in this clause for making tax collected on bonus shares as final tax.

230J

[International Centre of Tax Excellence](#)

Through this new section, the Government has established an International Centre of Tax Excellence. Functions of this institute will be to help to contribute to the development of tax policy, prepare model national tax policy etc.

231AB

[Advance tax on cash withdrawal](#)

This newly added section has again subjected to tax cash withdrawals exceeding, in aggregate, Rs. 50,000 in a day by a non-active taxpayer, at the rate of 0.6%.

231C

[Advance tax on foreign domestic workers](#)

Employment of a foreign national, as a domestic worker, has been subjected to collection of advance tax at Rs. 200,000 per such worker payable by the agency, sponsor or the person employing such foreign national.

236C

[Advance tax on sale or transfer of immoveable property](#)

(1), (2A)

By amending sub-section (1) and inserting sub-section (2A), registration and transfer of immoveable property has been made subject to payment of tax u/s 7E (Tax on deemed income) by the seller or transferor.

236Z

[Bonus shares issued by Companies](#)

Since the bonus shares have been included in the definition of “income”, the same have been subjected to tax @ 10% by adding this new section.

Bonus shares will be issued after the collection of tax @ 10% of day-end price on the first day of closure of books for listed companies and value, as prescribed for other companies.

Tax so collected will be deposited within 15 days of closure of books.

Tax paid on bonus shares shall be final tax.

[THE FIRST SCHEDULE: PART I](#)

[RATES OF TAX \(Chapter II\) Division I](#)

Rates of tax for individuals and Association of Persons

Clause (1) Following new Table has been substituted under this clause increasing tax rates of each slab by 2.5%. Maximum slab rate of 35% has now been made applicable for income exceeding Rs 4,000,000 (previously Rs 6,000,000) by reducing to 7 slabs in place of 8 slabs. Exempt income amount enhanced from Rs 400,000 to Rs 600,000.

S. #	Taxable Income	Rate of Tax
(1)	(2)	(3)
1	Where taxable income does not exceed Rs. 600,000	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	7.5% of the amount exceeding Rs. 600,000
3	Where taxable income exceeds Rs. 800,000 but does not	Rs. 15,000 + 15% of the amount

	exceed Rs. 1,200,000	exceeding Rs. 800,000
4	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	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. 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. 465,000 + 30% of the amount exceeding Rs. 3,000,000
7	Where taxable income exceeds Rs. 4,000,000	Rs. 765,000 + 35% of the amount

- (2) Table under this clause, prescribing tax rates for salary income has been substituted as under:

Slab rates for income exceeding Rs 2,400,000 have been increased by 2.5%. Highest slab rate of 35% has now been made applicable to income exceeding Rs. 6,000,000 (previously Rs. 12,000,000) by reducing number of slabs from 7 to 6.

S. #	Taxable Income	Rate of Tax
(1)	(2)	(3)
1	Where taxable income does not exceed Rs. 600,000/-	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	2.5% of the amount exceeding Rs. 600,000
3	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 15,000 + 12.5% of the amount exceeding
4	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 165,000 + 22.5% of the amount exceeding
5	Where taxable income exceeds Rs. 3,600,000 but does not exceed Rs. 6,000,000	Rs. 435,000 + 27.5% of the amount exceeding

6	Where taxable income exceeds Rs. 6,000,000	Rs. 1,095,000 + 35% of the amount exceeding
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Division IIB

Super Tax on high earning persons

Following is the substituted "TABLE" prescribing rates of tax for the Tax Years 2022 and 2023 onwards:

TABLE

S. #	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 exceed 350 million		4% of the income
6	Where income exceeds Rs. 350 million but does not exceed 400 million	4% of the income	6% of the income
7	Where income exceeds Rs. 400 million but does not exceed 500 million		8% of the income
8	Where income exceeds Rs. 500 million		10% of the income";

Division VII: Capital Gains on Disposal of Securities

The rate of tax to be paid under section 37A

TABLE

1ST proviso Paragraph (ii) has been substituted as under:

(ii) Tax rate of 12.5% shall be charged on capital gain arising on disposal where the securities are acquired on or after the July 01, 2013 (previously no such limit) but before June 30, 2022.

(iii) Tax rate of 0% shall be charged on capital gain arising on disposal where the securities are acquired before July 01, 2013 (previously capital gain on such capital gain was taxable).

Part II: RATES OF ADVANCE TAX: (Division II of Part V of Chapter X)

Rate of tax on commercial import of goods (under section 148) other than the goods not specifically mentioned in Part I or II of the 12th Schedule has been increased from 5.5% to 6%.

Part IIB: RATES OF ADVANCE TAX: (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)(ii) 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.

Part III: DEDUCTION OF TAX AT SOURCE: (Division III of Part V of Chapter X)
(Section 152) DIVISION II

By amending this Division tax deduction rates have been revised upward by 1% in respect of payments made to non-resident persons as under:

Payments for goods:	New rate	Previous rate
i) In case of a Company	5%	4%
ii) In other cases	5.50%	4.50%
<u>Payment for services:</u>		

i) 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, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services, oilfield services.	4%	3%
ii) In case of other than above sub-paragraph (i):		
a) In case of a Company	9%	8%
b) In other cases	11%	10%
<u>Payment for execution of contracts</u>		
(ii) From gross amount of payment other than payments for goods or rendering of services	8%	7%

DIVISION III: (Section 153)

This Division has been amended to revise upward the rates of tax deduction, as under, in respect of resident persons.

Payments for goods:	New rate	Previous rate
i) In case of a Company	5%	4%
ii) In other cases	5.5%	4.5%
<u>Payment for services:</u>		

i) 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 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, REIT management services, services rendered by National Clearing Company of Pakistan Limited.	4%	3%
ii) In case of other than above sub-paragraph (i):		
a) In case of a Company	9%	8%
b) In other cases	11%	10%
iii) Payments for contracts:		
a) In case of a Company	7.5%	6.50%
b) In other cases	8%	7%

DIVISION IVA: Export of Services: (Section 154A)

Reduced rate of 0.25% for export proceeds of Computer software or IT services or IT enabled services have been made time bound upto the Tax Year 2026.

PART IV: (Chapter IV)

DEDUCTION OR COLLECTION OF ADVANCE TAX

DIVISION VII: Advance Tax on Purchase, Registration and Transfer of Motor vehicles: [Section 231B(1)&(3)]

This Table has been substituted as under by replacing the advance tax from fixed amount to percentage of value of motor vehicles with engine capacity 2001cc and above.

S #	Engine capacity	Tax
(1)	(2)	(3)
1	Upto 850 cc	Rs.10,000
2	851cc to 1000cc	Rs. 20,000
3	1001cc to 1300cc	Rs. 25,000
4	1301cc to 1600cc	Rs. 50,000
5	1601cc to 1800cc	Rs. 150,000
6	1801cc to 2000cc	Rs. 200,000
		Rate of Tax
7	2001cc to 2500cc	6% of the value
8	2501cc to 3000cc	8% of the value
9	Above 3000cc	10% of the value

DIVISION VIII: Advance Tax at the time of sale by auction: (Section 236A)

Proviso By amending this proviso “sale by auction of train management services by Pakistan Railways” has also been subjected to collection to tax.

DIVISION X: Advance tax on sale or transfer of immoveable property
(Section 236C)

Rate for collection of tax increased from 2% to 3% of sale value received.

DIVISION XVIII: Advance tax on purchase of immoveable property (Section 236K)

Rate for collection of tax increased from 2% to 3% of the fair market value.

Division XXVII (Section 236Y)

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

The rate of tax collection on remittances has been increased from 1%
to 5%.

THE SECOND SCHEDULE: EXEMPTIONS AND TAX CONCESSIONS: (Section 53)
PART I: EXEMPTION FROM TOTAL INCOME

Clause
(66)

Following institutions have been added to the Table 1 to exempt their “any income”.

“(lxiii)	The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5 th 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

Following institutions have been added to Table 2 which are entitled to 100% tax credit under section 100C.

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

(145A) Period of exemption for any income of persons domiciled / resident of Tribal Areas forming part of Provinces of Khyber Pakhtunkhwa and Baluchistan has been extended by one year to June 30, 2024.

(150) By amending this clause exemption has been extended to income derived by Alteraz Engineering Consultant from contract dated May 23, 2017 with Earthquake Reconstruction and Rehabilitation Authority financed by Saudi Fund.

PART IV: EXEMPTION FROM SPECIFIC PROVISIONS

(11A)

(xlvi) By adding sub-clause (xlvi) under this clause, exemption from application of minimum tax under section 113 has been made available to:

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

(100) This clause provided exemption from collection of tax on premium for (i) Crop Loan Insurance Scheme; and (ii) Livestock Insurance Scheme under section 236U (since deleted).

As this clause had become redundant due to omission of section 236U by the finance Act, 2020 it is now deleted.

(109A),(110) Exemption from deduction or collection of tax under Division III of Chapter X and Chapter XII extended for one year to June 30, 2024 for individuals domiciled or Company and association of persons resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan.

(121) This new clause allows exemption from deduction of tax under section 151 from profit earned by Prime Minister's Relief fund for Flood, Earthquake and other Calamities (PMRFFEC), with effect on and from August 5, 2022.

- (122) As per this newly added clause no tax will be collected under section 236 from the amount donated through SMS to PMRFFEC with effect on and from August 5, 2022.
- (123) This new clause is added to allow exemption from December 1, 2022 in respect of tax collectible under section 148 on import of goods required for relief operation for flood affected, as certified by the National Disaster Management Authority or the Provincial Disaster Management Authority.
- (124) This newly added clause allows exemption from collection of tax under section 148 on import of tomato and onion till December 31, 2022.

THE FOURTH SCHEDULE : (Section 99) RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF INSURANCE BUSINESS

Rule

- (6DB) By inserting this rule, windfall profits and gains of insurance business will be taxable as provided in section 99D.

THE FIFTH SCHEDULE : (Section 100) PART I RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS FROM THE EXPLORATION AND PRODUCTION OF PETROLEUM

Rule

- (4AC) By adding this Rule, provisions of section 99D regarding taxing windfall profits and gains have been made applicable to this Part.

THE SEVENTH SCHEDULE: (Section 100A) RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF A BANKING COMPANY AND TAX PAYABLE THEREON

Rule

- 7CA By amending this rule, applicability of section 4C i.e. Super tax on high earning persons to this Schedule has been extended by one year upto the Tax Year 2023.

- 7CB By adding this rule, provisions of section 99D regarding taxation of windfall profits and gains have been made applicable to this Schedule.

- 8 Exemptions

(4) This new sub-rule exempts the profit on debt and capital gains arising from Federal Government's sovereign debt or a sovereign debt instrument derived by any non-resident banking Company approved by Federal Government, under a sovereign agreement, for the purpose of this sub-rule.

(5) This newly added sub-rule provides that provisions of sub-rule (6A) of rule 6 prescribing tax rates for taxable income attributable to investment in Federal Government securities for the tax year 2022 and onward will not be applicable to a banking Company for the Tax Year 2024.

THE EIGHT SCHEDULE: (Section 100B) RULES FOR THE COMPUTATION OF CAPITAL GAINS ON LISTED SECURITIES

Rule
4A

Computation, collection and payment of tax under section 4C

This new rule makes it obligatory for NCCPL that, in addition to capital gains tax, to also compute and collect tax under section 4C at the rates specified in Division IIB of Part I of the First Schedule on the Capital gains computed under this Schedule in the manner specified in this Schedule and rules made thereunder.

THENTH SCHEDULE : (Section 100BA)

RULES FOR PERSONS NOT APPEARING IN THE ACTIVE TAXPAYER' LIST

Rule
10(ga)

By virtue of insertion of this sub-rule, provisions of this Schedule will not apply to section 231AB (advance tax on cash withdrawal).

THIRTEENTH SCHEDULE: (Section 61)

Following have been included in the list of institutions donation made to whom will be entitled for tax credit.

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

FEDERAL SALES TAX ACT, 1990

Section

2

Definitions

(12)

“goods”

By amending this clause, “production, transmission and distribution of electricity”, added in this clause by the Finance Act, 2022 has now been excluded from the definition of term "goods" i.e., from the scope of this Act. This clears the fact that transmission of electricity is services and thus, a provincial subject.

(33)

“supply”

(e)

This sub-clause(e) included “production, transmission and distribution of electricity” in the definition of term “supply” by the Finance Act, 2022. Due to exclusion of these from the scope of term “goods”, this sub-clause (e) has been deleted.

(43A) (e)

“Tier-1 Retailer”

By omitting this sub-clause, a retailer whose shop measures 1000 square feet or more in area or 2000 square feet or more in area in case of retailer in furniture have been exclude from the scope of being “Tier-1 retailer”.

(ga)

By omitting this sub-clause, jewellers have been excluded from the scope of being “Tier-1 retailer”.

3

Scope of tax

(1A)

By amending this sub-section, rate of further tax for making supply to unregistered or inactive taxpayer has been increased from 3% to 4%.

30CA

Directorate General of Digital Initiatives

This newly created Directorate will consist of specified officials.

47A

Alternative Dispute Resolution

This substituted section has following changes made in the substituted section:

- i) Appointment of Committee will be made within 15 days instead of 45 days.
- ii) A retired judge of the High Court will be appointed as a committee member who will also be chairperson of the committee.
- iii) Instead of withdrawal of appeal by the aggrieved party, appointment of Committee will be communicated to the court of law or the appellate authority where the dispute is pending and to the Commissioner.
- iv) The aggrieved taxpayer, if satisfied with the decision of committee, will withdraw the appeal pending before the court of law or the appellate authority and communicate such withdrawal to the Commissioner.
- v) In case no decision is made by the committee within 60 days, the Board will dissolve the committee and inform this to the court of law or the appellate authority and to the Commissioner.
- vi) On receipt of order of dissolution, the court of law or the appellate authority will decide the pending appeal within 6 months.

THE FIFTH SCHEDULE: [Section 4]

Rule

8A This new serial number is added to prescribe zero rate tax for the following:

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.”.

- 12 (xvii) Retail sale price of preparations suitable for infants upto Rs 600 (previously Rs 500) per 200 grams will be entitled for zero rate tax.
- (xxv) For the word “Geometry Boxes”, following words have been substituted:

Other drawing marking out or mathematical calculating instruments (geometry box).
- 21 Word “commodities” has been added within the scope of local supplies to registered exporters for zero rate of tax.

THE SIXTH SCHEDULE: [Section 13(1)]:

Table - 1 (Imports or Supplies)

S.No.	
16	After the amendment, now the chilies sold in any packing under a brand name and trademark will be subject to sales tax.
17	After the amendment, ginger sold in any packing (previously in retail packing only) under the brand name and trademark will be subject to sales tax.
18	Turmeric, now sold in any packing (previously in retail packing only under the brand name and trademark will be subject to sales tax.
21	This added explanation clarifies that, "blood transfusion sets not packed in aluminium foil imported with blood bags CADA-1, in corresponding quantity in same consignment will also be exempt from sales tax.
151(b)	Exemption available on import of plant, machinery, equipment for installation in Tribal Areas now part of the Provinces of Khyber Pakhtunkhwa and Baluchistan has been extended upto June 30, 2024.
152	Exemption available on supply of electricity to all residential and commercial consumers in Tribal Areas now part of the Provinces of Khyber Pakhtunkhwa and Baluchistan has been extended upto June 30, 2024.
159, 160	Provisions of these S.Nos. were applicable for imports of auto disable syringes made upto December 31, 2021. After having become redundant now, these S.Nos have been deleted.
168	By amending this S.No., exemption from tax to DAP (fertilizer) has been withdrawn.

Table - 2 (Local Supplies only)

27	Exemption on supply of Wheat Bran has been made available retrospectively i.e. w.e.f. July 01, 2018 instead of July 01, 2021.
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32, 34, 35, Before the amendments in these S. Nos, Yogurt; Butter; Desi ghee; Cheese;
36, 37, 39, Processed Cheese not grated or powdered; Products of meat or meat offal;
41, 42 Meat of bovine animals, sheep, goat and uncooked poultry meat and Fish
and crustaceans sold in retail packing were excluded from the scope of
exemption under this Table.

After the amendment, the above goods sold under brand name or trademark
in any size of packing will be subject to sales tax.

EIGHTH SCHEDULE: [Section 3(2)(a)]

S.No. Rate of tax for supplies made of specified finished fabric, locally
66 manufactured finished articles of textile and textile made-ups and leather
and artificial leather from retail outlets which are integrated with Board's
computerized system for real – time reporting of sales has been increased
from 12% to 15%.

81, 82 These substituted S. Nos. are as under:

"81.	Substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976) and medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except the following, even if medicated or medicinal in nature, namely:- (a) filled infusion	Respective Headings	1%	Subject to the conditions that: (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 (ii) No input tax shall be adjusted by the
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	<p>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) disinfectants, and</p> <p>(h) cosmetics and toilet preparations.</p> <p>This substitution shall be deemed to have been made from the 1st day of July, 2022.</p>			<p>manufacturer or importer</p>
82	<p>Raw materials for the basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products, provided that in case of import, only such raw materials shall be entitled to exemption which are liable to customs duty not</p>	Respective headings	1%	<p>Subject to the conditions that:</p> <p>(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</p>

<p>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. This substitution shall be deemed to have been made from the 1st day of July, 2022.</p>		<p>Customs Computerized System; and (ii) No input tax shall be adjusted by the manufacturer or importer.”.</p>
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83 The new S.No. has been added to tax DAP (fertilizer)

83	DAP	Respective headings	5%	Subject to the condition that no refund of excessive input tax, if any, shall be admissible.”.
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ISLAMABAD CAPITAL TERRITORY [ICT] (SALES TAX ON SERVICES) ORDINANCE, 2001

Section

3 [Scope of tax](#)

(2A)(b) Provision of S.No. 8A of Fifth Schedule of the Sales Tax Act, 1990 dealing with Imports or supplies as specified at S.No. 1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 has been brought within the scope of ICT Ordinance.

[THE SCHEDULE: \[Section 3\(2\)\]](#)

Table - 1

S.No.

1

This has been substituted as under:

"1.	(i) Services provided or rendered by hotels, motels, guest houses, farmhouses, marriage halls, lawns, clubs and caterers. (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.	98.01	(i) Fifteen percent (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 (b) Fifteen percent where payment received in cash."
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11

This S.No. has been substituted as under to replace the terms "software or IT based development" with the terms "IT services and IT enabled services", increasing scope and reducing tax rate from 16% to 15%.

"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	Respective headings	Fifteen percent
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	<p>integration, web design, web development, web hosting and network design; and (b) “IT enabled services” include but not limited to inbound or outbound call centers, medical transcription, remote monitoring, graphics design, accounting services, human resources (HR) services, telemedicine centers, data entry operations, cloud computing services, data storage services, locally television programs and insurance claims processing.</p>		
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60 After the exclusion of Electric Power Transmission from the scope of “goods” under the Sales Tax Act, 1990 these services have been subjected to tax @15% as “services”, by adding this S.No.