DAUDALLY
LALANI & CO.
CHARTERED ACCOUNTANTS

Budget Commentary 2021

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Preamble

The Partners of the Firm are pleased to issue this commentary on our country's Federal Budget presented by the Minister of Finance to the Parliament on June 11, 2021 as encompassed in the Finance Bill 2021. The Finance Bill proposes to make amendments in Income Tax, Sales Tax, and Federal Excise laws. We have focused on taxation proposals in the Bill.

With Parliament's assent and approval, the Finance Bill will become effective from July 01, 2021 except where the Bill states retrospective or other application date.

This Memorandum follows a general approach to the Government's fiscal taxation proposals. Readers may kindly consult tax professionals for clarifying finer aspects and for tax implications/effects before applying these proposals and acting thereupon. The Firm accepts no responsibility for any action taken or foregone based on the information and discussions in this document.

This memorandum is also at our website http://www.daudallylalani.com

Daudally, Lalani & Co.
Charted Accountants
June 11, 2021

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Budget at Glance

	Budget 2021 - 2022		Revised 2020 - 2021	
Revenue				
Tax	5,829	69%	5464	76%
Non tax	2,080	25%	1109	15%
Gross revenue receipts	7,909	93%	6573	91%
Less: Provincial share	(3,412)	-40%	(2873)	-40%
Net revenue receipts	4,497	53%	3,700	51%
Other sources				
External receipts	1,246	15%	1,463	20%
Estimated provincial surplus	570	7%	810	11%
Privatization proceeds	252	3%	241	3%
Bank borrowings	681	8%	100	1%
Non-bank borrowing and others	1,241	15%	917	13%
	3,990	47%	3,531	49%
Total Receipts	**8,487**	**100%**	**7,231**	**100%**
		5		
Expenditure				
Current				
General Public Service	5,435	64%	4,428	61%
Defense Affairs and Services	1,373	16%	1,289	18%
Social Protection	255	3%	231	3%
Public Order and Safety Affairs	179	2%	170	2%
Economic Affairs	115	1%	72	1%
Education Affairs and Services	92	1%	83	1%
Housing and Community Amenities	35	0.4%	36	0.5%
Recreation, Culture and Religion	10	0.1%	10	0.5%
Others	29	0.3%	26	0.5%
	7,523	89%	6,345	88%
Development	964	11%	886	12%
Total Expenditure	**8,487**	**100%**	**7,231**	**100%**

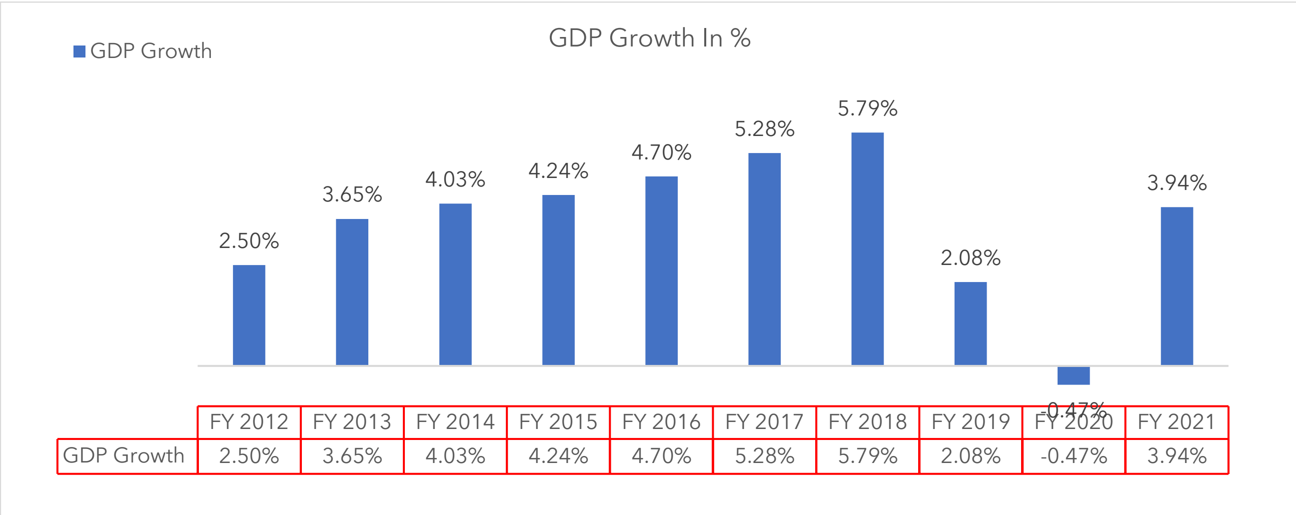
Overview of Economy

Finance Division of Ministry of Finance, Government of Pakistan brought out Pakistan Economic Survey (PES) 2020-21 on June 10, 2021. It highlights higher, inclusive and sustainable growth of the economy in FY2020-21 (July 2020 to March 2021). Economy carried over 2017-18 recovery to this period in V shaped way. This was despite slow down caused by three waves of COVID19 pandemic. PSE claims recovery is owed to timely prudent policies and measures by the Government including Rs. 1.24 trillion fiscal stimulus, monetary support and quicker vaccination. Following is a brief thereof

Growth and Investment

Pakistan's growth rate was 2.08% in 2018-19. In 2019-20, despite world-wide COVID19 devastation, its economy posted minor 0.47% deceleration and picked up growth of 3.94% in 2020-21, last surpassing 2.1% target. This comprises growth of 2.8% in Agriculture, 3.6% in Industrial sector and 4.4% in Services sector. Government gave priority to relief provision to vulnerable segments with growth support and earned quite high position in this respect in World Bank Report.

Private consumption bit significant share in GDP, making the economy consumption-driven. Private consumption growth was 17% compared to 4% a year before thereby increasing demand of durable goods. Public consumption remained at 11.4%, lower than prior year's 19.3%.



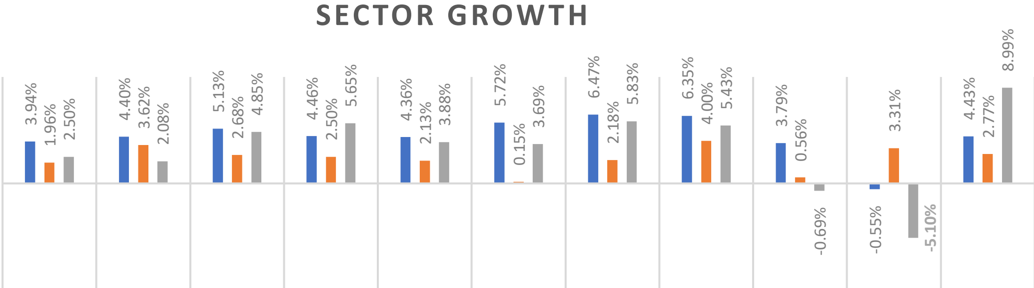
Agriculture

This sector grew by 2.77% in 2020-21 against 2.8% target. Kharif crops (sugarcane, maize and rice) growth improved over earlier year and surpassed targets. However, cotton suffered (fell by 22.8% to 7.064 million bales) from decline in sown area, heavy monsoon rains and pest attacks.

Wheat, prime Rabi crop, grew by 8.1% to 27.293 million tons over a year before due to input subsidies and raise in minimum support price (MSP) to Rs. 1,800 per 40 kg.

Livestock with a share of 60.07% in agriculture and 11.53% in GDP posted a growth of 3.06%. Fishing with a share of 2.01% in agriculture value addition and 0.39% in GDP, grew by 0.73%. Forestry section with share of 2.10% in agriculture and 0.40% in GDP grew by 1.42%.

SECTOR GROWTH



	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Service sector	3.94%	4.40%	5.13%	4.46%	4.36%	5.72%	6.47%	6.35%	3.79%	-0.55%	4.43%
Agriculture sector	1.96%	3.62%	2.68%	2.50%	2.13%	0.15%	2.18%	4.00%	0.56%	3.31%	2.77%
Manufacturing sector	2.50%	2.08%	4.85%	5.65%	3.88%	3.69%	5.83%	5.43%	-0.69%	-5.10%	8.99%

Manufacturing and Mining

Large-Scale Manufacturing (LSM) reversed prior year decline of 5.1% and grew 8.99% during the year. Thoughtful decision of resuming business activities and adopting smart lockdown boosted business and economy. Nine out of 15 subsectors recorded growth during July-March FY 2021. Top two of them being Textile and Food, Beverages & Tobacco grew by 5.9% and 11.7%, respectively. Coke & Petroleum Products, Non-metallic Mineral Products, Automobile and Pharmaceuticals rose by 12.71%, 24.31%, 23.38% and 12.57%, respectively.

Mining and Quarrying contracted by 6.49% during 2020-21 against 8.28% decline last year. Major minerals plunged like Coal, Natural Gas and Crude Oil dwindled by 5.97%, 4.7% and 6.72%, respectively. Some minerals witnessed positive growth such Chromite 28.28%, Magnesite 6.17%, Rock Salt 5.44% and Iron Ore 26.23%.

Fiscal Development

The sector faced significant challenges from additional expenditure made to contain negative impact of COVID -19 during July March FY2021. Government's support through fiscal consolidation efforts maintained fiscal discipline, increased revenues and controlled expenditures. Fiscal deficit decreased to 3.5% of GDP during this period vis-à-vis 4.1% of GDP in same period of last year. Primary balance was a surplus of Rs. 451.8 billion during the period against prior period's surplus of Rs. 193.5 billion.

Tax collection by FBR during the period increased by 14.4% to Rs. 3,780.3 billion against Rs 3,303.4 billion in same period of FY2020, surpassing target by Rs. 100 billion. This performance reflects economic activities growth during COVI19 pandemic as also improvement efforts through policy and admin reforms.

Non-tax revenues showed a 7.3% decline to Rs. 1,227.6 billion during the period from prior period's Rs. 1,324.4 billion. This is attributable to absence of a one-off renewal fee for GSM licenses from telecommunication companies.

Efficacious management of expenditure reduced its growth to 4.2% during review period from 15.8% of last corresponding period.

Current focus of fiscal policy is on relief measures to support businesses and protect vulnerable segments of society. COVID9 evolution would still pose challenges to managing fiscal deficit and performance of economy.

Capital Market & Corporate Sector

Global equity markets plunged in March 2020 through initial COVID19 induced economic downturn and then recoiled owing to stimulus money injected by governments. Pakistan Stock Exchange (PSX) steered successfully through this downturn and earned title 'best Asian market and fourth best-performing market across the world in 2020.

During review period bench KSE-100 index improved from 34,889 to 47,896. At March 31, 2021 PSX's total market capitalization was Rs. 8,267 billion compared to Rs. 6,529 at June 30, 2020. COVID19's third wave dampened the index in March and April 2021, reforms made by SECP and government's pro-growth policies help it withstand the pressure.

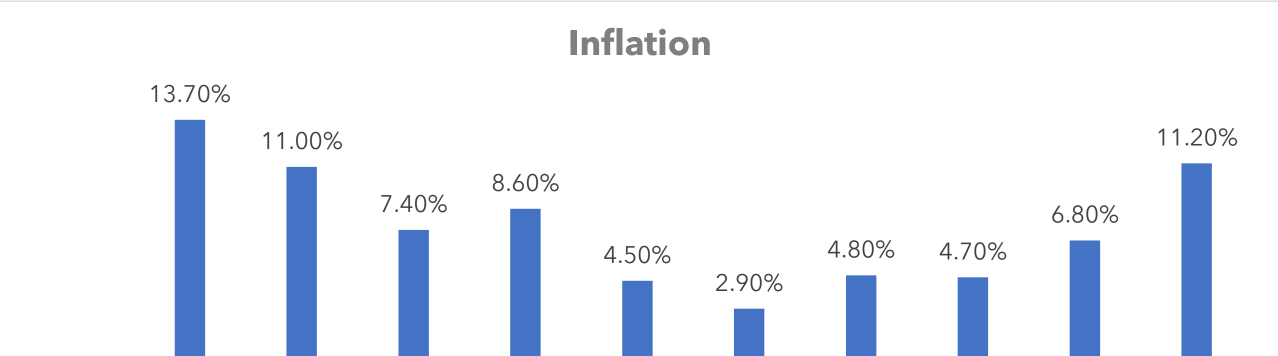
Despite COVID19 outbreak, PSX witnessed five IPOs in review period. These comprised The Organic Meat Company, TPL Trakker, Agha Steel Industries, Engro Polymer & Chemicals Limited and Panther Tyres Limited. During the period corporations raised Rs.96.9 billion by issuing 17 debt securities. Further, 93 previous corporate debt securities worth Rs. 782.875 billion remain outstanding.

Inflation

Inflation recorded some fall as indicated below:

Inflation indicator	FY July-May 2021	2019-2020
Consumer Price Index (CPI)	8.8%	10.9%
Sensitive Price Indicator (SPI)	13.5%	14%
Wholesale Price Index (WPI)	8.4%	11.1%

Inflation was curtailed due to administrative measures - crackdown on speculative elements, resumption of seasonal supplies of perishables, tax relief in response to COVID-19. Supply disruption, due to extended monsoon season, increased inflation in food groups which was mitigated by establishing Sahulat / Bachat Bazar all over the country. Also, oil price increase was not passed on proportionately to general public to maintain price stability.



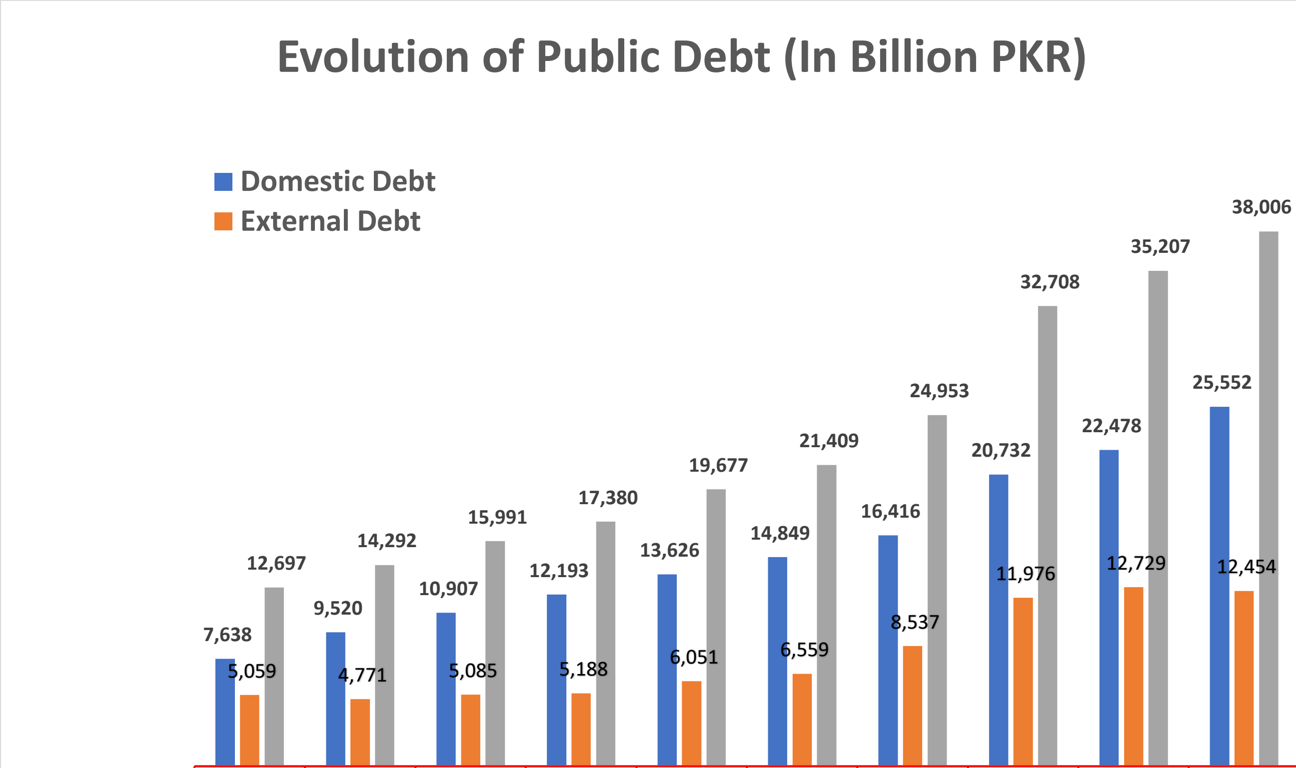
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Inflation	13.70%	11.00%	7.40%	8.60%	4.50%	2.90%	4.80%	4.70%	6.80%	11.20%

Public Debt

Public debt was at Rs.38,006 at March 31, 2021, comprising domestic debt at Rs. 25,552 billion and external public debt at Rs. 12,454 billion or USD 81.6 billion. Despite global COVID-19 pandemic the country witnessed smallest increases in public debt. Global ratio rose by 13% from 84% in 2019 to 97% in 2020; Pakistan' witnessed minimal increase of 1.7% and stood at 87.6% at end of June, 2020 and at 85.9% at end of June 2019, at end of current fiscal year it is expected to fall below 84%.

Over 80% of net domestic borrowing was for medium to long-term. Borrowing from State Bank of Pakistan (SBP) was stopped, rather Rs. 569 billion was repaid during ongoing fiscal year. Cumulative debt retirement stood over Rs. 1.1 trillion during last two fiscal years.

Prize bonds of denominations of Rs. 25,000, Rs. 15,000 and Rs. 7,500 were withdrawn from circulation to improve documentation n of the economy.



	FY-2012	FY-2013	FY-2014	FY-2015	FY-2016	FY-2017	FY-2018	FY-2019	FY-2020	FY-2021
Domestic Debt	7,638	9,520	10,907	12,193	13,626	14,849	16,416	20,732	22,478	25,552
External Debt	5,059	4,771	5,085	5,188	6,051	6,559	8,537	11,976	12,729	12,454
Public Debt	12,697	14,292	15,991	17,380	19,677	21,409	24,953	32,708	35,207	38,006

Education

Single National Curriculum has been designed to with vision of one education system for all including medium of instruction and a common platform of assessment to ensure all children have fair and equal opportunity to receive high quality education. This is based on Goal 4 of SDGs, "Quality Education" aimed at equitable education, removing discrimination, upgrading infrastructure, enhancing professional capacity of teachers, etc.

Total enrolment in 2018-19 was 52.5 million up from 51 million in 2017-18, a 2.9% increase, which is estimated to rise to 55 million in 2019-20. Number of institutes was 273.4 thousand in 2018-19 against 262 thousand in 2017-18 and is expected to be 279.4 thousand in 2019-20. Number of teachers in 2018-19 were 1.76 million against 1.77 million during 2017-18 and are estimated to increase to 1.80 million in 2019-20.
Public expenditure (both federal and provincial) on education were estimated at 1.5% of GDP in 2019-20 compared to 2.3% in 2018-19. In monetary terms it plunged by 29.6% to Rs. 611 billion from Rs. 868 billion due to closure of educational institutes, amid country-wide lockdown and

decrease in expenditure (other than salaries) due to COVID-19 pandemic. To mitigate the crisis government launched initiatives like Tele School and Radio School to provide distance learning and addressed provision of education to children of far flung and remote areas during pandemic

Health and Nutrition

COVID-19 pandemic tested the country's health infrastructure and pinpointed need for more investment in health sector especially diagnostic facilities, disease surveillance, disease prevention and spread, training of health personnel and their protection from pandemic, vaccine development, up-grading health care infrastructure, emergency rooms, intensive care units, isolation wards and public awareness.

To move to meeting Goal 3 of SDGs (Good Health and Wellbeing), the government prioritized strengthening health sector to resolve outbreak of COVID-19 pandemic. Health-related expenditure rose by 14.3% from Rs. 421.8 billion (1.1 % of GDP) in 2018-19 to Rs. 482.3 billion (1.2% of GDP) in 2019-20.

Pakistan launched coronavirus vaccination drive on Feb 03, 2021. China donated 1.5 million doses of Sinopharm vaccine which has an efficacy of 79%. Till June 02, 2021,13 million doses had been received by Government of Pakistan and 8.3 million doses had been administered up to June 05, 2021.

Finance Bill 2021–22 – Highlights – Income Tax Ordinance, 2001

- Turnover tax reduced to 1.25% from 1.5%
- The following withholding provisions have been abolished on collection of tax on:
  - Payment of royalty to residents.
  - Cash withdrawal
  - Banking transactions other than through cash
  - Banking instruments
  - Domestic air travel & International air travel.
  - CNG stations.
  - Marginal financing by NCCPL
  - From members by a stock exchange registered in Pakistan
  - Certain petroleum products
  - Motor vehicle from 850cc to 1000cc
  - From persons remitting amounts abroad through credit or debit or prepaid cards.
  - Extraction of minerals
- The Bill proposes to extend the benefit of reduced rate of 3% withholding tax under section 153 to the following 5 sectors
  - Oil field services
  - Telecommunication services
  - Warehousing services
  - Collateral Management services
  - Travel and tour services
- Individuals and AoPs having turnover of PKR 100,000,000 proposed to be withholding agents in respect of payment of brokerage and commission under section 233.
- Turnover tax for Tier- 1 retailers and supplies by Online Market Place has been reduced to 0.25%.
- Capital gain tax on listed securities has been reduced from 15% to 12.5%
- Gain on immoveable property being used as depreciable asset for deriving income from business previously taxable as "business income" will now be taxable under the head of income "capital gain"
- Since, income from property is proposed to be taxed on net basis, the Bill proposes to allow adjustment of loss under the head 'income from business' against income taxable under the head 'income from property'.

Finance Bill 2021–22 – Highlights –

Income Tax Ordinance, 2001

- Special regime for export of services at par with export of goods to be taxed @ 1% under final tax regime. Subject to fulfillment of certain conditions on receipt of amount to person as follow:
  - a) Exports of computer software or IT services or IT enabled services in case tax credit under section 65F is not available.
  - b) Services or technical services rendered outside Pakistan or exported from Pakistan.
  - c) Royalty, commission or fees derived by a resident company from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise.
- Removal of requirement of issuance of separate notice in concealment cases.
- Reduction in threshold of monthly electricity bill for withholding tax on electricity consumption from 75,000 to 25,000 from domestic users not appearing on Active Taxpayers' list.
- Rationalization of withholding tax regime for exporters.
- Withdrawal of personal income tax exemptions.
- Income Tax enquiry system will be abolished
- Show cause time increase to 20 days
- Expansion of scope of withholding tax collection from supply chain below manufacturers and importers of specified sectors (sections 236G and 236H).
- Small business turnover tax increased to 10 million rupees having tax credits
- Tax credit on installation of point-of-sale machines.
- Gain on disposal of immovable property is taxed as Capital Gains as a separate block depending on the period of holding of such immovable property. The Bill proposes to tax such gain at normal rates as applicable on the taxpayer, if the amount of gain exceeds PKR 5,000,000.
- Non-disclosure of business bank account may lead to prosecution.
- WWF and WPPF paid to the provincial authorities can also be claimed as deductible allowance under sections 60A and 60B, respectively.
- The threshold for individual and AoPs for levy of minimum tax under section 113 is proposed to be enhanced from PKR 10,000,000 to PKR 100,000,000.
- Various exemptions from salary including special allowance and medical benefits provided to an employee by an employer are proposed to be withdrawn.

Finance Bill 2021–22 – Highlights – Sales Tax Act, 1990

- Tax credit on investment made in Point Sales Machines has been introduced for the persons who integrate their invoicing system with the Board.
- Sales tax on advance receipts abolished. Threshold for annual turnover to qualify as cottage industry increased from PKR 3,000,000 to PKR 10,000,000.
- The sale of goods through online market place is proposed to be brought into the sales tax net
- Sales tax imposed on import and supplies of raw and pickled hides, ship, aviation, floating craft, etc.
- It is proposed to exclude list public limited companies from the restriction of input tax adjustment in excess of 90% of output tax.
- Import of plant, machinery and raw material by IT Special Technology Zone has been exempted from sales tax.
- The threshold of shop area in case of furniture outlet/showrooms is proposed to be increased from 1000 square feet to 2000 square feet for inclusion in tier1 retailer
- Locally manufactured small cars up to engine capacity of 850cc exempted from VAT besides reducing sales tax rate from 17% to 12.5%.
- Exemptions and reduced rate other than relating to basic food items, health and education are proposed to be withdrawn.
- Fixed tax on SIM cards has been deleted.
- Sales Tax on sugar will be assessed on retail price.
- Zero rating on supply of following items is proposed to be withdrawn:

  a. Aircrafts, ships of specified weight or used for recreation or pleasure purpose and spare parts and equipment thereof,

  b. Equipment and machinery for pilotage, salvage, towage, air navigation and other services related to handling of ships and aircrafts in a port,

  c. Locally manufactured plant and machinery for petroleum and gas sector's exploration and production companies,

  d. Petroleum crude oil,

  e. Raw material, components and sub-components for manufacturing of zero-rated plant and machinery.

Finance Bill 2021-22 – Highlights –

Sales Tax Act, 1990

- It is proposed that the FBR will specify the goods for which the manufacturer is required to obtain a brand license for each brand or Stock Keeping Unit (SKU) from the FBR. Sales of such branded goods, without obtaining the requisite license, would be considered as counterfeited goods and would be confiscated and destroyed.

- Exemption available on supply of following items is proposed to be withdrawn-
  a. Ordinary ice, water and table salt, even without under a brand name or packing,
  b. Glass bangles, bicycles, energy saver lamps and components thereof.

- Entire amount of sales tax in respect of sales of used and reclaimed lead batteries is proposed to be withheld at source under Eleventh Schedule.
- To ensure collection of due taxes, sales tax on sugar is proposed to be levied on retail price by including the said product in Third Schedule.
- Reduced rate of sales tax @ 1% on locally supply of electric vehicles granted is proposed to be incorporated in the Sixth Schedule.
- GST net to be increased and all wholesaler and retailer will be brought in scheme.
- Reduced rates available for import and supply of various goods including following is proposed to be withdrawn:

  a. Soya bean meal and seed, Raw cotton and ginned cotton,

  b. Ingredients of poultry and cattle feed, machinery of poultry sector.
- Import and local supply of hybrid electrical vehicles upto 1800cc are proposed to be taxed at reduced rate of 8.5%, whereas, from 1801cc to 2000cc hybrid electrical vehicles are proposed to be taxed at 12.75%.

Finance Bill 2021-22 – Highlights – Federal Excise Act, 2005

- FED on telecommunication reduced from 17% to 16%. We understand this will apply to services rendered in Islamabad Capital Territory.
- Industrial units in FATA and PATA exempted from FED to encourage investment.
- Locally manufacture small cars upto engine capacity of 850 CC exempted from FED.
- It is proposed to exempt FED on the following items- a. Edible oils, vegetable ghee, cooking oil, fruit juices, and steel billets etc.
- Electronically heated tobacco products have been brought into FED net.
- It is proposed to incorporate the exemption from FED on electric vehicles (4 wheelers) granted through the Tax laws (Amendment) Ordinance, 2021.

Amendments In Income Tax Ordinance, 2001

Section 2

Clause (10A) — **Business Bank Account**

A new sub clause is proposed whereby taxpayer will declare specific bank account for business transaction. This declaration will be made to the Commissioner in the registration form prescribed in section 181.

Clause (13AA) — **Concealment of Income**

The proposed clause enhances the scope of "concealment of income" whereby it includes the suppression of any item of receipt liable to tax or failure to disclose income chargeable to tax and claiming any deduction or any expenditure not actually incurred.

Clause (29C) — **Industrial Undertaking**

The telecommunication companies operating under the license of Pakistan Telecommunication Authority (PTA) are proposed to be covered under the definition of industrial undertaking.

Clause (30AD) — **Information Technology Services**

A new clause is proposed regarding information technology (IT) services which include software development, software maintenance, system integration, web design, web development, web hosting and network design.

Clause (30AE) — **IT Enabled Services**

IT enabled services are also proposed in the Finance Bill whereby it include 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 produced television programs and insurance claim processing.

Clause (59A) — **Small and Medium Enterprise**

The proposal seeks to introduce the small and medium enterprise that a person who is engaged in manufacturing activity and his annual business turnover is up to Rs. 250 million in a tax year shall be considered as small and medium enterprise. The bill also added that if the turnover exceeds from Rs. 250 million in a tax year then he will not be qualified as SME for that tax year and for any subsequent tax year.

Clause (59A) — **Condition for not qualify as small company**

The Bill seeks to propose the amendment in the definition of a Small Company by inserting a condition that to qualify as a small company that it is not a Small and Medium Enterprise as defined in section 2(59A).

Amendments In Income Tax Ordinance, 2001

Section 7B | **Tax on profit on debt**

The Finance Bill proposes to reduce the limit of taxability under this section from Rs. 36 million Rupees to Rs. 5 million. Accordingly, the profit on debt exceeding Rs. 5 million shall be added to taxable income and to be taxed as per Division I, part I of the First Schedule on the level of income. This proposed amendment is a harsh measure as the amount of the whole of profit on debt exceeding Rs. 5 million will be subject to tax at the accelerated rates of 30% and 35%.

Section 12 | **Salary**

The finance bill seeks to insert that any allowance to an employee for the performance of employee's duty does not include an allowance which paid in monthly salary on fixed basis or percentage of salary or which is not actually spent on behalf of the employer.

Section 15 | **Income from property**

At present the income from property earned by individual and AOP are being taxed under fixed slab rates without claiming of any allowance and deductions. The rate of tax ranges from 5% to 35% on various level of income. Now it is proposed that income from property shall be charged under the normal tax regime for individual and AOP. The individual and AOP shall be entitled to claim deductions against property income as provided in section 15A of the Income Tax Ordinance, 2001.

Section 18 | **Income from business**

The Finance Bill seeks to propose an explanation that in case income derives by the co-operative societies from the sale of goods, immoveable property or provision of services to its members shall be charged to the tax.

Section 22 | **Depreciation**

The amendment is proposed to substitute the phrase "consideration received shall be treated as cost of the property" to the phrase "the excess amount shall be taxable under section 37". By this change, the amount above the WDV up to the cost of the asset would be treated as income from business and added in taxable income whereas where on disposal/sale, consideration received is more than the cost, the excess amount shall be taxable as capital gain in the manner as provided under section 37 of the Ordinance.

Section 23A | **First Year Allowance**

The Finance Bill proposes to omit the section

Amendments In
Income Tax Ordinance, 2001

Section 37 **Capital Gain**

The Finance Bill proposes to provide that where taxable gain on disposal of immoveable property exceeds Rs.5 million shall be chargeable to tax. Capital gain shall be taxable under sub-section (1). The gain would be included in taxable income and accordingly taxed in the hand of individual/AOP as per Division I, Part I of the First Schedule on the basis of level of income whereas in the case of company, as per Division II of Part I of the First Schedule at the corporate rate. The corporate rate at present is 29%. However, determination of capital gain above Rs. 5 million remain subject to benefit extended with respect to holding period as per sub-section (3A).

The Bill proposes that for removal of doubt, it is clarified that where a person is habitually engaged in transactions of sale and purchase of immoveable property or such sale and purchase is adventure in the nature of trade and business, the provisions of this sub-section shall not apply and the income from such transactions shall be chargeable under the head Income from Business."

A proviso proposed to be inserted providing that if capital asset acquired through gift is disposed of within two years of acquisition, and the Commissioner is satisfied that such gift arrangement is a part of tax avoidance scheme, the Commissioner shall apply sub-section (3) of section 79 (non-recognition rules). This discretionary measure in the hands of the Commissioner may trigger unnecessary litigation. Therefore, the proposition is not a welcome step.

Section 39 **Income from other sources**

In the said section, the property received through gift from grandparents, parents, spouse, brother, sister, son or a daughter shall not be treated as income from other sources. The bill seeks to harmonize the definition of relatives as provided in section 85 of the Ordinance whose gift is exempt. The definition of "Relative" is proposed to replace is as under:

"Relative" in relation to an individual means:

(a) An ancestor, a descendant of any of the grandparents, or an adopted child, of the individual, or of a spouse of the individual;

(b) A spouse of the individual or of any person specified in clause.

Section 56 **Set off of losses**

The bill proposed that income from property shall be charged under the normal tax regime and accordingly, it is also proposed that in case of loss under property income can be set off against the other heads of income.

Amendments In Income Tax Ordinance, 2001

Section 60A **Workers' Welfare Fund (WWF)**

The Finance Bill seeks to allow payment of WWF to the provinces as deductible allowance while computing taxable income by the taxpayer. It is also proposed that the payment of WWF shall be disallowed if not paid to federation by trans-provincial organization.

Section 60B **Workers' Profit Participation Fund (WPPF)**

The Finance Bill seeks to allow payment of WPPF to the provinces as deductible allowance while computing taxable income by the taxpayer. It is also proposed that the payment of WPPF shall be disallowed if not paid to federation by trans-provincial organization.

Section 61 **Tax Credit on Charitable Donations**

The Bill seeks to add that tax credit on donation to any Non-Profit Organization (NPO) shall be available where such NPO is eligible for tax credit under section 100C of the Ordinance. The bill also proposed 13th Schedule to the Ordinance in which names has been given of those entities and organization whom donation paid are eligible for tax credit. Earlier, the donation paid to these institutions was eligible for straight deductions. 13th Schedule is given on **annexure 'A"** at page 45 of the book.

Section 64C **Tax Credit for Person Employing Fresh Graduates**

The Finance bill proposed to omit the section.

Section 64D **Tax Credit for Point of Sale Machine**

A new section is proposed to be inserted whereby any person who is required to integrate with FBR computerized system for real time report of sale or receipt, shall be entitled for tax credit in respect of the amount invested in purchase of point of sale machine.

The amount of tax credit shall be lessor of: -

(a) Amount invested in purchase of POS machine;
(b) Rs. 150,000 per machine

Section 65C **Tax Credit for enlistment with Stock Exchange**

The Finance bill has proposed to omit this tax credit available to company on enlistment with stock exchange

Section 65D **Tax Credit for newly established industrial undertakings**

The Finance Bill has proposed to omit this tax credit

Section 65F **Tax Credit for certain persons**

Amendments In Income Tax Ordinance, 2001

A new section is proposed to be inserted whereby certain business activities shall be shifted from exempt regime to tax credit regime. According to the proposal, following persons or income shall be allowed 100% tax credit including minimum, alternative corporate tax and final tax:

i) Person engaged in coal mining projects in Sindh supplying coal exclusively to power generation;

ii) A "startup" which is certified by Pakistan Software Export Board in a tax year and next following two tax years;

iii) Income from exports of computer software or IT services or IT enabled services up to the period ending on 30th June, 2025. Provided that 80% of the export proceeds is brought into Pakistan in foreign exchange remitted outside Pakistan through normal banking channels.

The tax credit shall be available on the fulfillment of the following conditions:

(a) Tax return has been filed

(b) Withholding tax statement for the relevant tax year has been filed

(c) Sales tax return for the tax periods corresponding to relevant tax year has been filed if the person is required to file Sales Tax Returns under any of the Federal or Provincial sales tax laws.

Section 65G **Tax Credit for Specified Industrial Undertakings**

The bill proposed to withdraw the exemptions and allow tax credit against tax payable including minimum and final taxes equal to 25% of the value of investment made in purchase and installation of new machinery, building, equipment, hardware, software except self-created software and used capital goods. It is also proposed that the tax credit not fully adjusted during the year of investment shall be carried forward to the subsequent tax year subject to the condition that it may be carried forward for a period not exceeding two years. The above tax credit is allowable to the following industrial undertakings:

(a) Green field industrial undertaking as defined in clause (27A) of section 2 which is engaged in:

(i) manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition; or

(ii) ship building

The tax credit specified under item (a) above would be available subject to the condition that the person is incorporated between June 30, 2019 and June 30, 2024.

Section 79 **Non-recognition rules**

Amendments In
Income Tax Ordinance, 2001

The bill proposed to extend the scope of non-recognition rules to non-resident recipient regarding disposal of assets. Now it is proposed that if a non-resident receives the consideration on the disposal of assets by way of live apart under an agreement between spouses, by reason of transmission of assets on death of person and by reason of gift of the assets to a relative, such consideration shall not be a taxable event on the hands of recipient.

Section 100C **Tax Credit for charitable organization**

The section 100C was initially introduced through Finance Act, 2014 and afterward the amendments have been made from time to time. In the Finance Bill, the whole section has proposed to be substituted with the new draft. According to the proposed bill, the following persons are allowed a 100% tax credit in respect of incomes given:

(a) Persons specified in Table – II of clause (66) of Part I of the Second Schedule of the Ordinance;

(b) A Trust administrated under the scheme approved by the Federal Government for welfare of ex-employees and serving personnel of Federal or Provincial Government or armed forces;
(c) A Trust;
(d) A welfare institution registered with Provincial or Islamabad Capital Territory (ICT) social welfare department;

(e) A NPO registered with the SECP under section 42 of the Companies Act, 2017;

(f) A welfare society registered under the provincial or Islamabad Capital Territory (ICT) laws related to registration of co-operative societies;
(g) A waqf registered under Mussalman Waqf Validating Act, 1913;
(h) A University or education institutions being run by non-profit organization existing solely for education purpose and not for the purposes of audit;
(i) A religious or charitable institution for the benefit of public registered under any law for the time being in force; and
(j) International non-governmental organizations (INGOs) approved by the Federal Government;

The following income is eligible for tax credit: -
(a) Income from donations, voluntary contributions and subscriptions;
(b) Income from house property;
(c) Income from investments in the securities of the Federal Government;
(d) Profit on debt from scheduled banks and microfinance bank;
(e) Grant received from Federal, Provincial, Local or Foreign Government;

Amendments In Income Tax Ordinance, 2001

(f) So much of the income chargeable under the head “income from business” as is expended in Pakistan for the purposes of carrying out welfare activities;
(g) Any income of the persons mentioned in clauses (a), (b) and (h);

The following conditions shall be mandatory for tax credit: -
(a) Tax return has been filed;
(b) Tax required to be deducted or collected has been deducted or collected and paid;
(c) Withholding tax statements for the relevant year have been filed;
(d)The administrative and management expenditure does not exceed 15% of the total receipts. This condition shall not be applied if NPO commenced for first time within last 3 years or total receipts of NPO in a tax year is less than Rs. 100 million.
(e) Approval of Commissioner has been obtained as per requirements of 2 (36);
(f) None of the assets of trusts or welfare institution confer a private benefit to the donor or family, children or author of the trust or his descendant;
(g) A statement of voluntary contributions and donations received during the immediately preceding tax year has been filed in the prescribed form and manner.

The following amounts shall be considered as surplus funds of the organization shall be taxed at the rate of 10%: -

Not spent on charitable and welfare activities during the tax year received donations, voluntary contribution, subscriptions and other income which are more than 25% of the total receipts of the non-profit organization received during the year.

Section 100D **Special Provisions Relating to Builders and Developers**

The special provisions relating to builders and developers has inserted through Finance Act, 2020 with completion timeline by 30th September 2022. The Finance Bill 2021 proposed to extend the said timeline upto 30th September 2023. The timeline for investment by builder or developer was 31st December 2020 which has also been extended till 30th June 2021. The deadline for purchase of plot has also been extended till 31st December 2021

Section 100E **Special Provisions Relating to Small and Medium Enterprises**

The Finance Bill has proposed a new tax scheme for small and medium enterprises (SME) and the special provisions in this regard are covered in 14th Schedule of the Ordinance. The provisions of 14th Schedule are as under: -

Amendments In
Income Tax Ordinance, 2001

1 REGISTRATION: SME shall be required to register with the FBR web portal as SME and exercise option of normal tax or final tax. The option once exercised shall be irrevocable for 3 tax years;

2 CATEGORY: Following are the categories for normal tax and final tax

S#	Category	Turnover	Rate of tax under Normal Tax
	Category - 1	Where annual business turnover does not exceed Rs. 100 million	7.5% of taxable income
	Category - 2	Where annual turnover exceeds Rs. 100 million but does not exceeds Rs. 250 million	15% of taxable income
S#	Category	Turnover	Rate of tax under Final Tax
	Category - 1	Where annual business turnover does not exceed Rs. 100 million	0.25% of gross turnover
	Category - 2	Where annual turnover exceeds Rs. 100 million but does not exceeds Rs. 250 million	0.5% of gross turnover

3 Audit: No audit shall be applied under section 177 or section 214C in case of SMEs who opts for final tax regime. The SMEs who opts for taxation under normal law may be selected for tax audit through risk based parametric computer ballot under section 214C of the Ordinance.

Section 111 **Unexplained Income or Assets**

The proposed amendment seeks to eliminate the requirement of issuance of separate notice under section 111 of the Ordinance in concealment cases where the same has been confronted under notice for amendment of assessment under section 122.

Section 113 **Minimum Tax**

The Finance Bill Seeks to enhance the threshold of individuals and AOPs for chargeability of minimum tax on turnover. At present minimum tax has been charged on individual and AOP whose annual turnover is Rs. 10 million in a tax year. Now it is proposed that this limit has been enhanced to Rs. 100 million. It is also proposed that definition of turnover covers receipts from all business activities in line with expression "turnover from all sources" including receipts from sale of immoveable property where such receipt is taxable under the head income from business. It is also proposed that rate of min tax be reduced from 1.5 % to 1.25 %.

Section 114A **Taxpayer's profile**

Amendments In
Income Tax Ordinance, 2001

This section was introduced last year through Finance Act, 2020 whereby every taxpayer is required to update his tax profile. Now it is proposed in Finance Bill 2021 to omit this section.

Section 122 **Amendment of Assessment**

The Bill seeks to prescribe time limit to complete proceedings in pursuance to the order of the Commissioner. It is proposed that order shall be made within 120 days of issuance of show cause notice or within such extended period as Commissioner may for reason extend till 90 days. In case any proceedings are adjourned on account of a stay order or Alternative Dispute Resolution proceedings or agreed assessment proceedings or time taken by the taxpayer not exceeding 60 days shall be excluded from the computation of limit prescribed.

Section 122A **Revision by the Commissioner**

A new sub section is proposed to be added that if any revision of order is remanded back to any lower authority by the Commissioner for modification, alteration or de novo proceedings, the lower authority shall issue the order within 120 days.

Section 127 **Appeal to the Commissioner (Appeals)**

The bill proposed that appeal can only be made against the assessment order where the tax due under section 137(1) has been paid. The bill also seeks to provide enabling legal provisions for electronic filing of appeals.

Section 146C **Assistance in The Recovery and Collection of Taxes**

A new section is proposed through Finance Bill to provide legal mechanism for the recovery of tax demand against any taxpayer on request of foreign jurisdiction. It is proposed that tax collection and recovery of taxes from a taxpayer can be made in Pakistan in pursuance of a request from foreign jurisdiction under a tax treaty, a multilateral convention, an inter-governmental agreement or similar arrangement or mechanism.

Section 150A **Returns on Investment in Sukuks**

This section is proposed to be omitted.

Section 151 **Withholding on Profit on Debt**

The amendment seeks to merge the withholding on payment of a return on investment in sukuks to a sukuk holder with the general provisions regarding profit on debt.

Section 152A **Payment for Foreign Produced Commercials**

The provision of this section is merged in section 152 and section 152A is proposed to be omitted.

Amendments In
Income Tax Ordinance, 2001

Section 153 **Exemption certificate**

At present, the mechanism of automated issuance of exemption certificate within 15 days of the application is available for corporate entity listed with the stock exchange. The proposed amendment seeks to enhance the mechanism of automated issuance of exemption certificate to every corporate entity.

Section 153B **Payment of royalty to resident persons**

There is a adjustable withholding tax is applied on payment of royalty to the resident person. Now the Finance bill seeks to omit such provision.

Section 154A **Export of Services**

A new section is proposed to be inserted whereby 1% final income tax shall be charged on export of the following services:

(a) Export of computer software or IT services or IT enabled services incase tax credit of section 65F is not available;

(b) Services or technical services rendered outside Pakistan or exported from Pakistan;

(c) Royalty, commission or fees derived by a resident company from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise.

(d). Construction contracts executed outside Pakistan.

Section 159 **Exemption certificate**

A new provision is proposed regarding mechanism for automated issuance of exemption certificate to corporate entities. It is proposed that in case of company, the Commissioner shall issue exemption certificate within 15 days of filing of application. If certificate shall not be issued then it shall be deemed to be issued by the Commissioner after the expiry of 15 days. 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.

Section 165 **Statements**

A new subsection has been proposed where every prescribed person is required to file Annual Statement of withholding taxes deducted under various sections of the Ordinance, currently such requirement is only applicable for salaries.

A new subsection has also inserted where by every taxpayer is also required to submit the reconciliation of amounts as per Annual Statement with the tax return and Financial Statement or Audited Accounts by the due date of filling of return of income.

Amendments In Income Tax Ordinance, 2001

Section 170A **Electronic Processing and Electronic Issuance of Refunds by the Board**

A new section is proposed to introduce mechanism of electronic processing and electronic issuance of refund by the Board. It is proposed that commencing from tax year 2021, the Board may process and issue refund to the taxpayer who has filed the return of income without requiring refund application by the taxpayer to the extent of tax credit verified by the Board's computerized system. The refund amount sanctioned under this section shall be electronically transferred in the taxpayer's notified bank account.

Section 182 **Offences and Penalties**

S. No	Offences	Existing Penalty	Proposed Penalty	Ref
(1)	(2)	(3)	(4)	(5)
1A	Where any person fails to furnish a statement as required under section 165, or 165A [165A or 165B] within the due date.		Provided that where it stands established that no tax was required to be deducted or collected during the relevant period, minimum amount of penalty shall be Rs. 10,000.	165 and 165A
4B	Any person who contravenes the provisions of section 181AA.	Rs. 10,000	Rs. 100,000	181AA
6	Any person who repeats erroneous calculation in the return for more than one year whereby amount of tax paid is less than the actual tax payable under this Ordinance.		Provided that no penalty shall be imposed to the extent of the tax shortfall occurring as a result of the taxpayer taking a reasonably arguable position on the application of this Ordinance to the taxpayer's position.	137
10	Any person who makes a false or misleading statement to an Inland Revenue Authority either in	Such person shall pay a penalty of Rs. 25,000 or 100% of the amount	Such person shall pay a penalty of Rs. 25,000 or 50% of tax the amount of tax shortfall whichever is higher.	114, 116, 174, 176, 177

	writing or orally or electronically including a statement in an application, certificate, declaration, notification, return, objection or other document including books of accounts made, prepared, given, filed or furnished under this Ordinance;	of tax shortfall whichever is higher		and 118
11	Any person who denies or obstructs the access of the Commissioner or any officer authorized by the Commissioner to the premises, place, accounts, documents, computers or stocks	Such person shall pay a penalty of Rs. 50,000 or 100% of the amount of tax involved, whichever, is higher	Such person shall pay a penalty of Rs. 50,000 or 50% of the amount of tax involved, whichever, is higher	175 and 177
15	Any person who fails to collect or deduct tax as required under any provision of this Ordinance or fails to pay the tax collected or deducted as required under section 160.	Such person shall pay a penalty of Rs. 40,000 or the 10% of the amount of tax which-ever is higher		Division II or Division III of Part V of Chapter X or Chapter XII
16	Any person who fails to display his NTN or business license at the place of business as required under this Ordinance or the rules made thereunder	Such person shall pay a penalty of Rs. 5,000.		181C and 181D

Section 203A **Power To Arrest and Prosecute**

Amendments In
Income Tax Ordinance, 2001

The Finance Bill proposed a new section states that an Officer Inland Revenue not below the rank of an Assistant Commissioner may arrest any person who committed offence of concealment of income or any offence warranting prosecution under the Ordinance. All arrest made under this Ordinance shall be carried out in accordance with the relevant provisions of the Code of Criminal Procedure 1898.

Section 203C **Special Judge**

The Finance Bill proposed that the Federal Government shall appoint as many Special Judge as it considers necessary and where it appoints more than one Special Judge, it shall specify in the notification the headquarter of each Special Judge and the territorial limits within which he shall exercise jurisdiction under this Ordinance. A Session Judge can be appointed as Special Judge.

Section 227E **E-hearing**

A new section is proposed about E-hearing. The proposed section authorizes the FBR to design and prescribe e-hearing module for the purpose of hearing, granting opportunity of being heard and electronically receiving any information. It is also proposed that the recording of e-hearing shall be admissible as evidence before any forum or court of law for the purpose of the Ordinance.

Section 231B **Advance tax on private motor vehicle**

In order to curb the "on" money on vehicles, it is proposed that every motor vehicle registration authority shall at the time of registration collect the following tax if the locally manufactured motor vehicle has been sold prior to registration by the person who originally purchased it from the local manufacturer.

S. No.	Engine Capacity	Tax
1	Upto 1,000 cc	Rs. 50,000
2	1,001cc to 2,000 cc	Rs. 100,000
3	2,000 cc and above	Rs. 200,000

Section 233 **Brokerage and Commission**

At present the individual is not a withholding agent for payment of brokerage and commission. Through Finance Bill 2021, it is proposed that an individual whose turnover is Rs. 100 million shall be liable to deduct advance tax at the rate of 12% on payment of brokerage and commission.

Section 234A **Advance tax on CNG Stations**

The Finance Bill proposed to omit this section

Amendments In Income Tax Ordinance, 2001

Section 235 **Advance Tax on Electricity Consumption**

The Bill proposed that advance tax shall also be charged to domestic electricity consumer whose names do not appear in Active Tax Payer List (ATL).

Section 235A **Domestic Electricity Consumption**

The provision of this section is merged with section 235 and hence this section is proposed to be omitted.

Section 236 **Advance Tax on Purchase of Air Tickets**

At present advance tax is collected on purchase of air tickets. It is proposed to omit this section.

Section 236C **Advance Tax on Sale or Transfer of Immovable Property**

The proposed amendment enhances the scope of tax collection agents on transaction related to transfer of property. It is proposed that public and private real estate projects registered/ governed under any law, joint ventures, private commercial concerns shall collect advance tax on sale of immovable property. It is also proposed that if seller or transferor is a non-resident holding POC card or NICOP and who acquired the said immovable property through foreign currency value account or NRP rupee value account, the tax collected under this section shall be final discharge of tax liability in lieu of capital gain taxable under section 37.

Section 236G **Advance tax on sales to distributors, dealers and wholesaler**

The proposed amendment enhances the application of advance tax on distributor, dealer and wholesaler of pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics and IT equipment.

Section 236H **Advance tax on sales to retailers**

The proposed amendment enhances the application of advance tax on retailers of pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics and IT equipment.

Section 236K **Advance tax on purchase or transfer of immoveable property**

The proposed amendment enhances the scope of tax collection agents on transaction related to transfer of property. It is proposed that public and private real estate projects registered/ governed under any law, joint ventures, private commercial concerns shall collect advance tax on sale of immovable property. It is also proposed that if purchaser or transferee is a non-resident holding POC card or NICOP and who acquired the said immovable property through foreign currency value account or NRP rupee value account, the tax collected under this section shall be final discharge of tax liability in lieu of capital gain taxable under section 37.

Amendments In
Income Tax Ordinance, 2001

Section 236L **Advance tax on Purchase of International Air Ticket**

At present advance tax is collected on purchase of international air tickets. It is proposed to omit this section.

Section 236P **Advance Tax on Banking Transaction Otherwise Than Through Cash**

The non-filer is charged 0.6% on banking transactions other than cash withdrawal. Now it is proposed to omit this section.

Section 236S **Dividend in Specie**

It is proposed to merge the dividend in specie with section 155 and this section is proposed to be omitted.

Section 236V **Advance Tax on Extraction of minerals**

This withholding section is proposed to be omitted.

Section 236Y **Advance tax on remitting abroad**

At present advance tax at the rate of 1% is being charged on any payment made outside Pakistan through Debit or Credit card. It is proposed to omit this section.

First Schedule - Rates of Tax

PART I

Div. IIA **Super Tax**

It is proposed that rate of super tax be extended to tax year 2021 and onwards.

Div. IIIA **Profit on debt**

It is proposed that the rate of tax on profit on debt imposed under section 7B shall be 15%.

Div. VIA **Income from property**

It is proposed that this Division shall be omitted.

Div. VII **Capital gain on disposal of securities**

It is proposed that the rate of tax to be paid under section 37A shall be as follows:

First Schedule

		Existing rates		Proposed rates
		[Tax Years 2018, 2019, 2020 and 2021]		
S. No.	**Period**	**Securities acquired before**	**Securities acquired after**	**Tax Year 2022 and onwards**
		01/07/2016	**01/07/2016**	
(1)	**(2)**	**(3)**	**(4)**	**(5)**
1	Where holding period of a security is less than twelve months	15%		12.50%
2	Where holding period of a security is twelve months or more than less than twenty-four months	12.50%	15%	0%
3	Where holding period of a security is twenty-four months or more but the security was acquired on or after 1st July, 2013.	7.50%		5%

Div. VIII

The bill proposed that the rate of tax to be paid under sub-section (1A) of section 37 shall be 5%.

Minimum tax under section 113

Div. IX

It is proposed that the current table of minimum tax under section 113 shall be substituted with the following table:

S. No.	**Persons (s)**	**Minimum tax as percentage of the person's turnover for the year**
(1)	**(2)**	**(3)**
1	(a) Oil marketing companies, Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees on billion).	0.75%
	(b) Pakistan International Airlines Corporation; and	
	(c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production.	

First Schedule

2	(a) Oil refineries	0.50%
	(b) Motorcycle dealers registered under the Sales Tax Act, 1990	
3	**(a)** Distributors of pharmaceutical products, fast moving consumer goods and cigarettes;	0.25%
	(b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990;	
	(c) Rice mills and dealers;	
	(d) Tier-1 retailers of fast-moving consumer goods who are integrated with Board or its computerized system for real time reporting of sales and receipts;	
	(e) Person's turnover from supplies through e-commerce including from running an online market place as defined in clause (38B) of section 2.	
	(f) Persons engaged in the sale and purchase of used vehicles	
4	In all other cases	1.25%

PART II

Part II First Proviso

Rates of Advance Tax

It is proposed that the rate of advance tax in case of importers of CKD kits of electric vehicles for small cars or SUVs with 50kwh battery or below and LCVs with 150 kwh battery or below shall be 1%.

PART III

Div. I

Advance Tax on Dividend

It is proposed that the expression "and 236S" shall be omitted.

Div. III

Payments for Goods and Services

The advance tax under section 153 at the rate of 3% shall be applied on oilfield services, telecommunication services, warehousing services, collateral management services, travel and tour services.

Div. IIIB

Royalty paid to resident persons

It is proposed to omit this division completely.

Div. IV

Exports

After division IV the bill proposed to add the following new Division:

First Schedule

Part III-Div - IVA
Export Services

The rate of tax to be deducted under section 154A shall be 1% of the proceeds of the export."

Div. V **Income from Property**

It is proposed that for the TABLE, the following shall be substituted:

Sr. No	Gross amount of rent	Rate of tax
(1)	(2)	(3)
1	Where the gross amount of rent does not exceed Rs. 300,000	NIL
2	Where the gross amount of rent exceeds Rs. 300,000 but does not exceed Rs. 600,000	5 percent of the gross amount exceeding Rs. 300,000
3	Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 2,000,000	Rs. 15,000 plus 10 percent of the gross amount exceeding Rs. 600,000
4	Where the gross amount of rent exceeds Rs. 2,000,000.	Rs. 155,000 plus 25 percent of the gross amount exceeding Rs. 2,000,000."

Div. VIB **CNG Stations**

It is proposed to omit this division completely

PART IV

Div. IIA **Rate for Collection of Tax by a Stock Exchange Registered in Pakistan**

It is proposed to omit this division completely.

Div. IIB **Rates for Collection of Tax by NCCPL**

It is proposed to omit this division completely.

Div. IV **Electricity Consumption –**

It is proposed to substitute this Division with:

Div. IV Clause1 The rate of collection of tax from commercial and industrial consumers from gross amount of bills shall be as set out in the following Table, namely: -

First Schedule

Table

S. No	Gross amount of Bill	Tax
1	up to Rs. 500	Rs. 0
2	exceeds Rs. 500 but does not exceed Rs. 20,000	10% of the amount
3	exceeds Rs. 20,000	Rs. 1950 plus 12% of the amount exceeding Rs. 20,000 for commercial consumers Rs. 1950 plus 5% of the amount exceeding Rs. 20,000 for industrial consumers

Div. IV -Clause 2

The rate of tax to be collected on domestic electricity consumption shall be: -

i) 0% if the amount of monthly bill is less than Rs. 25,000; and

ii) 7.5% if the amount of monthly bill is Rs. 25,000 or more."

Div. V

Telephone Users

It is proposed that the current rate of 12.5% of the bill or sales price of internet pre-paid card or pre-paid telephone card or sale of units through any electronic medium or whatever form in the case of subscriber of internet, mobile telephone and pre-paid internet or telephone card shall be reduced to "10% for tax year 2022 and 8% onwards."

Div. VI

Cash Withdrawal from a Bank

It is proposed to omit this division completely.

Div. VIA

Advance Tax on Transactions in Bank

It is proposed to omit this division completely.

Div. VII

Advance Tax on Purchase, Registration and Transfer of Motor Vehicles

It is proposed to add a new clause after clause (2) namely: -

"(3) The rate of tax under sub-section (2A) of section 231B shall be as follows: -

First Schedule

S. No	Engine Capacity	Tax
(1)	(2)	(3)
1.	Up to 1000cc	Rs. 50,000
2.	1001cc to 2000cc	Rs. 100,000
3.	2001cc and above	Rs. 200,000"

Div. IX **Advance tax on Purchase of Air Ticket**

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It is proposed to omit this division completely.

Div. XIV **Advance Tax on Sale to Distributors, Dealers or Wholesalers**

It is proposed to add the following proviso after the table:
"Provided that the rate of advance tax on sale to distributors, dealers or wholesalers of fertilizer shall be 0.25%, if they are already appearing on both the Active Taxpayers' Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001 (XLIX of 2001)."

Div. XV **Advance Tax on Sale to Retailers**

It is proposed to substitute this Division with:

"**DIVISION XV**
Advance tax on sale to retailers

The rate of collection of tax under section 236H on the gross amount of sales shall be 0.5%".

Div. XVA **Advance Tax on Sale of Certain Petroleum Products**

It is proposed to omit this division completely.

Div. XIX **Advance Tax on domestic electricity consumption**

It is proposed to omit this division completely.

Div. XX **Advance Tax on international air ticket**

It is proposed to omit this division completely.

Div. XX **Advance Tax on banking transactions**

It is proposed to omit this division completely.

Div. XXVI **Advance Tax on extraction of minerals**

It is proposed to omit this division completely.

Div. XXVII **Advance Tax on amount remitted abroad through credit, debit or prepaid**

It is proposed to omit this division completely.

Second Schedule

Part I

Clause (4) The exemption of tax on salary income of Pakistani seafarer working on Pakistan flag vessels and foreign vessel is proposed to be withdrawn.

Clause (22) The income of provident fund is exempted. The Finance Bill seeks to withdraw exemption to the extent of payments representing profit on debt earned on provident fund contribution exceeding Rs. 500,000 chargeable to tax @ 10% as a separate block of income.

Clause (23) The payment of accumulated balance payable to an employee participating in a recognized provident fund is exempt from tax. The Finance Bill seeks to withdraw exemption to the extent of payments representing profit on debt earned on provident fund contribution exceeding Rs. 500,000 chargeable to tax @ 10% as a separate block of income.

Clause (23C) The withdrawal of accumulated balance from approved pension fund is exempted. The Finance Bill seeks to withdraw exemption to the extent of payments representing profit on debt earned on accumulated balance in an approved pension fund shall be taxed at rate of 10% as separate block of income.

Clause (39) The Bill seeks to withdraw exemption of special allowance or benefit or other perquisite granted to an employee for the performance of the duties.

Clause (61) The bill seeks to withdraw exemption of any donation paid to various prescribed foundations, trust, societies and funds. The said amendment was already introduced vide Tax Law Second Amendment Ordinance, 2021.

Clause (66) The income of the following institution shall be proposed to be exempted:

Table

"(xxxvii)	Islamic Naya Pakistan Certificates Company Limited (INPCCL).
(xxxviii)	Abdul Sattar Edhi Foundation.
(xxxix)	Patient's Aid Foundation.
(xl)	Indus Hospital and Health Network.
(xli)	Securities and Exchange Commission of Pakistan.
(xlii)	Dawat-e-Hadiya, Karachi.
(xliii)	Privatization Commission of Pakistan.
(xliv)	The Citizens Foundation.
(xlv)	Sundus Foundation.
(xlvi)	Ali Zaib Foundation
(xlvii)	Fauji Foundation.
(xlviii)	Make a Wish Foundation
(xlix)	Audit Oversight Board.
(xlx)	Supreme Court Water Conservation Account.
(xlxi)	Political Parties registered with Election Commission of Pakistan.";

Clause (74) The bill proposed to withdraw exemption of interest income by Hub Power Company Limited on its bank deposits or accounts with financial institution.

Second Schedule

Clause (75)	The bill proposed exemption of profit on debt and capital derived by any agency of foreign Government or any non-resident person approved by the FG.
Clause (100)	The exemption of income of modaraba registered under the Modaraba Companies and Modraba (Floatation and Control) Ordinance 1980 is proposed to be withdrawn.
Clause (101)	The exemption of profits and gains of a venture capital company and venture capital fund registered under Venture Capital Companies and Fund Management Rules, 2000 is proposed to be withdrawn.
Clause (103D)	A new exemption is proposed on the dividend income and long term capital gains of any venture capital fund from investment in zone enterprises as defined in clause (p) of section 2 of the Special Technology Zone Authority Ordinance, 2020 for a period of 10 years commencing from issuance of license by the Authority to the zone enterprise.
Clause (110B)	The bill seeks to withdraw the exemption of tax on gain on transfer of a capital asset being a membership right held by a member of an existing stock exchange for acquisition of shares and trading or clearing rights acquired by such member in new corporatized stock exchange in the course of corporatization of an existing stock exchange.
Clause (114)	The bill seeks to withdraw the exemption of tax on any income chargeable under the head capital gain derived by a person from an industrial undertaking set up in an area declared by the FG to be a "Zone".
Clause (114AA)	The bill seeks to withdraw the exemption under the head "Capital gain" derived by a resident individual from the sale of constructed residential property.
Clause (117)	The bill seeks to withdraw the exemption of any income derived by a person from plying of any vehicle registered in the territories of Azad Jammu and Kashmir, excluding income arising from the operation of such vehicle in Pakistan to a person who is resident in Pakistan and non resident in those territories.
Clause (126B)	A new exemption is proposed to the oil refineries whereby profits and gains of refinery is exemption for 10 years with certain condition.

Second Schedule Part II

Clause (5AB)	It is proposed that the rate of tax deduction under section 151 shall be 10% from the profit on debt from debt instrument, whether conventional or Shariah compliant, issued by the FG. Provided that tax so deducted shall be the final tax.
Clause (5AC)	The bill seeks to propose that the 0% tax rate shall be charged on profit on debt derived from foreign currency account as prescribed in clause (78) and (79) of the part I of the second schedule.
Clause (5B)	The 10% reduced rate provided for capital by a person on sale of shares by a private company to a private equity and venture capital fund is proposed to be withdrawn.

Second Schedule

Clause (9AA)	The new clause is proposed that tax under section 148 shall be collected at the rate of 0.25% on import of white sugar. fri
Clause (18)	The reduced rate of 25% on mondraba income is proposed to be withdrawn.
Clause (18C)	A new clause is proposed to be added whereby the rate of tax shall be reduced to 7.5% in case of dividends declared by a company as are attributable to profits and gain derived from a bagasse and biomass based co-generation power project qualifying for exemption under clause (132C) of part-I of this Schedule.

Second Schedule
Part III

Clause (2)	The reduction in tax liability is available upto 25% of the tax payable on salary income of full time teacher or researcher employed in a non-profit education or research institution duly recognized by Higher Education Commission. This exemption is proposed to be exempted.
Clause (7)	The tax liability has been reduced by 50% in case of tax payable by foreign film-makers form making films in Pakistan. It is proposed to withdraw the said exemption.
Clause (8)	The tax liability has been reduced by 75% in case of tax payable by resident companies deriving income from film making. It is proposed to withdraw the said exemption.
Clause (17)	A new clause is proposed that tax payable by cotton ginners on their income and profits shall not be more than 1% of turnover from cotton lint, cotton seed, cotton seed oil and cotton seek cake. The tax so payable shall be final tax in respect of their cotton ginning and oil milling activities.
Clause (18)	It is proposed that the rate of withholding tax on value of offshore supply contract of an Independent Power Producer located wholly or partly in territories of AJ and K shall be 1% provided:
(i)	PPIB has issued letter of Support for the project;
(ii)	Its EPC contract has been executed and submitted to NEPRS and EPC stage tariff determination prior to the enactment of Finance Act, 2018;
(iii)	offshore supply contract arrangement of offshore supply contractor having PE in Pakistan falls under the purview of cohesive business operation as contemplated under the Income Tax Ordinance, 2001.
(iv)	such 1% shall be full and final liability of the offshore contractor.
Clause (19)	The bill seeks to propose that a reduced rate of 25% tax payable by woman enterprises on profit and gains derived from business chargeable to tax under the head "Income from business". It is also proposed that woman enterprise means a startup established on or after 1st July 2021 as sole proprietorship concern owned by a woman or an AOP all of whose members are women or a company whose 100% shareholding is held by women.

Amendments In Sales Tax Act, 1990

Section 2 **Definitions**

(4AA) This new sub-section inserted defines Commissioner (Appeals) as meaning Commissioner of Inland Revenue (Appeals) appointed under section 30.

(5AB) Threshold limit of maximum annual turnover for inclusion in cottage industry was Rs.3 million. By this new sub-section, it has been increased to Rs. 10 million.

(18A) To bring online sales into sales tax net, this sub-section has been inserted. It defines "online market place" to include an electronic interface such as a e-commerce platform, portal, or similar means which facilitate sale of goods, including third party sale in any of following

(a) Controlling the terms and conditions of the sale;

(b) Authorizing the charge to the customers for payment for the supply; or

(c) Ordering or delivering the goods.

(43A) (e) Maximum threshold of tie-1 retailer is proposed to be enhanced to 2,000 square feet from current 1,000 square feet in case of furniture retailer. Latter limit still applies to other retailers. manner, namely:

(43A) (f) For levying sales tax on online retailer, this new sub-clause seeks to cover him in definition of tier-1 retailer an online retailer operating an online market place supplying goods through e-commerce platform, whether or not the goods are owned by him or not.

(43A) (g) By inserting this clause tier-1 definition also includes 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.

Section 3 **Scope of tax**

(3) (c) By this new sub-clause, a person running online market place is also liable to pay tax in case of supply of goods, through online market place, whether owned by him or not.

(3) (9A)

First Proviso

By deleting this proviso cash back of upto 5% of tax previously allowed to Tier-1
retailer has been withdrawn.

Section 8B **Adjustable input tax**

Amendments In Sales Tax Act, 1990

(1) Bar of allowing only upto 90% of input tax as adjustment against output tax for a tax period has been removed in case of public limited companies listed on Pakistan Stock Exchange.

Section 11 **Assessment of Tax and recovery of tax not levied or short levied or erroneously refunded**

(5) Time limit for issuing notice on above matter has been extended marginally.
Previously it had to be issued within five years of the relevant date. Now it has to be issued within five years of end of the financial year in which the relevant date falls.

Section 21 B **Common Identifier Number**

From July 2021 CNIC from NADRA shall be common identifier number in case of an individual registered or liable to be registered under section 14 of Sales Tax Act, 1990. This will be besides sales tax registration number (STRN).

Section 22 **Records**

This section requires a registered person making taxable supplies to keep certain records including records of supplies, purchases, imports, etc.

(1) (e) Cash book is now included in aforesaid records required to be kept.

(1) (eb) This new clause requires keeping electronic version of records required u/s 22.

Section 25AA **Transactions between associates**

(25AA) (2) New sub-section empowers FBR prescribe rules for Commissioner or an officer
of Inland Revenue for determining transfer price of taxable supplies between
associate persons to reflect fair market value of supplies in an arm's length transaction.

Section 26AB **Exension of time for furnishing returns**

This new sub-section empowers Commissioner to allow extension in time for
filing returns to a registered person who has applied for extension for reasons / causes like:

(a) absence from Pakistan;

Amendments In Sales Tax Act, 1990

(b) sickness or other misadventure; or

(c) any other reasonable cause.
Extension can be granted for up to 15 days, however, longer extension is allowable under exceptional circumstances justifying it.

Section 40E **Licensing of Brand Name**

This new section requires manufacturers of specified goods to obtain brand license for each brand or stock keeping unit (SKU) in such manner as may be prescribed by the Board.

A specified brand and SKU found to be sold without obtaining a license from the Board shall be deemed counterfeit goods and liable to outright confiscation and destruction in prescribed manner. This action will be besides any other penal action which may be taken under this Act.

Section 48 **Recovery of Arrears of Tax**

This section empowers officer of Inland Revenue for recovery of arrears of tax, prescribes procedure therefor, and mentions such powers as similar to those of a Civil Court for recovery of an amount due under a decree.

(3) This new sub-section extends above powers to collection and recovery of taxes in pursuance of a request from a foreign jurisdiction under a tax treaty, bilateral or a multilateral convention, and inter-governmental agreement or similar agreement or mechanism.

Section 50 **Power to make rules**

(2) Amendment seeks to avail use of electronic means for publishing rules and provisions of the Act, i.e., by placing regularly on the official website maintained by the Board.

Section 56A **Agreement for the exchange of information**

(1) The Federal Government may enter into bilateral or multilateral agreements with provincial governments or with governments of foreign countries for exchange of information. These agreements are now allowed to cover assistance in recovery of taxes.

(2) Board is empowered to share data or information including real time data videos, images received under the provisions of this Act with any other Ministry or Division of the Federal Government or Provincial Government, subject to such limitations and conditions as may be specified by the Board.

(3) This new sub-section empowers the Federal Government to enter into bilateral or multilateral convention or mechanism for assistance in the recovery of taxes.

Amendments In Sales Tax Act, 1990

Section 56C	**Prize schemes to promote tax culture**
(2)	This sub-section allows the Board to prescribe procedure for "mystery shopping" in respect of invoices issued by tier-1 retailers integrated with FBR online system randomly and in case of any discrepancy, all the relevant provisions of this Act shall apply accordingly.
Section 67 Second proviso	**Delayed refund** This new insertion compensates claimant of refund for delay in refund payment over 45 days from the date of an order for in a refund. Besides refund amount, additional amount equal to KIBOR per annum of the refund amount, due from the date of the refund order, shall be paid.
Section 73	**Certain transactions not admissible**
Second proviso	This new proviso accepts adjustment of amounts receivable from and payable to same party treating same as payments satisfying the provisions of this sub-section subject to following conditions:
(a)	Sales tax has been charged and paid by both parties under the relevant provisions of this Act and rules prescribed thereunder, wherever applicable; and
(b)	Prior approval of the Commissioner has been sought before making such adjustments.
Section 76	**Fee and service charges**
(2)	Board may empowered to authorize and prescribe the manner in which fee and service charges collected under sub-section(1) shall be expended.

Third Schedule – U/S 3 (2) (1) – Taxable Supplies

The bill added the following new item (sugar) in schedule u/s 3 (2) (a) as taxable supply

Sr#	Description	Heading no of First Schedule to Customs Act, 1969
50.	Sugar except where it is supplied as an industrial raw material to pharmaceutical, beverage and confectionery industries	Respective heading

DAUDALLY LALANI & CO.
CHARTERED ACCOUNTANTS

Fifth Schedule (U/S 4) – Zero Rating

The bill added the following new items in the schedule:

15. 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.

Sixth Schedule U/S 13 (1) - Exemptions

The bill added the following new entities in the table-1 of the said schedule:

(IMPORTS OR SUPPLIES)

157.	Import of CKD (in kit form) of following electric vehicles (4 wheelers) by local manufacturers till 30th June, 2026: i. Small cars / SUVs with 50 kwh battery or below; and ii. Light commercial vehicles (LCVs) with 150 kwh battery or below	Respective headings
158.	Goods temporarily imported into Pakistan by International Athletes which shall be subsequently taken by them within 120 days of temporary import	Respective headings
159.	Import of auto disable Syringes till 30th June, 2021 i. with needles ii. without needles	 9018.3110 9018.3120
160.	Import of following raw materials for the manufacturers of auto disable syringes till 30th June, 2021 i. Tubural metal needles ii. Rubber Gaskets	 9018.3200 4016.9310
161.	Import of plant, machinery, equipment and raw materials for consumption of these items within Special Technology Zone by the Special Technology Zone Authority, zone developers and zone enterprises	Respective headings
162.	Import of raw materials, components, parts and plant and machinery by registered persons authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions	Respective headings

Section 67	**Delayed Refund**
Second proviso	This new insertion compensates claimant of refund for delay in refund payment of over 45 days from the date of a refund order. Besides refund amount, additional amount equal to KIBOR per annum of the delayed refund, due from the date of the refund order, shall be paid.
Section 73	**Certain transactions not admissible**
Second proviso	This new proviso acceptabis of adjustment of amounts receivable from and payable to same treating same as payments satisfying the provisions of this sub-section subject to following conditions:
(a)	Sales tax has been charged and paid by both parties under the relevant provisions of this Act and rules prescribed thereunder, wherever applicable; and
(b)	The registered person has sought prior approval of the Commissioner before making such adjustments.
Section 76	**Fee and service charges**
(2)	Board is empowered to authorize and prescribe the manner in which fee and service charges collected under sub-section shall be expended.

Amendments In Customs Act, 1969

Section 2	**Definitions**
Clause (kka)	Documents were previously defined to include "bill of lading, airway bill" which has been replaced with "master bill of lading, airway bill, certificate of origin etc .
Clause (kkc)	This new clause describes "Electronic assessment as meaning assessment of a goods declaration in Customs Computerized System by an officer of Customs or by the computerized system according to the selectivity criteria.
Clause (ld)	This new clause defines " Vessel Intimation Report (VIR) as meaning an intimation regarding impending arrival of a vessel at a customs sea port, where the customs computerized system is operational, to the customs authorities in the form and manner, by the carrier or his agent, as may be prescribed by rules.
Clause (oo)	This new clause inclusively defines "owner" of goods as a person who at for the time being entitled, either as owner or agent of the owner, to possession of the goods.
Clause (s)	Definition of smuggle of goods extended to retailing of smuggled goods.
Section 3CCB	Directorate General of National Nuclear Detection Architecture.
	This new section constitutes aforesaid institution comprising a Director General and as many Deputy Director Generals, Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may appoint and notify in Official Gazette.
Section 3CCC	Directorate General of Marine

Amendments In Customs Act, 1969

This Directorate under the new section shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may by notice in Official Gazette appoint.

Section 12

Power to appoint or licence public warehouses

Previous section is substituted by a new one whose unique features are:

- Power of Collector of Customs is now restricted to appoint or licence public warehouses in his respective jurisdiction only.
- It inserts a proviso stating that where the Customs Computerized System is operational, the application shall be filed to the respective Collector of Customs through the system in the manner as may be prescribed by rules.
- Cancellation of licence can made by respective Collector of Customs in his own jurisdiction after providing proper opportunity of showing cause against the proposed cancellation.

Section 12A

Power to appoint or licence common warehouses
This new section, authorizes Collector of Customs to appoint or license in his own jurisdiction common warehouses for keeping dutiable goods whose duty is unpaid. The Collector may, after affording opportunity of showing cause against cancellation, cancel the licence if a licence condition is infringed or any provisions of this Act or its rules are violated. Collector may suspend a licence pending consideration for cancelling it.

Section 13

Power to licence private warehouses

This warehouse is licenced for placing dutiable goods whose duty remains unpaid.

This new section replaces previous one. Inserted new section restricts Collector of Customs' power of licencing private warehouses to his own jurisdiction. Other details of exercise of this power and cancellation of licence remain same. Where Customs Computerized System is operational, application is to be filed through it.

Collector may, after affording opportunity of showing cause against cancellation, cancel the licence in his own jurisdiction if any of the licence conditions is infringed or any provisions of the Act or its rules are violated. While cancellation of licence is under consideration, Collector may suspend the licence pending cancellation.

Section 18E

Amendment allows the Board to constitute a committee or centre for settlement of disputes on classification of goods and prescribe rules or procedure for the purpose.

Section 25

Amendment is by way of inclusion of words "using reasonable means" for determining customs value using FALLBACK method.

Section 25A

Power to determine the customs value

Amendments In Customs Act, 1969

Subsection (1) Proviso added	For determining customs value of imports and exports, the Director Customs Valuation has been given discretion - irrespective of any provision of this Act and any decision or judgment of any forum, authority or court - to incorporate values from internationally acclaimed publications, periodicals, bulletins or official websites of manufacturers or indenters of such goods.
Subsection 2A	In case of conflict in customs value determined under above subsection, Director Customs Valuation is absolutely empowered to determine applicable customs value.
Section 25C	Power to takeover the imported goods Previously Collector could decide on entertaining a purchase offer much higher than declared value or affording importer to revise up declared value to the higher purchase offer with Board's approval. Now instead of the Board, respective Chief Collector's approval would suffice.
Section 25D	Review of the value determined Earlier Director Customs Valuation could revise value determined upon review petition within 30 days from date of value determination. Now he may also rescind or determine value afresh of his motion or upon review petition by an officer of Customs. This requires proceedings be completed within 60 days of filing review petition or initiation of proceedings.
Section 30 New Proviso	Date of determination of rate of import duty For goods declaration is manifested ahead of arrival of import conveyance, previously relevant date was the date manifest of the conveyance was delivered. Now relevant date shall be the date on which goods declaration is manifested u/s 79 or 104. Exception would be those goods in respect of weather rate of duty changes after submission of goods declaration and before berthing or cross-over event of the vessel or the vehicle; relevant date shall be date on which vessel has berthed or vehicle has crossed-over the border.
Section 80	Subsection(4)In case of clearance of goods declaration through green channel,the goods may be examined with prior approval of Collector of Customs.
Section 82 Clause (c)	Collector of Customs may direct the importer or in case importer is not traceable, the shipping line to re-export out of Pakistan any goods, banned or restricted through a notification issued by the Federal Government, if the same are not cleared or auctioned within 60 days of the date of their arrival.
Section 156	Punishment for offences Penalty for not placing invoice and packing list inside import container or consignment was upto Rs. 50,000 on such person. This is proposed to be doubled to quadrupled depending on number of times violation occurred. See table below at sr 1(ii):

Amendments In Customs Act, 1969

S. No	Offences	Existing Penalty	Section of this Act to which offence has reference
(iii)	If any person fails to attach or electronically upload mandatory documents required under section 79 or 131 of the Customs Act, 1969	Such person shall be liable to a penalty as under: 1st time Rs. 50,000/- 2nd time Rs. 100,000/- 3rd time Rs. 150,000/- 4th time Rs. 200,000/- 5th time and onwards Rs. 250,000/-.	General

Serial No. 47A (Goods declaration not filed in within 10 days) have been omitted;

Against Serial No.89, in the sub-serial number (i), in column (1), after the word **"concealing"**, the expression **", retailing"** shall be inserted;

Against Serial No.90, in column (1), after the word concealing, the expression **", retailing"** shall be inserted;

Section 157(2) New Proviso

Extent of confiscation

Proposed that where a conveyance liable to confiscation has been seized for the third time, no option to pay fine in lieu of the confiscation shall be given.

Section 179

New Proviso

Power of adjudication

Proposed further that in cases where in goods are lying at sea-port, airport or dry port, these shall be decided within thirty days of the issuance of show cause notice which can be extended by another fifteen days by Collector of Customs, if required so.

Section 195

Powers of Board or Collector to pass certain orders

For marginal note and for sub-section (1), the following shall be substituted, namely: - "195. Powers of Board or Chief Collector or Collector to pass certain orders. - (1) The Board or the Chief Collector or the Collector of Customs may, within his jurisdiction, call for and examine the records of any proceedings under this Act for the purpose of satisfying itself or, as the case may be, himself as to the legality or propriety of any decision or order passed by a subordinate officer:"

Section 202B (i)substituted

Reward to Customs officers and official's of customs and law enforcement agency

Amendments In Customs Act, 1969

	For title and for sub-section (1), the following shall be substituted, namely "202B. Reward to officers and officials of Customs and Law Enforcement Agencies.-(1) In cases involving evasion of customs-duty and other taxes and confiscation of goods, cash reward shall be sanctioned to the officers of Customs Service of Pakistan, as defined under the Occupational Groups and Services (Probation, Training and Seniority) Rules, 1990 and officials including officers and officials of other law enforcement agencies, who assist Customs officers and officials or are actually instrumental in seizure of smuggled goods and vehicles as confirmed by the respective Collectorate of Customs, for their meritorious conduct in such cases, and to the informer providing credible information leading to such confiscation or detection, as may be prescribed by rules by the Board, only after realization of part or whole of the duty and taxes involved in such cases."
Section 212B	**Advance Ruling** Proposed to be effective for three years instead of currently one year

Amendments In Federal Excise Act, 2005

section 4 (4) Proviso	Filing of return and payment of duty, etc. Approval of Commissioner of Inland Revenue having jurisdiction is not required for filing revised return within 60 days of filing of original return and either duty payable as per revised return is more than the amount paid or refund claimed thereon is less than the amount claimed under the return sought to be revised.
14(3) Proviso added	**Recovery of unpaid duty or erroneously refunded duty o arrears of duty, etc.** Officer of Inland Revenue's has power of determining duty payable by a person and liability of such person to It pay it this now also applied. regarding assistance in collection and recovery of duties in pursuance of a request from a foreign jurisdiction under a tax treaty, a multilateral convention, and inter-governmental agreement or similar agreement or mechanism as the case may be.
45AA	**Licensing of brand name** This new section requires manufacturers of specified goods to obtain brand license for each brand or stock keeping unit (SKU) in such manner as may be prescribed by the Board. Any specified brand and SKU found to be sold without obtaining a license from the Board shall be deemed counterfeit goods and liable to outright confiscation besides penal action under the Act.
47A	**Agreements for the exchange of information or assistance in recovery of duties** .

(1A) This new sub-section empowers the Board to share data or information including real time data videos, images received under the provisions of this Act with any other Ministry or Division of the Federal Government or Provincial Government, subject to such limitations and conditions as may be specified by the Board.

3 By virtue of this new subsection the Federal Government may enter into a bilateral or multilateral convention, and inter-governmental agreement or similar agreement or mechanism for assistance in the recovery of duties.

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First Schedule (U/S 3) – Excisable Goods & Services

Table I - Excisable Goods

The bill added the following new item (tobacco mixture) in the schedule:

S. No	Description	Heading / sub heading number	Rate of duty
8c.	Tobacco mixture in an electrically heated tobacco product by whatever name called, intended for consumption by using a tobacco heating system without combustion	2403.9990	Rupees five thousand two hundred per kg

Annexure 1

The Thirteenth Schedule

Of Income Tax Ordinance, 2001

S. No.	Name
(1)	**(2)**
1.	Any Sports Board or institution recognized by the FederalGovernment for the purposes of promoting, controlling or regulating any sport or game.
2.	The Citizens Foundation.
3.	Fund for Promotion of Science and Technology in Pakistan.
4.	Fund for Retarded and Handicapped Children.
5.	National Trust Fund for The Disabled.
6.	Fund for Development of Mazaar of Hazarat Burn i Imam.
7.	Rabita-e-Islami's Project for printing copies of the Holy Quran.
8.	Fatimid Foundation, Karachi.

9.	Al-Shifa Trust.
10.	Society for the Promotion of Engineering Sciences and Technology in Pakistan.
11.	Citizens-Police Liaison Committee, Central Reporting Cell, Sindh Governor House, Karachi.
12.	ICIC Foundation.
13.	National Management Foundation.
14.	Endowment Fund of the institutions of the Agha Khan Development Network (Pakistan listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network.
15.	Shaheed Zulfigar Ali Bhutto Memorial Awards Society.
16.	Iqbal Memorial fund.
17.	Cancer Research Foundation of Pakistan, Lahore. ,
18.	Shaukat Khanum Memorial Trust, Lahore.
19.	Christian Memorial Hospital, Sialkot.
20.	National Museums, National Libraries and Monuments or institutions declared to be National Heritage by the Federal Government.
21.	Mumtaz Bakhtawar Memorial Trust Hospital, Lahore.
22.	Kashmir Fund for Rehabilitation of Kashmir Refugees and Freedom Fighters.
23.	Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network.
24.	Azad Kashmir President's Mujahid Fund,1972.
25.	National Institute of Cardiovascular Diseases, (Pakistan) Karachi.
26.	Businessmen Hospital Trust, Lahore.
27.	Premier Trust Hospital, Mardan.
28.	Faisal Shaheed Memorial Hospital Trust, Gujranwala.
29.	Khair-un-Nisa Hospital Foundation, Lahore.
30.	Sind and Balochistan Advocates' Benevolent Fund.
31.	Rashid Minhas Memorial Hospital Fund.
32.	Any relief or welfare fund established by the Federal Government.
33.	Mohatta Palace Gallery Trust.
34.	Bagh-e-Quaid-e-Azam project, Karachi.
35.	Any amount donated for Tameer-e-Karachi Fund.

36.	Pakistan Red Cres-cent Society.
37.	Sank of Commerce and Credit International Foundation for Advancement of Science and Technology.
38.	Federal Board of Revenue Foundation.
39.	The Indus Hospital, Karachi.
40.	Pakistan Sweet Homes Angels and Fairies Place.
41.	Al-Shifa Trust Eye Hospital.
42.	Aziz Tabba Foundation.
43.	Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT.
44.	Sharif Trust.
45.	The Kidney Centre Post Graduate Institute.
46.	Pakistan Disabled Foundation.
47.	Sardar Trust Eye Hospital, Lahore.
48.	Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams – Fund.
49.	Layton Rahmatullah Benevolent Trust (LRBT).
50.	Akhuwat.
51.	The Prime Minister's COVIE)-19 Pandemic Relief Fund-2020.
52.	Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI).
53.	Lahore University of Management Sciences.
54.	Dawat-e-Hadiya, Karachi.
55.	Baitussalam Welfare Trust.
56.	Patients' Aid Foundation.
57.	Alkhidmat Foundation.
58.	Alamqir Welfare Trust International.
59.	Prime Minister's Special Fund for victims of terrorism.
60.	Chief Ministers(Punjab) Relief Fund for Internally Displaced Persons (1DPs) of KPK.
61.	Prime Ministers Flood Relief Fund 2010 and Provincial Chief Ministers Relief Funds for victims of flood 2010.
62.	Waqf for Research on Islamic History, Art and Culture, Istanbul.

021-35868483-85
info@daudallylalani.com
https://www.daudallylalani.com/