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2022 Finance Act Tax Handbook



Tax Handbook 2022

An Information Guide

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Preface

In addition to important Income Tax and Sales Tax amendments, this Handbook encompasses the updated compliance requirement and timelines, the tax planning guide, tax facts and withholding tax rates. The applicable amendments in the laws are effective from July 1, 2022 unless otherwise specified.

The Tax Handbook should be read in conjunction with the applicable sections of respective Ordinances, Acts and Rules along with the text of the Finance Act, 2022. This Handbook aims to provide a general guideline and thus should not be considered as a conclusive and enforceable document. A professional advice should be sought before acting on any newly introduced amendment in the Laws or on our comments. We trust that this Tax Handbook enhances your perception of the Finance Act, 2022.

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Although, the best efforts have been made to ensure accuracy of the information in this Tax Handbook, any errors and omissions are regretted.

Lahore

July 20, 2022

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Income Tax Ordinance, 2001

Income Tax Ordinance, 2001

Super Tax on High Earning Persons Imposed

(Section 4C, Division IIB of Part-I of First Schedule)

By virtue of the Finance Act, 2022 a new tax has been imposed from Tax Year 2022 on high earning persons having income over PKR 300 Million in aggregate of following specified incomes:

- Profit on debt, dividend, capital gains, brokerage and commission
- Taxable income (other than brought forward depreciation and brought forward business losses) under Section 9 of the Ordinance
- Imputable income
- Income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under Fourth, Fifth and Seventh Schedules

Tax will be collected at the following rates:

Income for the Year	Rate of Tax
Where income does not exceed Rs. 150 million	0% of the income
Where income exceeds Rs.150 million but does not exceed Rs.200 million	1% of the income
Where income exceeds Rs.200 million but does not exceed Rs.250 million	2% of the income
Where income exceeds Rs.250 million but does not exceed Rs.300 million	3% of the income
Where income exceeds Rs.300 million	4% of the income

However, such tax shall be charged @ 10% on income of a person where the income exceeds PKR 300 Million. Effectively, the tax shall be applicable from Tax Year 2022 on the income of persons engaged in the following businesses:

- Airlines
- Automobiles
- Beverages
- Cement
- Chemicals
- Cigarette and Tobacco
- Fertilizer
- Iron and Steel
- LNG Terminal
- Oil Marketing
- Oil Refining
- Petroleum and Gas Exploration and Production
- Pharmaceutical
- Sugar and Textiles

Scope of Services on account of Payments to Non-residents Widened (Section 6, 152)

The Finance Act, 2022 has broadened the scope of services on account of payments to non-residents by specifying that Fee for money transfer operations, Card network services, Payment gateway services, Interbank financial telecommunication services shall be charged at 10% of the gross amount of income. Consequentially, certain payments to non-residents shall be taxed at following rates:

Nature of Income	Rate of Tax
Royalty or fee for technical services	15%
Fee for offshore digital services, Fee for money transfer operations, Card network services, Payment gateway services, Interbank financial telecommunication services	10%

Every exchange company licensed by the State Bank of Pakistan and every banking company will be withholding agents to collect tax under this section.

Tax on Deemed Income from Capital Assets Having Fair Market Value of 25 Million or More (Section 7E, Division VIII C of Part-I of First Schedule)

The Finance Act, 2022 with effect from Tax Year 2022 has imposed tax @ 20% of five percent of the fair market value of capital assets if aggregate fair market value of all the capital assets owned by person (other than assets mentioned as exempt below) exceeds twenty-five million Rupees.

Following properties shall be exempt from taxation under this scheme:

- one capital asset owned by the resident person
- self-owned business premises from where the business is carried out by the persons appearing on the active taxpayers' list at any time during the year
- self-owned agriculture land where agriculture activity is carried out by person excluding farmhouse and land annexed thereto
- capital asset allotted to:
 - a Shaheed or dependents of a Shaheed belonging to Pakistan Armed Forces
 - a person or dependents of the person who dies while in the service of Pakistan Armed Forces, Federal or Provincial government
 - a war wounded person while in service of Pakistan armed forces or Federal or provincial government
 - an ex-serviceman and serving personal of armed forces or ex-employees or serving personnel of Federal and provincial governments, being original allottees of the capital asset duly certified by the allotment authority
- Any property on which tax on rental income is paid under this ordinance
- Capital asset in first year of acquisition if advance tax is paid under section 236K
- Capital assets owned by a provincial government or a local government

- Capital assets owned by a local authority, a development authority, builders and developers for land development and construction, subject to the condition that such persons are registered with Directorate General of Designated Non-Financial Businesses and Professions

The Finance Act, 2022 has defined capital assets and farmhouse for purpose of this section.

Capital Asset

Property of any kind held by a person, whether or not connected with a business, but does not include:

- any stock-in-trade, consumable stores or raw materials held for the purpose of business
- any shares, stocks or securities
- any property with respect to which the person is entitled to a depreciation or amortization
- any movable asset not mentioned above

Farmhouse

“House constructed on a total minimum area of 2000 square yards with a minimum covered area of 5000 square feet used as a single dwelling unit with or without an annex.”

Provided that where there are more than one dwelling units in a compound and the average area of the compound is more than 2000 square yards for a dwelling unit, each one of such dwelling units shall be treated as a separate farmhouse.

However, this is important to note that this new levy has been challenged on the premise of legislative incompetence of the Parliament to enact law outside the scope of entry No. 50 of the Federal Legislative List, Fourth Schedule of the Constitution.

Scope of Deductions not Allowed Rationalized and Widened

(Section 21)

The Finance Act, 2022 has rationalized the scope of deduction not allowed as per the following table:

Description	Exemption / Disallowance Limit
Contribution to an approved gratuity fund, an approved pension fund or an approved superannuation fund	Exemption shall be 50% of the contribution made
Payment of any expenditure by a company other than digital means of transactions	Exemption shall be available to payment under a single account head not exceeding Rs. 250,000 in aggregate and single payment not exceeding Rs. 25,000
Non Integration with the Board through approved fiscal electronic device	Disallowance shall be maximum of 8% of the allowable deduction

Provisions for Depreciation Rationalized

(Section 22)

The Finance Act, 2022 has rationalized the depreciation on assets as per the following table:

Description	Previous	Current
Initial depreciation of assets	Year of Purchase: 50% Depreciation Year of Sale: 50% Depreciation	Year of Purchase: 100% Depreciation Year of Sale: 0% Depreciation
Cost for depreciation of vehicle not plying for hire	Rs. 2.5 Million	Rs. 7.5 Million

Income Tax Ordinance, 2001

Immovable Property or Structural Improvement to the Immovable Property not Eligible for Initial Allowance **(Section 23(5))**

Initial allowance on building was withdrawn vide Finance Act, 2019; however, the corresponding change was not made in the definition of ‘Eligible Depreciable Assets’ for initial allowance. The Finance Act, 2022 has made an amendment in the definition of ‘Eligible Depreciable Assets’ by excluding the immovable property or structural improvement to the immovable property” from the definition of ‘Eligible Depreciable Asset’.

Tax on Capital Gain on Immovable Properties Rationalized
(Section 37, Division VIII of Part 1 of First Schedule)

The Finance Act, 2022 has rationalized the mechanism of tax on capital gain arising on disposal of immovable properties as per the table given below:

Sr. No.	Holding Period	Rate of Tax		
		Open Plots	Constructed Property	Flats
1.	Where the holding period does not exceed one year	15%	15%	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-
5.	Where the holding period exceeds four years but does not exceed five years	5%	0	-
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-
7.	Where the holding period exceeds six years	0%	-	-

Tax on Capital Gain on Securities Revised
(Section 37A, Division VII of Part 1 of First Schedule)

Rate of tax on capital gain arising on disposal of securities has been revised as per the table below:

Sr. No.	Holding Period	Previous Rates	Current Rate for Tax Year 2023 and onwards
1.	Where the holding period does not exceed one year	12.5%	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	12.5%
3.	Where the holding period exceeds two years but does not exceed three years	12.5%	10%
4.	Where the holding period exceeds three years but does not exceed four years	12.5%	7.5%
5.	Where the holding period exceeds four years but does not exceed five years	12.5%	5%
6.	Where the holding period exceeds five years but does not exceed six years	12.5%	2.5%
7.	Where the holding period exceeds six years	12.5%	0%
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	12.5%	5%

Exemption under International Agreement
(Section 44)

The Finance Act, 2022 has exempted income of any person engaged as contractor, consultant or expert on a project in Pakistan to the extent provided in bilateral or multilateral agreement between federal government and a foreign government or public international organization.

Withdrawal of Tax Credits

The Finance Act, 2022 has withdrawn the following tax credits:

Sr. No.	Section Reference	Description
1.	59C	Carry forward of Business Losses of Sick Industrial Units
2.	60C	Deductible Allowance for Profit on Debt
3.	62	Tax Credit for Investment in Shares and Insurance
4.	62A	Tax Credit for Investment in Health Insurance
6.	65F(1)(C)	Income from Exports of Computer Software or IT or IT Enabled Services
7.	65H	Tax Credit for Foreign Investment for Industrial Promotion
8.	100F	Amnesty for Investment for Industrial Promotion

Scope of Definition of Resident Person Broadened***(Section 82)***

The Finance Act, 2022 has broadened the scope of definition of resident individual. The citizen of Pakistan will now be considered resident of Pakistan if:

- He is not present in any other country for 182 days; or
- He is not a resident taxpayer of any other country

Exemption of Share of Partner Clarified in case of Exempt Income of AOP***(Section 92)***

The Finance Act, 2022 has clarified that if the income of AOP is exempt and no tax is payable, the share received by partner out of such exempt income of the AOP shall also be exempt.

Place of Business of Foreign Enterprise to be Treated as Permanent Establishment***(Section 109)***

The Finance Act, 2022 has empowered the Commissioner to treat any business premises in Pakistan as permanent establishment if the Commissioner thinks that it fulfills the conditions mentioned in the definition of permanent establishment.

Unexplained Income or Assets***(Section 111)***

The Finance Act, 2022 has clarified that the remittance through money service bureaus, exchange companies or money transfer operators shall be deemed to constitute foreign exchange remitted from outside Pakistan through normal banking channels.

In order to curb the under invoicing practice the concept of imputable income in the Presumptive Tax Regime was conceived in section 80C(5A) of the Repealed Ordinance which provided that where a taxpayer derives income from any source which is subject to tax in accordance with the provisions of this section, and the tax liability is less than the tax payable on such income had it not been chargeable to tax under this section, the difference in tax shall be payable in accordance with section 54 along with the return of income notwithstanding provisions of sub-Section (4).

The Finance Act, 2022 has now clarified that if a taxpayer is earning income from FTR sources, the taxpayer shall not be entitled to take credit of any sum as is in excess of imputable income, unless the excess amount is reasonably attributed to the business activities subject to final tax and the taxpayer furnishes financial statements and accounts duly audited by a chartered accountant.

Time Period Reduced for Carry Forward of Tax Credit on Minimum Tax Paid in Excess***(Section 113(2)(c))***

In accordance with the provisions of Section 113 of the Income Tax Ordinance, 2001 if minimum tax exceeds the actual tax payable, the excess amount of tax paid could be carried forward for adjustment against tax liability for five tax years. This credit can now be carried forward for only three tax years.

Powers to Enforce Filing of Returns

(Section 114)

The Finance Act, 2022 has empowered the Board to issue income tax general order in respect of persons who are liable to file tax return but are not appearing on ATL mentioning following consequences for not filing of tax return:

- Disabling of mobile phones or mobile phone SIMS
- Discontinuance of electricity connection
- Discontinuance of gas connection

Time Limit for Best Judgment Assessment Enhanced

(Section 121)

The Finance Act, 2022 has implemented the following amendments in timeline to frame the ‘Best Judgment Order’ u/s 121 of the Income Tax Ordinance, 2001:

Description	Previous Timeline	Current Timeline
Framing of Best Judgement Order	Within 5 years from the end of Tax Year	Within 6 years from the end of Tax Year

Time Limit for Amendment in Assessment Extended

(Section 122)

The Finance Act, 2022 has implemented the following amendments in timeline to frame the ‘Order for Amended Assessment’ u/s 122 of the Income Tax Ordinance, 2001:

Description	Previous Timeline	Current Timeline
Issuance of Order for Amendment in Assessment	Within 120 days of issuance of show cause notice	Within 180 days of issuance of show cause notice

Scope of Alternate Dispute Resolution Rationalized

(Section 134A)

The concept of Alternate Dispute Resolution (ADR) was introduced through the Finance Act, 2004 however; taxpayers still hesitate to opt this forum for disposal of their tax disputes due to certain bottlenecks and complications. In order to make this forum more reliable and to remove these bottlenecks for relieving the taxpayers and swift disposal of the appeal cases, the Finance Act, 2022 has implemented certain amendments in the scope of Alternate Dispute Resolution to make it more practicable. The amendment seeks to provide a mechanism whereby a committee comprising Chief Commissioner having jurisdiction and a person to be nominated by the taxpayer and a person by mutual consensus shall be set up for dispute resolution. A person may apply for ADR in any of the cases involving following disputes as per the prescribed procedure:

- Tax liability of one hundred million or more
- Admissibility of a refund
- The amount of default surcharge and penalty
- Any other specific remedies required

Minimum Tax Introduced on Import of Certain Goods
(Section 148)

By virtue of the Finance Act, 2022 the tax required to be collected on the import of following goods shall be minimum tax:

- Edible oil
- Packaging material
- Paper and paper board
- Plastics

Withholding Tax from Indenting Commission Agent Reduced
(Section 154)

The Finance Act, 2022 has reduced the rate of withholding tax on foreign commission due to an indenting commission agent from 5% to 1%.

Rate of Tax on Export of IT and IT Enabled Services Reduced
(Section 154A)

The Finance Act, 2022 has also reduced rate of tax on export of IT and IT Enabled Services to 0.25%:

Sr. No.	Types of Receipts	Rate of Tax
1.	Export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board	0.25% of proceeds
2.	Any other case	1% of proceeds

Sharing of Information by NADRA
(Section 175B)

The Finance Act, 2022 has prescribed that NADRA shall, on its own motion or upon application by the Board, share its records and any information available or held by it related to income, receipts, assets, properties, liabilities, expenditures, or transactions that have escaped assessment or are under-assessed or have been assessed at a low rate, with the Board, for broadening of the tax base or re-computing the tax liability of the person.

Introduction of Penal Provisions
(Section 182)

The Finance Act, 2022 has introduced the following penalties:

Sr. No.	Offences	Penalties
1.	Where any person fails to furnish a return of income as required under section 114 within the due date	Such person shall pay a penalty equal to higher of: (a) 0.1% of the tax payable in respect of that Tax Year for each day of default; or (b) rupees one thousand for each day of default Provided that minimum penalty shall be: (i) rupees ten thousand in case of individual having seventy-five percent or more income from salary; or ii) rupees fifty thousand in all other cases: Provided further that maximum penalty shall not exceed two hundred percent of tax payable by the person in a tax year: Provided also that the amount of penalty shall be reduced by 75%, 50% and 25% if the return is filed within one, two and three months respectively after the due date or extended due date of filing of return as prescribed under the law; Explanation. For the purposes of this entry, it is declared that the expression "tax payable" means tax chargeable on the taxable income on the basis of assessment made or treated to have been made under section 120, 121, 122 or 122D.
30.	Any company or Association of Persons who contravenes the provisions of Section 181E.	Such company or Association of Persons shall pay a penalty of Rs. 1,000,000/- for each default.
31.	Any person who fails to integrate or perform roles and functions as specified, after being duly notified by the Board as SWAPS Agent.	Such person shall pay a penalty of: (i) Rs. 50,000 for first default of 07 days (ii) Rs. 100,000 for second default of next 07 days (iii) Rs. 50,000 for each week after the second consecutive week of default: Provided that no penalty shall be imposed for the period for which extension from integration is granted by the Commissioner subject to the condition that, if the SWAPS Agent fails to integrate within such extended time, penalties shall be imposed as if no extension was granted."

Sr. No.	Offences	Penalties
32.	Any person, who is integrated for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or QR code or bears duplicate invoice number or counterfeit QR code, or defaces the prescribed invoice number or QR code, or any person who abets commissioning of such offence	Such person shall pay a penalty of five hundred thousand rupees or two hundred per cent of the amount of tax involved, whichever is higher.
33.	Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under law.	Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub-section (3) of section 237A, as the case may be.
34.	A person required to integrate his business as stipulated under sub-section (3) of section 237A, who fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under the law and rules made thereunder.	Such person shall be liable to pay- i) penalty of five hundred thousand rupees for first default; ii) penalty of one million rupees for second default after fifteen days of order for first default; iii) penalty of two million rupees for third default after fifteen days of order for second default; iv) penalty of three million rupees for fourth default after fifteen days of order for third default: Provided that if such person fails to integrate his business within fifteen days of imposition of penalty for fourth default, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub-section (3) of section 237A: Provided further that if the person integrates his business with the Board's computerized system before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner."

Advance Tax on Motor Vehicles
(Section 231B)

Previously, advance tax was collected on registration and transfer of private motor vehicles. Now, by virtue of the Finance Act, 2022, the word "private" has been omitted and advance tax shall be collected on all vehicles except a motor vehicle used for public transportation, carriage of goods and agriculture machinery, a rickshaw or a motorcycle rickshaw and any other motor vehicle having engine capacity up to 200cc.

Advance Tax on Purchase and Sale or Transfer of Immovable Property
(Section 236C, 236K)

Previously, advance tax on sale of immovable property was collected @ 1%. However, advance tax was not collected if the immovable property was held for a period exceeding four years. Now, the said provision relating to four years is omitted while the rate has been enhanced to 2% for active and 4% for inactive on gross value of every transaction irrespective of holding period.

Furthermore, rate of advance tax on purchase of immovable property has been enhanced to 2% for active and 7% for inactive taxpayers.

Section	Previous Tax Rates	Current Tax Rates
236C	1% - active taxpayer 2% - inactive taxpayer	2% - active taxpayer 4% - inactive taxpayer
236K	1% - active taxpayer 2% - inactive taxpayer	2% - active taxpayer 7% - inactive taxpayer

Advance Tax on Foreign Payments through Credit / Debit Cards
(Section 236Y)

The Finance Act, 2022 has prescribed every banking company to collect advance tax, at the time of transfer of any sum remitted outside Pakistan, on behalf of any person who has completed a credit card or debit card or prepaid card transaction with a person outside Pakistan at the rate of 1% of the gross amount remitted abroad. The advance tax collected under this section shall be adjustable.

Electronic Record
(Section 237A)

By virtue of the Finance Act, 2022 an integrated enterprise shall not make any sale and no service shall be rendered without generating fiscal invoices as prescribed.

Prize Schemes to Promote Tax Culture
(Section 237B)

The Board may prescribe prize schemes to encourage the general public to make purchases, or avail services only from integrated enterprises issuing tax invoices. The Board may prescribe procedure for mystery shopping in respect of invoices issued by integrated enterprises randomly and in case of any discrepancy all the relevant provisions of the Ordinance shall apply accordingly.

Second Schedule
Tax Exemption on Recognized Pension Fund (Clause 23A of Part I of Second Schedule)

By virtue of the Finance Act, 2022 tax exemption has been introduced on the accumulated balance received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005.

Exemption to Specific Institutions etc.
(Clause 66 of Part I of Second Schedule)

The Finance Act, 2022 envisages to exempt any income derived by the following institutions of Table 1 in Clause (66) of Part 1 of the Second Schedule of the Income Tax Ordinance, 2001.

Sr. No.	Name
1	Pakistan Mortgage Refinance Company Limited.
2	The Pakistan Global Sukuk Programme Company Limited.
3	Karandaaz Pakistan from tax year 2015 onwards.
4	Pakistan Sweet Homes Angles and Fairies Place.
5	Public Private Partnership Authority for tax year 2022 and subsequent four tax years.
6	Dawat-e-Islami Trust.
7	Hamdard Laboratories (Waqf) Pakistan.

Subject to provisions of 100C, any income derived by the following institutions of Table 2 in Clause (66) of Part 1 of the Second Schedule of the Income Tax Ordinance, 2001 shall be exempt from tax:

Sr. No.	Name
1	Burhani Qarzan Hasnan Trust
2	Saifee Hospital Karachi
3	Karandaaz Saifiyah Girls Taalim Trust from tax year 2015 onwards.

Profits and Gains Derived by Zone Developer (Clause 126EA of Part I of Second Schedule)

An exemption is introduced by virtue of the Finance Act, 2022 on the profit and gains of:

- Zone developer as defined in the Special Technology Zones Authority Act, 2021 (XVII of 2021) from development and operations of the zones for a period of ten years starting from the date of signing of the development agreement;
- Zone Enterprises as defined in the Special Technology Zones Authority Act, 2021 (XVII of 2021) for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and
- Special Technology Zones Authority established under the Special Technology Zones Authority Act, 2021 (XVII of 2021).

Income Derived by Cinema Operations (Clause 151 of Part I of Second Schedule)

By virtue of the Finance Act, 2022 an exemption has been introduced on income derived by a person from cinema operations in a tehsil or town where there is no cinema, for five years from the commencement. However, this exemption shall only be available to those persons who start cinema construction on or before 31st day of December, 2023.

Advance Tax on Sale of Goods ***(Clause 24C of Part II of Second Schedule)***

The Finance Act, 2022 has widened the list of goods by adding 'steel' sold to distributors, dealers, sub-dealers, wholesalers and retailers subject to reduced tax rate of 0.25% of gross payments for deduction of advance tax under Section 153(1)(a). At the moment, FMCGs, fertilizers, electronics excluding mobile phones, sugar, cement and edible oils are subject to such a reduced rate.

Withholding tax on Gold and Silver ***(Clause 31 of Part II of Second Schedule)***

The Finance Act, 2022 has prescribed that withholding tax shall be collected at the rate of 1% on payment for sale of gold and silver and articles thereof and the tax so deducted shall be adjustable.

Tax on Behbood Savings Certificate Reduced ***(Clause 6 of Part III of Second Schedule)***

The Finance Act, 2022 has reduced the tax liability on profit on investment in Behbood Savings Certificate or Pensioners Benefit Account and Shuhada Family Welfare Account from 10% to 5% of such profit.

Exemption from Minimum Tax ***(Clause 11A of Part IV of Second Schedule)***

The Finance Act, 2022 has provided exemption from turnover tax under Section 113 to mobile phone manufacturers engaged in the local manufacturing of mobile phone devices.

Exemptions to Advance Tax on Imports ***(Clause 12O of Part IV of Second Schedule)***

By virtue of the Finance Act, 2022, the advance tax on import shall not apply to import of drones donated by Ministry of Agriculture and Rural Affairs (MARA), Government of China to Pakistan through Sea Route.

Exemptions to Advance Tax on Imports ***(Clause 12P of Part IV of Second Schedule)***

By virtue of the Finance Act, 2022, the advance tax on import shall not apply to import of machinery and equipment as listed in S. No 32 of Part-I of Fifth Schedule to the Customs Act, 1969 subject to specified conditions and limitations.

Withholding tax on Exhibitor or Distributor ***(Clause 43H of Part II of Second Schedule)***

By virtue of the Finance Act, 2022, the withholding tax shall not apply to an exhibitor or a distributor of a feature film, as a payer, on payment made to a distributor, producer or importer of a feature film.

Exemptions to Advance Tax on Imports (Clause 60DA of Part IV of Second Schedule)

The Finance Act, 2022 has directed that the advance tax on import shall not apply to import of capital equipment as defined in Special Technology Act, 2021 (XVII of 2021):

- Zone developers as defined in Special Technology Zones Authority Act, 2021 (XVII of 2021) for consumption in the special technology zones for the period of ten years commencing from the date of signing the development agreement;
- Zone enterprises as defined in Special Technology Zones Authority Act, 2021 (XVII of 2021) for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and
- Special Technology Zones Authority established under Special Technology Zones Authority Act, 2021 (XVII of 2021).

Specific Exemptions on Transfer of Immovable Property (Clause 97A of Part IV of Second Schedule)

By virtue of the Finance Act, 2022, the provisions of Sections 37, 236C and 236K shall not apply to National Highway Authority in respect of transfer of immovable property to the Pakistan Global Sukuk Programme Company Limited and in respect of transfer of immovable property to National Highway Authority from the Second Pakistan International Sukuk Company Limited or the Pakistan Global Sukuk Programme Company Limited.

Protection from Tax Audit (Clause 105A of Part IV of Second Schedule)

By virtue of the Finance Act, 2022, the provisions of Section 177 and 214C shall not apply to a person whose income tax affairs have been audited in any of the preceding four tax years provided that the Commissioner may select a person under Section 177 for audit with approval of the Board.

Exemptions to the Institutions Mentioned in Clause 66 (Clause 120 of Part IV of Second Schedule)

By virtue of the Finance Act, 2022, the provisions relating to deduction or collection of withholding tax shall not apply to the persons mentioned in Table 1 of Clause (66) of Part I of the Second Schedule as recipients, provided that such persons shall continue to perform functions as withholding and collecting agent under the aforesaid provisions.

Profits and Gains of a Banking Company (Clause 6A of Seventh Schedule)

By virtue of the Finance Act, 2022, for Tax Year 2022 and onwards, the taxable income attributable to investment in the Federal Government securities shall be taxed at:

- 55% if the gross advances to deposit ratio as on last day of the tax year is up to 40%;
- 49% if the gross advances to deposit ratio as on last day of the tax year exceeds 40% but does not exceed 50%; and
- rates provided in Division II of Part I of the First schedule if gross advances to deposit ratio as on last day of the tax year exceeds 50%.

Profits and Gains of a Banking Company***(Clause 7CA of Seventh Schedule)***

By virtue of the Finance Act, 2022, the provisions of newly added section 4C shall apply to a Banking Company and shall be taxed at 0% if the income does not exceed Rs. 300 million and at 2% if the income exceeds Rs. 300 million for the Tax Year 2022 onwards.

Persons not Appearing in Active Taxpayers' List***(Rule 1 of Tenth Schedule)***

The Finance Act, 2022 directs that the tax required to be collected under section 231B, advance tax on private motor vehicles, shall be increased by 200% of the rate specified in First Schedule in case of persons not appearing in ATL. The tax required to be collected under section 236K, advance tax on purchase of immovable property, shall be increased by 250% of the rate specified in Division XVIII of Part IV of the First Schedule in case of persons not appearing in ATL.

Compliance Requirements and Deadlines

Income Tax Ordinance, 2001

What Year End Can a Taxpayer Adopt?

Person	Tax Year Type	Year End
Companies, AOPs and Individuals	Normal Tax Year	July 01 to June 30
Sugar	Special Tax Year	October 01 to September 30
Banking and Insurance Companies	Special Tax Year	January 01 to December 31
Ginners, Rice Huskers, Oil Mills	Special Tax Year	September 01 to August 31
Shawl Manufacturers	Special Tax Year	April 01 to March 31

When to File the Return of Income?

Status	Year End	Date of Filing	Tax Year
Salaried Individual & Non-corporate Taxpayer (falling under FTR)	June 30, 2022	September 30, 2022	2022
Other Individuals & AOPs	June 30, 2022	September 30, 2022	2022
Company (including falling under FTR)	June 30, 2022	December 31, 2022	2022
Company	September 30, 2022	September 30, 2023	2023
Company	December 31, 2022	September 30, 2023	2023

When to Pay Advance Tax by an AOP or Company?

Period	Quarter	Payment Date
1 st July to 30 th September	September Quarter	On or before the 25 th of September
1 st October to 31 st December	December Quarter	On or before the 25 th of December
1 st January to 31 st March	March Quarter	On or before the 25 th of March
1 st April to 30 th June	June Quarter	On or before the 15 th of June

Individuals have to pay advance tax within 15 days after the close of each quarter.

Who is Required to Pay Advance Tax?

- Every business individual whose latest assessed taxable income excluding the presumptive tax income is Rs. 1,000,000 or more
- Every Association of Person
- Every Company

Tax Planning Guide

Income Tax Ordinance, 2001

Individual and Corporate Tax Planning Guide

Initial and First Year Allowance

- The rate of initial allowance under Section 23 shall be 25% for plant and machinery.
- The rate of first year allowance under Section 23B shall be 90%.
- From July 1, 2022, 100% depreciation will be allowed in the year of purchase.

Tax Depreciation Rates

Description	Rate
Building (all types)	10%
Furniture (including fittings) and machinery and plant (not otherwise specified), Motor vehicles (all types), ships, technical or professional books	15%
Computer hardware including printer, monitor and allied items, machinery and equipment used in manufacture of IT products, aircrafts and aero engines	30%
In case of mineral oil concerns the income of which is liable to be computed in accordance with the rules in Part-I of the Fifth Schedule: <ul style="list-style-type: none"> • Offshore platform and production installations 	20%
A ramp built to provide access to persons with disabilities not exceeding Rs. 250,000 each	100%

Allowances and Tax Credits

Sec	Particulars	Benefit	Limit
60	Zakat	Deductible Allowance	N/A
60A	Workers' Welfare Fund	Deductible Allowance	N/A
60B	Workers' Participation Fund	Deductible Allowance	N/A
60D	Education Expenses	Deductible Allowance (Subject to maximum taxable income of individual for claiming deductible allowance is Rs. 1,500,000)	Lower of: <ul style="list-style-type: none"> • 5% of the total tuition fee paid by the individual • 25% of the person's taxable income for the year; and • An amount computed by multiplying Rs. 60,000 with number of children of the Individual.

Income Tax Ordinance, 2001

Sec	Particulars	Benefit	Limit
61	Charitable Donations	Tax Credit	Tax Credit: $(A/B)*C$ A= Assessed amount of tax for the year before any tax credit. B= Taxable income for the year. C= Lower of: <ul style="list-style-type: none"> • Total amount of person's donations during the year or • 30% of taxable income in case of individual and AOP or • 20% of taxable income in case of company • In case of Associate <ol style="list-style-type: none"> 1. 15% of taxable income in case of individual and AOP. 2. 10% of taxable income in case of company.
63	Approved Pension Fund	Tax Credit	Tax Credit: $(A/B)*C$ A= Assessed amount of tax for the year before the allowance of tax credit under this section. B= Taxable income for the year. C= Lower of: <ul style="list-style-type: none"> • The total contribution or premium paid or • 20% of the person's taxable income for the year as increased by 2% if an eligible person joining pension fund at the age of 41 years or above for 1st 10 years shall be allowed additional contribution of 2% per annum for each year after 40 years
64B	Employment Generation by Manufacturers	Tax Credit	2% of tax payable for every 50 employees registered with The Employees Old Age Benefits Institution or the Employees Social Security Institutions of Provincial Governments subject to maximum of 10% of tax payable
64D	Point of Sale (POS)	Tax Credit	Credit shall be lower of; <ul style="list-style-type: none"> • Amount actually invested in purchase of point of sale machine. • 150,000 per machine.
65E	Industrial Undertakings Established Before July 01, 2011	Tax Credit	Tax Credit: $A*(B/C)$ A= Assessed amount of tax for the year or B= Equity raised through issuance of new share for cash consideration or C= Total amount invested
65G	Specified Industrial Undertakings.	Tax Credit	25% of the eligible investment

Tax Facts

Income Tax Ordinance, 2001

Rate of Tax for Individual and AOP

The rates of tax imposed on the taxable income of every individual and AOP shall be as set out in the following table:

Income Brackets	Rates
Taxable income not exceeding Rs. 600,000	NIL
Taxable income exceeding Rs. 600,000 but not exceeding Rs. 800,000	5% of the amount exceeding Rs. 600,000
Taxable income exceeding Rs. 800,000 but not exceeding Rs. 1,200,000	Rs. 10,000 + 12.5% of the amount exceeding Rs. 800,000
Taxable income exceeding Rs. 1,200,000 but not exceeding Rs. 2,400,000	Rs. 60,000 + 17.5% of the amount exceeding Rs. 1,200,000
Taxable income exceeding Rs. 2,400,000 but not exceeding Rs. 3,000,000	Rs. 270,000 + 22.5% of the amount exceeding Rs. 2,400,000
Taxable income exceeding Rs. 3,000,000 but not exceeding Rs. 4,000,000	Rs. 405,000 + 27.5% of the amount exceeding Rs. 3,000,000
Taxable income exceeding Rs. 4,000,000 but not exceeding Rs. 6,000,000	Rs. 680,000 + 32.5% of the amount exceeding Rs. 4,000,000
Taxable income exceeding Rs. 6,000,000	Rs. 1,330,000 + 35% of the amount exceeding Rs. 6,000,000

Rate of Tax for Salaried Individual

The rates of tax imposed on the taxable income of every salaried individual shall be as set out in the following table:

Income Brackets	Rates
Taxable income not exceeding Rs. 600,000	NIL
Taxable income exceeding Rs. 600,000 but not exceeding Rs. 1,200,000	2.5% of the amount exceeding Rs. 600,000
Taxable income exceeding Rs. 1,200,000 but not exceeding Rs. 2,400,000	Rs. 15,000 + 12.5% of the amount exceeding Rs. 1,200,000
Taxable income exceeding Rs. 2,400,000 but not exceeding Rs. 3,600,000	Rs. 165,000 + 20% of the amount exceeding Rs. 2,400,000
Taxable income exceeding Rs. 3,600,000 but not exceeding Rs. 6,000,000	Rs. 405,000 + 25% of the amount exceeding Rs. 3,600,000
Taxable income exceeding Rs. 6,000,000 but not exceeding Rs. 12,000,000	Rs. 1,005,000 + 32.5% of the amount exceeding Rs. 6,000,000
Taxable income exceeding Rs. 12,000,000	Rs. 2,955,000 + 35% of the amount exceeding Rs. 12,000,000

Tax Rate on Rental Income for Individuals and AOP

In Division V, Part III of First Schedule the following new rates have been inserted:

Sr. No.	Gross Amount of Rent	Rate of Tax
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% 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 + 10% of the gross amount exceeding Rs. 600, 000
4.	Where the gross amount of rent exceed Rs. 2,000,000	Rs. 155,000 + 25% of the gross amount exceeding Rs. 2,000, 000

Every person making payment to a company on account of rent is required to deduct tax @ 15%.

Capital Gain on Disposal of Securities

The rate of tax to be paid under section 37A shall be as follow:

Sr. No.	Holding Period	Tax Year 2023
1.	Where the holding period does not exceed one year.	15%
2.	Where holding period exceeds one year but does not exceed two years.	12.5%
3.	Where holding period exceeds two years but does not exceed three years.	10%
4.	Where holding period exceeds three years but does not exceed four years.	7.5%
5.	Where holding period exceeds four years but does not exceed five years.	5%
6.	Where holding period exceeds five years but does not exceed six years.	2.5%
7.	Where holding period exceeds six years.	0%
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%
9.	Securities acquired on or before June 30, 2022 irrespective of holding period except Sr. No. 8 and Debt Securities	12.5%

Capital Gain on Disposal of Immovable Properties
Division VIII, Part 1, First Schedule

The amount of any gain arising on disposal of an immovable property shall be computed as per the below table:

Sr. No.	Holding period	Rate of Tax		
		Open Plots	Constructed Property	Flats
(1)	(2)	(3)	(4)	(5)
1.	Where the holding period does not exceed one year.	15%	15%	15%

Income Tax Ordinance, 2001

Sr. No.	Holding period	Rate of Tax		
		Open Plots	Constructed Property	Flats
(1)	(2)	(3)	(4)	(5)
2.	Where holding period exceeds one year but does not exceed two years.	12.5%	10%	7.5%
3.	Where holding period exceeds two years but does not exceed three years.	10%	7.5%	0
4.	Where holding period exceeds three years but does not exceed four years.	7.5%	5%	-
5.	Where holding period exceeds four years but does not exceed five years.	5%	0	-
6.	Where holding period exceeds five years but does not exceed six years.	2.5%	-	-
7.	Where holding period exceeds six years.	0%	-	-

Minimum Tax

Persons	Threshold of Turnover	Rate Application
Individual	100 million	1.25%
Association of Persons	100 million	1.25%
Companies	N/A	1.25%

Scheme of Taxation for Builders and Developers

The rates of tax imposed on builder and developer are given in the table below:

Builders

Area	Commercial Building Any Size	Residential Building up to 3000 square feet	Residential Building more than 3000 square feet
Karachi, Lahore, Islamabad	Rs. 250	Rs. 80	Rs. 125
Hyderabad, Sukker, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta	Rs. 230	Rs. 65	Rs. 110
Urban Areas not specified	Rs. 210	Rs. 50	Rs. 100

Developers

Area	Entire Project other than Industrial Area (Any Size)	Development of Industrial Area (Any Size)
Karachi, Lahore, Islamabad	Rs. 150	Rs. 20
Hyderabad, Sukker, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta	Rs. 130	Rs. 20
Urban Areas not specified	Rs. 100	Rs. 10

- In case of mixed use buildings having both commercial and residential areas, the respective rates mentioned above shall apply.
- In case of development of plots and constructing buildings on the same plots as one project both rates shall apply.
- In case of development of plots and construction of buildings on the same plots for low cost housing and all the projects developed by NAPHDA the higher rates shall apply.

Tax on High Earning Persons for Poverty Alleviation (Division IIB, Part 1, First Schedule)

Income under section 4C	Rate of Tax
Where income does not exceed Rs. 150 million	0% of the income
Where income exceeds Rs. 150 million but does not exceeds Rs. 200 million	1% of the income
Where income exceeds Rs. 200 million but does not exceeds Rs. 250 million	2% of the income
Where income exceeds Rs. 250 million but does not exceeds Rs. 300 million	3% of the income
Where income exceeds Rs. 300 million	4% of the income

Corporate Tax Rates

Company	Rate for the Tax Year	
	2022	2023
Small Company	21%	20%
Banking Company	35%	39%
Any other Company	29%	29%

CVT Rates
Income Tax Ordinance, 2001
Mobile Phones

Following rates of levy per set have been implemented by virtue of the Finance Act, 2022 on mobile phones:

Sr. No.	Mobile Phones having C&F Value (US Dollars)	Rate of levy per set in Pak Rupees
1.	Up to 30	100
2.	Above 30 and up to 100	200
3.	Above 101 and up to 200	600
4.	Above 201 and up to 350	1,800
5.	Above 351 and up to 500	4,000
6.	Above 501 and up to 700	8,000
7.	Above 701 and above	16,000

Immovable Property

- Resident individual having movable or immovable assets held abroad and the value of such assets on last day of tax year exceeds Rs. 100 million. This value shall be the higher of total consideration paid or fair market value.
- Such assets and values as specified by the Federal Government through notification in the official Gazette, at rates not exceeding 5% of the value in manner specified.

Vehicles

Capital value tax shall be charged on the following assets:

- Where motor vehicle is held in Pakistan;
- Engine capacity exceeds 1300 cc
- In case of electric vehicles, the battery power capacity exceeds 50kwh;
- This value shall be reduced by 10% for each year from the end of acquisition year. It shall be treated as zero after 5 years from the end of financial year in which vehicle is imported, sold by local manufactured or auctioned.
- In case of motor vehicle, the value shall be assessed as follows:

Nature	Value for Chargeability of CVT
Vehicle imported in Pakistan	1% of Import Value
Vehicle manufactured or assembled locally in Pakistan	Specified by federal government not exceeding 5% of value
Vehicle is auctioned	Auction price
Any other case	Total consideration paid to acquire, alter or improve

Withholding Tax Rates

Income Tax Ordinance, 2001

Withholding Tax Rates

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Section 148 – Imports		
Import of goods classified in Part 1 of the Twelfth Schedule	1% of import value	MTR - Commercial Imports Adjustable - Industrial Undertaking Usage
Import of goods classified in Part II of the Twelfth Schedule	2% of import value	
Import of goods classified in Part II of the Twelfth Schedule	3.5% of import value in case of commercial importer	
Import of goods classified in Part III of the Twelfth Schedule	5.5% of import value	
Manufacturer covered under SRO. 1125(i)/2011 dated 21.12.2011 and importing items covered under this SRO.	1%	MTR
Persons importing finished pharmaceutical products not manufactured in Pakistan as certified by Drug Regularity Authority of Pakistan	4%	MTR
Section 149 – Salary		
Salary paid by Employer	Average Rate of Tax	NTR
Section 150 – Dividend		
Dividend paid by independent power purchaser	7.5%	FTR
Other Companies and Mutual funds	15%	FTR
Dividend received by REIT scheme from SPV	0%	FTR
Dividend received by others from SPV	35%	FTR
Dividend paid by a company where no tax is payable by such company due to exemption of income etc.	25%	FTR
Section 151 - Profit on Debt		
Profit on debt	15%	FTR- upto Rs. 5M NTR- if exceeds Rs. 5M
Section 152 - Payment to Non-Resident		
Royalty or Fee for technical services	15%	FTR
In other case	10%	FTR
Contract for construction, assembly, installation projects, supervisory activities and advertisement services by TV satellite channel	7%	MTR
Payment of insurance or re-insurance premium	5%	MTR
Payment for advertisement services to media person	10%	MTR
Payment for foreign produced commercial for advertisements on any television channel or any other media	20%	FTR
Other payments to non-resident except payments covered under section 149, 150, 156 and 233.	20%	FTR
Sale of goods to companies	4%	MTR

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Sale of goods to other persons	4.5%	MTR
Rendering of transport, freight forwarding, air cargo, courier, manpower, hotel, security guard, software development, IT, tracking, advertising (other than by print or electronic media), share register, engineering, car rental, building maintenance services and services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services, Oilfield Services	3%	MTR
Rendering of Services: <ul style="list-style-type: none"> • Company • Other than company 	8% 10%	MTR
Execution of Contract (other than for supply of goods & rendering of service): <ul style="list-style-type: none"> • Sportsperson • Other than sportsperson 	10% 7%	MTR
Profit on debt paid to Individual	10%	FTR
Section 153 - Payments for Goods, Services and Contracts		
Sale of Goods: <ul style="list-style-type: none"> • Sale of rice, cotton seed or edible oil • Sale by distributors, dealers, sub dealers, wholesalers and retailers of FMCG goods, fertilizers, electronics excluding mobile phones, sugar, cement and edible oil • Sale by distributors of cigarettes and pharmaceutical products • Sale of gold, silver and such articles • Sale of any other goods including Toll Manufacturing: <ul style="list-style-type: none"> i. Company ii. Other than company 	1.5% 0.25% 1% 1% 4% 4.5%	MTR MTR MTR MTR NTR MTR

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Section 154 – Exports		
Export of goods	1%	FTR
For sale proceeds of goods to exporter under Back to Back LC or any other arrangement	1%	FTR
Export processing zone	1%	FTR
Direct exporter and registered export house	1%	FTR
Collector of customs	1%	FTR
Section 154A - Export of Services		
Export of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board	0.25% of proceeds	FTR
Any other case	1% of proceeds	FTR
Section 155 - Income from Property		
<ul style="list-style-type: none"> • <i>In case of Individual and AOP</i> <ul style="list-style-type: none"> i. Where the gross amount of rent does not exceed Rs. 300,000 ii. Where the gross amount of rent exceeds Rs. 300,000 but does not exceed Rs. 600,000 iii. Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 2,000,000 iv. Where the gross amount of rent exceeds Rs. 2,000,000 • <i>In case of Company</i> 	<p style="text-align: center;">Nil</p> <p>5% of the gross amount exceeding Rs. 300,000</p> <p>Rs. 15,000 + 10% of the gross amount exceeding Rs. 600,000</p> <p>Rs. 155,000 + 25% of the gross amount exceeding Rs. 2,000,000</p> <p style="text-align: center;">15%</p>	<p>NTR</p> <p>NTR</p>
Section 156 - Prizes and Winnings		
Prize on prize bonds or crossword puzzle	15%	FTR
Prize on winning of the quiz, winning from raffle, lottery & prize offered by companies for promotion on sales	20%	FTR
Section 156A - Petroleum Products		
Payment of commission to petrol pump operators	12%	FTR

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Section 231B - Advance Tax on Private Motor Vehicles		
Purchase of motor vehicle having engine capacity: <ul style="list-style-type: none"> • Up to 850CC • 851CC to 1000CC • 1001CC to 1300CC • 1301CC to 1600CC • 1601CC to 1800CC • 1801CC to 2000CC • 2001CC to 2500CC • 2501CC to 3000CC • Above 3000CC 	Rs. 10,000 Rs. 20,000 Rs. 25,000 Rs. 50,000 Rs. 150,000 Rs. 200,000 Rs. 300,000 Rs. 400,000 Rs. 500,000	Adjustable
Leased Motor Vehicles	4% of the Value of Motor Vehicle (Only in case of In-Active Taxpayers)	Adjustable
Transfer of registration or ownership of a private motor vehicle manufactured locally having engine capacity: <ul style="list-style-type: none"> • Up to 850CC • 851CC to 1000CC • 1001CC to 1300CC • 1301CC to 1600CC • 1601CC to 1800CC • 1801CC to 2000CC • 2001CC to 2500CC • 2501CC to 3000CC • Above 3000CC 	Nil Rs. 5,000 Rs. 7,500 Rs. 12,500 Rs. 18,750 Rs. 25,000 Rs. 37,500 Rs. 50,000 Rs. 62,500	Adjustable
Sale of locally manufactured motor vehicle prior to registration having engine capacity: <ul style="list-style-type: none"> • Up to 1000CC • 1001CC to 2000CC • 2001CC and Above 	Rs. 100,000 Rs. 200,000 Rs. 400,000	Adjustable
Section 233 - Brokerage and Commission		
Advertising agents	10%	MTR
All others	12%	MTR
Life Insurance Agents where commission received is less than Rs. 0.5 Million per annum	8%	MTR

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Section 234 - Tax on Motor Vehicles		
In case of on Non Air Conditioned passenger transport vehicle having seating capacity of: <ul style="list-style-type: none"> • 4 or more people but less than 10 person • 10 or more people but less than 20 person • 20 or more people 	Rs. 500 per Seat Rs. 1,500 per Seat Rs. 2,500 per Seat	Adjustable
In case of Air Conditioned passenger transport vehicle having seating capacity of: <ul style="list-style-type: none"> • 4 or more people but less than 10 person • 10 or more people but less than 20 person • 20 or more people 	Rs. 1,000 per Seat Rs. 2,000 per Seat Rs. 4,000 per Seat	Adjustable
Other motor car having engine capacity of: <ul style="list-style-type: none"> • Up to 1000CC • 1001CC to 1199CC • 1200CC to 1299CC • 1300CC to 1499CC • 1500CC to 1599CC • 1600CC to 1999CC • 2000CC and above 	Rs. 800 Rs. 1,500 Rs. 1,750 Rs. 2,500 Rs. 3,750 Rs. 4,500 Rs. 10,000	Adjustable
Where the motor vehicle tax is collected in lump sum: <ul style="list-style-type: none"> • Up to 1000CC • 1001CC to 1199CC • 1200CC to 1299CC • 1300CC to 1499CC • 1500CC to 1599CC • 1600CC to 1999CC • 2000CC and above 	Rs. 10,000 Rs. 18,000 Rs. 20,000 Rs. 30,000 Rs. 45,000 Rs. 60,000 Rs. 120,000	Adjustable
Section 235 - Electricity Consumption		
Where the amount of bill: <ul style="list-style-type: none"> • Does not exceed Rs. 500 • Exceeds Rs. 500 but does not exceed Rs. 20,000 • Exceeds Rs. 20,000 ○ For Commercial Consumer ○ For Industrial Consumer 	Nil 10% of Amount Rs. 1,950 + 12% exceeding Rs. 20,000 Rs. 1,950 + 5% exceeding Rs. 20,000	Company Adjustable Other than company MTR-up to bill amount Rs. 360,000 p/a Adjustable-bill amount exceeding Rs. 30,000/month

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/Adjustable
Domestic Electricity Consumption: Where the amount of bill <ul style="list-style-type: none"> • Less than Rs. 25,000 • Rs. 25,000 or more 	Nil 7.5%	
Section 235(1A) - Electricity Consumption		
Where the amount of bill: <ul style="list-style-type: none"> • Does not exceed Rs. 30,000 • Exceeds Rs. 30,000 but does not exceed Rs. 50,000 • Exceeds Rs. 50,000 but does not exceed Rs. 100,000 • Retailers and service providers as notified by the Board in the income tax general order 	Rs. 3,000 Rs. 5,000 Rs. 10,000 Up to Rs. 200,000	<u>Company</u> Adjustable <u>Other than company</u> MTR-up to bill amount Rs. 360,000 p/a Adjustable-bill amount exceeding Rs. 30,000/month
Section 236 - Telephone and Internet Users		
Telephone subscriber where the monthly bill exceeds Rs. 1,000	10%	Adjustable
Subscriber of internet, mobile telephone and pre-paid internet or telephone cards	15%	Adjustable
Section 236A – Advance Tax at the Time of Sale by Auction		
Sale of any property or goods by auction	10%	Adjustable
Tax collected on the lease of the right to collect tolls	10%	Final
Sale of immovable property by auction	5%	Adjustable
Section 236C - Advance Tax on Sale or Transfer of Immovable Property		
<ul style="list-style-type: none"> • Active Taxpayer • In-Active Taxpayer 	2% 4%	Adjustable
Section 236CA – Advance Tax on TV plays and Advertisements		
Foreign-produced TV drama serial or play Foreign-produced TV play (single episode) Advertisement starring foreign actor	Rs.1,000,000 per episode Rs. 3,000,000 Rs.500,000 per second	MTR
Section 236G - Advance Tax on Sales to Distributors, Dealers and Wholesalers		
<ul style="list-style-type: none"> • Fertilizers (If Person appears in ATLS) • Fertilizers Other than above • Other than Fertilizers 	0.25% 0.7% 0.1%	NTR

Income Tax Ordinance, 2001

Nature of Payment / Transaction	Standard Tax Rate	Tax Regime/ Adjustable
Section-236H Advance Tax on Sales to Retailers		
Sales to retailers	0.5%	NTR
Section-236K Advance Tax on Purchase or Transfer of Immovable Property		
<ul style="list-style-type: none"> • Active Taxpayer • In-Active Taxpayer 	2% 7%	Adjustable
Section-236Y Advance Tax on Amount Remitted Abroad through Credit/ Debit/ Prepaid Cards		
Tax on Amount Remitted Abroad through Credit/ Debit/ Prepaid Cards	1% of the gross amount	Adjustable

Notes:

- NTR = Normal Tax Regime, MTR = Minimum Tax Regime, FTR = Final Tax Regime
- For Inactive Taxpayers, withholding tax rate will be increased by 100% except under section 231B where withholding tax rate will be increased by 200%

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Sales Tax Act, 1990

Sales Tax Act, 1990

Goods Redefined

(Section 2(12))

The Finance Act, 2022 has modified the definition of goods by including production, transmission and distribution of electricity along with every kind of movable property other than actionable claims, money, stocks, shares and securities.”

Definition of Sales Tax Rationalized

(Section 2(29A))

By virtue of the Finance Act 2022, any fee or service charges imposed or collected under Section 76 shall not be treated as Sales Tax.

Scope of Definition of Supply Broadened

(Section 2(33))

The Finance Act, 2022 has broadened the scope of the term “Supply”. It seeks to define “Supply” as sale or other transfer of the right to dispose of goods as owner, including such sale or transfer under a hire purchase agreement, and also includes:

- putting to private, business or non-business use of goods produced or manufactured in the course of taxable activity for purposes other than those of making a taxable supply;
- auction or disposal of goods to satisfy a debt owed by a person;
- possession of taxable goods held immediately before a person ceases to be a registered person;
- in case of manufacture of goods belonging to another person, the transfer or delivery of such goods to the owner or to a person nominated by him; and
- production, transmission and distribution of electricity.

Persons Engaged in Supply of Articles of Jewellery Specified as Tier-1 Retailers

(Section 2(43A))

By virtue of the Finance Act, 2022, any person engaged in supply of articles of Jewellery, or parts thereof, of precious metal or of metal clad with precious metal having shop measuring more than 300 square feet in area would fall under the definition of Tier-1 Retailer.

Further Tax Levied on Supplies Made to an In-active Taxpayer

(Section 3(1A))

By virtue of the Finance Act, 2022, in addition to the supplies made to unregistered persons, further tax @ 3% shall also be charged on any taxable supplies made to a person who is not an active taxpayer.

Withholding Tax Agent in Case of Online Market Place Prescribed

(Section 3(7))

By virtue of the Finance Act, 2022, the operator of online market place facilitating the sale of third party goods shall be liable to withhold tax on taxable supplies of such party.

Sales Tax Act, 1990

Furthermore, the above rates of tax shall be increased by 100% in case of In-active Taxpayer.

Input Tax Disallowed on Supplies made to Unregistered Distributor (Section 8 (1)(m))

By virtue of Finance Act, 2022, input tax shall not be allowed on supplies made to un-registered distributor for which sale invoices do not bear the CNIC number or NTN.

Adjustment of Input Tax Restricted in case of Public Limited Companies (Section 8B(1))

By virtue of the Finance Act, 2022, public limited companies listed on Pakistan Stock Exchange shall not be allowed to adjust input tax in excess of 90% of the output tax for a tax period.

Discontinuance of Gas and Electricity Connections (Section 14AB)

The Finance Act, 2022 has inserted a new section to empower the Board to direct the gas and electricity distribution companies for discontinuing the gas and electricity connections of any person who falls in the following categories, namely;

- Any person, including tier-1 retailers, who fails to register for sales tax purpose; or
- Notified tier-1 retailers registered but not integrated with the Board's Computerized System

Requirement of NIC or NTN of Unregistered Person Distributor (Section 23(1)(b))

By virtue of Finance Act, 2022, the seller is required to inquire about the name, address, and registration number of the recipient. However, in case of supplies by manufacturer or importer to unregistered distributors, the NIC or NTN of such unregistered distributor shall be required.

Penalty for Non-inclusion of QR Code on Invoice (Section 33)

Section 33 provides for the penalties under the Sales Tax Act, 1990. It prescribes the penalty for any person, who is integrated for monitoring, tracking, reporting or recording of sales, production, and similar business transactions with the Board or its computerized system and does not comply with the rules mentioned.

By virtue of the Finance Act, 2022, all persons who are integrated for monitoring, tracking, reporting or recording of sales, production, and similar business transactions with the Board or its computerized system shall be required to include a bar code or QR code on the invoice along with other prerequisites.

Third Schedule

Deletions from the Third Schedule

Finance Act, 2022 has omitted the following from the Third Schedule

Sr. No.	Description
32	Fertilizers

Fifth Schedule – Zero Rated Goods

Deletions from the Fifth Schedule

Following goods shall now be charged at reduced rate of 1% of sales tax previously subject to zero rate under the Fifth Schedule to the Sales Tax Act, 1990:

Sr. No.	Description
19	Drugs registered under the Drugs Act, 1976 (XXXI of 1976), or medicaments as classified under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except PCT heading 3005.0000.

Additions in the Fifth Schedule

Following goods shall be charged to tax at the rate of 0%:

Sr. No.	Description
21	Local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions as specified therein

Sixth Schedule – Exempt goods

Additions in the Sixth Schedule – Table 1 (Local Supplies and Imports)

Following goods shall be exempt from sales tax:

Sr. No.	Description
163	Goods imported by various agencies of the United Nations, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts and, Orders, rules and regulations made thereunder; and agreements by the Federal Government: Provided that such goods are charged to zero-rate of customs duty under the Customs Act, 1969 (IV of 1969), and the conditions laid therein. Provided further that exemption under this serial shall be available with effect from the 15th day of January, 2022.
164	Photovoltaic cells whether or not assembled in modules or made up into panels
165	Goods imported by or donated to hospitals run by the non-profit making institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969, (IV of 1969).
166	Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.
167	Goods temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate of customs duty subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969 (IV of 1969).
168	Fertilizers
169	Oil cake and other solid residues
170	Tractor
171	Seeds for sowing
172	Machinery, equipment and materials imported either for exclusive use within the limits of Export Processing Zone or for making exports therefrom, and goods imported for warehousing purpose in Export Processing Zone, subject to the conditions that such machinery, equipment, materials and goods are imported by investors of Export Processing Zones, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (IV of 1969) and rules made thereunder shall mutatis mutandis, apply.
173	Goods produced or manufactured in and exported from Pakistan which are subsequently imported in Pakistan within one year of their exportation, provided conditions of section 22 of the Customs Act, 1969 (IV of 1969), are complied with.
174	Machinery and equipment as listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969 (IV of 1969) , subject to the conditions, limitations and restrictions specified thereunder.

Additions in the Sixth Schedule – Table 2 (Local Supplies Only)

Following goods shall be exempted from sales tax:

Sr. No.	Description
7	Vermicillies, sheer mal, bun and rusk excluding those sold in bakeries and sweet shops falling in the category of Tier-1 retailers.
45	Edible vegetables including roots and tubers whether fresh, frozen or otherwise reserved (e.g. in cold storage) but excluding those bottled or canned
52	Raw hides and skins
53	Prepared food or foodstuff supplied by Restaurants and caterers
54	All types of breads, nans and chapattis

Additions in the Sixth Schedule – Table 3 (Plant and Machinery)

Following goods shall be exempted from sales tax:

Sr. No.	Description	PCT Heading	Conditions
22	<p>1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through hydel, oil, gas, coal, nuclear and renewable energy sources including under construction projects entered into an implementation agreement with the Government of Pakistan prior to 15th day of January, 2022.</p> <p>2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.</p>	Respective Headings	<p>(i) This concession shall also be available to primary contractors of the project upon fulfilment of the following conditions, namely;-</p> <p>(a) the contractor shall submit a copy of the contract or agreement under which he intends to import the goods for the project;</p> <p>(b) the Chief Executive or head of the contracting company shall certify in the prescribed manner and format as per Annex-A that the imported goods are the projects bona fide requirement; and</p> <p>(c) the goods shall not be sold or otherwise disposed of without prior approval of the FBR on payment of sales tax leviable at the time of import;</p> <p>(i) temporarily imported goods shall be cleared against a security in the form of a post-dated cheque for the differential amount between the statutory rate of sales tax and the amount payable along with an undertaking to pay the sales tax at the statutory rates in case such goods are not re-exported on conclusion of the project.</p>

Sales Tax Act, 1990

Eighth Schedule – Reduced Rates

Deletions from the Eighth Schedule – Table 1

Following goods previously subject to reduced rate will now be exempt:

Sr. No.	Description	Previous Rate of Sales Tax	Current Rate of Sales Tax
25	Agricultural tractors	5%	Exempt
52	Fertilizers (all types)	2%	Exempt

Additions in the Eighth Schedule – Table 1

Following goods shall be charged at reduced rate prescribed in the table below:

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	Rate of Sales Tax	Conditions
78	Supply of locally manufactured articles of Jewellery, or parts thereof, of precious metal or of metal clad with precious metal.	71.13	3%	No input tax shall be adjusted
79	Electric vehicle in CBU condition of 50 kwh battery or below	8703.8090	12.5%	
80	EV transport buses of 25 seats or more in CBU condition	Respective heading	1%	
81	Manufacture or import of substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976)	Respective heading	1%	<ul style="list-style-type: none"> • Tax charged and deposited by the manufacturer or importer, as the case may be, shall be final discharge of tax in the supply chain • No input tax shall be adjusted by the manufacturer or importer
82	Active Pharmaceutical Ingredients, excluding excipients, for manufacture of drugs registered under the Drugs Act, 1976 or raw materials for the basic manufacture of the pharmaceutical active ingredient	Respective heading	1%	<ul style="list-style-type: none"> • DRAP shall certify item-wise requirement of manufacturers of drugs and APIs and in case of import shall furnish all relevant information to Pakistan Customs Computerized System; and • No input tax shall be adjusted by the manufacturer and importer

Sales Tax Act, 1990

Rate of Sales Tax on Potassium Chlorate Reduced (Eighth Schedule (Table-1))

The Finance Act, 2022 has reduced the rate of Sales Tax on Potassium Chlorate.

Description	Previous Rate of Tax	Current Rate of Tax
Potassium Chlorate	17% along with rupees 90 per kilogram	17% along with rupees 60 per kilogram

Rate of Sales Tax on Locally Produced Coal Rationalized (Eighth Schedule (Table-1))

The Finance Act, 2022 has rationalized the rate of sales tax on Locally Produced Coal.

Description	Previous Rate of Tax	Current Rate of Tax
Locally Produced Coal	Rs. 425 per metric tonne or 17% ad valorem, whichever is higher	Rs. 700 per metric tonne or 17% ad valorem, whichever is higher

Eleventh Schedule

Rate of Tax Deduction in case of Online Market Place Reduced (Eleventh Schedule)

The Act has reduced the rate of tax deduction in case of goods sold by inactive supplier through Online Market Place:

Withholding Agent	Previous Rate of Withholding Tax	Current Rate of Withholding Tax
Online Market Place	2% of gross value of supplies	1% of gross value of supplies

Twelfth Schedule

The Act has imposed Value Addition Tax on compressor scrap, motor scrap, and copper cutting scrap even when imported by manufacturers.

Compliance Requirements and Deadlines

Income Tax Ordinance, 2001

Sales Tax Compliance Deadlines

Description	Deadlines
Submission of Annexure-C	10th of the following month
Payment of Sales Tax	15th of the following month
Submission of Sales Tax Return	18th of the following month
Annual Sales Tax Return (Manufacturers only)	30th September

Withholding Tax Rates

Income Tax Ordinance, 2001

Sales Tax Withholding on Supply of Goods / Services under FBR

Sr. No.	Withholding Agent	Supplier Category	Rate or Extent of Deduction
1.	Companies	Active Taxpayer	N/A
		Active Taxpayer registered as a wholesaler, dealer or distributor	10% of Sales Tax
		Inactive Taxpayer	5% of gross value of Sales
2.	Federal and provincial government departments; autonomous bodies; and public sector organizations	Active Taxpayer	N/A
		Active Taxpayer registered as a wholesaler, dealer or distributor	10% of Sales Tax
		Inactive Taxpayer	100% of Sales Tax
3.	Registered persons as recipient of advertisement services	Person providing advertisement services	100% of Sales Tax
4.	Registered persons purchasing cane molasses.	Inactive Taxpayer	100% of Sales Tax
5.	Registered persons manufacturing lead batteries	Persons supplying any kind of lead under chapter 78	75% of Sales Tax
6.	Online market place	Inactive Taxpayer	1% of gross value of Sales

Withholding Tax Rates

Income Tax Ordinance, 2001

Sales Tax on Services Withholding Chart

Withholding Agent (Service Recipient)	Service Provider	Status of Service Provider	PRA	KPRA	SRB	BRA
Standard Rate of Tax			16%	15%	13%	15%
<ul style="list-style-type: none"> • Company • Federal, Provincial and local Governments • Autonomous bodies • Public Sector Organizations • Funded organizations of Federal and Provincial Governments 	Company	Registered	N/A	100%	20%	20%
		Unregistered	100%	100%	20%	100%
	Firm / AOP, Individual	Registered	100%	100%	20%	20%
		Unregistered	100%	100%	20%	100%
Recipients of Advertisement Services	All persons	All persons	100%	100%	100%	100%

Withholding of sales tax is not applicable in case of telecommunication, banking, insurance and courier services.

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