

FEDERAL BUDGET 2022



www.mzco.com.pk

Karachi

Islamabad

Lahore

PREFACE

This memorandum gives a brief overview of Pakistan economy and significant amendments proposed by the Finance Bill 2022. All changes proposed through the Finance Bill 2022, subject to approval by National Assembly and Presidential assent, are effective July 1, 2022.

This publication is the property of Muniff Ziauddin & Co. and is compiled for the exclusive use of its clients and employees. No part of this publication may be reproduced except with prior permission of Muniff Ziauddin & Co.

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

Islamabad

June 11, 2022

www.mzco.com.pk

TABLE OF CONTENT

	Page No.
1. Budget at a Glance.....	4
2. Economic survey 2021-22 summary.....	7
3. Income Tax Ordinance, 2001.....	11
4. Sales Tax Act, 1990.....	23
5. Federal Excise Act,	26
6. Islamabad Capital Territory.....	27
(Tax on Services) Ordinance, 2001	

BUDGET AT A GLANCE

Overall Resources and Expenditure for the FY 2022-23

RESOURCES		EXPENDITURE	
Tax Revenue (FBR)- Federal Consolidated Fund	7,004	A. Current	8,694
		Interest Payments	3,950
Non-Tax Revenue	2,000	Pension	530
		Defence Affairs & Services	1,523
a)Gross Revenue Receipts	9,004	Grants and Transfers to Provinces & Others	1,242
b)Less Provincial Share	4,100	Subsidies	699
I.Net Revenue Receipts (a-b)	4,904	Running of Civil Govt.	550
II.Non Bank Borrowing (NSSs & Others) –Public Account	1,996		
III.Net External Receipts-Fed. Consolidated Fund	533	Provision for Disaster/Emergency/ Covid	100
IV. Estimated Provincial Surplus	800	Provision for Pay & Pension	100
V. Bank Borrowing(T-Bills ,PIBs, Sukuk)-Fed. Consolidated Fund	1,172	B. Development	808
VI. Privatization Proceeds-Fed. Consolidated Fund	96	Federal PSDP	727
		Net Lending	81
<u>TOTAL RESOURCES (I toVI)</u>	<u>9,502</u>	<u>TOTAL EXPENDITURE (A+B)</u>	<u>9,502</u>

Fiscal Deficit and Financing for FY2021-22.

Fiscal Deficit		Financing	
A) Federal Revenue (Net)	4,904	A) Net External Financing	1,667
B) Total Federal Expenditure (i+ii)	9,502	Multilateral & Bilateral Sources	1,223
i) Current Expenditure	8,694	Commercial Sources	444
ii) Development and Net Lending (a+b)	808	B) Net Domestic Financing	2,835
a) Federal PSDP	727	National Saving Schemes and Others	-125
b) Net Lending	81	Bank (Govt. Securities)	2,960
		C) Privatization Proceeds	96
C) Federal Deficit (A-B)	-4,598	Total Financing (A+B+C)	4,598

Important percentages for the FY2022-23

	Budget 2021-22	Budget 2022-23
Revenue Receipt (FBR)	5,829	7,004
Non Tax Revenue	2,080	2,000
Gross Revenue (FBR+NTR)	7,909	9,004
Less: Transfer to Provinces(-)	-3,412	-4,100
Net Revenue for Federal Government	4,497	4,904
Expenditure	8,487	9,502
Federal Budget Deficit	-3,990	-4,598
Provincial Surplus	570	800
Overall Budget Deficit	-3,420	-3,798
Overall Fiscal Deficit as %GDP	-6.3%	-4.9%
Primary Deficit	-360	152
Primary Deficit as %GDP	-0.7%	0.2 %
Nominal GDP	53,867	78,197

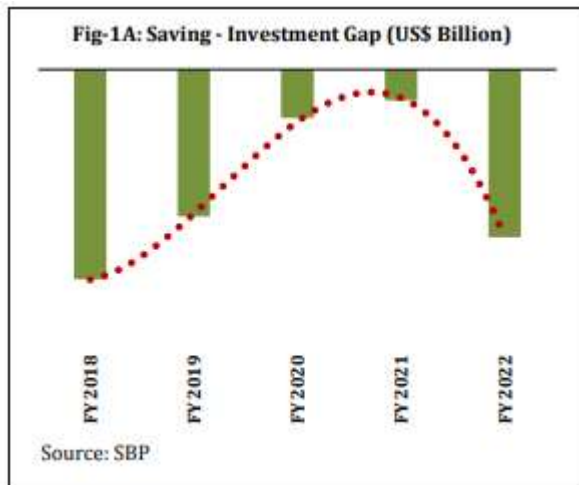
ECONOMIC SURVEY 2021-22 SUMMARY

Here are the salient features of the survey;

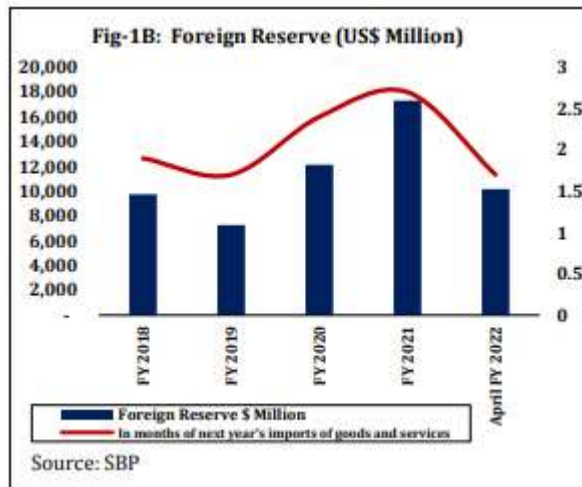
- Despite achieving a real GDP growth of 5.97 percent in FY2022, the underlying macroeconomic imbalances and associated domestic and international risks have dampened celebrations.
- The economy of Pakistan rebounded from the pandemic (0.94 percent contraction in FY2020) and continued to post a V-Shaped economic recovery which is higher than 5.74 percent recorded in last year (FY2021)
- International Financial Institutions like IMF, WB, ADB, etc., appreciated various policy measures taken by the Government to contain the pandemic and put the economy on the path of the recovery
- For July- April FY2022, the current account deficit reached to US\$ 13.8 billion against the deficit of US\$ 0.5 billion last year implying widening in the Saving-Investment Gap started which in turn depleted foreign exchange reserves
- Currently, Pakistan foreign reserves are equal to 1.7 months of imports of goods and services
- For FY2022, GDP at current market prices stands at Rs 66,950 billion showing a growth of 20.0 percent over last year (Rs 55,796 billion).
- Although movement of GNI and GDP (MP) follow similar pattern. However, after FY2018, significant growth was observed in Net Primary Income (NPI) mainly due to substantial growth in workers remittances on account of travel restrictions. During July-April FY2022, workers' remittances posted a growth of 7.6 percent, however, NPI in rupees term posted a growth of 13 percent compared to 43 percent growth recorded last year (Fig – 2A).
- Regarding per capita income in dollar terms, there was a rebound seen in FY2021 which continued in FY2022. In FY2022, per capita income was recorded at US\$ 1,798 which reflects an improvement in prosperity due to the fact that economic growth per person significantly improved. (Fig – 2B).

- In FY2022, the Gross Fixed Capital Formation (GFCF) stood at Rs 8,992 billion against Rs 7,217 billion in FY2021, thus, posting a growth of 24.6 percent as compared to 16 percent growth in FY2021.
- Pakistan’s economy has shown a strong recovery after being depressed due to the pandemic which resulted in lockdown. For FY2022, Real GDP (GVA at basic prices 2015-16) posted a growth of 5.97 percent on account of 4.40 percent growth in Agriculture, while 7.19 and 6.19 percent growth in Industry and Services respectively
- The agriculture sector posted growth of 4.4 percent mainly due to 6.6 percent growth in Crops and 3.3 percent growth in Livestock. The growth in crops was recorded on account of 7.2 percent growth in Important Crops, 5.4 percent growth in Other Crops, and 9.2 percent growth in Cotton Ginning.
- Industrial sector recorded a growth of 7.2 percent in FY2022 compared to 7.8 percent growth in FY2021.

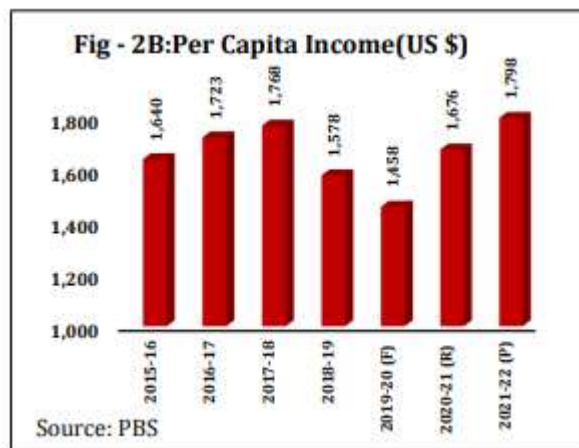
Saving- Investment Gap



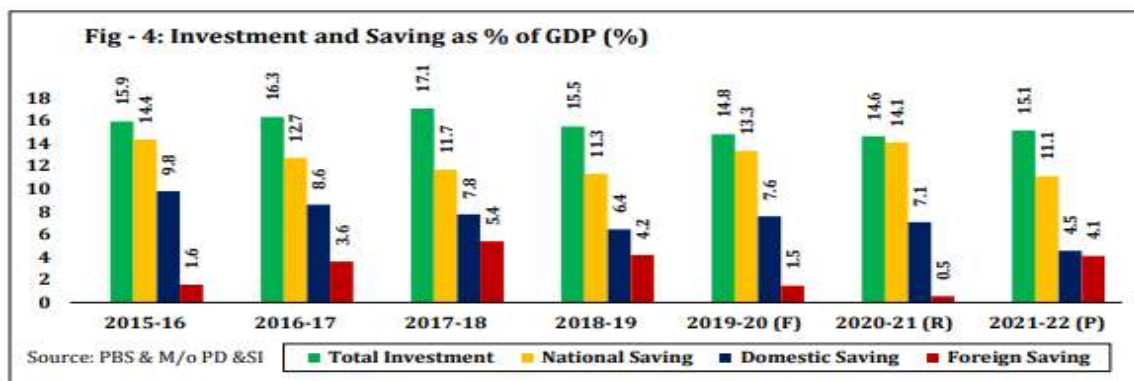
Foreign Reserves



Per Capital Income (US \$)



Investment and Savings as %age of GDP



SALIENT FEATURES

INCOME TAX

1. Definitions- Section 2

The bill has proposed to introduce following definitions:

a) Beneficial Owner

The bill has proposed to introduce the definition of Beneficial Owner to be a natural person who:

- ultimately owns or controls a Company or association of persons, whether directly or indirectly, through at least ten percent shares or voting rights; or
- exercises ultimate effective control, through direct or indirect means, over the company or association of persons including control over the finances or decisions or other affairs of the company or association of persons

b) Distributor

The bill has proposed to define a distributor as a person who is appointed by a manufacturer, importer or any other person for a specified area to purchase goods from him for further supply

c) Synchronized Withholding Administration and Payment System agent” or “SWAPS agent”

The bill has proposed to define a SWAPS agent as any person or class of persons notified by Board to collect or deduct withholding taxes through Synchronized Withholding Administration and Payment System.

2. Poverty Alleviation Tax On High Earning Persons

The Government has proposed a special tax for tax year 2022 and onwards on high earning persons for poverty alleviation, the provisions of which are almost similar to super tax. This new tax will be applicable on all persons having ‘income’ in excess of Rs 300 million. The rate of tax is 2% on ‘income’, which shall be the sum of following: -

- (i) profit on debt, dividend, capital gains, brokerage and commission;
- (ii) taxable income (other than brought forward depreciation and brought forward business losses) under section 9 of the Ordinance, if not included in (i);
- (iii) imputable income as defined in clause (28A) of section 2 excluding amounts specified in (i); and
- (iv) income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under Fourth, Fifth and Seventh Schedules.

3. TAX ON CERTAIN PAYMENTS TO NONRESIDENTS – SECTION 6

The bill proposes to add following services provided by non-residents be taxed in Pakistan:

- fee for money transfer operations,
- card network services,
- payment gateway services, and
- interbank financial telecommunication services

The rate of tax on these services is proposed to be 10%.

4. DEEMED RENTAL INCOME

The bill has proposed to introduce the concept of deemed rental income. The rental income of the eligible property shall be deemed to be 5% of its fair market value, no matter whether such property has been rented out or not, and a tax at the rate of 20% on such deemed rental income will be charged. Thus effective tax rate on Fair market value of the property will be 1%.

Exceptions:

- self-owned business premises from which business is carried out;
- self-owned agriculture land where agriculture activity is carried out by person but does not include farmhouse and land annexed thereto;
- where the fair market value of the property or properties, in aggregate, excluding properties mentioned in (a) and (b) above does not exceed Rs. 25 million;
- a Provincial Government, a Local Government, a local authority or a development authority;

- land development and construction projects of builders and developers registered with Directorate General of Designated Non- Financial Businesses and Professions of Board;
- a property which is subject to tax under section 15 (income from property) of the Ordinance and the tax chargeable is more than tax chargeable under this section. If tax chargeable under section 15 is less than the tax chargeable under this section then excess of tax chargeable under section 15 shall be paid under this section. This means the effective rate of tax under any circumstances may not be less than 1% of the fair market value of the property.

5. DEDUCTIONS NOT ALLOWED

The bill proposes to add certain other amounts in the list as under:

- Amount in excess of 50% contributions to an approved gratuity, pension and superannuation fund.
- Payments made by a company for a transaction under a single account head exceeding Rs 1,000,000 other than through 'digital means'
- Expenditure attributable to sales claimed by any person who fails to integrate his business with the FBR's system in prescribed manner. However, disallowance of expenditure shall not exceed 10% of the allowable deduction.

6. DEPRECIATION

For depreciable assets used for the first time after July 1, 2020, the normal tax depreciation allowance was limited to 50% in the first year as well as in the year of disposal. Both these limits are now proposed to be withdrawn. As a result, the pre-2020 situation is proposed to be reinstated.

The Bill has also proposed to increase the limit of deemed principal of a passenger transport vehicle not plying for hire to Rs. 5 million from 2.5 million for the purpose of determining deductible lease rentals.

7. Capital Gains

The rates of taxes proposed in the finance bill have been reconstructed as follows;

		Rate of Tax
--	--	-------------

S. No	Holding Period	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%		

8. WITHDRAWAL OF SECTION 59C

The bill proposes to withdraw section 59C.

9. TAX CREDITS / DEDUCTIBLE ALLOWANCE WITHDRAWN

The bill proposes to withdraw following tax credits/ deductible allowances:

- Profit on debt incurred on house financing – Section 60C;
- Investment in new shares of listed companies, mutual funds or life insurance policies, Sukuk, etc. – section 62;
- Purchase of Health insurance policies – section 62A; and
- Investment in Approved Voluntary Pension Schemes (VPS) – section 63.

10. TAXATION OF IT SERVICES AND SOFTWARE EXPORT SERVICES

Section 65F provides 100% tax credit on incomes from exports of computer software or IT services or IT enabled services subject to certain conditions. The bill has now proposed to withdraw such tax credit.

The bill further proposes to reduce the final tax of 1% to 0.25% of the exports proceeds of computer software or IT services or IT enabled services by persons registered with Pakistan Software Export Board.

11. RESIDENT INDIVIDUAL

Currently, an individual is only considered as resident in Pakistan if his stay is more than 182 days in any tax year. The definition of resident individual is proposed to be amended to also include those Pakistani citizens who are not tax resident of any other country.

12. RETAILERS AND SPECIFIED SERVICE PROVIDERS

For other than Tier – 1 retailers and specified service providers, a 'final tax' is proposed to be charged on the basis of gross amount billed for commercial electricity connections at the following rates:

Gross amount of monthly bill	Tax (Rupees)
Where the amount does not exceed Rs. 30,000	3,000
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	5,000
Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	10,000
Specified retailers and service providers through Income Tax General Order	50,000

The aforesaid tax shall be collected by the electricity companies through monthly bills in addition to withholding tax under section 235.

13. TAX CREDIT FOR CHARITABLE ORGANIZATIONS – SECTION 100C

Section 100C provides 100% tax credit to certain eligible charitable organizations subject to certain conditions. One such condition is that the approval of Commissioner has been obtained as a non-profit organization. For the persons mentioned in Table II of Clause (66) of Part I of Second Schedule, this condition was applicable from 1st July, 2022. The bill now proposes to extend such date to 1st July, 2024. The bill also proposes that all entities mentioned in Table I of clause (66) of Part 1 of the Second schedule to be eligible donees for the purpose of tax credit under section 61.

14. Carry forward of minimum tax u/s 113

Section 113 provides for minimum tax on the basis of turnover at specified rates (general rate is 1.25%) where the normal tax liability of eligible persons is lower than such turnover tax.

Section 113 also provides that the amount of turnover tax in excess of normal tax liability may be carried forward to next five years. The bill now proposes to withdraw such carry forward.

15. BEST JUDGEMENT ASSESSMENT – SECTION 121

Section 121 empowers a commissioner to issue a best judgement assessment order in case a return of income has not been filed. The order is required to be issued within five years of the end of relevant tax year. The bill now proposes to increase this limit of five years to six years.

16. TIME PERIOD FOR AMENDMENT PROCEEDINGS

Section 122 empowers a commissioner to amend the assessment of a taxpayer subject to certain conditions. One such condition, as introduced vide Finance Act, 2021, is that the amendment order is issued within 120 days of issuance of show cause notice. The bill now proposes to extend the time limit of 120 days to 180 days.

17. ADVANCE TAX ON IMPORTS – SECTION 148

Industrial undertakings

In case of goods imported by an industrial undertaking for own use, the advance tax on imports does not constitute minimum tax if the same are subjected to advance tax collection at the rate of 1% or 2%. Practically, there are various items which are in the nature of raw material but subjected to standard rate of 5.5%. The tax authorities are misinterpreting these provisions to deny the adjustability of tax collected at the rate of 5.5%.

The law is proposed to clarify that advance tax on raw materials imported by an industrial undertaking for own use will not be minimum tax irrespective of the applicable rate.

Commercial importers

The final tax regime on commercial importers has been revived. Earlier the said regime was converted in to a minimum tax regime through Finance Act, 2019. The rate of tax on imported

items falling with Table II of Twelfth Schedule is enhanced from 2% to 4%. Furthermore, advance tax on import of following items is proposed to be treated as minimum tax in respect of income arising from such imports:-

- a) Edible oil;
- b) Packaging material;
- c) Paper and paper board; or
- d) Plastics.

18. TIME LIMIT FOR RECORDS – SECTION 174

Section 74 provides for keeping of necessary records and provides that such records shall be kept for a period of six years after the end of tax year to which they relate. The bill now proposes that such limitation may not apply to the records pertaining to income, assets, expenses or transactions discovered by the Commissioner which are situated or incurred outside Pakistan or the concealed income is foreign source income.

19. AUDIT REPORT – SECTION 177

The Courts and appellate authorities have consistently taken a view that issuance of audit report on completion of income tax audit is mandatory before issuance of notice for amendment. This view was subsequently codified in sub-sections (6) & (6A) of section 177. An amendment is now being proposed to remove the expressed requirement for issuance of audit report and it appears that now tax authorities can directly issue a notice for amendment of assessment.

20. ADVANCE TAX ON SALE/PURCHASE OF IMMOVABLE PROPERTY – SECTION 236C

Section 236C and 236K provides for collection of advance tax at 1% on sale and purchase of immovable property. Section 236C also provides that advance tax is not required to be collected where the property is held for four years or more.

The bill now proposes to increase the rate of advance tax from 1% to 2% (5% for non-filers). The bill also proposes to extend the holding period, in case of 236C, from 4 years to 10 years.

21. WITHHOLDING TAX ON EDUCATION FEES ABOLISHED

Currently, advance tax is collected at the rate of 5% on the amount of fee paid to an educational institution subject to certain specific exclusions. The Bill proposes to omit the requirement of advance tax collection by the educational institution.

22. OMISSION OF WITHHOLDING TAX ON RENT OF MACHINERY

Every prescribed person is presently required to deduct tax at the rate of 10% on payment to a resident person for use or right to use industrial, commercial and scientific equipment, and on account of rent on machinery. The tax so deductible is considered as minimum tax on the income of such resident person.

The said section is now proposed to be omitted.

INCOME TAX SCHEDULES

FIRST SCHEDULE

TAX RATES FOR SALARIED INDIVIDUALS

Annual taxable income	Existing tax	Proposed tax	(Saving) / Excess tax
600,000	-	-	Nil
1,200,000	30,000	100	(29,900)
2,400,000	180,000	84,000	(96,000)
3,600,000	390,000	234,000	(156,000)
6,000,000	895,000	654,000	(241,000)
12,000,000	2,345,000	2,004,000	(341,000)
18,000,000	4,845,000	3,954,000	(891,000)
24,000,000	5,645,000	5,904,000	259,000

TAX RATES FOR NON SALARIED INDIVIDUALS

Annual taxable income	Existing tax	Proposed tax	(Saving) / Excess tax
-----------------------	--------------	--------------	-----------------------

600,000	10,000	-	(10,000)
800,000	30,000	10,000	(20,000)
1,200,000	70,000	60,000	(10,000)
2,400,000	250,000	270,000	20,000
3,000,000	370,000	405,000	35,000
4,000,000	620,000	680,000	60,000
6,000,000	1,220,000	1,330,000	110,000

TAX RATES ON DISPOSAL OF SECURITIES

Presently, gain on disposal of securities is chargeable to tax at the rate of 12.5 per cent for tax year 2022 and onwards irrespective of the holding period.

The revised status of tax on capital gains on disposal of securities under section 37A is proposed to be as under:

<i>Holding Period</i>	<i>Proposed Rate</i>
Less than 1 year	15 %
From 1 year to 2 years	12.5%
From 2 years to 3 years	10%
From 3 years to 4 years	7.5%
From 4 years to 5 years	5%
From 5 years to 6 years	2.5%
More than 6 years	0%

ADVANCE TAX ON REGISTRATION / TRANSFER OF PRIVATE MOTOR VEHICLES

Rates of tax collection at the time of registration of the private motor vehicles is proposed to be revised as follows:

<i>Engine Capacity</i>	<i>Existing Rate</i>	<i>Proposed Rate</i>
Upto 8,50cc	Rs. 7,500	Rs. 10,000
851cc to 1,000cc	Rs. 15,000	Rs. 20,000
1,001cc to 1,300cc	Rs. 25,000	Rs. 25,000
1,301cc to 1,600cc	Rs. 50,000	Rs.50,000
1,601cc to 1,800cc	Rs. 75,000	Rs. 150,000
1,801cc to 2,000c	Rs. 100,000	Rs. 200,000
2,001cc to 2,500cc	Rs. 150,000	Rs. 300,000
2,501cc to 3,000cc	Rs. 200,000	Rs. 400,000
Above 3,000cc	Rs. 250,000	Rs. 500,000
Where engine capacity is not applicable and value of vehicle is Rs. 5 million or more	Nil	3% of the import value (as increased by sales tax, customs duty and FED) or invoice value in case of locally manufactured vehicle

ADVANCE TAX ON TRANSFER OF IMMOVABLE PROPERTY

Presently, advance tax of 1 per cent is required to be collected from the buyer as well as seller which is now proposed to be increased to 2 per cent in both the cases.

ADVANCE TAX ON ADVERTISEMENT

The Bill proposes to reduce advance tax on commercial for advertisement starring foreign actors from Rs. 500,000 per second to Rs. 100,000 per second.

SECOND SCHEDULE

WITHDRAWAL OF ACCUMULATED BALANCE FROM VOLUNTARY PENSION SCHEME (VPS)

In respect of accumulated balance received from VPS offered under VPS Rules, 2005, exemption is presently available to the extent of 50% of such accumulated balance, if withdrawn in case of certain eventualities i.e. retirement, disability & death.

The restriction of 50% is proposed to be done away with and such exemption has been made available on withdrawal of the entire accumulated balance, at any point of time.

WITHDRAWAL OF TAX EXEMPTIONS

Through the Finance Bill, exemption from tax presently available in respect of following incomes is proposed to be withdrawn:

- i. Receipt of monthly installment from income payment plan invested out of accumulated balance of specified individual pension accounts or approved annuity plan; and
- ii. Income representing subsidy allowed by Federal Government.

TAX EXEMPTION FOR CERTAIN CHARITABLE ORGANIZATIONS

Through the Finance Bill, income of following organizations is proposed to be exempted from income tax by way of inclusion in Table I of Clause 66:

- i. The Pakistan Global Sukuk Programme Company Limited;
- ii. Karandaz Pakistan from tax year 2015 onwards;
- iii. Public Private Partnership Authority for tax year 2022 and subsequent four tax years; and
- iv. Hamdard Laboratories (Waqf) Pakistan.

Further, the following Organizations, presently entitled to tax exemption subject to fulfillment of conditions specified in section 100C of the Ordinance, are now proposed to be extended unconditional tax exemption as was earlier available to them prior to Finance Act, 2020:

- i. Pakistan Mortgage Refinance Company Limited;
- ii. Pakistan Sweet Homes Angels and Fairies Place; and
- iii. Dawat-e-Islami Trust.

RATIONALIZATION OF EXEMPTION FOR COLLECTIVE INVESTMENT SCHEMES OR REIT SCHEMES

The Collective Investment Schemes or REIT Scheme are entitled to income tax exemption subject to distribution of ninety per cent of accounting income, excluding capital gains, amongst the unit/ certificate holders.

Through the Finance Bill, adjustment of 'accumulated loss' against 'accounting income' is also proposed to be allowed for the purposes of meeting the specified criteria.

The proposed amendment is aimed at addressing the impracticality associated with profit distribution by the Schemes, who having incurred accounting losses in previous tax years are not able to meet the said exemption criteria owing to lower retained earnings/ accumulated profits.

Flying Allowance and Pilot Allowance – Clause (1), (1A), Part III

The bill proposes to withdraw exemption on 'flying and submarine allowance' and 'Allowances received by Pilots'.

Tax rates on Bahbood certificates – Clause (6), Part III,

The bill proposes to reduce max tax rate from 10% to 5% in respect of any amount paid as yield or profit on investment in Bahbood Savings Certificate or pensioners Benefit Account and Shuhada Family Welfare Account.

Immunity from audit - Clause (105A) Part IV

The bill proposes to provide immunity from audit under section 177 and 214C to a person whose income tax affairs have been audited in any of the preceding four tax years. However, the Commissioner may select the person for audit with approval of the Board.

SALES TAX

1. Definitions

The bill proposes following amendments in definitions:

Section 2(12): Goods

The Bill has proposed to add the terms "Production, transmission and distribution of electricity" to the definition of Goods.

Section 2(29A)(b): Sales Tax

The Bill has proposed to exclude the "Fee and services charges imposed and collected under Section 76" from the definition of "Sales Tax"

Section 2(43A): Tier-1 Retailers

a person engaged in the supply of; (i) articles of jewellery, or parts thereof;; (ii) of precious metal; or of (iii) metal clad with precious metal will now be considered a Tier-I retailers.

2. Further Tax - Section 3(1A)

Bill proposes that a further tax of 3% is now proposed to be levied on supplies made to a person who is also not an active taxpayer

3. Tax on electricity bills of retailers

Bill proposes to levy a fixed tax of; (i) PKR 3,000/month where their monthly electricity bill does not exceed PKR 30,000/-; (ii) PKR 5,000/month where the monthly electricity bill exceeds PKR 30,000/- but doesn't exceed PKR 50,000/-; and (iii) PKR 10,000/month where the monthly bill exceeds PKR 50,000.

4. Section 8(1)(m) Omitted

Bill proposes that now a registered person shall be able to reclaim or deduct input tax paid on the aforementioned supplies to unregistered persons without mentioning CNIC number.

5. Disconnection of gas and electricity connections

Bill proposes to empower board to direct gas and electricity distribution companies to discontinue the gas and electricity connections of those persons who fail to register for sales tax purpose or those notified tier-1 retailers who are registered but not integrated with the Board's computerized system.

6. CNIC requirement dropped

Bill proposes to withdraw the condition of a registered person requiring a CNIC or NTN of an unregistered person to whom the goods were supplied, except for retailers supplying goods where the transaction value (including sales tax) doesn't increase PKR 100,000/-,

7. New exemptions under sixth schedule

- Goods imported by various agencies of United Nations, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts and orders, rules and regulations subject to certain conditions with effect from January 15, 2022.
- Photovoltaic cells for solar panels
- Goods imported by or donated to hospitals run by non-profit institutions subject to certain conditions
- Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more
- Goods temporarily imported, meant for subsequent exportation, charged to zero rate of customs duty subject to certain conditions
- Seeds for sowing
- 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 certain conditions
- local supply of prepared food by restaurants and caterers

8. Eighth Schedule

- Locally produced coal has been proposed to be omitted and will now be subject to sales tax at standard 17% rate.
- Agricultural tractors have been proposed to be omitted and proposed to be exempt from sales tax.

- Bill proposes that the import of electric vehicle in CBU condition would be charged to sales tax at standard rate of 17%.
- Bill proposes that Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal be charged at 3%
- Bill proposes that Import articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal be charged at 4%
- Bill proposes to charge local supply of reclaimed lead @ 1%

FEDERAL EXCISE DUTY

1. DEFINITION OF DUTY

The bill proposes that fee and services charges collected under Federal Excise Act shall be excluded from the definition of Duty.

2. Amendments In Table-I (Excisable Goods) & Table-II (Excisable Services)

The bill proposes to amend Excise Rates as follows;

Excisable Goods/Services	Existing Rates	Proposed Rates
E-liquids by whatsoever name called, for electric cigarette kits	Rs. 10 per ml	Rs. 10,000 per Kg
Locally produced cigarettes if their onpack printed retail price exceeds five thousand nine hundred and sixty rupees per thousand cigarettes	Rs. 5,200 per 1000 cigarettes	Rs. 5,600 per 1000 cigarettes
Locally produced cigarettes if their onpack printed retail price does not exceed five thousand nine hundred and sixty rupees per thousand cigarettes	Rs.1,650 per 1000 cigarettes	Rs.1,850 per 1000 cigarettes
Filter rod for cigarettes	Re. 1 per Filter Rod	Rs. 1500 per Kg
services provided or rendered in respect of travel by air of the passengers embarking on international journey from Pakistan- Club, business and first class	Rs. 10,000	Rs. 50,000
Telecommunication services	16% of charges	19.5% of charges

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

1. Reduction in tax rate of taxable services

The rate of tax for the services listed in Table 1 of Schedule to the Ordinance has been proposed as follows:

- The rate of tax on all services currently taxable at sixteen (16) per cent have been proposed to be reduced to fifteen (15) per cent; and
- The rate of tax on services of call centres (Entry No. 42) currently taxable at seventeen (17) per cent have been proposed to be reduced to fifteen (15) per cent.

2. IT and IT enabled services

The Bill proposes to withdraw sales tax on services of IT and IT enabled services (Entry No. 11) which are currently taxable at 5%. Consequently, these services will not be chargeable to Sales tax.