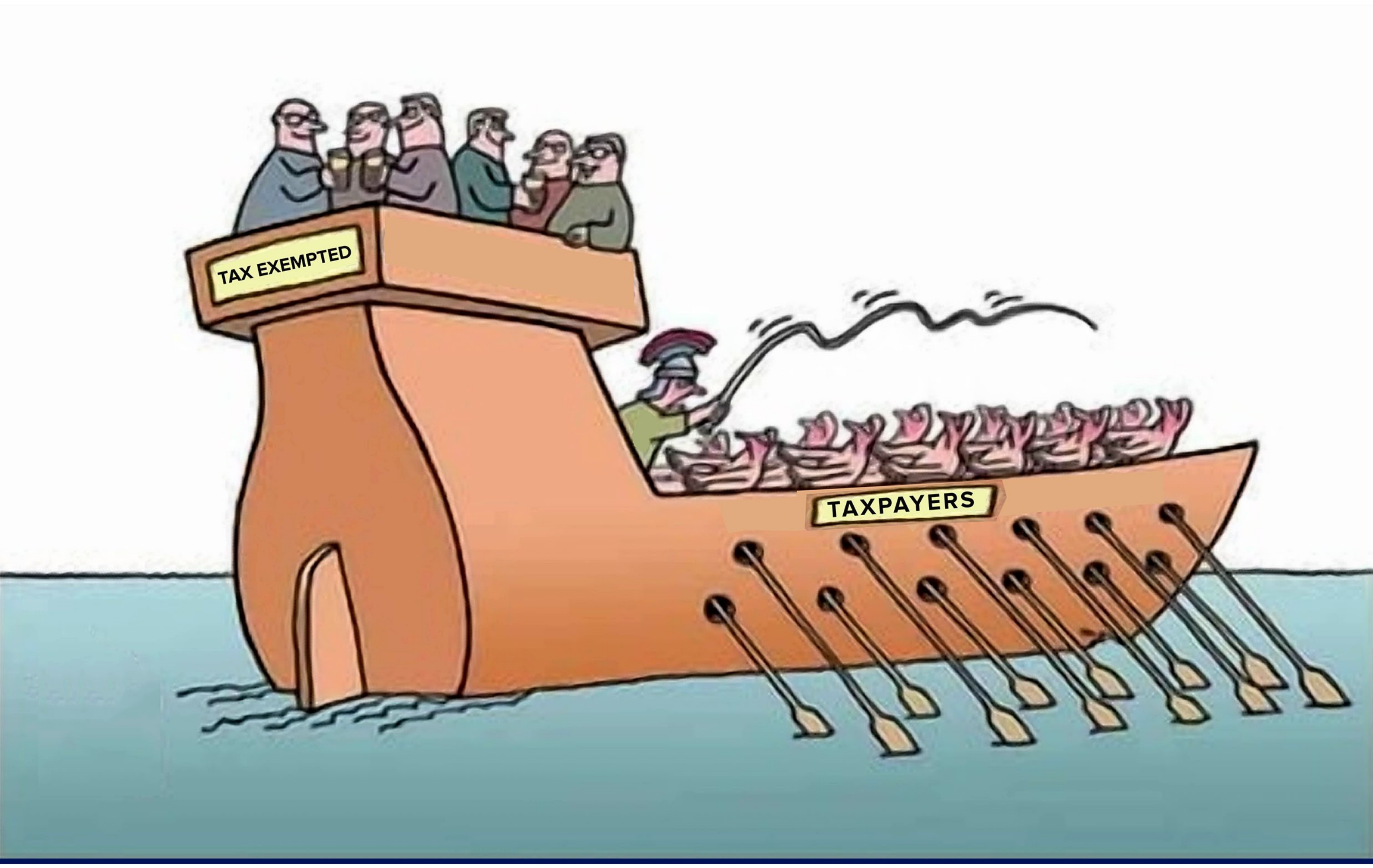
TOLA ASSOCIATES
TAX & CORPORTE ADVISORS

COMMENTS ON FINANCE BILL 2022-23



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Prologue:

- Finance Bill 2022-23 ("The Bill") for the fiscal year 2022-23 was tabled before the National Assembly and the Senate on June 10, 2022. The bill has proposed amendments in Income Tax Ordinance, 2001 ("ITO"), Sales Tax Act, 1990 ("STA"), Federal Excise Act, 2005 ("FEA") among other laws.

- We have prepared our comments on significant amendments proposed in ITO, STA & FEA. The comments presented are brief and detailed comments will follow-after passage of the Bill in the National Assembly along with passing of Provincial Finance Bills in respective Provincial Assemblies.

- The interpretations of the amendments are based on our understanding of tax law and past practices. These comments are provided for general use of public and should not be used for any specific transaction. We do not guarantee that these interpretations will be acceptable by the tax department. The comments are prepared for general business understanding of masses. In case of any technical query, kindly contact us.

- Please feel free to provide your feedback for further improvements in the document.

Warm Regards

TOLA ASSOCIATES

Saturday, June 11, 2022

BUDGET BRIEF

The Federal Government has announced Budget for the year 2022-23, emphasizing on 'expansionary fiscal policy' despite high fiscal deficit, aimed to achieve balance between countering structural imbalances and moving towards sustainable growth. As per the Government, inclusive and sustainable budget announced to bring back economy on track. Pakistan's GDP growth expanded to 5.97% as per provisional estimates 2021-22. Despite a steady growth in FY22, in comparison to the GDP growth in FY21, the growth in the outgoing fiscal year is fueled with imports and is consumption oriented, which creates a huge external sector pressure on the economy. Our comments on Economic overview can be downloaded by clicking https://cutt.ly/ZJKUhfF.

The key highlights of the Federal Budget 2022-23 are as under;

➢ KEY HIGHLIGHTS:

- The total outlay of the Federal budget 2022-23 is Rs. 9502 billion which is 3.87% more than the size of the budget (revised) estimates of 2021-22.
- The projected interest payment in the budget is estimated at Rs. 3,950 billion, which is 26% higher than the figures of Rs. 3,144 billion in (revised) budget 2021-22.
- Current expenditure of the country is estimated at Rs. 8,694 billion in 2022-23 vs. Rs. 8,516 billion a year ago.
- The total federal expenditure is estimated at Rs. 9,502 billion (Current Expenditure Rs. 8,694 plus Development expenditure Rs. 808).
- The current expenditure accounts 91.0% of the total estimated expenditures which is substantial growth.
- Defence budget is estimated at Rs. 1,523 billion in 2022-23 which is almost 3% higher than the revised figures of Rs. 1,480 billion last year.
- Federal Government will decrease subsidies by Rs.816 billion to Rs. 699 billion in 2022-23 from Rs.1,515 billion in revised estimates of 2021-22.
- Provincial share in NFC is estimated for 2022-23 at Rs. 4,100 billion which is 58.5% of the FBR's revenue collection..
- The size of the total PSDP is estimated at Rs. 2,159 billion, which includes Federal PSDP Rs.727 billion and provincial PSDP is estimated at Rs. 1,432 billion in 2022-23.
- Federal Government has projected almost 17% growth in the FBR's tax revenue in 2022-23 from current fiscal year's revised figures of Rs. 6,000 billion.
- With the projected GDP growth of 5.0% and inflation of 11.5% during 2022-23, FBR's projected tax revenues growth by 17% seems very much achievable.
- However, in our humble view the Government should collect PKR 7,500 billion worth target given the implementation of enhancing tax base. Pakistan has an excellent potential to enhance its tax revenue collection and can easily finance its debts and deficits.
- In order to get rid of the debt burden, the FBR must pursue tax reforms, explore potential of key sectors which are not contributing significantly to revenue collection.

➢ BUDGET AT A GLANCE 2021-22

Comparison of ICAP Budget and Government Budget for 2022-23				
PKR Billion	**Govt. Budget 2022-23**	**Revised Govt. Budget 2021-22**	**Difference**	**% Change**
Receipts				
FBR Tax Revenue	**7,004**	**6,000**	**1,004**	**16.7**
Non Tax Revenue	2,000	1,315	**685**	**52.1**
Gross Revenue Receipts	9,004	7,315	**1,689**	**23.1**
Less: Transfer to Provinces	4,100	3,512	**588**	**16.7**
Net Revenue Receipts - Federal Share	4,904	3,803	**1,101**	**29.0**
Expenditure				
Total Expenditure	**9,502**	**9,148**	**354**	**3.87**
Current	8,694	8,516	**178**	**2.09**
Domestic Debt	3,439	2,771	**668**	**24.12**
Foreign Debt	511	373	**138**	**37.00**
Pension	530	525	**5**	**0.95**
Defence Affairs & Services	1,523	1,480	**43**	**2.91**
Grants & transfers to provinces	1,242	1,090	**152**	**-**
Subsidies	699	1,515	**(816)**	**(53.86)**
Running civil Govt	550	530	**20**	**3.77**
Provision for contingencies	100	232	**(132)**	**(56.90)**
Pay and Pension	100	-		
Development & Net Lending	808	632	**176**	**27.85**
Federal PSDP	727	550	**177**	**32.18**
Other Development & Net Lending	81	82	**(1)**	**(1.22)**
Federal Budget Deficit	**(4,598)**	**(5,345)**	**(57)**	**(13.97)**
Primary Deficit	**(648)**	**(2,201)**	**(57)**	**(70.56)**
Projected Nominal GDP	**78,197**	**66,950***	**11,247**	**16.80**
FED Fiscal Deficit as % of GDP	**(5.9)**	**(8.0)**		
Primary Deficit as % of GDP	**(0.8)**	**(3.3)**		
				(Sources: Finance Ministry)
****Revised Nominal GDP of Fiscal year 2021-22***				

- Official figures show that from July to May of outgoing Fiscal year 2021-22("FY22"), FBR's tax revenue stood at Rs.5,349 billion –28.46% or Rs.1,185 billion higher against FY21 collection of Rs.4,164 billion. It still needs Rs.651 million more to reach the targeted revised tax revenue of Rs.6,000 billion for FY22. Reaching the target revenue seems likely possible if the Government takes more administrative measures in the remaining period.

- IMF and Pakistan will likely reach a Staff-Level Agreement under IMF's Extended Fund Facility of $8 billion which revived Pakistan's 'suspended' IMF program. The plan envisages FBR's tax collection target of Rs.7,004 billion for 2022-23 which would be 17% higher as compared to revised Rs.6,000 billion (previous target of Rs.6,100 billion) in 2021-22.

- If the inflation is projected at 11.5% and GDP growth at 5.0% in the upcoming fiscal year, then the FBR might easily collect PKR 6,990 billion worth of revenue. However, in our humble view the Government should collect PKR 7,500 billion worth target given the implementation of enhancing tax base. Unfortunately, Pakistan is facing a challenge of a huge parallel base economy, as approximately 43% of the nominal GDP is not contributing significantly towards the direct tax collection, such as traders and agriculturalists. The Government has to urgently tap the potential of these sectors for their optimum contribution towards the National exchequer which will not only remove inequities in the tax regime, but will also provide much-needed additional revenue to the Government.

- The realistic target, therefore, might be more than Rs.7 trillion given the potential of the economy. However, in current scenario, where the Government wants to sustain huge external sector imbalances by curbing the import bills, given the higher tax collection at import stage, it might be not easy even to collect $7 trillion until unless they broaden the tax base.

- Some of the good policies of the budget have been announced in order to provide much needed assistance to the poorer class of the country, who are facing huge inflationary pressure. Subsidies on sugar and wheat flour has been proposed. Furthermore, the tax exemption on salaried class has also been increased from Rs600,000 to Rs1,200,000 which will eventually ease the pressure and optimistically boost the Economic activity in the country. Considering the huge population of the youth, forming of National youth commission programme will be beneficial in enhancing the role of youth in Economic development. In addition to that, interest free loans of up to Rs500,000 to Rs2,500,000 million for the young entrepreneurship also proposed. Furthermore, Scope and quantum of progressive taxation widened to high income segments in order to divert the resources towards to the poor people.

- Current regime has also allocated Rs. 360 billion worth of Grants and transfer as Benazir Income support programme which is also highly appreciated. In present economic scenario where purchasing power of many Pakistani families has been eroded by soaring inflation and the increasing cost of food and oil. This income support programme arose against this backdrop as a means to address depletion in purchasing power.

- The table infra shows the FBR's revenue collection and its distribution:

FBR's Revenue for 2022-23			
(Rs in Billion)	**Budget 2022-23**	**Budget 2021-22**	**Percentage change**
FBR Taxes	**7,004**	**6,000**	16.7%
Direct Taxes	2,573	2,204	16.7%
Indirect Taxes	4,431	3,796	16.7%
Non-Tax Revenues	**2,000**	**1,315**	52.1%
Gross Revenue Receipts	**9,004**	**7,315**	23.1%
Less provincial Share	4,100	3,512	16.7%
Net Revenue Receipts	**4,904**	**3,803**	29.0%

(Source: Budget Document 2021-22, Finance Division)

- Regarding the non-tax revenues target of Rs.2,000 billion in budget 2022-23, Federal government is relying mainly on petroleum levy to accomplish its targets and estimate massive funds worth Rs. 750 billion in 2022-23, which is 455 times higher than last year's revised estimates of 2021-22.

- Federal Government's fiscal deficit would be around Rs. 4,598 billion during 2022-23 but if government incorporates an estimated provincial surplus of Rs. 800 billion, then, only the overall fiscal deficit of the country would be Rs. 3,798 billion during 2022-23, with breakup as follows:

FEB's Tax Revenue for 2022-23

(Rs in billion)	Budget 2022-23	Revised Budget 2021-22
Net Federal Revenue	4,904	3,803
Total Federal Expenditure	9,502	9,148
Federal Budget Deficit	(4,598)	(5,345)
Estimated Provincial Surplus	800	570
Overall Fiscal Balance	(3,798)	(4,775)
Primary Balance	152	(360)
Nominal GDP	78,197	66,950
Overall Fiscal Balance as % of GDP	(4.9%)	(7.1%)
Primary Balance as Percentage of GDP	0.2%	(0.5%)

(Source: Budget Document 2021-22, Finance Division)

- Federal Government has had high fiscal deficit of 8% of GDP in 2021-22. While projected figure of fiscal deficit would be 5.9% in 2022-23. After experiencing three year consecutive high fiscal deficits, which is unprecedented in the history, Government moves towards the path of lowering the fiscal deficit.

- The next year's primary deficit is estimated at Rs. 648 billion which is 0.8% of GDP. Whereas, a primary surplus is estimated at 0.2% of GDP, after incorporating provincial surplus of Rs. 800.

- To curtail the fiscal deficit, Federal Government is heavily depended on reducing expenditure and they have taken concrete steps in this regard.

- The country's mark-up is the biggest expense of the current expenditure, which is 45% of total current expenditure

- The financing of the budget deficit is the most critical factor for the economy and financing of fiscal deficit shall remain a key challenge for the policy makers.

- The Federal government can rely on domestic financing for the fiscal deficit in 2022-23 (rather than to use provincial surplus), with 64% through domestic resources and 36% through external resources. The details of the financing are as under;

Financing of Budget Deficit 2022-23

(Rs in billion)	2022-23
A. Net External Financing	1,667
i- Multilateal and Bilateral Sources	1223
ii- Commercial Sources	444
B. Domestic Financing	2,835
i- National Schemes and Others	(125)
ii- Bank (Government Securities)	2,960
C. Privitization Proceeds	96
Grand Total	4,598

(Source: Budget Document 2022-23, Finance Division)

- Federal PSDP is projected at Rs 727 billion for 2022-23 which is 32% higher than last year, details are as follows;

Size of National PSDP in Federal Budget			
(Rs in billion)	**Budget 2022-23**	**Revised Budget 2021-22**	**Change in %**
A. Total Federal PSDP	727	550	32.2
B. Provinces	1432	1235	16.0
Size of PSDP	2159	1785	

(Source: Budget Document 2022-23, Finance Division)

- Country's larger share of taxes comes from indirect taxes which is contingent with the economic activity and GDP growth. If tax base is not going to increase, moving forward, country's tax revenues growth shall drop further and it might end up dead weight loss to the economy.

- Pakistan has achieved almost all economic targets set for 2022-23 including agriculture sector, industry, services sector, tax revenue, investment etc. Next fiscal year targets mainly depends on how government will regulate more financial inclusion in the economy and ensuring structural balances.

- As far as Pakistan's economy fiscal operation is concerned, "let's decide once and for all, tax will derive the economy of Pakistan or economy will derive taxation system of Pakistan" Under the current IMF program, the fiscal deficit consolidation is a fundamental objective to contain Pakistan's fiscal deficit, boost country's economic growth and reduce the external sector vulnerabilities while keeping buffers in place. Going forward, attaining a high tax base will be challenging given the global uncertainty in oil prices and other commodity prices, that has affected many sectors of the economy. The challenge for the new economic team will be to ensure macroeconomic stabilization and economic revival at the same time, with an aim to keep the IMF programme on track. The conditions set for the next review of the IMF programme are very tough due to rampant devaluation of parity, rising debts, and high inflation with low increase in wages and employment opportunities.

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

The bill also proposes that every Company and AOP shall electronically furnish and update the records of beneficial owners

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. TAX ON HIGH EARNERS FOR POVERTY ALLEVIATION – SECTION 4C

The bill has proposed to introduce an additional new tax at the rate of 2% on income of every person earning more than Rs. 300 million.

The income for this purpose is proposed to be the sum of following amounts:

a) Profit on debt, dividend, capital gains, brokerage and commission;
b) Normal taxable income (other than brought forward depreciation and brought forward business losses), if not included in para (a) above;
c) imputable income excluding amounts in para (a) above; and
d) income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under special rule for Insurance, Exploration and production of petroleum, and banking companies

3. TAX ON CERTAIN PAYMENTS TO NON-RESIDENTS – SECTION 6

Section 6 of ITO provides for taxation, at specified rates, on Pakistan source royalty, fee for offshore digital services, or fee for technical services. The bill proposes to add following service in the above list so that these services provided by non-residents will also be taxed in Pakistan. The proposed services are:

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

The bill also proposes to increase tax rate from 5% to 10% in case of services other than royalty and fee for technical services.

4. DEEMED RENTAL INCOME – SECTION 7E

The bill has proposed to introduce a new section 7E, whereby, the concept of deemed rental income has been introduced. The rental income of the eligible property shall be deemed to be 5% of its fair market value, irrespective of the fact 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. This means the effective tax rate on Fair market value of the property will be 1%.

Section 7E shall not apply to following:

a) one-self owned immovable property,
b) self-owned business premises from which business is carried out;
c) self-owned agriculture land where agriculture activity is carried out by person but does not include farmhouse and land annexed thereto;
d) where the fair market value of the property or properties, in aggregate, excluding properties mentioned in (a),(b) and (c) above does not exceed Rs. 25 million;
e) a Provincial Government, a Local Government, a local authority or a development authority;
f) land development and construction projects of builders and developers registered with Directorate General of Designated Non-Financial Businesses and Professions of Board;
g) 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 FROM BUSINESS INCOME – SECTION 21

Section 21 specifies certain expenses which are not allowed as deduction from business income. The bill proposes to add certain other amounts in the list as under:

a) Contributions to funds

The bill proposes to disallow amounts of contributions to approved gratuity fund, an approved pension fund or an approved superannuation fund in excess of 50%.

The bill has not clarified that to what amount the rate of 50% has been referred. We understand that this should be the amount of annual salary of the employee and the same is required to be clarified.

b) Non Integration

The bill proposes to disallow any expenditure which is attributable to sales claimed by any person who is required to integrate but fails to integrate his business with the Board through approved fiscal electronic device and software. However, it is also proposed that such disallowance does not exceed 10% of the allowable deductions.

c) Payments through digital means

Section 21(l) of ITO provides that a business expense of **any person** shall not be allowed if paid through any means other than through **crossed banking instrument** from business bank account of the taxpayer.

The bill has now proposed to amend the above clause and has also introduced another clause (la), whereby, payments of business expenses by companies through **digital means from business bank account of the taxpayer notified to the Commissioner** have been made compulsory for claim of such expenses.

All other exceptions to the above restrictions are still proposed to be applicable. The exceptions are as under:

- Expense under a single account head does not exceed Rs.1,000,000 in aggregate in a year.

- expenditures on account of

  (i) utility bills;
  (ii) freight charges;
  (iii) travel fare;
  (iv) postage; and
  (v) payment of taxes, duties, fee, fines or any other statutory obligation

Option of payment through **digital mode** have also been proposed to be introduced for payment of salaries by employer to employees.

The above amendments with some variations were also introduced vide **Tax Laws (Third Amendment) Ordinance, 2021** which have now been proposed to be ratified through the bill.

It has also been proposed that the proposed amendment will take effect from such date as the Board may notify.

6. DEPRECIATION – SECTION 22

Through Finance Act 2020, depreciation for a depreciable asset was made allowable for half year only in the first year of use for assets introduced to business after 01-07-2020. For the year of disposal of such assets, 50% depreciation expenses were allowed. Before the FA 2020, under Section 22, a depreciable asset was allowed depreciation for full year in the year of first use and no depreciation was allowed in the year of disposal.

For example: A business put to use an asset worth Rs. 10 million first time during tax year 2021. The asset has a tax depreciation rate of 10%. The asset will be disposed of during 2022. As per the pre-FA 2020 position, tax depreciation of Rs. 1 million will be allowed during 2021 while no depreciation will be allowed during 2022. Whereas, the position pursuant to the FA 2020 will be that the depreciation allowance for year 2021 will be 0.5 million (Rs. 10 million x 10% /2) only. However, depreciation allowance for tax year 2022 will be Rs. 0.475 million [(Rs. 10 million – 0.5 million) x 10% /2].

The bill has proposed to reverse the above amendments and has restored the position prior to FA 2020.

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.

For example, a business purchases a passenger transport vehicle not plying for hire on lease with principle amount of Rs. 6 million and yearly lease rentals of Rs. 0.8 million. The proposal will treat the principal as Rs. 3 million and will rework the lease rental on the Rs. 3 million principal amount.

7. INITIAL ALLOWANCE – SECTION 23

Section 23 provides for initial allowance of 25% for eligible depreciable asset for first year the asset is placed into service in Pakistan. Certain assets have been excluded from eligible depreciable assets. The bill proposes to exclude 'immovable property or structural improvement to the immovable property' also from the definition of eligible depreciable asset.

8. CAPITAL GAIN ON IMMOVABLE PROPERTY – SECTION 37

The rates of taxes proposed in the finance bill have been reconstructed and divided into the specific type of properties such as open plots, constructed property and flats instead of the existing general categorization. The existing rates and holding periods are as follows:

S. No.	Holding Period	Gain
1	Where the holding period of an immovable property does not exceed one year	A
2	Where the holding period of an immovable property exceeds one year but does not exceed two years	A x ¾
3	Where the holding period of an immovable property exceeds two years but does not exceed three years	A x ½
4	Where the holding period of an immovable property exceeds three years but does not exceed four years	A x ¼
5	Where the holding period of an immovable property exceeds four years	0

S. No.	Amount of Gain	Rate of tax
1	Where the gain does not exceed Rs. 5 million	3.5%
2	Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	7.5%
3	Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	10%
4	Where the gain exceeds Rs. 15 million	15%

The bill proposes to restructure the above rates as under:

S. 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%	-	-

Currently, section 37 provides that where any capital asset becomes property of the person through gift, succession, distribution of assets, etc. the fair market value of the asset at the date of its transfer shall be the cost of asset for the person acquiring the asset. The bill has proposed to omit such provision which will have the effect that the assets will be valued at historical cost in the books of the transferee resulting in inflated capital gains.

9. CAPITAL GAIN ON SECURITIES- SECTION 37A

Under the Finance bill, the existing Division VII of the First schedule has been further simplified and has been made easily comprehensible. There were no changes to the rate of taxes for the capital gain on disposal of security in one year or two years and no change in the future commodity contracts by members of the Pakistan Mercantile Exchange.

The rates of tax have been proposed to be replaced as follows:

S.No	Holding Period	Existing Rate	Rate of Tax for Tax year 2023 and
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%
3.	Where the holding period exceeds two years but does not exceed three years		10%
4.	Where the holding period exceeds three years but does not exceed four years		7.5%
5.	Where the holding period exceeds four years but does not exceed five years		5%
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.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	5%

10. SICK INDUSTRIAL UNITS – SECTION 59C

Vide Income Tax (Amendment) Ordinance, 2022, A new **Section 59C** was inserted, whereby, an incentive was provided to the companies acquiring '*sick industrial units*' to revive them. This incentive was provided in the form of adjustment of business losses by the acquiring company.

The bill now proposes to withdraw the above incentive ab initio. However, it has not been clarified with respect to taxpayers who have already made investments.

11. WITHDRAWAL OF TAX CREDITS

The bill proposes to withdraw following tax credits:

a) Deductible allowance for the amount of profit on debt paid by an individual for a loan for construction or acquisition of a new house. **(Section 60C)**
b) Tax credit for investment in shares and Insurance – **(Section 62)**
c) Tax credit for investment in Health Insurance – **(Section 62A)**
d) Tax credit for contribution to an approved pension fund – **(Section 63)**

12. TAX CREDIT ON IT AND IT ENABLED SERVICES – SECTION 65F, 154A

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, on the other hand, also 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. Moreover, it is also proposed that the rate of advance tax in case of Non-filers may not be increased by 100%.

13. TAX CREDIT FOR FOREIGN INVESTMENT FOR INDUSTRIAL PROMOTION – SECTION 65H

Vide Income Tax (Amendment) Ordinance, 2022, A new **Section 65H** was inserted, whereby, a one-time 100% tax credit against tax liability was available against foreign investments.

The bill now proposes to withdraw the above incentive ab initio.

14. RESIDENT INDIVIDUAL –SECTION 82

Section 82 provides definition of a resident individual for the purpose of taxation. Section 82 provides that an individual shall be resident if:

a) He is present in Pakistan for 183 days or more; or
b) He is a government employee posted abroad

The bill now proposes to also include such citizens of Pakistan who are not a tax resident of any other country.

15. INCOME FROM AOP – SECTION 92

Section 92 provides principles of taxation of an AOP and provides that an AOP shall be taxed separately and any share of such taxed income will be exempt in the hands of partners.

The bill now proposes to add an explanation that in case the income of AOP is exempt, the share from such income will remain exempt in hands of the Partners.

16. SECTION 99A- PAYMENT OF TAX THROUGH ELECTRICITY CONNECTIONS

This section was proposed to be substituted in the existing wherein it shall apply to all retailers, except Tier-I retailers, and specified service providers who shall be charged taxes on their commercial electricity connections via rates mentioned below:

Proposed tax rates:

Gross amount of monthly bill	Tax in PKR
Where the amount does not exceed Rs. 30,000/-	3000
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	5000
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

It was also proposed to consider the collection/ payment of such taxes as final taxes on the income of persons whom it covers. Such collection will be made from the electricity connection installed on the premises.

It was also proposed that the Board may issue an Income Tax General Order ("ITGO") provided it had been approved by the Minister in-charge. The ITGO shall:

1. Provide the scope, time, payment, recovery, penalty, default surcharge, adjustment or refund of tax payable under conditions and manners as may be specified.
2. provide record keeping, filing of return, statement and assessment in such manner and conditions as may be specified;
3. provide mechanism of collection, deduction and payment of tax in respect of any person; or
4. include or exempt any person or classes of persons, any income or classes of income in such manner with such conditions as may be specified.";

However, this section / rates shall not apply to a retailer who already pays taxes on their commercial electricity connections under section 3(9) of the Sales Tax Act, 1990.

17. 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 Past 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.

18. INVESTMENT IN NEW INDUSTRIES/EXISTING INDUSTRIES – SECTION 100F

Vide Income Tax (Amendment) Ordinance, 2022, A new **Section 100** was inserted, whereby, a general amnesty was extended to all persons to declare assets by paying a general tax rate of 5% through investment in new industries.

The bill now proposes to withdraw the above incentive ab initio.

19. RECHARACTERIZATION OF INCOME AND DEDUCTIONS – SECTION 109

Section 109 empowers the Commissioner to recharacterize a transaction. The bill now proposes to extend such powers to enable the Commissioner to treat a place of business in Pakistan as a permanent establishment, if the said place is a fixed place of business that is used or maintained by a person if the person or an associate of a person carries on business at that place or at another place in Pakistan and-

i. That place or other place constitutes a permanent establishment of the person or an associate of the person under this sub-clause, or
ii. Business carried on by the person or an associate of the person at the same place or at more than one place constitutes complementary functions that are part of a cohesive business operation.

20. UNEXPLAINED INCOME OR ASSETS – SECTION 111

Section 111(4) provides immunity from inquiry to an amount, upto Rs. 5 million, remitted through normal banking in Pakistan in foreign currency and converted into PKR.

Vide Tax Laws (Third Amendment) Ordinance, 2021 an explanation was added whereby, remittances through Money Service Bureaus (MCBs), Exchange Companies (ECs) and Money Transfer Operators (MTOs) such as Western Union, Money Gram and Ria Finance or other like entities, was deemed as foreign exchange remitted from outside Pakistan through normal Banking channels.

The above explanation has been introduced consequent to decision of Appellate Tribunal Inland Revenue, Lahore in ITA no. 3609/LB/2020, wherein, remittances from above listed services were treated as foreign exchange. After the decision, a detailed circular No. 05 of 2020 was also issued, comments on which have been covered in our August Edition of our Monthly Newsletter Tax Pak.

The bill has now proposed to ratify the above explanation.

21. TURNOVER TAX – SECTION 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.

22. POWER TO ENFORCE FILING OF RETURNS | DISCONTINUATION OF UTILITIES – S. 114B

Vide Tax Laws (Third Amendment) Ordinance, 2021, FBR was vested with powers to issue Income Tax General Order in respect of persons who are not appearing on ATL but are liable to file return under the provisions of ITO. FBR was also vested with the powers of discontinuation of Mobile Phone connections, electricity connections and gas connections.

FBR or concerned commissioner was also empowered to issue orders to restore above discontinued connections in cases where he is satisfied that the return has been filed or the person was not required to file return of income under ITO.

Before inclusion of any person in the general order, following conditions were required to be met:

(i) Notice under sub section (4) of section 114 has been issued;
(ii) Date of compliance of the notice under sub section (4) of section 114 has elapsed; and
(iii) The person has not filed the return.

Now through the bill, the above amendments have been proposed to be ratified.

23. 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.

24. AMENDMENT OF ASSESSMENT – SECTION 122

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.

25. ALTERNATE DISPUTE RESOLUTION: SECTION 134A

Presently, there is no limit on the amount of tax liability on the aggrieved person for applying to the Board for the appointment of committee for resolution of any hardship or dispute.

The bill proposes that the tax liability on the aggrieved person must be one million or more for applying to the Board for the appointment of committee for resolution of any hardship or dispute.
Presently, the time period for appointment of the committee by the Board is 60 days upon receipt of an application.

The bill proposes to reduce the time period for appointment of the committee by the Board to 45 days upon receipt of an application.

Presently, the Committee shall comprise of Chief Commissioner Inland Revenue having jurisdiction and two persons from the panel notified by Board comprising of Chartered Accountants, Cost and Management Accountants and advocates having minimum 10 years of experience in the field of taxation and reputable businessmen.

The Bill proposes that the Committee shall comprise of:

- Chief Commissioner Inland Revenue having jurisdiction
- Person to be nominated by the taxpayer from the panel notified by the Board comprising of:
  - Chartered Accountants, Cost and Management Accountants and advocates having minimum 10 years of experience in the field of taxation.
  - Officers of the Inland Revenue Service who have retired in BS 21 or above or;
  - Reputable businessmen as nominated by Chambers of Commerce and Industry
- Person to be nominated through consensus by the members appointed under (i) and (ii) above

26. ADVANCE TAX ON IMPORTS – 148

Section 148 provides for deduction of taxes at different rates on different specified products. Section 148 also provides that taxes are required to be deducted by industrial undertakings at the rates of 1% and 2% shall be adjustable.

The bill now proposes that the tax required to be collected by an industrial undertaking section 148 will be adjustable irrespective of the rate at which such collection is required.

The bill also proposes that tax deducted at import stages in case of importers other than Industrial Undertaking shall be final tax instead of minimum tax.

The bill also proposes that tax required to be collected on import of following items will be treated as minimum tax:

- edible oil;
- packaging material;
- paper and paper board; or
- plastics

The bill also proposes to increase advance tax rate from 2% to 4% for commercial importers.

Imports of mobile phones: The bill proposes to amend the rate of advance tax on import of mobile phone as under:

S. No.	C&F Value of Mobile phone (in USD)	Existing Tax Rate in PKR		Proposed Tax Rate in PKR	
		In CBU Condition PCT Heading 8517.1219	In CKD/SKD condition under PCT Heading 8517.1211	In CBU Condition PCT Heading 8517.1219	In CKD/SKD condition under PCT Heading 8517.1211
1.	Upto 30 except smart phones	70	0	70	0
2.	Exceeding 30 and upto 100	100	0	100	0
3.	Exceeding 100 and upto 200	930	0	930	0
4.	Exceeding 200 and upto 350	970	0	970	0
5.	Exceeding 350 and upto 500	3000	5000	5000	3000
6.	Exceeding 500	5200	11500	5200	11500

27. PAYMENTS TO NON-RESIDENTS – SECTION 152

The bill proposes that every exchange company licensed by the State Bank of Pakistan shall deduct tax at the time of making payment of service charges or commission or fee, by whatever name called, to the global money transfer operators, international money transfer operators or such other persons engaged in international money transfers or cross-border remittances for facilitating outward remittances, at the rate of 10%. Provided that where such person retains service charges or commission or fee, by whatever name called from the amount payable to the exchange company on any account, the exchange company shall be deemed to have paid the service charges or commission or fee, by whatever name called and the exchange company shall collect the tax accordingly.

The bill also proposes that every banking company while making payment to card network company or payment gateway or any other person, of any transaction fee or licensing fee or service charges or commission or fee by whatever name called or interbank financial telecommunication services, shall deduct tax at the rate of 10%. Provided that where card network company or payment gateway or any other person retains money in relation to aforementioned services from the amount payable to the banking company on any account, the banking company shall be deemed to have paid the amount and the banking company shall collect the tax accordingly.

The bill also proposes that the tax deductible as above will be final tax.

28. REDUCED RATE ON REIT MANAGEMENT SERVICES – SECTION 153

The Division III, Part III of First Schedule specifies a list of services which are subject to withholding tax at reduced rate of 3%. The bill proposes to add 'REIT management services and services rendered by National Clearing Company of Pakistan Limited' in the list.

29. 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.

30. SECTION 175B- NATIONAL DATABASE AND REGISTRATION AUTHORITY (NADRA)

The proposed finance bill had inserted another section wherein either upon application by the Board or on its own, the National Database and Registration Authority (NADRA) shall share its records/ information with the Board in order to expand the existing tax base/ carrying out their purpose.

In the said addition, NADRA may:

1. submit proposals and information to the Board with a view to broaden the tax base.
2. identify any person (taxpayer or not):

   a. income, receipts, assets, properties, liabilities, expenditures, or transactions that have escaped assessment/ are under-assessed / had been assessed at a low rate/ subjected to excessive relief or refund /misdeclared or misclassified under a particular head of income or otherwise;
   b. the value of anything aforementioned, if is at variance with the value notified by the Board or the district authorities, or if no such value has been notified the true or market value; and
   c. enter into a memorandum of understanding with the Board for a secure exchange and utilization of a person's information.

The Board may also use/utilize any information communicated from NADRA and forward that to an Income Tax Authority having jurisdiction, who may utilize the information for the purpose of this Ordinance. Via the proposed bill, NADRA was also empowered to use any artificial intelligence/ mathematical or statistical modeling/ any other modern device/ calculation method to compute income and tax liability of anyone, and such computation shall be notified by the Board to the person on whom it was determined to pay the amount subject to the terms, conditions, installments, discounts, reprieves pertaining to penalty and default surcharge, and time limits as prescribed by the Board.

If the person pays such amount, then it shall be constructed to be an amended assessment order under section 120 or sub-section (1) of section 122 or sub-section (4) of section 122, as the case may be. In case of non-payment, the Board shall take action as under the Ordinance upon the basis of tax liability.

The Board via the proposed bill, is also empowered to prescribe the extent of installments, reprieves pertaining to penalty and default surcharge and time limits.

31. AUDIT REPORT – SECTION 177

Section 177 provides that after completion of audit of a taxpayer, the Commissioner shall issue an audit report after obtaining taxpayer's explanation on all the issues raised in the audit. Section 177 also provides that after issuing audit report, the Commissioner will provide an opportunity of being heard to the taxpayer before amending the assessment order.

The bill now proposes to withdraw the requirement of issuing audit report. We understand that this will reduce the transparency and will result in assessment orders containing frivolous demands as most of the issues that could be solved at audit stage will now be forced before appellate authorities.

32. SECTION 182- OFFENCES AND PENALTIES

Offences	Current Penalties	Proposed penalties Finance Bill
[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 0.1% of the tax payable in respect of that tax year for each day of default subject to a **m**aximum penalty of 50% of the tax payable provided that if the penalty worked out as aforesaid is less than [3] [forty] thousand rupees or no tax is payable for that tax year such person shall pay a penalty of 1 [forty] thousand rupees] [:]	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.

The proposed finance bill had introduced the following in addition to the existing serials:

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.	181E
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."	164A
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	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.	237A

	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.		
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 237, as the case may be	237A
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.”;	237A

33. PROSECUTION FOR NON-COMPLIANCE – SECTION 191

Section 191 provides that where a person fails to perform certain actions, he shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

The bill proposes to add following two actions also in the above list:

- Integration of business with Board’s computerized system; and
- Generation of tax invoice verifiable by the Board’s system

The Board via the proposed bill, is also empowered to prescribe the extent of installments, reprieves pertaining to penalty and default surcharge and time limits.

34. CONDONATION OF TIME – SECTION 214A

Section 214A empowers the Board to condone any time limit or period specified under the ITO. The bill now proposes to clarify that such power may be exercised by Board at any time before or after the expiry of such time or period.

35. PROCEEDINGS AGAINST AUTHORITY AND PERSONS – SECTION 216A

Section 216A empowers the Board to prescribe rules for initiating criminal proceedings against specified authorities and officer of the Directorates General who willfully and deliberately commits or omits an act which results in undue benefit or advantage to the authority or the officer or official or to any other person.

The bill now proposes to withdraw the above powers of the Board.

36. DIRECTORATE GENERAL OF TRAINING AND RESEARCH – SECTION 229

The bill proposes to rename the ‘Directorate General of Training and Research’ to ‘Inland Revenue Service Academy’.

37. ADVANCE TAX ON PRIVATE MOTOR VEHICLES – SECTION 231B

The bill proposes to amend the advance tax rates as under:

S.No	Engine Capacity	Current Tax	Proposed Tax
1.	Upto 850 cc	7500	**Rs.10,000**
2.	851cc to 1000cc	15000	**Rs.20,000**
3.	1001cc to 1300cc	25000	**Rs.25,000**
4.	1301cc to 1600cc	50000	**Rs.50,000**
5.	1601cc to 1800cc	75000	**Rs.150,000**
6.	1801cc to 2000cc	100000	**Rs.200,000**
7.	2001cc to 2500cc	150000	**Rs.300,000**
8.	2501cc to 3000cc	200000	**Rs.400,000**
9.	**Above 3000cc**	**250000**	**Rs.500,000**

The bill also proposes that the rate of advance tax, on motor vehicles where engine capacity is not applicable and the value of vehicle is Rs. 5 million or more, will be 3% of import value or invoice value as the case may be.

The rate of advance tax in case of transfer of registration is proposed to be Rs. 10,000 which will be reduced by 10% each year from date of first registration in Pakistan.

The bill also proposes that advance tax rates for non-filers shall be increased by 200% (i.e. 3 times the standard rates)

38. ADVANCE TAX ON VEHICLE PLYING FOR HIRE- SECTION 234

The rates per seat on basis of air conditioning, had been increased for the passenger vehicles plying for hire in the proposed finance bill. Below is the comparative of the Existing versus Proposed Finance Bills.

S.No		Existing	Proposed	
S. No.	**Capacity**	**Rs per seat per annum**	**Non-Air Conditioned**	**Air Conditioned**
(i)	Four or more persons but less than ten persons	50	500	**1000**
(ii)	Ten or More persons but less than twenty persons	100	1500	**2000**
(iii)	**Twenty persons or more**	**300**	**2500**	**4000**

39. 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.

40. WITHHOLDING TAX OMISSIONS

The bill proposes to withdraw following withholding taxes:

- Collection of advance tax by educational institutions **(Section 236I)**
- Payment to residents for use of machinery and equipment **(Section 236Q)**

41. ADVANCE TAX ON PERSONS REMITTING AMOUNTS ABROAD – (SECTION 236Y)

Section 236Y was withdrawn vide Finance Act, 2021. The section required every banking company shall 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%.

The bill now proposes to reinstate the above provisions.

42. PRIZE SCHEMES TO PROMOTE TAX CULTURE – SECTION 237B

The bill proposes to empower the Board to prescribe prize schemes to encourage the general public to make purchases, or avail services only from integrated enterprises issuing tax invoices. The bill also proposes to empower the Board to prescribe procedure for mystery shopping in respect of invoices issued by integrated enterprises randomly.

43. BANKING COMPANIES

The bill proposes to increase rate of normal income tax for a banking company to 42% on the pretext that the banking companies have enjoyed extravagant profits due to higher profit rates on debt instruments purchased by the State Bank.

The bill also proposes to withdraw benefit of tax at reduced final rate of 15% on profit on debt from investment in Government Securities. This means this profit on debt will be added in their normal income.

The bill also proposes to restrict the levy of super tax on banking companies till tax year 2022 only.

44. ADVANCE TAX ON TV PLAYS AND ADVERTISEMENTS

The bill proposes to reduce advance tax on advertisements starring foreign actor from Rs. 500,000 per second to Rs. 100,000 per second.

45. AMENDMENTS IN FIRST SCHEDULE

The bill proposes to amend the income tax rates on salaried individuals as under:

existing rates		proposed rates	
Not exceeding Rs. 600,000	Nil	**Not exceeding Rs. 600,000**	
Exceeding Rs. 600,000 less than Rs. 1,200,000	5%	**Exceeding Rs. 600,000 less than Rs. 1,200,000**	**Rs.100**
Exceeding Rs. 1,200,000 less than Rs. 1,800,000	Rs. 30,000 + 10% of amount exceeding Rs. 1,200,000	**Exceeding Rs. 1,200,000 less than Rs. 2,400,000**	**7% of amount exceeding Rs. 1,200,000**
Exceeding Rs. 1,800,000 less than Rs. 2,500,000	Rs. 90,000 + 15% of amount exceeding Rs. 1,800,000	**Exceeding Rs. 2,400,000 less than Rs. 3,600,000**	**Rs. 84,000 + 12.5% of amount exceeding Rs. 2,400,000**
Exceeding Rs. 2,500,000 less than Rs. 3,500,000	Rs. 195,000 + 17.5% of amount exceeding Rs. 2,500,000		
Exceeding Rs. 3,500,000 less than Rs. 5,000,000	Rs. 370,000 + 20% of amount exceeding Rs. 3,500,000	**Exceeding Rs. 3,600,000 less than Rs. 6,000,000**	**Rs. 234,000 + 17.5% of amount exceeding Rs. 3,600,000**
Exceeding Rs. 5,000,000 less than Rs. 8,000,000	Rs. 670,000 + 22.5% of amount exceeding Rs. 5,000,000		
Exceeding Rs. 8,000,000 less than Rs. 12,000,000	Rs. 1,345,000 + 25% of amount exceeding 8,000,000	**Exceeding Rs. 6,000,000 less than Rs. 12,000,000**	**Rs. 654,000 + 22.5% of amount exceeding Rs. 6,000,000**
Exceeding Rs. 12,000,000 less than Rs. 30,000,000	Rs. 2,345,000 + 27.5% of amount exceeding 12,000,000	**Exceeding Rs. 12,000,000**	**Rs. 2,004,000 + 32.5% of amount exceeding Rs. 12,000,000**
Exceeding Rs. 30,000,000 less than Rs. 50,000,000	Rs. 7,295,000 + 30% of amount exceeding 30,000,000		
Exceeding Rs. 50,000,000 less than Rs. 75,000,000	Rs. 1,3295,000 + 32.5% of amount exceeding 50,000,000		
Exceeding Rs. 75,000,000	Rs. 21,420,000 + 35% of amount exceeding 75,000,000		

The change in tax rates will impact the tax liabilities of different classes as under:

Annual Salary	Current Tax	Proposed Tax
800,000	10,000	100
1,200,000	30,000	100
2,000,000	120,000	56,000
3,000,000	282,500	159,000
4,000,000	470,000	304,000
5,000,000	670,000	479,000
6,000,000	895,000	654,000
7,000,000	1,120,000	879,000
8,000,000	1,345,000	1,104,000
9,000,000	1,595,000	1,329,000
10,000,000	1,845,000	1,554,000
20,000,000	4,545,000	4,604,000
40,000,000	10,295,000	11,104,000
60,000,000	16,545,000	17,604,000
80,000,000	23,170,000	24,104,000

The trend shows that the proposed change will have a negative impact on higher income brackets and a positive impact on lower income brackets.

Tax rates for business individuals and AOPs-Part I

The bill proposes to amend the income tax rates on business individuals and AOPs as under:

As per existing rates		As per proposed rates	
Not exceeding Rs. 400,000	Nil	**Not exceeding Rs. 600,000**	**Nil**
Exceeding Rs. 400,000 less than Rs. 600,000	5% of amount exceeding Rs. 400,000	**Exceeding Rs. 600,000 less than Rs. 800,000**	**5% of amount exceeding Rs. 600,000**
Exceeding Rs. 600,000 less than Rs. 1,200,000	Rs. 10,000 + 10% of amount exceeding Rs. 600,000	**Exceeding Rs. 800,000 less than Rs. 1,200,000**	**Rs. 10,000 +12.5% of amount exceeding Rs. 800,000**
Exceeding Rs. 1,200,000 less than Rs. 2,400,000	Rs. 70,000 + 15% of amount exceeding Rs. 1,200,000	**Exceeding Rs. 1,200,000 less than Rs. 2,400,000**	**Rs. 60,000 + 17.5% of amount exceeding Rs. 1,200,000**
Exceeding Rs. 2,400,000 less than Rs. 3,000,000	Rs. 250,000 + 20% of amount exceeding Rs. 2,400,000	**Exceeding Rs. 2,400,000 less than Rs. 3,000,000**	**Rs. 270,000 + 22.5% of amount exceeding Rs. 2,400,000**
Exceeding Rs. 3,000,000 less than Rs. 4,000,000	Rs. 370,000 + 25% of amount exceeding Rs. 3,000,000	**Exceeding Rs. 3,000,000 less than Rs. 4,000,000**	**Rs. 405,000 + 27.5% of amount exceeding Rs. 3,000,000**
Exceeding Rs. 4,000,000 less than Rs. 6,000,000	Rs. 620,000 + 30% of amount exceeding Rs. 4,000,000	**Exceeding Rs. 4,000,000 less than Rs. 6,000,000**	**Rs. 680,000 + 32.5% of amount exceeding Rs. 4,000,000**
Exceeding Rs. 6,000,000	Rs. 1,220,000 + 35% of amount exceeding 6,000,000	**Exceeding Rs. 6,000,000**	**Rs. 1,330,000 + 35% of amount exceeding Rs. 6,000,000**

The change in tax rates will impact the tax liabilities of different classes as under:

Taxable Income	Current tax	Proposed Tax
600,000	10,000	Nil
1,000,000	50,000	35,000
2,000,000	190,000	200,000
3,000,000	370,000	405,000
4,000,000	620,000	680,000
5,000,000	920,000	1,005,000
6,000,000	1,220,000	1,330,000
7,000,000	1,570,000	1,680,000
8,000,000	1,920,000	2,030,000
9,000,000	2,270,000	2,380,000
10,000,000	2,620,000	2,730,000
20,000,000	6,120,000	6,230,000
40,000,000	13,120,000	13,230,000
60,000,000	20,120,000	20,230,000
80,000,000	27,120,000	27,230,000

46. AMENDMENTS IN SECOND SCHEDULE

a. Voluntary Pension System - Part I Clause 23A

At present, there is an exemption on accumulated balance of upto 50% received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 at the time of eligible person's:

a) retirement; or
b) disability rendering him unable to work; or
c) in case of death, by his nominated survivors

The bill proposes to remove the restriction of 50% on accumulated balance received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005.

b. Individual Pension Account - Part I Clause 23B

At present, the amounts received as monthly installment from an income payment plan invested out of the accumulated balance of an individual pension accounts with a pension fund manager or an approved annuity plan or another individual pension account of eligible person or the survivors pension account maintained with any other pension fund manager as specified in the Voluntary Pension System Rules 2005 shall be exempt from tax provided accumulated balance is invested for a period of ten years

The bill proposes to withdraw the above exemption by omitting clause 23B

c. Exemption to Approved Non- Profit Organizations: 2nd Schedule Part I Clause 66

Presently, any income derived by the organizations listed in the clause 66 shall be exempt subject to fulfilment of conditions specified under section 100C.

The bill proposes to include the following organization in the list:

- i) Pakistan Mortgage Refinance Company Limited
- ii) The Pakistan Global Sukuk Programme Company Limited
- iii) Karandaaz Pakistan from tax year 2015 onwards
- iv) Pakistan Sweet Homes Angles and Fairies Place.
- v) Public Private Partnership Authority for tax year 2022 and subsequent four tax years
- vi) Dawat-e-Islami Trust
- vii) Hamdard Laboratories (Waqf) Pakistan

Furthermore, the bill proposes to remove the following organizations from the list:

- i) International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVIII of 1956) and provided in section 9 of Article VI or Articles of Agreement 1995 as amended through April 1993.
- ii) Commission on Science and Technology for Sustainable Development in the South (COMSATS).
- iii) Deposit Protection Corporation established under sub-section (I) of section 3 of Deposit Protection Corporation Act, 2016 (XXXVII of 2016).

d. Subsidy by Federal Government: Part I Clause 102A

At present, there is an exemption on Income of a person which represents a subsidy granted to him by the Federal Government for the purposes of implementation of any orders of the Federal Government on this behalf.

The bill proposes to withdraw the above exemption by omitting clause 102A.

e. Exemption to Specified Industries: 2nd Schedule Part I Clause 150

The bill proposes to introduce the exemption on Income derived by Siyahkalem Engineering Construction Industry and Trade Company Limited from contract dated 23rd day of May, 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by the Saudi Fund for Development with effect from tax year 2017.

f. Exemption to Specified Industries: 2nd Schedule Part I Clause 150

The bill proposes to introduce the exemption 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 of cinema operations. Provided that this exemptions shall only be available to those persons who start cinema construction on or before the 31st day of December, 2023.

g. 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'.

h. 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.

i. Capital gain on immovable property to specified persons - Clause (9A), Part III,

Clause (9A) provides that the amount of tax payable on income chargeable under the head, "Capital Gains" on disposal of immovable property shall be reduced by fifty percent on the first sale of immovable property (75% in case of after 3 years) acquired or allotted to ex-servicemen and serving personnel of Armed Forces or ex-employees or serving personnel of Federal and Provincial Governments, being original allottees of the immovable property, duly certified by the allotment authority.

The bill proposes to withdraw the above exemption.

j. Minimum tax exemption to Mobile phone manufacturers – 113, Clause (11A), Part IV

The bill proposes to provide exemption from minimum tax under section 113 to Mobile phone manufacturers engaged in the local manufacturing of mobile phone devices.

k. Import of Cinematographic equipment – Section 148, Clause (12P), Part IV

The bill proposes to exempt advance tax on import of cinematographic equipment as notified by the Federal Government.

l. Investment in green field industrial undertaking – Clause (86), Part IV

Clause 86 provides exemption from applicability of section 111 for following investments:

- investment made by an individual in a greenfield industrial undertaking directly or as an original allottee in the purchase of shares of a company establishing an industrial undertaking or capital contribution in an association of persons establishing an industrial undertaking;
- investment made by an association of persons in an industrial undertaking; and
- investment made by a company in an industrial undertaking— if the said investment is made on or after the 1st day of January, 2014 and commercial production commences on or before the 30th day of June, 2019.

The bill proposes to withdraw the above exemption.

m. Exemption to Pakistan global Sukuk Program - Clause (95),(96), (97A) Part IV

The bill proposes to provides exemptions from sections 147, 150A, 151, 152, 236A and 236K as a payer and from sections 147, 150A, 151, 155 and 236K as a receiver to The Pakistan Global Sukuk Programme Company Limited.

The bill also proposes 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 immoveable property to National Highway Authority from the Second Pakistan International Sukuk Company Limited or the Pakistan Global Sukuk Programme Company Limited

n. 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.

Amendments in Sales Tax Act, 1990

1. Definitions – Section 2

The Bill has made the following amendments in Section 2 of the Sales Tax Act 1990 (“STA”). These are as follows:

(a) Section 2(12): Goods

- The Bill has proposed to add the terms “Production, transmission and distribution of electricity” to the definition of Goods. Through this proposed amendment, now the production, transmission and distribution of electricity will be classified as goods.

(b) 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”, by amending Section 2(29A)(b)

(c) Section 2(33): Supply

- The Bill has proposed to add a new clause (e) whereby production, transmission and distribution of electricity is now proposed to fall within the purview of the definition of “Supply”. Through this amendment, now the production, transmission and distribution of electricity will now be considered a supply of goods.

(d) Section 2(43A): Tier-1 Retailers

A new clause (ga) has been added through which now 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. Section 3 – Scope of Tax

The Bill has proposed the following amendments to Section 3 (Scope of Tax) under the STA:

(a) Further Tax - Section 3(1A):

Through the Bill, it has been proposed 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. Before this proposed amendment, the further tax applied only to supplies made to a person who has not obtained a registration number.

(b) Online Market Place facilitating the sale - Section 3(7):

A proviso has proposed to be added that was earlier added to the STA vide the Tax Laws (Third Amendment) Ordinance 2021. This proposed amendment, subject to approval thereof in the Finance Act 2022, provides that where an online market place is facilitating the sale of third party goods, the liability to withhold tax at 2% of gross value of supplies as per Serial No.8 of the Eleventh Schedule to the STA, will be on the online market place.

(c) Tax on electricity bills of retailers

- Section 3(9): Through this section, a 5% rate of tax on retailers (other than Tier 1) through the monthly electricity bills of the retailers where their monthly bill does not exceed PKR 20,000; a 7.5% rate of tax where the monthly electricity bill is more than PKR 20,000 had been levied, and the electricity supplier is obliged to deposit the amount so collected directly without adjusting against his input tax.
- The **proposed amendment** has now sought 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.

- **Section 3(9): Proviso Proposed**

  In addition to the above, a proviso has been proposed to be added in Section 3(9), in addition to the already existing provisos. This proposed proviso empowers the Board to prescribe any person or class of persons who shall pay Rs. 50,000 per month through their electricity bill.

(d) Integration with invoice issuing machines

Section 3(11): A new Sub-section (11) has been proposed to be added in Section 3, through which the Board has been empowered to require any person or class of persons to integrate their invoice issuing machines with the Board's Computerized System or real time reporting of sales in such mode and manner and from such date as may be prescribed.

3. Time and manner of Payment - Section 6

The Bill has proposed to be amended Section 6 of the STA. Through the proposed amendment, a new subsection (5) is proposed to be added. The newly proposed Section 6(5) empowers the Federal Government to allow payment of sales tax on instalment basis by the Federal or Provincial Governments or any public sector organization on import or supply of any goods or class of goods, subject to conditions, limitations and restrictions that the Federal Government may impose vide Official Notification in the Gazette. There is also a proviso which empowers the Federal Government to specify payments from any previous date in the Notification, which means the Federal Government is empowered to give retrospective effect to the application of Section 6(5) through a Notification in the Official Gazette.

4. Section 8(1)(m) Omitted

The Bill has proposed to omit Section 8(1)(m) of the STA. The said sub-section read as follows;

> *"(1) Notwithstanding anything contained in this Act, a registered person shall not be entitled to reclaim or deduct input tax paid on – (m) the input goods [or services] attributable to supplies made to un-registered person, on pro-rata basis, for which sale invoices do not bear the NIC number or NTN as the case may be, of the recipient as stipulated in section 23."*

Through the aforesaid proposed amendment, 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. Adjustable Input Tax – Section 8B

The Bill has proposed to amend Section 8B(1), whereby the Bill has removed the words "other than public limited companies listed on Pakistan Stock Exchange" from Section 8B(1). The effect of this proposed amendment will now be that Public limited companies listed on the Pakistan Stock Exchange will also be subject to the restriction of not being able to adjust input tax in excess of ninety percent of the output tax for the said tax period.

6. Discontinuance of gas and electricity connections – Section 14AB proposed

The Bill has proposed to add a new Section 14AB, through which the Board has been empowered 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. The said proposed amendment seems like a penalty provision, through which the main goal of the

Federal Government seems that they want to increase the registration for sales tax, and integrate notified tier-1 retailers that are registered for sales tax.

7. Section 23- Tax Invoices- Withdrawal of the CNIC Condition

The Bill has proposed to amend Section 23(1)(b). Through the proposed amendment, 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/-, has been removed.

8. Section 30C – Directorate General of Training and Research

The Bill has proposed to amend Section 30C and to replace the heading and words "Directorate General of Training and Research", with the words "Inland Revenue Services Academy".

9. Offences and Penalties – Section 33

The Bill has amended Section 33, clause 24. Through the proposed amendment, issuing an invoice that does not carry a QR Code or bears a counterfeit QR Code or if the person issuing the invoice defaces the prescribed number of the barcode or the QR Code, is now an offence.

10. The bill proposes following items to be exempted under Sixth Schedule

- All types of books
- Art cards
- 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.
- Photovoltaic cells whether or not assembled in modules or made up into panels
- 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.
- Photovoltaic cells whether or not assembled in modules or made up into panels
- 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).
- Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.
- 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).
- Silver, in unworked condition
- Gold, in unworked condition

- Tractor
- 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, 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
- Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal on which tax has been paid at the import stage @ 4%
- Prepared food or foodstuff supplied by restaurants and caterers.
- 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.
- Construction machinery, equipment, and specialized vehicles excluding passenger vehicles, are imported on a temporary basis as required for the construction of the project.

11. Supply of ware potato and onions have been omitted from sixth schedule making them taxable.

12. Following amendment have been proposed in Eighth Schedule:

- Following items have been omitted
    - Agricultural tractors
    - Locally produced coal
    - Import of electric vehicle in CBU conditions
- Rate of Potassium Chlorate (KCLO3) has been reduced from 17% plus Rs. 90 per KG to 17% plus Rs. 60 per KG.
- Following items have been added to the Eighth Schedule at mentioned reduced rates with certain conditions.
    - Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal **– 3%**
    - Import articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal **– 4%**
    - Local supply of reclaimed lead **– 1%**

13. The bill has proposed to exclude compressor scrap (PCT heading 7204.4940), motor scrap (PCT heading 7204.4990) and copper cable cutting scrap (PCT heading 7404.0090) from the list of items which are not subject to minimum value addition tax.

1. DEFINITION OF DUTY

The bill proposes to clarify that fee and services charges collected under FEA 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 of excisable goods and services as under:

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**

1. REDUCTION IN TAX RATES: S.NO. 1 THE SCHEDULE TABLE 1

At present, the rate of tax on services provided by hotels, motels, guest houses, farm houses, restaurants, marriage halls and lawns is 16%.

The bill proposes to reduce the rate of tax on services provided by hotels, motels , guest houses, farm houses, restaurants, marriage halls, lawns, clubs and caterers to 15%.

2. REDUCTION IN TAX RATES ON CERTAIN SERVICES: THE SCHEDULE TABLE 1

The bill proposes to reduce the rate of tax from 16% to 15% on the following services:

- Advertisement on television and radio, excluding advertisements
- Services provided by persons authorized to transact business on behalf of others– (a) stevedore; (b) customs agents; and (c) ship chandlers.
- Courier services and cargo services by road provided by courier companies;
- Construction services, excluding certain specified services
- Services provided by persons engaged in contractual execution of work, excluding: (i) annual total value of the contractual works or supplies does not exceed Rs.50 million; (ii) the contract involving printing or supplies of books.
- Services provided for personal care by beauty parlours, clinics and slimming clinics, body massage centres, pedicure centres; including cosmetic and plastic surgery by such parlours/clinics, but excluding: (i) annual turnover does not exceed Rs.3.6 million; or (ii) the facility of air-conditioning is not installed or available in the premises.
- Management consultancy services
- Services provided by freight forwarding agents, and packers and movers.
- Services provided by software or IT-based system development consultants.
- Services provided by technical, scientific and engineering consultants
- Services provided by other consultants including but not limited to human resource and personnel development services; market research services and credit rating services
- Services provided by tour operators and travel agents including all their allied services or facilities (other than Hajj and Umrah)
- Manpower recruitment agents including labour and manpower supplies
- Services provided by security agencies.
- Services provided by advertising agents
- Share transfer or depository agents including services provided through manual or electronic book-entry system used to record and maintain securities and to register the transfer of shares, securities and derivatives.
- Business support services.
- Services provided by fashion designers, whether relating to textile, leather, jewellery or other product regimes, including allied services, marketing, packing, delivery and display, etc.
- Services provided by architects, town planners and interior decorators.
- Services provided in respect of rent a car.
- Services provided by specialized workshops or undertakings (auto-workshops; workshops for industrial machinery, construction and earthmoving machinery or other special purpose machinery etc; workshops for electric or electronic equipments or appliances etc. Including computer hard ware; car washing or similar service stations and other workshops).
- Services provided for purposes including fumigation services, maintenance and repair (including building and equipment maintenance and repair including after sale services) or cleaning services, janitorial services, dredging or de-silting services and other similar services etc.
- Services provided by underwriter, indenters, commission agents including brokers (other than stock) and auctioneers
- Services provided by laboratories other than services relating to pathological or diagnostic tests for patients.
- Services provided by health clubs, gyms, physical fitness centres, indoor sports and games centres and body or sauna massage centres

- Services provided by laundries and dry cleaners.
- Services provided by cable TV operators
- Technical analysis and testing services
- Services provided by TV or radio program producers or production houses.
- Transportation through pipeline and conduit services.
- Fund and asset (including investment) management services.
- Services provided by inland port operators (including airports and dry ports) and allied services provided at ports and services provided by terminal operators including services in respect of public bonded warehouses, excluding the amounts received by way of fee under any law or by-law.
- Technical inspection and certification services and quality control (standards' certification) services
- Erection, commissioning and installation services.
- Event management services
- Valuation services; competency and eligibility testing services excluding education testing services provided or rendered under a bilateral or multilateral agreement signed by the Government of Pakistan],
- Exhibition or convention services
- Services provided in respect of mining of minerals, oil & gas including related and allied activities
- Services provided by property dealers and realtors.
- Services provided by car/ automobile dealers.
- Advertisement on hoarding boards, pole signs and signboards, and websites or internet
- Services provided by landscape designers
- Sponsorship services
- Services provided or rendered by legal practitioners and consultants
- Services provided by accountants and auditors
- Service provided or rendered by Stockbrokers, future brokers and commodity brokers, money exchanger, surveyors, outdoor photographers, event photographers, videographers, art painters, auctioneers (excluding value of goods) and registrar to an issue
- Services provided by race clubs: Entry/ admission and other services
- Services provided or rendered by corporate law consultants
- Visa processing services, including advisory or consultancy services for migration or visa application filing services
- Debt collection services and other debt recovery services
- Supply chain management or distribution (including delivery) services
- Services provided or rendered by persons engaged in inter-city transportation or carriage of goods by road or through pipeline or conduit
- Ready mix concrete services
- Public relations services
- Training or coaching services other than education services
- Cleaning services including janitorial services, collection of waste and processing of domestic waste

3. REDUCTION IN TAX RATES ON CERTAIN SERVICES: THE SCHEDULE TABLE 1

1. At present, the rate of tax on services provided by call centres is 16%.

   The bill proposes to reduce the rate of tax on services provided by call centres to 15%.

2. At present, the rate of tax on IT services and IT enabled services are taxed at reduced rate of 5%.

   The bill proposes to withdraw the reduction in tax rates and now these services will be taxed at standard rate of 15%.

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