

INCOME TAX ORDINANCE, 2001

Super tax for rehabilitation of temporarily displaced persons

Section 4B

Super tax was applicable from tax years 2015 to 2020. The same shall now be imposed for each tax year at the following rates:

Sr. No.	Person	Rate of super tax (percentage of income)			
		Tax year 2018	Tax year 2019	Tax year 2020	Tax year 2021
1.	Banking company	4%	4%	4%	4%
2.	Person other than banking company, having income equal to or exceeding Rs. 500 million	3%	2%	0%	0%

Tax on undistributed profits

Section 5A

Applicability of tax on undistributed profits has been restricted upto tax year 2019. Earlier the same was imposed from tax year 2017 and onwards.

Capital gain on sale of securities

Section 37A

Loss sustained on disposal of securities in tax year 2019 and onwards, shall be carried forward upto three tax years immediately succeeding the tax year for which the loss was first computed. Moreover, such carried forward loss shall only be set off against gain on disposal of securities.

Federal Government, Provincial Government and Local Government income

Section 49

Income from renewal of spectrum licenses by Pakistan Telecommunication Authority (PTA) on behalf of the Federal Government shall also be treated as income of Federal Government instead of PTA. Earlier, income only from sale of spectrum licenses was treated as income of the Federal Government. Consequently, income from sale of spectrum licenses and renewal thereof shall now be exempt from tax.

Special procedure for small traders and shopkeepers

New Section 99B

The Federal Government has been empowered to prescribe special procedure for scope and payment of tax, filing of return and assessment in respect of small traders and shopkeepers in specified cities or territories, by notification in official Gazette.

Provisional assessment in certain cases

Section 123(1A)

New sub-section (1A) has been inserted in this section whereby undeclared offshore asset of any person discovered by the Commissioner or any department or agency of the Federal or a Provincial Government may be provisionally assessed for the last completed tax year of the person taking into account the offshore asset discovered.

Imports

Section 148(8)(a)

Tax required to be collected on import of goods where goods are sold in the same condition as they were when imported will now again be taxed under presumptive tax regime.

Statements

Section 165

Withholding tax statements shall now be furnished biannually instead of each month. The statement shall be furnished in respect of half-year ending on 30th June, on or before 31st July and half-year ending on 31st December, on or before 31st January.

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However, the Commissioner has been empowered to require any person collecting or deducting tax to furnish a statement for any period within such period of time as specified in the notice in writing.

Restriction on purchase of certain assets

Section 227C

Restriction on purchase of certain assets shall not be applicable on purchase of locally manufactured motor vehicle by a non-filer. Further, a non-resident Pakistani citizen holding international passport has also been made eligible to purchase motor vehicle as well as immovable property with certain conditions including foreign exchange remitted from outside Pakistan through normal banking channels.

Directorate General of International Tax Operations

Section 230E

By substituting this section, Directorate-General of Transfer Pricing has been replaced with Directorate General of International Tax Operations.

The substituted section in as under:

"230E Directorate General of International Tax Operations, — (1) The Directorate General of International Tax Operations shall consist of a Director-General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

(2) The Board may, by notification in the official Gazette, —

- (a) specify the functions and jurisdiction of the Directorate General and its officers; and
- (b) confer the powers of authorities specified in section 207 upon the Directorate General and its officers.

(3) The functions and powers of the Directorate General of International Tax Operations shall include but not limited to —

- (a) receive and send information from other jurisdictions under spontaneous, automatic and on demand exchange of information under exchange of information agreements;
- (b) levy and recover tax by passing an assessment order under section 123(1A) in case of undeclared off-shore assets and incomes;
- (c) receive, transmit and exchange country by country reports to the jurisdictions that are parties to international agreements with Pakistan; and
- (d) conduct transfer pricing audit in cases selected for such audit by the Director General of International Tax Operations.

(4) The Board may, by notification in the official Gazette, specify the criteria for selection of the taxpayer for transfer pricing audit.

Explanation. — For the removal of doubt, it is clarified that transfer pricing audit refers to the audit for determination of transfer price at arm's length in transactions between associates and is independent of audit under section 177 and 214C which is audit of the income tax affairs of the taxpayer."

Collection of tax by a stock exchange registered in Pakistan

Section 233A

Advance tax shall not be collected from the first day of March 2019 by stock exchange registered in Pakistan from its Members on purchase and sale of shares in lieu of tax on commission earned by such Members.

INCOME TAX ORDINANCE, 2001 – THE FIRST SCHEDULE

THE FIRST SCHEDULE

Part I – RATES OF TAX

Division IIA – Rate of Super Tax

Rates of super tax for banking company and person other than a banking company have been revised as follows:

Sr. No.	Person	Rate of super tax (percentage of income)			
		Tax year 2018	Tax year 2019	Tax year 2020	Tax year 2021
1.	Banking company	4%	4%	4%	4%
2.	Person other than banking company, having income equal to or exceeding Rs. 500 million	3%	2%	0%	0%

Part II – RATES OF ADVANCE TAX

Rate of advance tax to be collected by Collector of Customs from any person importing mobile phone under section 148 shall be as follows:

Sr. No.	C & F Value of mobile phone	Tax
1.	Up to \$30	Rs. 70
2.	Exceeding \$30 and up to \$100	Rs. 730
3.	Exceeding \$100 and up to \$200	Rs. 930
4.	Exceeding \$200 and up to \$350	Rs. 970
5.	Exceeding \$350 and up to \$500	Rs. 3,000
6.	Exceeding \$500	Rs. 5,200

Part IV – DEDUCTION OR COLLECTION OF ADVANCE TAX

Division VI – Cash withdrawal from a bank

No more advance tax shall be deducted from filers in respect of cash amount withdrawn from bank under section 231A.

Division VIA – Advance tax on transactions in bank

Advance tax on banking transactions shall not be collected from filers under section 231AA.

INCOME TAX ORDINANCE, 2001 – THE FIRST & SECOND SCHEDULE

Division VII – Advance tax on purchase, registration and transfer of motor vehicles

Rate of advance tax to be collected under sub-sections (1) and (3) of section 231B at the time of registration / sale of a motor vehicle have been enhanced in case of non-filers. Revised rates are as follows:

Sr. No.	Engine Capacity	Filer	Non-filer
		Rupees	Rupees
1.	Upto 850 cc	7,500	15,000
2.	851 cc to 1000 cc	15,000	37,500
3.	1001 cc to 1300 cc	25,000	60,000
4.	1301 cc to 1600 cc	50,000	150,000
5.	1601 cc to 1800 cc	75,000	225,000
6.	1801 cc to 2000 cc	100,000	300,000
7.	2001 cc to 2500 cc	150,000	450,000
8.	2501 cc to 3000 cc	200,000	600,000
9.	Above 3000 cc	250,000	675,000

Division XI – Advance tax on functions and gatherings

Rate of advance tax for the function of marriage in marriage hall, marquee or a community place having total function area less than 500 square yards or in case of multi storied premises with the largest total function area on one floor less than 500 square yards, has been reduced to 5% of the bill ad valorem or Rupees 5,000 per function, whichever is higher.

THE SECOND SCHEDULE

Part I – EXEMPTIONS FROM TOTAL INCOME

Income exempt from tax

Clause (66)

As per new sub-clauses in clause (66), any income derived by following entities shall also be exempt from tax:

- (Ixiii) National Disaster Risk Management Fund.
- (Ixiv) Deposit Protection Corporation established under sub-section (1) of section 3 of the Deposit Corporation Act, 2016 (XXXVII of 2016).
- (Ixv) SARMAYA-E-PAKISTAN LIMITED.

Dividend income of a company availing group relief under section 59B

Clause (103C)

Proportionate exemption has been provided on dividend income derived by a company availing group relief under section 59B with effect from 01 July 2019. Clause (103C) states as follows:

“(103C) Dividend income derived by a company, if the recipient of the dividend, for the tax year has availed group relief under section 59B, computed according to the following formula—

$$A \times B / C$$

INCOME TAX ORDINANCE, 2001 – THE SECOND SCHEDULE

Where—

- A** is the amount of dividend;
B is the shareholding of the company receiving the dividend in the company distributing the dividend; and
C is the total ordinary share capital of the company distributing the dividend.”

Exemption of profits and gains derived by an industrial undertaking from manufacturing of machinery, equipment and items with dedicated use for generation of renewable energy **Clause (126I)**

Exemption has also been provided on profit and gains derived by an industrial undertaking engaged in the manufacture of plant, machinery, equipment and items with dedicated use for generation of renewable energy from sources like solar and wind, set up between 1st March 2019 and 30th June 2023 for a period of five years beginning from the date of set up of such industrial undertaking.

Exemption of profits and gains derived by company from a green field industrial undertaking **Clause (126O)**

Profits and gains of a company from a green field industrial undertaking shall be exempt from tax for a period of five years incorporated on or after the first day of July, 2019 provided that the green field industrial undertaking is not formed by the splitting up or reconstitution of an undertaking already in existence or by transfer of machinery or plant from an undertaking established in Pakistan before the commencement of the new business.

Part IV – EXEMPTION FROM SPECIFIC PROVISION

Exemption from minimum tax under section 113 **Clause (11A)**

Minimum tax under section 113 shall also not apply to following entities:

- National Disaster Risk Management Fund.
- Deposit Protection Corporation established under sub-section (1) of section 3 of the Deposit Corporation Act, 2016 (XXXVII of 2016).
- SARMAYA-E-PAKISTAN LIMITED.
- Green field industrial undertaking qualifying for exemption under clause (126O) of Part I of the Second Schedule.

Exemption from provisions of withholding tax **Clauses (36B), (36C), (36D) and (36E)**

No tax will be deducted at source under:

- a) section 151 on profit on debt paid on promissory notes and sales tax refund bonds.
- b) section 151 on profit on debt paid on Pakistan Banao Certificate.
- c) sections 150 and 151 on payment of dividend and profit on debt to SARMAYA-E-PAKISTAN LIMITED.
- d) section 151 on profit on debt paid on bonds issued under the Federal Government Duty Drawback Bonds Rules, 2019.

Exemption from provisions of sections 151 and 153 to National Disaster Risk Management Fund **Clause (38D)**

Withholding tax provisions of sections 151 and 153 shall not apply to National Disaster Risk Management Fund, in respect of profit on debt and payments for goods, services and contracts.

INCOME TAX ORDINANCE, 2001 – THE SECOND & SEVENTH SCHEDULE

Exemption from provisions of section 148 **Clause (60D)**

Advance tax shall not be collected under section 148 on import of firefighting equipments by industrial undertakings set up in the special economic zones established by the Federal Government.

Exemption to banking companies from provisions of clause (a) of sub-section (1) of section 165 **Clause (81A)**

Exemption to banking companies with reference to section 165(1)(a) has been provided from furnishing of certain particulars in the biannual withholding tax statement, in respect of the persons from whom tax has been collected on cash withdrawals under section 231A and to whom payments have been made from which tax has been deducted on account of profit on debt under section 151.

Exemption from provisions of section 236A on auction of franchise rights **Clause (95A)**

By inserting new clause (95A), exemption has been provided from collection of advance tax on auction of franchise rights to participating teams in a national or international league organized by any board or other organization established by the Government of Pakistan for the purpose of controlling, regulating or encouraging major games and sports recognized by the Government with effect from first day of July, 2019.

Exemption from provisions of section 231A **Clause (101A)**

Advance tax shall not be deducted on cash withdrawals under section 231A from a Pak Rupee account if the deposits in the account are made solely from foreign remittances credited directly in such account.

Exemption from provisions of section 4B to a banking company **Clause (111)**

Banking company shall be exempt from payment of super tax under section 4B on interest income arising from additional advances to micro, small and medium enterprises, low cost housing and farm credit with reference to rules 7D, 7E and 7F of the Seventh Schedule, respectively for the tax years 2020 to 2023.

THE SEVENTH SCHEDULE

RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF A BANKING COMPANY AND TAX PAYABLE THEREON

Reduced rate of tax **Rules 7D, 7E & 7F**

By inserting following new rules 7D, 7E and 7F, reduced tax rate of 20% for the tax years 2020 to 2023 has been provided on interest income of a banking company arising from additional advances to micro, small and medium enterprises, low cost housing finance and Farm Credit:

"7D. Reduced rate of tax on additional advances for micro, small and medium enterprises.-- (1) The taxable interest income arising from additional advances to micro, small and medium enterprises, for the tax years 2020 to 2023, shall be taxed at the rate of 20% instead of the rate provided in Division II of Part I of the First Schedule.

INCOME TAX ORDINANCE, 2001 – THE SEVENTH SCHEDULE

(2) A banking company shall furnish a certificate from external auditor along with accounts while e-filing return of income certifying the amount of such advances made in preceding tax year, additional advance made for the tax year and net mark-up earned from such additional advances for the tax year.

(3) Notwithstanding anything contained in this Ordinance, the Commissioner may require the banking company to furnish details of the advances to micro, small and medium enterprises to determine the applicability of the reduced rate of tax.

(4) For the purposes of this rule, the term "micro, small and medium enterprises" shall have the same meaning as provided in Prudential Regulations issued by the State Bank of Pakistan.

(5) "Additional advances" means any average advances disbursed in addition to average amount of such advances made in such sector by the bank for the tax year.

(6) The taxable income arising from additional advances under sub-rule (1) shall be determined according to the following formula, namely:-

Taxable income subject to reduced rate of tax = $A \times B / C$

Where-

- A. is taxable income of the banking company;
- B. is net mark-up income earned from such additional advances for the tax year as declared in the annual accounts; and
- C. is total of the net mark-up and non mark-up income of the banking company as per accounts.

7E. Reduced rate of tax on additional advances for low cost housing.-- (1) The taxable income arising from additional advances for low cost housing, for the tax years 2020 to 2023, shall be taxed at the rate of 20% instead of the rate provided in Division II of Part I of the First Schedule.

(2) A banking company shall furnish a certificate from external auditor along with accounts while e-filing return of income certifying the amount of such advances made in preceding tax year, additional advance made for the tax year and net mark-up earned from such additional advances for the tax year.

(3) Notwithstanding anything contained in this Ordinance, the Commissioner may require the banking company to furnish details of the advances made for low cost housing to determine the applicability of the reduced rate of tax.

(4) For the purposes of this rule, the term "low cost housing" shall have the same meaning as provided in Prudential Regulations issued by the State Bank of Pakistan.

(5) "Additional advances" means any average advances disbursed in addition to average amount of such advances made in such sector by the bank for the tax year 2019.

INCOME TAX ORDINANCE, 2001 – THE SEVENTH SCHEDULE

(6) The taxable income arising from additional advances under sub-rule (1) shall be determined according to the following formula, namely:-

Taxable income subject to reduced rate of tax = $A \times B / C$

Where-

- A. is taxable income of the banking company;
- B. is net mark-up income earned from such additional advances for the tax year as declared in the annual accounts; and
- C. is total of the net mark-up and non mark-up income of the banking company as per accounts.

7F. Reduced rate of tax on additional advances as Farm Credit.-- (1) The taxable income arising from additional advances for Farm Credit in Pakistan, for the tax years 2020 to 2023, shall be taxed at the rate of 20% instead of the rate provided in Division II of Part I of the First Schedule.

(2) A banking company shall furnish a certificate from external auditor along with accounts while e-filing return of income certifying the amount of such advances made in preceding tax year, additional advance made for the tax year and net mark-up earned from such additional advances for the tax year.

(3) Notwithstanding anything contained in this Ordinance, the Commissioner may require the banking company to furnish details of the advances made for Farm Credit to determine the applicability of the reduced rate of tax.

(4) For the purposes of this rule, the term "Farm Credit" shall have the same meaning as provided in Prudential Regulations issued by the State Bank of Pakistan for agriculture financing excluding such advances made to a company as defined in section 80.

(5) "Additional advances" means any average advances disbursed in addition to average amount of such advances made in such sector by the bank for the tax year 2019.

(6) The taxable income arising from additional advances under sub-rule (1) shall be determined according to the following formula, namely:--

Taxable income subject to reduced rate of tax = $A \times B / C$

Where-

- A. is taxable income of the banking company;
- B. is net mark-up income earned from such additional advances for the tax year as declared in the annual accounts; and
- C. is total of the net mark-up and non mark-up income of the banking company as per accounts."

SALES TAX ACT, 1990

FBR Refund Settlement Company (Private) Limited

Section 2(11A)

"FBR Refund Settlement Company (Private) Limited" means the company incorporated for the purpose of settlement of sales tax and income tax refund claims including payment by way of issuing refund bonds under section 67A.

Payment of refund through sales tax refund bond

Section 67A

By inserting section 67A, a new scheme of sales tax refund payment has been introduced. Now the sales tax refund may also be paid through sales tax refund bonds to be issued by FBR Refund Settlement Company (Private) Limited [Company] in lieu of payment to be made through issuance of cheques or bank debit advice. The board shall issue a promissory note to the Company, incorporating the details of refund claimants and the amount of refund determined as payable to each for issuance of sales tax refund bonds of the same amount. The refund shall be paid to the claimants who opt for payment. Salient features of such bonds are:

- The bonds shall be issued in values in multiples of one hundred thousand Rupees;
- The bonds so issued shall have a maturity period of 3 years and shall bear annual simple profit of 10%;
- These bonds shall be traded freely in the country's secondary markets;
- These bonds shall be approved security for calculating the statutory liquidity reserve;
- These bonds shall be accepted by banks as collateral;
- These bonds shall not be subject to compulsory deduction of zakat and Sahib-e-Nisab may pay Zakat voluntarily according to Shariah.

After period of maturity, the Company shall return the promissory note to the Board and the Board shall make the payment of amount due under the bonds, along with profit due to the bond holders. However, the bonds would also be redeemable before maturity only at the option of the Board along with simple profit at the time of redemption in the light of general or specific policy to be formulated by the Board.

SIXTH SCHEDULE (EXEMPTIONS)

Table – 1 (IMPORTS OR SUPPLIES)

Following changes have been inserted related to sales tax exemptions on import or supply thereof:

Serial No. 110. Exemption on specified items with dedicated use of renewable source of energy like solar and wind has been restricted up to 30 June 2023.

Serial No. 117. Exemption from sales tax on appliances and items required for ostomy procedures as specified in Chapter 99 of the First Schedule to the Customs Act, 1969 subject to same conditions as specified therein has been provided.

Serial No. 118 has been omitted whereby the exemption from sales tax on colostomy and urostomy bags has been withdrawn.

SALES TAX ACT, 1990

Following new serial No. and the entries, relating thereto has been inserted to provide exemption to Greenfield Industries:

Serial No.	Description	PCT Headings
150	Plant and machinery excluding consumer durable goods and office equipment as imported by greenfield industries, intending to manufacture taxable goods, during their construction and installation period subject to conditions noted below and issuance of exemption certificate by the Commissioner Inland Revenue having jurisdiction:- Conditions: a) the importer is registered under the Act on or after the first day of July, 2019; and b) the industry is not established by splitting up or reconstruction or reconstitution of an undertaking already in existence or by transfer of machinery or plant from another industrial undertaking in Pakistan	Chapters 84 and 85

TABLE - 3

Serial No. 7. Exemption for machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through nuclear and renewable energy sources like solar, wind, micro-hydel bio-energy, ocean, waste-to-energy and hydrogen cell in relation to renewable energy has been restricted upto 30th June 2023.

Serial No. 14A. Exemption has been restricted on various systems and items for dedicated use with renewable source of energy like solar, wind, geothermal as imported on or before the 30th June 2023.

NINTH SCHEDULE

(SUB-SECTION 3B OF SECTION 3 - SCOPE OF TAX)

Serial No. 2. Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in Rupees in case of supply by the manufacturer, at the rate as indicated against each category: -

Description	Sales tax on import or local supply (Rupees)	Sales tax chargeable at the time of registration of IMEI No. by CMOs (Rupees)
Not exceeding US\$ 30	150	150
Exceeding US\$ 30 but not exceeding US\$ 100	1,470	1,470
Exceeding US\$ 100 but not exceeding US\$ 200	1,870	1,870
Exceeding US\$ 200 but not exceeding US\$ 350	1,930	1,930
Exceeding US\$ 350 but not exceeding US\$ 500	6,000	6,000
Exceeding US\$ 500	10,300	10,300

FEDERAL EXCISE ACT, 2005

FIRST SCHEDULE

Table – 1 (EXCISABLE GOODS)

Duty increased on imported motor vehicles and levied on locally manufacture vehicles shall be as under:

Sr. No.	Description of goods	Heading / sub-heading No.	Rate of Duty
55	Imported Motor cars, SUVs and other motor vehicles of cylinder capacity of 1800cc or above, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars of cylinder capacity of 1800cc or above but not exceeding 3000cc.	87.03	Twenty-five per cent. ad. val.
55A	Imported motor cars, SUVs and other motor vehicles of cylinder capacity exceeding 3000cc, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars of cylinder capacity exceeding 3000cc.	87.03	Thirty per cent. ad. val.
55B	Locally manufactured or assembled motor cars, SUVs and other motor vehicles of cylinder capacity of 1700cc or above, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars of cylinder capacity of 1700cc or above.	87.03	Ten per cent. ad. val.

Mobile Handset Levy (Amendment in Finance Act, 2018)

Mobile handset levy has been imposed based on C&F value in terms of US Dollars instead of Rupees.

Sr. No.	Mobile phones having C&F Value (US Dollars)	Rate of levy per set in Pak Rupees
1	Up to 30	Nil
2	Above 30 and up to 100	Nil
3	Above 100 and up to 200	500
4	Above 200 and up to 350	1,500
5	Above 350 and up to 500	3,500
6	Above 500	7,000