IN THE NAME OF ALLAH ALMIGHTY, THE MOST MERCIFUL, MOST BENEFICENT

KHILJI & CO.
Chartered Accountants

TAX BRIEFING
FINANCE ACT 2020

AN UNBIASED COMMENTARY ON FINANCE ACT 2020

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TAX MEMORANDUM

FINANCE ACT 2020

DISCLAIMER & ACKNOWLEDGMENT

Khilji & Co (Chartered Accountants) is pleased to present this tax memorandum, which is primarily aimed to help in understanding the impact of changes that are brought by the Finance Act 2020 relating to Income Tax, Sales Tax Laws, Federal Excise Duty, and Customs Duty. Although the highest standard of Professional Competence and Care has been followed regarding the showing of facts & figures in this Commentary. However, Khilji & Co, (Chartered Accountants) does not assume any responsibility as to the correctness, alteration or change of these fact & figures in future. Moreover, Khilji & Co, Chartered Accountants will not be held responsible for any action taken / not taken on the basis of information contained in this document. The information provided in this document should only be used in conjunction with professional opinion from tax/ legal advisor and checked for updated position of law. This document as a whole or its any part should not be reproduced in any form without prior written approval from Khilji & Co. This document is distributed free of cost to our clients only. We humbly request our readers to please provide us the most valuable comments to make this more informative and useful.

This has always been a pleasure to be of service to our clients.

KHILJI & CO

CHARTERED ACCOUNTANTS

JULY 20, 2020

اَللّٰهُمَّ اِنِّیۡ اَعُوۡذُ بِكَ مِنَ الۡبَرَصِ وَالۡجُنُوۡنِ
وَالۡجُذَامِ وَسَیِّیءِ الۡاَسۡقَامِ

Oh Allah I seek Your refuge from leprosy, insanity, mutilation and from all serious illnesses

COVID-19 PREVENTIVE MEASURES

- It is matter of our fundamental faith that Almighty Allah is the most merciful and beneficent and the foremost thing to do at all times particularly difficult times like these is to seek forgiveness from Allah for all our intentional and unintentional mistakes.
- Let us pray and seek forgiveness from Allah for all sins and wrongdoings committed by us deliberately or otherwise. May Allah keep all humanity including us and our families safe from this and all kinds of diseases. AMEEN
- While the spiritual prevention of all diseases including this CORONA should be sought through Namaz and Istaghfar however at the same time we have been taught through Quran and Sunnah to take all necessary measures and medicines against all such diseases while keeping faith that the power to cure remains with Allah.

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OVERVIEW OF ECONOMY

The world changed dramatically during the fiscal year FY2020, a novel virus, (COVID-19), emerged in Wuhan, China, and WHO on March 11 declared COVID-19 a pandemic. Since then, the virus has engulfed the entire world, disrupting the supply chains and paralyzing the continents. The pandemic is not only inflicting unprecedented damage to human lives but it has also taken a heavy toll on global economic activity. The Coronavirus outbreak is a human tragedy, affecting hundreds of thousands of people globally. It is also having a growing adverse impact on the global economy including Pakistan. The severity of the COVID-19 impact is yet to be fully determined due to its unprecedented nature. However, it has exposed vulnerabilities which provide an opportunity to reassess our development priorities to fill gaps which have been laid bare by the shock. The last time Pakistan witnesses a negative GDP growth in Pakistan was in 1951-52. Under the incumbent regime, the GDP size in US dollar terms has dropped to $264 billion in 2019-20. Whereas, the size of the GDP was recorded at $315 billion and $279 billion in 2017-18 and 2018-19, respectively.

SALIENT FEATURES OF ECONOMIC SURVEY 2019-20

- Pakistan's GDP growth has dropped to -0.38% in 2019-20 vs target of 4% of Planning Commission 2019-20.
- The GDP growth for 2018-19 has also been revised down to 1.91% vs. provisional figures of 3.3%.
- Agriculture sector grew by 2.67% in 2019-20, whereas Industrial sector deteriorated by 2.64% in 2019-20.
- Services sector's growth dropped to -0.59%, that grew by 3.75% a year ago.
- Exports dropped by 7% to $19.79 billion during July-May 2019-20 vs $21.25 billion last year.
- Pakistan's projected GDP growth is estimated at 2.10% for 2020-21.
- FBR's tax collection stood at Rs.3,518 billion during July-May 2019-20 vs Rs.3,266 billion last year.

The pandemic has amplified the lack of health facilities and the need to urgently invest in the same. The dire need for reliable data availability and data banks has strongly emerged to better monitor the effectiveness of policy intervention and serve our large population. Lack of investment in research and development, especially in the areas of health, medicine and related equipment to increase self-reliance has not been able to seek warranted attention.

Many businesses face problem in managing cash flows. Strategic interventions in specific industries are being undertaken to safeguard the common man and accelerate economic activities. Under the current crisis top priority of the government is to protect the vulnerable segments of the society. Therefore, prime focus areas of the government are health, social safety, industry, farming, trade etc. The government is constantly monitoring the COVID-19 situation in the country and accordingly taking all out measures to mitigate its adverse effects on the economy and general public.

FEDERAL BUDGET HIGHLIGHTS

RECEIPTS		EXPENDITURE	
TAX REVENUE	5,464	A. CURRENT	6,345
FBR Taxes	4,963	Interest Payments	2,946
Other Taxes	501	Pension	470
NON-TAX REVENUE	1,109	Defence Affairs & Services	1,289
a) Gross Revenue Receipts	6,573	Grants and Transfers	905
b) Less Provincial Share	2,874	Subsidies	209
		Running of Civil Govt.	476
I. Net Revenue Receipts (a-b)	3,700	Provision for Pay & Pension	0
II. Capital Receipts (Non-Bank)	1,395	Provision for Contingencies	50
III. External Receipts (net)	810	B. DEVELOPMENT	792
IV. Estimated Provincial Surplus	242	Federal PSDP	650
V. Bank Borrowing	889	Net Lending	72
VI. Privatization Proceeds	100	Other Dev. Expenditure	70
TOTAL RESOURCES (I to VI)	7,136	TOTAL EXPENDITURE(A+B)	7,136

SUMMARY OF KEY AMENDMENTS

INCOME TAX ORDINANCE, 2001

- Incentives for revival of the construction industry proposed in April 2020 through Tax Laws (Amendment) Ordinance, 2020 have been inserted in the Finance Act 2020.
- Fixed tax per ton of gross registered tonnage per annum for Pakistan resident ship owning company registered with the Securities and Exchange Commission of Pakistan.
- Limit of admissible deduction for administration and collection charges has been reduced from 6% to 4% of the rent chargeable in respect of income from property.
- Limit of income exceeding Rs. 4 million for individuals and association of persons for opting to pay normal tax on income from property has been withdrawn. Now all persons can claim deductible expenses and opt to pay tax on net income basis.
- Limit of payment for any expenditure under a single account head through banking channel is been increased from Rs. 50,000 to Rs. 250,000.
- Limit of single payment through banking channel has been increased from Rs. 10,000 to Rs. 20,000. Further, limit of payment of salary though crossed cheque or direct transfer has been revised upwards from Rs. 15,000 to Rs. 25,000 per month.
- Expenditure on utility bill in excess of prescribed limits and in violation of prescribed conditions would be inadmissible business expense.
- Expenditure attributable to sales made to persons required to be registered but not registered under the Sales Tax Act, 1990 by an industrial undertaking has amended be made inadmissible business expense subject to maximum limit ten percent of total deductions claimed with effect from October 2020.
- Normal depreciation on assets to be claimed as admissible deduction is would now be 50% in the year of acquisition and 50% in the year of disposal.
- Losses can be carried forwarded for eight years by resident company engaged in hotel business in Pakistan
- Cost of a passenger transport vehicle not plying for hire has been limited to two and a half million rupees for the purpose of determining the deduction on account of lease rentals.
- Capital gains on open plots and constructed property exempt where the holding period of an immoveable property exceeds four years. Before this change holding period of eight years was necessary for capital gain on disposal of open plots to be exempt. Further, extent of taxability of gain made dependent upon holding period of immovable property.

- Limit of claiming tax credits for charitable donations has been reduced in case of donation made to an associate by a donor.

- Tax credit for enlistment has been amended to be restricted to only those companies who opts for enlistment on or before the 30th day of June, 2022.

- For non-profit organizations seeking 100% tax credit under section 100C, a new condition of filing of statement of voluntary contributions and donations received in the immediately preceding tax year is inserted along with existing conditions.

- Restriction has been made to be placed on deduction for foreign profit on debt claimed by a foreign-controlled resident company during a tax year.

- Scope of minimum tax under Section 113 is widened to also include permanent establishment of a non-resident company.

- Persons earning whole income subject to final taxation are also to be brought under the ambit of section 114 for return filing instead of separate statement under section 115(4).

- Taxpayer's profile is prescribed in order to capture data relevant to the taxpayer. The profile shall be filed once and not every year and shall be updated by the taxpayer in case there is any change in particulars already submitted. Penalty would apply for failure to provide information or update the profile. Such person shall not be included in the active taxpayers' list for the latest tax year ending prior to the due date.

- Revision of wealth statement is subject to the intimation to Commissioner. Further, clarification has been inserted that wealth statement cannot be revised after the expiry of five years from the due date of filing of return of income for that tax year.

- Returns filed under section 120 shall be processed through automated system to arrive at correct amounts of total income, taxable income and tax payable by making adjustments for any arithmetical error, any apparent incorrect claim, disallowance of any loss, deductible allowance or tax credit and disallowance of carry forward of any loss. The return shall be taken as assessment order on the date such adjustments were made.

- An assessment under section 122 can be amended in pursuance of audit alone independent of the requirement of obtaining definite information from such.

- Concept of agreed assessment has been introduced whereby a taxpayer in response to a notice under sub-section (9) of section 122, intends to settle his case, he may file offer of settlement in the prescribed form before the assessment oversight committee which may decide to accept or modify the offer of the taxpayer through consensus and communicate its decision to the taxpayer.

- Prescribed fee for filing appeals has been increased.

- The process and composition Alternate Dispute Resolution committee is amended to make it more taxpayer friendly. Now, the decision of ADRC, once it is conveyed by the taxpayer to the tax authorities is binding upon the tax authorities.

- Scope of recovery measures is enhanced to include stoppage of clearance of imported or manufactured goods, attachment of bank accounts, sealing of business premises etc.

- Advance tax at import stage regime is shifted from person specific rates to goods specific rates. A new Twelfth Schedule specifying the goods has been inserted for this purpose.

- Tax deductible from payment for advertisement services to a non-resident media person relaying from outside Pakistan is shall be minimum tax on the income of non-resident person arising out of such payment.

- Tax deduction from permanent establishment of nonresident under section 152(2A) is to be minimum tax for sale/supply of goods and execution of contracts.

- Withholding tax on toll manufacturing shall be made in line with rates applicable on manufacturers supplying goods.

- Certificate for payment for sale of goods without deduction of tax shall be issued by the Commissioner within fifteen days of filing of application to a public company listed on a registered stock exchange in Pakistan if advance tax liability has been discharged. The Commissioner is deemed to have issued the exemption certificate upon the expiry of fifteen days and the certificate shall be automatically processed and issued by IRIS.

- Turnover limits for individual and AOPs is enhanced from Rs. 50 million to Rs. 100 million to include them under the ambit of withholding agent. Further, only sales tax registered person having turnover of exceeding Rs. 100 million or more in any of the preceding tax years will be required to act as withholding agent.

- Biannual statement of withholding tax under section 165 is to be submitted quarterly within 20 days of the end of each quarter.

- Limit of Rs. 500,000 on account of bank profits is withdrawn for furnishing of information by banks to FBR under section 165A.

- New section has been introduced to provide real-time access to information and databases to the Board by various authorities such as NADRA, FIA, provincial excise & taxation departments etc.

- Concept of conducting audit proceedings through electronic means introduced.

- Where a taxpayer has not furnished record or documents including books of accounts, has furnished incomplete record or books of accounts or is unable provide sufficient explanation regarding the defects in records, documents or books of accounts, the Commissioner shall determine taxable income on the basis of sectoral benchmark ratios prescribed by the Board.

- The concept of Automated Case Selection System is inserted for conferment upon or assignment of jurisdiction to any Officer of Inland Revenue.

- Delegation of powers by the Commissioner of amendment of an order of recovery under sub-section (3) of section 161 is restricted only to Additional Commissioner of Inland Revenue.
- Advance/withholding tax on following heads have been withdrawn:
    - Collection of advance tax on education related expenses remitted abroad
    - Tax on steel melters and composite units
    - Tax on withdrawal of balance under pension fund
    - Tax on local purchase of cooking oil or vegetable ghee by certain persons
    - Advance tax on functions and gatherings
    - Advance tax on cable operators and other electronic media
    - Advance tax on dealers, commission agents and arhatis etc.
    - Advance tax on insurance premium
    - Advance tax on tobacco
- Tax deducted on payment to a resident person for use or right to use industrial, commercial and scientific equipment is made minimum tax.
- Rates on capital gains form disposal on securities have been reduced.
- Advance tax on import shall be 1%, 2% and 5.5 % on goods specified in Part 1, Part II and Part III respectively of newly introduced Twelfth Schedule.
- Rate of tax on dividend would be 25% in case of dividend is received from a company where no tax is payable by such company, due to exemption of income or carry forward of business losses or claim of tax credits.
- Rate of advance tax on bank profits in all cased would be 15% except the taxpayer furnishes a certificate to the payer of profit that during the tax year the profit is Rs. 500,000 or less. The 10% rates would be applicable only on provision of such certificate.
- Advance tax on return on investment in Sukuks to be enhanced to from 15% to 25% in cases where sukuk holder is a company.
- 3% withholding tax rate on the gross amount payable to non-resident on specified services to bring them in line with resident service providers.
- Advance tax on sale of immovable property through auction would be 5% of the gross sale price.

SALES TAX 1990

- Value of supply for registered person who is engaged in purchasing used vehicles from general public on which sales tax had already been paid at the time of import or manufacturing has been defined as the difference between sale and purchase price of the said vehicle.
- FBR has been empowered to impose restrictions on wastage of material on which input tax has been claimed in respect of the goods or class of goods.

- Input tax allowed in case of locally manufactured electric vehicles subject to reduced rate of tax under the Eighth Schedule has been limited to the extent of amount of output tax with no allowability of refund or carry forward of excess input tax.

- Similar to Section 124A of ITO, 2001 a new section has been inserted to empower tax authorities to follow the decision in case of registered persons where a question of law has been decided notwithstanding that tax authorities have preferred an appeal against the said decision.

- The threshold of supplies by retailers for obtaining CNIC of the buyers has been increased from Rs 50,000 to 100,000.

- Concept of conducting audit proceedings through electronic means introduced.

- Prescribed fee for filing appeals has been increased.

- The process and composition Alternate Dispute Resolution committee has been amended to make it more taxpayer friendly. Now, the decision of ADRC, once it is conveyed by the taxpayer to the tax authorities, is binding upon the tax authorities.

- New section has been introduced to provide real-time access to information and databases to the Board by various authorities such as NADRA, FIA, provincial excise & taxation departments etc.

- The scope of section 73 has been widened to cover all registered persons to supply taxable goods to sales tax registered person excluding supplies not exceeding prescribed limits.

- Tax concessions and exemptions to Gawadar Port and Gawadar Free Zone granted through the Tax Laws Amendment Ordinance 2019 have been inserted in the Finance Act 2020.

- Exemption allowed on import of dietetic foods intended for special medical purposes for the children suffering from Inherited Metabolic Syndrome.

- Rate of sales for Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales has been reduced from 14% to 12%.

FEDERAL EXCISE DUTY

- Increase in the rate of FED on cigars, cheroots, and cigarillos and cigarettes from 65% to 100% of retail price; increase in the rate of FED on filter rods from Rs 0.75 to Rs 1 per filter rod.

- Levy of FED on e-liquids of electric cigarettes @ Rs 10 per ml.

- Levy of FED on caffeinated energy drinks @ 25%;

- Levy of FED @ 7.5% ad valorem in case of locally manufactured double cabin (4x4) pick-up vehicles and @ 25% in the case of imported ones.

- FED on cement has been reduced from Rs. 2 per kg to Rs. 1.50 per kg.

- Board is empowered to fix minimum production on the basis of single or more inputs and for fixation of wastage;
- The scope of seizure of non-duty paid goods is extended to all products subject to FED besides cigarettes and beverages;
- Prescribed fee for filing appeals has been increased.
- The process and composition Alternate Dispute Resolution committee has been amended to make it more taxpayer friendly. Now, the decision of ADRC, once it is conveyed by the taxpayer to the tax authorities, is binding upon the tax authorities.
- New section has been introduced to provide real-time access to information and databases to the Board by various authorities such as NADRA, FIA, provincial excise & taxation departments etc.

CUSTOMS ACT, 1969

- Exemption of additional custom duties on those tariff lines which are now @ 0% customs duty in tariff.
- Reduction of custom duty on 40 raw materials of various industries.
- Tariff rationalization under National Tariff Policy 2019, by reducing customs duty on 90 tariff lines from 11% to 3% and 0%.
- Exemption from customs duties on import of 61 COVID19 related items, which was due to expire on 20th June has been extended due to the continuation of pandemic.
- Exemption from 2% ACD on import of edible oils and oil seeds under PM's COVID19 Relief Package has been extended.
- Exemption of duties & taxes on import of Dietetic Foods for Children with inherited metabolic disorders.
- Exemption of all duties & taxes on import of Diagnostic Kits for Cancer and Corona Virus.
- Extension up to 2023, in exemption of customs duties on imports for setting up new industries in erstwhile FATA area.
- Regulatory duty on several industrial inputs has been reduced to decrease their cost of doing business
- Tariff protection for domestic industry by increasing/levy of regulatory duty on import of those items which are also locally manufactured
- Enhancing scope of concessions available to Special Economic Zones

SIGNIFICANT AMENDMENTS INCOME TAX

GENERAL

Definitions **Section 2 (29C) (30A), (30AC) & 31(A)**

The Finance Act has inserted definition of the following terms in section 2 of the Income Tax Ordinance, 2001.

Industrial undertaking

A new clause "ab" has been inserted to include resident company carrying on hotel business in the Pakistan in the definition of industrial undertaking.

(ab) from the first day of July, 2020 a resident company engaged in the hotel business in Pakistan.";

Integrated Enterprise

"integrated enterprise means a person integrated with the Board through approved fiscal electronic device and software and who fulfills obligations and requirements for integration as may be prescribed."

IRIS

"IRIS" means a web based computer programme for operation and management of Inland Revenue taxes and laws administered by the Board."

Local Government

"Local Government" shall have the same meaning for respective provisions and Islamabad Capital Territory as contained in the Baluchistan Local Government Act, 2010 (V of 2010), the Khyber Pakhtunkhwa Local Government Act, 2013 (XXVIII of 2013), the Sindh Local Government Act, 2013 (XLII of 2013), the Islamabad Capital Territory Local Government Act, 2015 (X of 2015) and the Punjab Local Government Act, 2019 (XIII of 2019)."

Tax on shipping income of a resident person: **Section 7A(c)**

Currently resident ship owners are under presumptive tax regime and required to pay tax at the rates provided under clause a and b of sub-section 1 of section 7A. The Act has inserted new clause (c) and create a new category to charge tax on a Pakistan resident ship owning company registered with SECP after 15th November 2019 and having its own sea worthy vessel to pay tonnage tax of an amount equivalent to seventy-five US Cents per ton of gross registered tonnage per annum.

The Finance Act has extended applicability of presumptive tax regime on shipping of a resident person from 30th June 2020 to 30th June 2030.

Deductions in computing income
Chargeable under the head "Income from Property" **Section 15A**

The Finance Act has reduced the threshold for expenditure allowed including administrative and collection charges against Income from Property from 6% to 4% of the annual rent chargeable to tax.

Sub-section (7) was inserted through Finance Act, 2019 whereby individuals and AOPs deriving income from property exceeding Rs. 4 million were allowed to opt taxation under normal tax regime. The Act now has removed the condition of Rs. 4 million and any individual and AOP can opt for taxation under normal tax regime.

Deductions not allowed **Section 21**

Through Finance Act, 2020 the threshold of aggregate expenditure under a single account head enhanced from Rs. 50,000 to Rs. 250,000, not made through banking channels, that would be allowed as a deduction when computing Income from Business. Further the relaxation of a single cash transaction in the above limit has been enhanced from Rs. 10,000 to Rs. 25,000. Similarly, the threshold of salary, not paid through banking channels, has been increased from Rs. 15,000 to Rs. 25,000.

The Finance Act has inserted new clause (p) to disallow expenditure on account of utility bill in excess of such limits and in violation of such conditions as may be prescribed.

The Finance Act further inserts a new clause (q), which would become effective from October 2020, to limit the allowed expenditure for an industrial undertaking attributable to sales made to persons required to be registered but unregistered under the Sales Tax Act, 1990. The disallowance of expenditure to be computed according to following formula:

$$(A/B) \times C$$

Where-

A is the total amount of deductions claimed under this Part;
B is the turnover for the tax year; and
C is the total amount of sales exclusive of sales tax and federal excise duty to persons required to be registered but not registered under the Sales Tax Act, 1990 where sales equal or exceed rupees one hundred million per person:

Provided that disallowance of expenditure under this clause shall not exceed 10% of total deductions claimed under this Part.

Depreciation **Section 22(2) & (8)**

Currently, full years' depreciation is allowed as deduction in the year when depreciable asset is used in the person's business for the first time while no depreciation is allowed in the year of disposal.

The Finance Act has amended this method for depreciable assets acquired or put into business use for the first time in a tax year after the 1st day of July, 2020, whereby depreciation deduction is to be reduced by fifty percent (50%) in the year of acquisition/ put into business use and fifty percent (50%) od depreciation would be allowed in the year of disposal.

This amendment is particularly going to impact oil & gas sector companies who claim 100% depreciation on below ground installations.

Profit on debt, financial costs and lease payments **Section 28**

Currently as per section 28(1)(b), any lease rental incurred by a person in a tax year for an asset used by the Person for the purpose of business is allowed as deduction against business income. Now the Act has inserted new proviso to limit the cost of transport vehicle to the extent of Rs. 2.5 million for claim of lease rental to be allowable deduction against business income.

Capital gain on disposal of securities **Section 37(A)**

After sub-section 3(A) new sub-section 3(B) is inserted as per which shares of a public company shall be classified as securities if such a company is a public company at time of disposal of shares.

Carry forward of business losses **Section 57(2B)**

Through insertion of new sub-section (2A) after sub-section (2B), loss relating to tax year commencing on or after July 1st, 2020 by a resident company engaged in hotel business in Pakistan can be carried forward for a period of eight year.

This insertion would be beneficial to hospitality industry currently severely affected due to COVID-19 and expected to suffer business losses in future. Hence may help them to retain some of the cash flows in form of tax savings.

Tax credit for enlistment **Section 65C**

Presently where a taxpayer being a company opts for enlistment in any registered stock exchange in Pakistan, a tax credit equal to 20% of the tax payable is allowed for the tax year in which the said company is enlisted and for the following three years.

The Finance Act now restricts tax credit for enlistment and its availability only if such company opts for enlistment on or before 30th day of June, 2022.

Unexplained income or assets **Section 111**

Presently, Section 111 provides that where a person offers no explanation about the nature and source of the amount credited or the investment, money, valuable article, or funds from which the expenditure was made, suppression of any production, sales, any amount chargeable to tax and of any item of receipt liable to tax or the explanation offered by the person is not, in the Commissioner's opinion, satisfactory, the amount credited, value of the investment, money, value of the article, or amount of expenditure suppressed amount of production, sales or any amount chargeable to tax or of any item of receipt liable to tax shall be included in the person's income chargeable to tax under head "Income from Other Sources" to the extent it is not adequately explained

The Finance Act has now bifurcated the above into two categories and now the unexplained amount credited, value of the investment, money, value of the article, or amount of expenditure shall be included in the person's income chargeable to tax under the head "Income from Other Sources" while unexplained suppressed amount of production, sales or any amount chargeable to tax or of any item of receipt liable to tax to be included in person's income chargeable to tax under the head "Income from Business" instead of "Income from other sources" to the extent it is not adequately explained.

The theme behind this is to rationalize the taxation of relevant items under the respective heads to which they relate. The thumbnails sketch is hereunder;

S.No	Description	Current Tax Head	Amended Tax Head
1	Amount credited in a person's books of account	**Income from other sources**	**Income from other sources**
2	Investment/ ownership of money or valuable article		
3	Expenditure incurred		
4	Suppressed production/ sales		**Income from business**
5	Any other suppressed item/ receipt liable to tax		

NON-PROFIT ORGANIZATIONS/ DEVELOPMENT SECTOR/ DONATIONS

Non-Profit Organizations
Definition & Tax Credit — Section 2 (36) & 100C

The Act has amended clause (a) by substituting the expression "development purposes" with "purposes for general public".

Sub-section (1) of section 100C prescribes that income of Non-profit organizations, trusts or welfare institutions shall be allowed a tax credit equal to 100% of the tax payable subject to certain conditions.

Finance Act now adds a new condition through insertion of a clause (g) that a statement of voluntary contributions and donations received in the immediately preceding tax year which has been filed in the prescribed form and manner.

Further, currently surplus funds of non-profit organization as defined in the Ordinance are taxed at a rate of ten percent. This Act would now tax the surplus funds of trusts & welfare organizations as well.

It is interesting to note that a number of changes have been made by the Act in section 100C, section 61 and clause 61, Part 1, Second Schedule to Income Tax Ordinance, 2001 which discourage the business community to do charitable work through their associated non-profit organizations.

Charitable donations **Section 61**

A tax credit is allowed in respect of any sum paid, or any property given by the person in the tax year as a donation to any board of education or any university in Pakistan established by, or under, a Federal or a Provincial law, any educational institution, hospital or relief fund established or run in Pakistan by Federal Government or a Provincial Government or Local Government, or any non-profit organization. The credit is restricted to 30% of taxable income in case of individual and AOP and 20% of the taxable income in case of donation is given by company.

The tax credit in respect of donations given to an associate by the donor, would now be restricted to:
(i) 15% of the taxable income for the year in case of an individual or AOP; or
(ii) 10% of the taxable income for the year in case of a company

Clause 61, Part I, Second Schedule

If donation is paid to approved non-profit organization, tax credit is available under section 61 of Income Tax Ordinance, 2001 however if donation is paid to non-profit organization listed in clause 61, part I, Second Schedule, then straight deduction from income is allowed to the donor.

Section 61 provides tax credit only if the donation is made through crossed banking instrument, however for donations made to entities listed in clause 61, part I, Second Schedule, the donations are allowed to be made in cash. Now through this amended Act, donations under clause 61 shall only be allowed as deduction if the donations are made through crossed banking instrument.

The Finance Act has also added provision to clause 61 for the restricting deductions from income on account of donation to 10% and 15% of taxable income for individual and company respectively if donation is received from associate

Whereas, the following serial numbers under clause 61 are added:

(lvii) The Prime Minister's COVID-19 Pandemic Relief Fund-2020
(lviii) Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI)
(lvxi) Lahore University of Management Sciences
(lvxii) Dawat-e-Hadiya, Karachi
(lvxiii) Baitussalam Welfare Trust
(lvxiv) Patients' Aid Foundation
(lvxv) Alkhidmat Foundation

Clause 66, Part I, Second Schedule

The Finance Act has istributed name of institution, foundation, societies, Board, Trust fund and fund in two tables for exemption under clause 61 of part I of the Second Schedule.

Income of institution, foundation, societies, Board, Trust fund and fund listed in **TABLE-I** can claim exemption with no condition.

Income of institution, foundation, societies, Board, Trust fund and fund listed in **TABLE-II** can claim exemption subject to fulfillment of conditions specified in Section 100C provided that exemption criteria of fulfilling the conditions specified in section 100C is effective from July 1, 2021. Tables are given at the end as ***Annex-B***

REAL ESTATE, CONSTRUCTION, BUILDERS, DEVELOPERS

Capital Gain — Section 37 (3A)

The Finance Act has omitted separate holding periods for taxation of gain on disposal of open plots and constructed property. The Act now provides for taxation of gain on sale of immovable property at the tax rates provided in First Schedule as follows:

Sr. #	Holding period	Gain represented by "A"
1	Where the holding period of an immoveable property does not exceed one year	A
2	Where the holding period of an immoveable property exceeds one year but does not exceed two years	A x ¾
3	Where the holding period of an immoveable property exceeds two years but does not exceed three years	A x ½
4	Where the holding period of an immoveable property exceeds three years but does not exceed four years	A x ¼
5	Where the holding period of an immoveable property exceeds four years	0

The impact of the above change is that the gain on sale of immovable property is fully taxable if holding period is up to one year however if holding period is more than one year but up to 2 years then 25% of such gain is exempt and where holding period exceeds 02 years but up to 03 years then 50 of such gain is exempt and where holding period exceeds 03 years but up to 04 years then 75% of such gain is exempt while the holding period exceeds 04 years then 100% of such gain is exempt from tax.

The Act now provides following rates for taxation on capital Gains on disposal of Immovable Property by amending division VIII of Part 1 of First Schedule

S.No.	Amount of Gain	Rate of Tax
(1)	(2)	(3)
1.	Where the gain does not exceed Rs. 5 million	2.5%
2.	Where the gain exceeds Rs. 5 million but does not exceed Rs. 10 million	5%
3.	Where the gain exceeds Rs. 10 million but does not exceed Rs. 15 million	7.5%
4.	Where the gain exceeds Rs. 15 million	10%

Advance tax on Sale of Immovable Property — Section 236C

Corresponding amendment is made in section 236 to reduce holding period from five to four years for collection of tax at the time of sale of immovable property.

Tax Incentive Package

The tax incentive package announced in April 2020 for revival of construction sector through an Ordinance is now made part of the Finance Act. While there are no significant changes from the amendments brought earlier, it would be appropriate to present those changes again in a consolidated document.

Capital Value Tax

This is not part of Income Tax Ordinance, 2001 but as part of tax incentive package it is important to identify here that Capital Value Tax has been abolished and no more applicable in Islamabad Capital Territory.

Definition of industrial undertaking **Section 2(29C)**

Section 2(29C) has been amended to revise definition of the "Industrial Undertaking" by adding following new clause.

> *"(aa) from the 1st day of May, 2020, a person directly involved in the construction of buildings, roads, bridges and other such structures or the development of land, to the extent and for the purpose of import of plant and machinery to be utilized in such activity, subject to such conditions as may be notified by the Board."*

This means that from Ist May 2020, status of construction sector has been made as Industry and various benefits and tax credits available to other industrial units at the time of import of plant and machinery under the provision of Income Tax Ordinance, 2001 would also be available to construction sector.

Special provisions relating to builders and developers **Section 100D**

A new section has been introduced in the Income Tax Ordinance, 2001 whereby for Tax Year 2020 and onward, Builders and Developers who opts to pay tax under this section, shall be pay a **"Fixed tax"** to be calculated on square feet/ square yard basis at the rates as prescribed in Rule 10 of Eleventh Schedule to the aforesaid Ordinance. The said tax shall be calculated on a project by project basis in respect of their income from sale of building or sale of plots.

We will discuss the changes introduced through this section and Eleventh Schedule in detail.

Definitions

For the purpose of this section, following terms have been defined as follows:

(a) **"builder"** means a person who is registered as a builder with the Board and is engaged in the construction and disposal of residential or commercial buildings;

(b) **"capital investment"** means investment as equity resources and does not include borrowed funds;

(c) **"developer"** means a person who is registered as a developer with the Board and is engaged in the development of land in the form of plots of any kind either for itself or otherwise;

(d) **"existing project"** means a construction or development project, which –
(i) has commenced before the date of commencement of the Tax Laws (Amendment) Ordinance, 2020;
(ii) is incomplete;
(iii) is completed on or before the 30th day of September, 2022; and
(iv) a declaration is provided in the registration form under Eleventh Schedule to the effect of percentage of the project completed up to the last day of the accounting period pertaining to tax year 2019;

(e) **"first purchaser"** means a person who purchases a building or a unit, as the case may be, directly from the builder and does not include a subsequent or a substituted purchaser;

(f) **"new project"** means a construction or development project, which –

(i) is commenced during the period starting from the date of commencement of the Tax Laws (Amendment) Ordinance, 2020 and ending on the 31st day of December, 2020; and
(ii) is completed on or before the 30th day of September, 2022;

(g) **"project"** means a project for construction of a building with the object of disposal, or a project for development of land into plots with the object of disposal or otherwise;

Eligible projects
Two types of projects are eligible for taxation under this section.

a) a new project to be completed by the 30th day of September 2022; or
b) an incomplete existing project to be completed by the 30th day of September 2022.

Other provision relating to Computation of income

- Any income, profits and gains of a builder or developer of an incomplete existing project earned up to tax year 2019 shall be subject to the provisions of the Ordinance as were in force prior to the commencement of the Tax Laws (Amendment) Ordinance, 2020.

- Builders or developers who do not opt or who is not eligible to taxation under this section be subject to tax as per the normal provisions of the Income Tax Ordinance, 2001.

- The income chargeable under this section would be separately taxed and would be chargeable to tax under any head of income in computing the taxable income of the person.

- No deduction shall be allowed under the Ordinance for any expenditure incurred in deriving the income.

- Deductible allowance under Part IX of Chapter III shall be not allowed in order to reduce the taxable income.

- Losses shall not be allowed to set off against income chargeable to tax under this section.

- Only tax credit for tax under 236A or 236K collected from the builder or developer after the commencement of the Tax Laws (Amendment) Ordinance, 2020 on purchase of immoveable property utilized in a project, shall be allowed against the tax payable under this section.

- there shall be no refund of any tax collected or deducted under the Ordinance.

- If the tax payable has not been paid or short paid, the said amount of tax may be recovered and all the provisions of the Income Tax Ordinance, 2001 shall apply accordingly.

- Turn over tax under sections 113 and Alternate Corporate Tax under 113C shall not apply on the turnover, income, profits and gains of a builder or developer from a project.

Non-Application of Section 111 (unexplained income or assets)

Tax authorities have the powers to initiate proceedings against any person u/s 111 of ITO, 2001 to explain the source of his investment or assets however provisions of section 111 shall not apply to capital investment made in the form of money or land in new project against an investor who fulfills the following conditions:

If Investment is made by Builder or developer who are individual.

- If the investment is made in the form of money, such builder or developer shall open a new bank account and deposit such amount in it on or before the 31st day of December, 2020

- if the investment is made in the form of land, such builder or developer shall have the ownership title of the land at the time of commencement of the Tax Laws (Amendment) Ordinance, 2020;

If investment is made by a person in a project through an Association of persons or a company.

- such company or association of person shall be a single object (builder or developer) company or association of persons registered under the Companies Act, 2017 (XIX of 2017) or the Partnership Act, 1932 (IX of 1932), as the case may be, after the date of commencement of the Tax Laws (Amendment) Ordinance, 2020 and before the 31st day of December, 2020; and

- the person shall be a member or shareholder of such association of persons or company, as the case may be.

- in case of capital investment in the form of money, such amount is required to be invested through a crossed banking instrument deposited in the bank account of such association of persons or company, as the case may be, on or before the 31st day of December, 2020;

- in case of capital investment in the form of land such land is required to be transferred to such association of persons or company, as the case may be, on or before the 31st day of December, 2020. However, person should have the ownership title of the land at the time of commencement of this tax amendment Ordinance.

Other conditions

- a person making an investment as described above is required to submit a prescribed form on IRIS web portal to be able to be eligible to claim exemption from application of section 111.

- the money or land invested should be be wholly utilized in a project.

- Certification of completion of the project as per procedure described below:

  in case of a builder

  The map approving authority or NESPAK shall certify that grey structure as per the approved map has been completed by the builder on or before the 30th day of September, 2022; and

  in case of a developer

  (A) the map approving authority or NESPAK shall certify that landscaping has been completed on or before the 30th day of September, 2022;

(B) a firm of chartered accountants having an ICAP QCR rating of 'satisfactory', notified by the Board for this purpose, shall certify that at least 50% of the plots have been booked for sale and at least 40% of the sale proceeds have been received by the 30th day of September, 2022; and

(C) at least 50% of the roads have been laid up to sub-grade level as certified by the approving authority or NESPAK.

Non-Application of Section 111 to buyer of building and plots
Amnesty has also been provided to buyers of buildings and plots subject to certain conditions as discussed below:

Purchaser of a building or a unit of the building
First purchaser of building or a unit of building from the builder will be exempt from application of section 111 in respect of purchase price of the building or unit of the building if

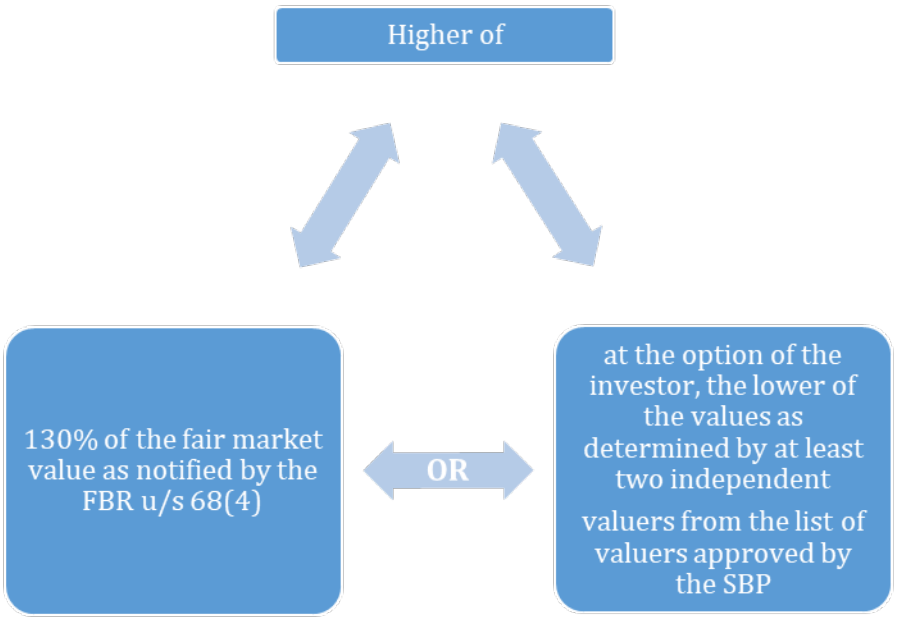
- In case of purchase is from a new project, he made full payment through a crossed banking instrument to be builder during a period starting from the date of registration of the project with the Board under this section and ending on the 30th day of September, 2022

- in case the purchase is from an existing incomplete project, he made full or balance payment through a crossed banking instrument to be builder during a period starting from the date of registration of the project with the Board under this section and ending on the 30th day of September, 2022

Purchaser of a plot
Purchaser of a plot who intends to construct a building on the said plot is also eligible for exemption from application of 111 in respect of such purchase of plot if

- Purchase is made on or before Dec 31, 2020
- Full payment is made through crossed banking instrument on or before Dec 31, 2020
- Construction is commenced on or before Dec 31, 2020
- Construction is completed on or before Sep 30, 2022
- The person registers himself with FBR via IRIS portal

Value or price of land or building
The value or price of land or building, invested or purchased, in all above scenarios where exemption from section 111 is sought by investor shall be



Non eligibility of immunity under Section 111
Following persons are not eligible to immunity as granted in the form of non-application of Section 111 on investment as discussed above;

- Holder of any Public Office [as defined in the Voluntary Declaration of Domestic Asset Act 2018 or his benamidar as defined in the Benami Transactions (Prohibition) Act, 2017 or his spouse or dependents;
- A public listed company, a real estate investment trust or a company whose income is exempt under any provision of the Ordinance
- Any proceeds derived from the commission of a criminal offence including the crimes of money laundering, extortion or terror financing but excluding the offences under the Ordinance

Dividend income
Dividend income paid to a person by a builder or developer being a company out of the profits and gains derived from a project shall be exempt from tax.

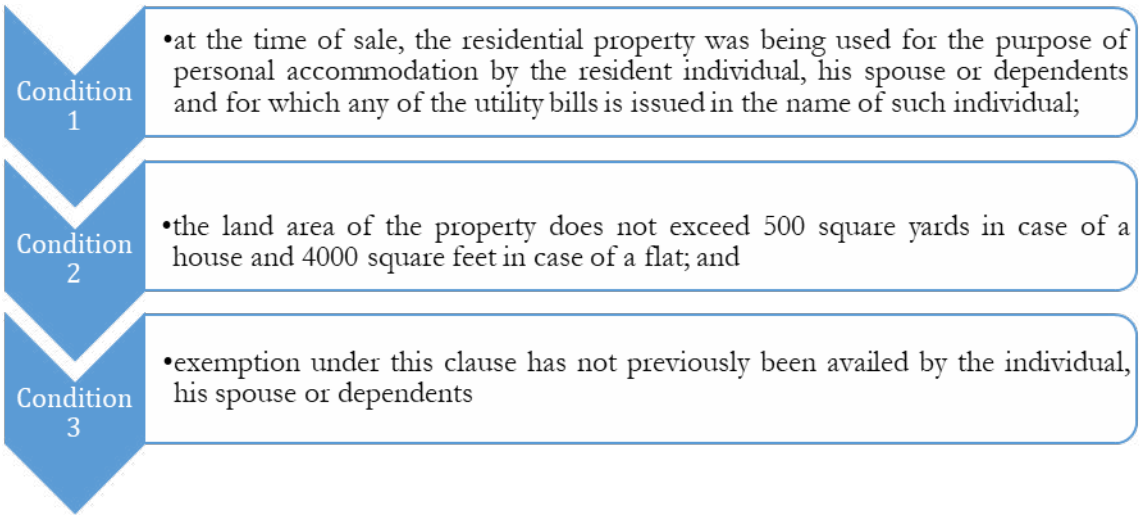
Misrepresentation or suppression of facts
Any return or declaration made through misrepresentation or suppression of facts, other than a bona fide mistake, shall be void and all the provisions of the Ordinance shall apply.

Reduction in tax rate for sale through auction.
Division VIII, Part IV of First Schedule have been amended whereby, rate of advance tax under 236A has been reduced from the existing 10% to 5% of the gross sale price in case of immovable properties sold through auction

CLAUSE 114AA

Part I, Second Schedule
The Act has inserted new clause (114AA) for exemption of income chargeable under the head capital gain by resident individual from the sale of constructed residential property.

Provided that exemption shall only apply if following conditions are fulfilled;



CLAUSE 9B
Part III, Second Schedule [Reduction In Tax Liability]
A new clause has been inserted in Part III of Second Schedule to the ITO, 2001 whereby the tax payable, on income from low cost housing project's developed or approved by NAPHDA or under Ehsaas Program will be reduced by 90% (i.e. exemption up to 90%).

Eleventh Schedule
A new schedule to the Income Tax Ordinance, 2001 has been introduced for prescribing rules for computation of profits and gains of builders and developers and tax payable under section 100D.

Scope and payment of tax **Rule 2**

- Income computed and tax payable thereon shall be on Project-by-Project basis which shall be computed and paid at the rates provided in rule 10.

- The annual tax liability for a project shall be worked out as per given formula:

$$\frac{\text{Tax liability as per the rates in rule 10}}{\text{Estimated project life in years}}$$

- Estimated project life for tax purposes shall not exceed two and a half years. However, for existing projects the estimated project life shall be treated as three years from tax year 2020 through tax year 2022.
- Tax payable in respect of existing incomplete projects will be reduced by the percentage of completion up to the last day of the accounting period pertaining to tax year 2019 as declared in the registration form to be filed with FBR.

- The tax liability so calculated and paid shall be final tax

Registration and filing of return **Rule 3**

- Registration of a project is required by builder or developer via IRIS with FBR by Dec 31, 2020.
- Two separate registration forms are required to be filed in case the developer is also a builder for the project.
- Details of shareholder or member is also required to be given by builder or developer.
- Opting for the project to be assessed under this regime shall be irrevocable

Certification **Rule 4**

- Certification is required from every builder or developer from approving authority or map approving authority or NESPAK (i.e. National Engineering Services Pakistan) and same would be provided to FBR. Certification should covered the following:

Area	Measurement
Total land area	Sq. Yds.
Covered area	Sq. Ft.
Saleable area	Sq. Ft.

Type (Commercial, residential or industrial) of saleable area or the total land area

ADVANCE TAX **Rule 5**

Tax shall be paid in advance in four equal instalments in the manner laid down in section 147 of the Ordinance. It may kindly be noted that eligibility to pay advance tax will be determined under section 100D read with rules in 11th Schedule. Only procedure laid down in section 147 will be adopted. Further it may also be noted that three quarter have already been lapsed so it appears that only latest quarter (i.e. June) is under consideration for TY 2020 however practically the requirement to pay advance tax in four installments start from TY 2021.

Incorporation of profits and gains for computation of income **Rule 6**

- Builders and Developers who opts for taxation under section 100D shall not be allowed to incorporate their profits and gains in books of accounts (including wealth statements as the case may be) exceeding ten times of the amount of tax paid under this regime.

Exemption from withholding of tax **Rule 7**

- Withholding tax provisions of section 153 on building material other than steel and cement and on services of plumbing, electrification, shuttering and other similar and allied services other than those provided by companies shall be not be applicable.

- The provisions of section 150 shall not apply to payment of dividend that is exempt under section 100D.

Restriction on change in pattern of ownership of a builder or Developer before completion of a project. **Rule 8**

- Where immunity from section 111 is claimed in respect of capital investment made by an individual or a person through a Company or AOP, the following restrictions shall apply

  - A shareholder or a partner in a developer shall not be allowed to change ownership of an incomplete project except where at least fifty percent of total project cost, as certified by ICAP

QCR rated firm of chartered accountants notified by the Board, has been incurred till the date of change of ownership

- The succession to legal heirs in case of deceased shareholder or a partner shall be allowed.

- The additional partners or shareholders in a developer after the thirty first of December, 2020 may join but additional partners or shareholders shall not be eligible for exemption provided under sub-section (4) of section 100D.

Definition **Rule 9**

(a) "**area**" means

(i) in case of a builder, –

(a) in case of a commercial or a residential building excluding a house, the saleable area of the building; and

(b) in case of a house, the covered area of house;

(ii) in case of a developer, the total land area of the project;

(b) "**building**" means a residential or commercial building or unit thereof;

(c) "**commercial building**" includes any building or part thereof which is to be used for commercial purposes in accordance with the relevant laws;

(d) "**commencement of project**" means,–

(i) in case of a construction project, when layout plan is approved by the concerned authority; and

(ii) in case of a development project, when the development plan is approved by the concerned authority:

Provided that where the builder or developer has taken all actions and done all things which are required and necessary to procure any approvals but any such approval is delayed beyond a period of 30 days from date of relevant application and the cutoff date of 31st day of December, 2020 is not adhered to by the builder or developer, the Board may provisionally accept commencement of such project on a case to case basis;

(e) **"completion of project"** means. –

(i) in the case of a builder, the date on which the grey structure is completed:

(ii) in the case of a developer, the date on which –

(A) at least 50% of the total plots have been booked in name of buyers;

(B) at least 40% of the sale proceeds have been received;

(C) landscaping has been completed; and

(D) at least 50% of the roads have been laid up to sub-grade level as certified by the approving authority or NESPAK;

Provided that such grey structure shall only be considered as completed when the roof of the top floor has been laid as per the approved plan;

(f) **'low cost housing'** means a housing scheme as developed or approved by NAPHDA or under the 'Ehsaas Programme';

(g) "**NAPHDA**" means Naya Pakistan Housing and Development Authority;

(h) "**NESPAK**" means National Engineering Services Pakistan (Private) Limited;

(i) "**residential building**" means a building which is not a commercial building but does not include buildings used for industrial purposes;

(j) "**saleable area**" in case of buildings, means saleable area as determined by the approving authority or map approving authority or NESPAK under the relevant laws;

(k) "**unit**" means a self-contained or independent building or part thereof including houses, apartments, shops, offices, etc.

Rate and computation of tax liability **Rule 10**

The rate of tax under section 100D shall be computed in accordance with the Table below

	Rate in respect of		
A	**B**	**C**	**D**
Area	**Karachi, Lahore & Islamabad**	**Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta**	**Urban Area not specified in Col. B & C**
TAX ON BUILDERS FOR COMMERCIAL BUILDING			
Area in Sq. Ft.	**Rate per Sq. Ft.**		
Any Size	Rs. 250	Rs. 230	Rs. 210
FOR RESIDENTIAL BUIDLING			
Area in Sq. Ft.	**Rate per Sq. Ft.**		
Up to 3000	Rs. 80	Rs. 65	Rs. 50
3000 and above	Rs. 125	Rs. 110	Rs. 100
TAX ON DEVELOPERS FOR ENTIRE PROJECT			
Area in Sq. Yd.	**Rate per Sq. Yd.**		
Any Size	Rs. 150	Rs. 130	Rs. 100
FOR DEVELOPMENT OF INDUSTRIAL AREA			
Area in Sq. Yd.	**Rate per Sq. Yd.**		
Any Size	Rs. 20	Rs. 20	Rs. 10

- In case of mixed use of buildings having both commercial and residential areas, respective rates mentioned above in each section shall apply.

- In case of development of plots and constructing buildings on the same plots as one project, both rates shall apply. It means that first tax will be calculated by applying development rates on land are in Sq. Yd. rates, and thereafter the tax will be computed as per covered area of building on foregoing plot.

- In the case of 'low cost housing' and all projects developed by NAPHDA, the higher rates shall apply.

NON-RESIDENT PERSONS, PE AND FOREIGN-CONTROLLED RESIDENT COMPANY

Restriction on deduction of profit on debt payable to associated enterprise **Section 106A**

In line with Action Plan 4 of the Organization for Economic Co-operation and Development (OECD's) recommendations on Base Erosion and profit shifting (BEPS), A new section has been introduced via FA, 2020 to restrict deduction on profit on debt payable to associated enterprise to 15% in case of foreign controlled resident company as per following formula:

[B] – [(A+B) x 0.15]

Where-

A is the taxable income before depreciation and amortization; and

B is the foreign profit on debt claimed as deduction

This section shall apply where total profit on debt claimed as deduction exceeds ten million rupees for a tax year. The unadjusted amount of foreign profit on debt shall be carried forward in the following tax year and so on for three tax years.

Date of application of this section in respect of foreign profit on debt accrued with effect from the first day of July, 2020 even if debts were contracted before the first day of July, 2020.

Foreign-controlled resident company has been defined as a resident company in which fifty per cent or more of the underlying ownership of the company is held by a non-resident person either alone or together with an associate or associates;

Foreign profit on debt has been defined as interest paid or payable to non-resident person or an associate of the foreign-controlled resident company and includes.

- interest on all forms of debt;
- payments made which are economically equivalent to interest;
- expenses incurred in connection with the raising of finance;
- payments under profit participating loans;
- imputed interest on instruments such as convertible bonds and zero coupon bonds;
- amounts under alternative financing arrangements such as Islamic finance;
- the finance cost element of finance lease payments;
- capitalized interest included in the balance sheet value of related asset, or the amortization of capitalized interest;
- amounts measured by reference to a funding return under transfer pricing rules;
- where applicable, notional interest amounts under derivative instruments or hedging arrangements related to an entity's borrowings;
- certain foreign exchange gains and losses on borrowings and instruments connected with the raising of finance;
- guarantee fees with respect to financing arrangements; and
- arrangement fee and similar cost related to the borrowing funds.

Spontaneous exchange of information **Section 107**

The Finance Act has incorporated spontaneous exchange of information as an international obligation for Federal Government to enter into an agreement with other government.

Minimum tax application on PE of a non-resident **Section 113**

Section 113 of the Ordinance levies minimum tax only on resident companies. This means that foreign companies having a permanent establishment in Pakistan (including a branch) are not subject to minimum tax. The Finance Act has extended the scope of minimum tax under section 113 to permanent establishment of a non-resident company.

Payment for advertisement services **Section 152(1AAA)**

Tax deducted from payment for advertisement services to a non-resident media person relaying from outside Pakistan shall now be minimum tax.

Payment to Permanent Establishment (PE) of a non-resident **Section 152**

The Finance Act has changed the taxation regime of PE of a non-resident person from normal taxation to minimum taxation except sale of goods by a company being a manufacturer of such goods as is in the case of resident person.

Cohesive business operation **Section 152(4B)**

Currently, in case of payment that constitutes part of an overall arrangement of a cohesive business operation the Commissioner is empowered to allow on an application made by the person making the payment to make payment after deduction of tax equal to thirty percent of the tax chargeable on such payment.

The Act has reduced the limit of 30% to 20%.

PAYMENTS TO NON-RESIDENTS **DIVISION-II [SECTION 152]**

The Finance Act has amended Division II of Part-II of First Schedule to provide a level playing field for permanent establishment (PE) of non-residents viz-a-viz resident taxpayers by reducing withholding rate from 8%/10% to 3% of the gross amount payable on account of payment for following certain services:

- transport services,
- freight forwarding services,
- air cargo services,
- courier services,
- manpower outsourcing services,
- hotel services,
- security guard services,
- software development services,
- IT services and IT enabled services as defined in clause (133) of Part I of the Second Schedule,
- tracking services,
- advertising services (other than by print or electronic media),
- share registrar services,
- car rental services,
- building maintenance services,
- services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited
- inspection and certification,
- testing and training services

ADVANCE TAX & WITHHOLDING TAX PROVISIONS

Advance tax **Section 147**

The Finance Act has added a new provision wherein the Board may prescribe the procedure for filing and calculation turnover for the quarter through an automated system.

This may lead to differences of calculation of turnover by the taxpayers and the automated system.

Imports **Section 148**

A paradigm shift is intended in case of advance tax on imports whereby focus has been shifted from person specific rates of taxation to goods specific rates. The Act has made following changes in this section:

A new Twelfth Schedule has been introduced containing three parts. Rates currently given in the Part II of the First Schedule have been substituted with new rates in respect to goods falling in Part I, II and III respectively of the Twelfth Schedule.

Further, the Act provides that the tax collected shall not be minimum tax in case goods on which tax is required to be collected under this section at the rate of 1% or 2% by an industrial undertaking for its own use. All other cases of minimum tax as specified under sub sections 7, 8 and 8A of section 148 have been omitted.

Currently, Value of goods means value of the goods as determined under the Customs Act, 1969 (IV of 1969), as if the goods were subject to ad valorem duty increased by the customs-duty, federal excise duty and sales tax, if any, payable in respect of the import of the goods. The current definition would continue to exist, except for goods chargeable to tax at retail price under the Third Schedule of the Sales Tax Act, 1990.

The Act provides that value of goods in case of goods chargeable to tax at retail price under the Third Schedule of the Sales Tax Act, 1990, shall mean the retail price of such goods increased by sales tax payable in respect of the import and taxable supply of the goods.

The rate of advance tax to be collected by the Collector of Customs under section 148 shall be as follows:

RATES OF ADVANCE TAX

[Division II of Part V of Chapter X]

S. No.	Persons	Rate
(1)	(2)	(3)
1.	Persons importing goods classified in Part I of the Twelfth Schedule	1% of the import value as increased by customs-duty, sales tax and federal excise duty
2.	Persons importing goods classified in Part II of the Twelfth Schedule	2% of the import value as increased by customs-duty, sales tax and federal excise duty
3.	Persons importing goods classified in Part III of the Twelfth Schedule	5.5% of the import value as increased by customs-duty, sales tax and federal excise duty”;

In case of goods classified under Part III of the Twelfth Schedule which are used both as raw material and finished goods, the Board is authorized to specify that goods imported by a person or class of persons as raw material for its own use shall be treated as classified under Part II of the Twelfth Schedule

Separate tax rate shall apply for the following:

- manufacturers covered under rescinded SRO 1125(I)/2011 dated 31 December 2011 as it stood on 28 June 2019 shall be taxed at 1%
- persons importing finished pharmaceutical products not manufactured otherwise in Pakistan shall be taxed at 4%; and
- persons importing mobile phone in CBU and CKD/SKD condition shall be taxed at the rates in the following table .

C & F Value of mobile phone (US Dollar)	**Tax (Rs.)**	
	In CBU condition PCT Heading 8517.1219	**In CKD/SKD condition under PCT Heading 8517.1211**
Up to 30 except smart phones	70	0
Exceeding 30 and up to 100 and smart phones up to 100	100	0
Exceeding 100 and up to 200	930	0
Exceeding 200 and up to 350	970	0
Exceeding 350 and up to 500	3,000	5,000
Exceeding 500	5,200	11,500

Clause 56, Part IV, Second Schedule

The amendment n the Finnace Act appears to replace SRO 947 dated September 05, 2008 by making amendment to clause (56), Part IV, Second Schedule. The inserted new sub-clauses are highlighted in green after sub-clause (v)

i) Goods classified under Pakistan Customs Tariff falling under Chapter 86 and 99 except PCT Heading 9918

(ia) Petroleum oils and oils obtained from bituminous minerals crude (PCT Code 2709.0000), Furnace-oil (PCT Code 2710.1941), High speed diesel oil (PCT) Code 2710.1931), Motor spirit (PCT Code 2710.1210), J.P.1 (PCT Code 2710.1912), base oil for lubricating oil (PCT Code 2710.1993), Light diesel oil (PCT Code 2710.1921) and Super Kerosene Oil imported **by** Pakistan State Oil Company Limited, Shell Pakistan Limited, Attock Petroleum Limited, Byco Petroleum Pakistan Limited, Admore Gas Private Limited, Chevron Pakistan Limited, Total-PARCO Pakistan(Private) Limited, Hascol Petroleum Limited, [Barki Energy (Private) Limited], Gas and Oil Pakistan (Pvt.) Ltd [or any other oil marketing company licensed by Oil and Gas Regulatory Authority (OGRA)] and oil refineries.

ii) Goods imported by direct and indirect exporters covered under sub-chapter 7 of Chapter XII of SRO 450(I)/2001 dated June 18, 2001;

iii) Goods temporarily imported into Pakistan for subsequent exportation and which are exempt from customs duty and sales tax under Notification No.492(I)/2009, dated the 13th June, 2009

iv) Manufacturing Bond as prescribed under Chapter XV of Customs Rules, 2001 notified vide S.R.O. 450(I)/2001, dated June 18, 2001

v) Mineral oil imported by a manufacturer or formulator of pesticides which is exempt from customs-duties under the customs Notification No. S.R.O. 857(I)/2008, dated the 16th August, 2008

vi) The Federal Government

vii) A Provincial Government

viii) **A Local Government**
ix) **a foreign company and its associations whose majority share capital is held by a foreign government**
x) **a person who imports plant and machinery for execution of a contract with the Federal Government or a provincial government or a local government and produces a certificate from that government**
xi) **companies importing high speed diesel oil, light diesel oil, high octane blending component or kerosene oil, crude oil for refining and chemical used in refining thereof in respect of such imports; and**
xii) **companies importing high speed diesel oil, light diesel oil, high octane blending component or kerosene oil, crude oil for refining and chemical used in refining thereof in respect of such imports vehicles imported by such companies**

Tax on local purchase of cooking oil or vegetable ghee by certain persons Section 148A

Currently the manufacturers of cooking oil or vegetable ghee, or both are chargeable to tax at the rate of two percent on purchase of locally produced edible oil being the final tax in respect of income accruing from locally produced edible oil.

Section 148A has been omitted by the Finance Act. The manufacturers of cooking oil or vegetable ghee, or both shall accordingly fall under normal tax regime.

Payments for supplies, services & Contracts Section 153

Payment for Toll manufacturing Section 153(1)

Presently, toll manufacturer is considered as service provider and is subject to withholding of tax under section 153(1)(b) of the Ordinance, 2001. Through this Act, payment to 'toll manufacturer' shall be classified as sale of goods and subject to withholding of tax under section 153(1)(a) of the Ordinance.

Issuance of exemption certificate Section 153(4)

A new proviso has been inserted in the said section, whereby an expeditious procedure for issuance of certificate for non-deduction of withholding tax u/s 153 to a public company listed on registered stock exchange in Pakistan is introduced. The Commissioner are obliged to issue an exemption certificate within 15 days of filing of application if advance tax liability has been discharged. If the commissioner fails to issue the exemption certificate within the time as stipulated above the exemption will be granted automatically on the IRIS. However, the Commissioner can withdraw the exemption on the basis of appropriated reason after providing proper opportunity of being heard to taxpayer.

Prescribed person for tax withholding purposes Section 153(7)

Currently, the threshold of turnover of Rs. 50 million or more has been prescribed for an individual and AOP for becoming a prescribed person and accordingly act as withholding agent under the Ordinance. Further, sales tax registered persons are currently considered as prescribed person without any limit and condition.

In order to ease burden and cost of compliance of small business, this threshold has been increased from Rs. 50 million to Rs. 100 million. Further, only those sales tax registered person have been prescribed to act as withholding agent who earns turnover of one hundred million rupees or more in any of the preceding tax years.

Clause 46AA, Part IV, Second Schedule

The Finance Act has replaced SRO 586 dated June 30, 1990 with a new clause (46AA) to exempt various persons from the provisions of section 153 in respect of payments made for sale of goods and rendering services. The persons are listed below:

- A Provincial Government
- A Local Authority
- Persons who are residents of Azad Kashmir and execute contracts in Azad Kashmir only and produce a certificate to this effect from the concerned income tax authority
- Persons receiving payments from a company or an association of persons having turnover of fifty million rupees or more or from an individual having turnover of fifty million rupees or more exclusively for the supply of agriculture produce including fresh milk, fish by any person engaged in fish farming, live chicken, birds and eggs by any person engaged in poultry farming and by an industrial undertaking engaged in poultry processing which has not been subjected to any process other than that which is ordinarily performed to render such produce fit to be taken to market
- Person engaged in fish farming, live chicken, birds and eggs by any person engaged in poultry farming and by an industrial undertaking engaged in poultry processing which has not been subjected to any process other than that which is ordinarily performed to render such produce fit to be taken to market
- Companies receiving payments for the supply of crude oil
- Hotels and restaurants receiving payments in cash for providing accommodation or food or both, as the case may be and
- Shipping companies and air carriers receiving payments for the supply of passenger tickets and for the cargo charges of goods transported
- Individuals who are not registered under section 181 of the Ordinance, receiving payments for the supply of sand, bricks, grit, gravel, crushed stone, soft mud or clay
- Artisans, plumbers, electricians, surface finishers, carpenters, painters or daily wagers, receiving payments in respect of services provided or rendered to the construction sector including construction of buildings, roads, bridges and other such structures or the development of land, subject to the following conditions, namely;

    a) services under this clause are provided or rendered by an individual who is not registered under section 181
    b) the name, Computerized National Identity Card Number and address of such individual is recorded by the recipient of such service
    c) payment for such services is made directly to such individual

It is pertinent to note that the limit of Rs.50 million has been increased to Rs.100 million for individual & Association of Persons as prescribed withholding agent however the aforementioned amended clause 46AA still contains the limit of Rs.50 million which need to be modified.

Withdrawal of balance under Pension Fund **Section 156B**

Section 156B has been omitted by the Finance Act, however a provision to clause 23A, Part I, Second Schedule is inserted requiring pension fund manager to act as a withholding agent.

Exemption or lower rate certificate **Section 159**

The amendment through the Finance Act provides for prescribed form for the purpose of filing of exemption application under sub-section (1) & (2) of section 159.

Withholding Statements **Section 165**

Amendment has been made in clause (a), (b) and (c) of the section 165(1) whereby every person deducting/collecting tax shall be required to file a Quarterly statement instead of Biannual.

A sub section (1A) has been inserted whereby person engaged in economic transaction as prescribed by the Board shall be required to furnish quarterly statement.

The deadline for filling of Withholding statements shall be on or before the 20th of the next month after the end of the quarter.

Furnishing of information by banks **Section 165A**

Currently, banking companies are required to furnish list of persons receiving profit on debt exceeding Rs.500,000 and tax deductions thereon during preceding financial year.

The Finance Act has omitted the said limit. This means that banking company will be required to furnish details of persons receiving profit on debt irrespective of the quantum of profit on debt.

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

The Finance Act has insert explanation to sub-section (7) in section 231B to exclude rickshaw, motorcycle-rickshaw and any other motor vehicle having engine capacity upto 200cc from the purview of the term "Motor Vehicle" for the purposes of advance tax.

Advance tax Sale by auction **Section 236A**

The Finance Act has added an explanation to include renewal of license in definition of auction and to collect advance tax on each installment under this section.

Collection of advance tax by educational institutions **Section 236I**

Currently, advance tax is collected by educational institutions where annual fee exceeds Rs, 200,000. The Act has amended section 236I to restrict collection of advance tax on tuition fee by educational institutions only from person not appearing active taxpayer list.

Payment to residents for use of machinery and equipment **Section 236Q**

Currently, withholding of tax from payment to resident person for use of machinery and equipment is subject to final tax under section 236Q. This Act has now changed the regime from 'final tax' to 'minimum tax'.

Omission of withholding / collection of advance tax

The Act omits the following withholding / advance tax provisions:

Section	Description
148A	Tax on local purchase of cooking oil or vegetable ghee by certain persons
156B	Tax on withdrawal of balance under pension fund
235B	Tax on steel melters and composite units
236D	Advance tax on functions and gatherings
236F	Advance tax on cable operators and other electronic media
236J	Advance tax on dealers, commission agents and arhatis etc.
236R	Collection of advance tax on education related expenses remitted abroad
236U	Advance tax on insurance premium
236X	Advance tax on tobacco

RETURNS, AUDIT, ASSESSMENT, APPEALS, RECOVERY, REFUND

Filing of tax return for the income subject to final taxation **Section 114 (1)**

Presently, any person whose entire income in a year is subject to final taxation is not required to file return under section 114. Instead such person(s) are required to file a separate statement as prescribed under section 115(4).

Through insertion of new clause (ae) in Section 114 by the Finance Act, now persons whose income is subject to final taxation under any provision of ITO, 2001, are also required to furnish a return of income for a tax year instead of statement under 115(4).

Further, it has been provided that Board may prescribe different returns for different classes of income or persons including persons' subject to final taxation.

Approval for revision of return **Section 114 (6)**

The Finance Act has added proviso to sub-section 6 of section 114 requiring the Commissioner to grant approval for revision of income tax return in case of a bonafide omission or wrong statement.

Taxpayer's profile **Section 114A**

In order to update and harmonize the taxpayer's particulars, a new Section 114A has been inserted via Finance Act, 2020 wherein following persons are required to furnish the tax profile in the prescribed form along with relevant annexures, statements or documents:

- every person applying for registration under section 181;
- every person deriving income chargeable to tax under the head, "income from business";
- every person whose income is subject to final taxation;

- any non-profit organization as defined in clause (36) of section 2;
- any trust or welfare institution; or
- any other person prescribed by the Board.

A taxpayer's profile

- Shall be in the prescribed form and shall be accompanied by such annexures, statements or documents as may be prescribed;
- shall fully state, in the specified form and manner, the relevant particulars of

  - bank accounts;
  - utility connections;
  - business premises including all manufacturing, storage or retail outlets operated or leased by the taxpayer;
  - types of businesses; and
  - such other information as may be prescribed;

- shall be signed by the person being an individual, or the person's representative where section 172 applies; and
- shall be filed electronically on the web as prescribed by the Board.

Timelines for furnishing of taxpayer's profile have been prescribed as follows:

Where person registered under section 181 before 30.09.2020	on or before 31.12.2020
Where person not registered before 30.09.2020	within ninety days of registration
In case of any change in any of the relevant particulars of information	within ninety days of change

Revision of wealth statement subject to approval by Commissioner **Section 116**

Currently, wealth statement can be revised at any time before the issuance of notice u/s 122(9) of the Ordinance without prior approval of the Commissioner. Now, the Finance Act has inserted that intimation to the Commissioner in the prescribed form and manner is required for revision of wealth statement. However such revision may be void, after providing opportunity of being heard, if Commissioner is of the opinion that revision is not for the purpose of correcting a bona fide omission or wrong statement. It has been further clarified that wealth statement cannot be revised after the expiry of five years from due date of filing of return of income for that tax year.

Assessment **Section 120**

Section 120 provides that the Commissioner shall be taken to have made an assessment of taxable income for that tax year, and the tax due thereon, equal to those respective amounts specified in the return and the return shall be taken for all purposes of this Ordinance to be an assessment order issued to the taxpayer by the Commissioner on the day the return was furnished.

The Act has inserted a concept of processing of submitted return through automated system to arrive at correct amounts of total income, taxable income and tax payable by making adjustments. A new sub section 2A has been added which provides that the return of income furnished under sub-section (2) of

section 114 shall be processed through automated system to arrive at correct amounts of total income, taxable income and tax payable by making adjustments for

- any arithmetical error in the return
- any incorrect claim, if such incorrect claim is apparent from any information in the return
- disallowance of any loss, deductible allowance or tax credit under Parts VIII, IX and X respectively of Chapter III; and
- disallowance of carry forward of any loss under clause (b) of sub-section (1) of section 182A:

Provided that no such adjustments shall be made unless a system generated notice is given to the taxpayer specifying the adjustments intended to be made and the response received from the taxpayer, if any, shall be considered before making any adjustment, and in a case where no response is received within thirty days of the issue of such notice, adjustments shall be made.

Provided also that where no such adjustments have been made within six month of filing of return, the amounts specified in the return as declared by the taxpayer shall be deemed to have been taken as adjusted amounts on the day the return was filed and the taxpayer shall be intimated automatically through IRIS.

Further, terms used in this section has been defined as

(a) “arithmetical error” includes any wrong or incorrect calculation of tax payable including any minimum or final tax payable.
(b) "an incorrect claim apparent from any information in the return" shall mean a claim, on the basis of an entry, in the return,—
(i) of an item, which is inconsistent with another entry of the same or some other item in such return;
(ii) regarding any tax payment which is not verified from the collection system; or
(iii) in respect of a deduction, where such deduction exceeds specified statutory limit which may have been expressed as monetary amount or percentage or ratio or fraction.”

We feel that this change if adopted by Parliament will shake the very foundation of Universal Self-Assessment Scheme and will further dilute the confidence of taxpayer.

Best judgement assessment **Section 121**

Applicability of best judgment assessment in case of statement of final taxation as envisaged under section 121 has been deleted in line with changes in section 115(4).

Amendment of assessments. **Section 122(5)**

As per Section 122(5), the Commissioner is empowered to amend or further amend an assessment order on the basis of definite information acquired from an audit or otherwise.

The amendment through the Finance Act shall now empower the Commissioner to amend or further amend an assessment order on the basis of audit or on the basis of definite information.

The impact of legal objections and various announced judgments will be nullified by this amendment.

Agreed assessment in certain cases **Section 122D**

The amendment through this Act has inserted a new section to prescribe procedure and mechanism for agreed assessment in certain cases, Where a taxpayer, in response to a notice under sub-section (9) of section 122, intends to settle his case, he may file offer of settlement in the prescribed form before the

assessment oversight committee, in addition to filing reply to the Commissioner and after examining the record of the case and affording opportunity of being heard to the taxpayer, may decide to accept or modify the offer of the taxpayer through consensus and communicate its decision to the taxpayer.

Where the taxpayer is satisfied with the decision of the Committee the taxpayer shall deposit the amount of tax payable including any amount of penalty and default surcharge as per decision of the Committee and the Commissioner shall amend assessment in accordance with the decision of the Committee after tax has been paid by the taxpayer and the taxpayer shall waive the right to prefer appeal against such amended assessment and no further proceedings shall be undertaken under this Ordinance in respect of issues decided by the Committee unless the tax has not been deposited by the taxpayer.

Where the Committee has not been able to arrive at a consensus or where the taxpayer is not satisfied with the decision of the Committee, the case shall be referred back to the Commissioner for decision on the basis of reply of the taxpayer in response to notice under section 122(9). The proceedings or decision, if any, of the Committee shall comprise of the income tax authorities having jurisdiction over the taxpayer.

The provisions of this section shall not apply in cases involving concealment of income or where interpretation of question of law is involved having effect on other cases. The Board may make rules regulating the procedure of the Committee and for any matter connected with, or incidental to the proceedings of the Committee.

Appeals to appellate authorities **Section 127, 129 & 131**

The amendment made in Section 120 would provide for filing of an appeal in case the assessment so passed is not acceptable to the taxpayer.

Further the Act also enhances the fees for filing appeals with the CIR (Appeals) and with the ATIR. The below table depicts the comparison of existing fees and the amended fees.

Comparison	Individual/AOP		Company	
IF Appeal filed before CIR (Appeals)				
	Appeal against assessment order	**Other**	**Appeal against assessment order**	**Other**
Existing	1,000	200	1,000	1,000
Amended	2,500	1,000	5,000	5,000
IF Appeal filed before ATIR				
	Appeal against assessment order	**Other**	**Appeal against assessment order**	**Other**
Existing	2,000	2,000	2,000	2,000
Amended	2,500	1,000	5,000	5,000

Furthermore, Act provides that Commissioner (Appeals) shall specify the amount of tax upheld in the order passed by him.

Alternative dispute resolution **Section 134 A**

The composition and process of Alternate dispute resolution committee has been revamped by substituting the existing section 134D. The new section provides the following.

Composition

Currently the Committee comprises of an Officer of Inland Revenue not below the rank of Commissioner. The Finance Act replaced it with Chief Commissioner Inland Revenue having jurisdiction over the case.

Currently one person from a panel notified by the Board comprising of Chartered Accountants, Cost and Management Accountant, Advocates, having minimum of ten years in the field of taxation can be nominated by the taxpayer. The Finance Act recommends to appoint two, instead of one, person from the panel and will be appointed by the Board.

A reputable businessman nominated by Chambers of Commerce is not now part of provision of 134D. Further, currently a member of committee includes a retired judge not below the rank of District and Sessions Judge as agreed by Officer of Inland and the other nominated person. The Act has omitted this provision.

Procedure

Currently the aggrieved person and the Board are required to withdraw the appeals pending before the appellate authority in the absence of which the committee shall not commence its proceedings. Further that an order to this effect is to be communicated to the Board within 75 days of the appointment of ADRC else the ADRC shall be dissolved.

This requirement has been withdrawn. The Board shall now communicate the order of appointment of committee to the court of law or the appellate authority where the dispute is pending and the Commissioner.

Decision

It is provided that the decision of the committee shall be binding on the Commissioner when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before the court of law or any appellate authority and has communicated the order of withdrawal to the Commissioner within sixty days of the service of decision of the committee upon the aggrieved person.

In case of dissolution of the committee, upon of receipt of the order of dissolution by the taxpayer the court of law of the Appellate Authority is currently required to decide the appeal within six months. This time limit has been removed.

Recovery

Currently recovery of tax payable by a taxpayer in connection with dispute before committee is deemed to be stayed on withdrawal of appeal by the taxpayer. This has been replaced. Now the Committee may grant stay against recovery of tax payable by a taxpayer in case of hardship for a period not exceeding 120 days in aggregate or till the decision of the committee or it's dissolution, whichever is earlier.

Recovery of tax out of property and through arrest of taxpayer Section 138

Currently, the Commissioner is empowered to proceed to recover from the taxpayer outstanding amount of tax demand in the notice under section 138(1) by one or more of the following modes:

(a) attachment and sale of any movable or immovable property of the taxpayer;
(b) appointment of a receiver for the management of the movable or immovable property of the taxpayer; and
(c) arrest of the taxpayer and his detention in prison for a period not exceeding six months.

In order to make recovery of taxes more efficient and effective, the Act empower the CIR to also exercise the powers provided in Section 48 of the ST Act for recovery of the outstanding tax liability. Such powers include the following:

- deduct the amount from any money owing to person from whom such amount is recoverable and which may be at the disposal or in the control of such officer or any officer of Income Tax, Customs or Central Excise Department;
- require by a notice in writing any person to stop clearance of imported goods or manufactured goods or attach bank accounts
- Sealing of premises

Income tax refunds Section 170

An enabling provision has been inserted in section 170 which empowers Board to make rules regulating procedure for expeditious processing and automatic payment of refunds through centralized processing system with effect from a date to be notified by the Board.

Real-time access to information and databases by various agencies Section 175A

The Finance Act has inserted a new section relating to real-time access of information and database by various agencies. The section provides that arrangements shall be made to provide real-time access of information and database to the Board in the prescribed form and manner by the

- National Database and Registration Authority with respect to information pertaining to National Identity Card, Pakistan Origin Card, Overseas Identity Card, Alien Registration Card, and other particulars contained in the Citizen Database.
- The Federal Investigation Agency and the Bureau of Emigration and Overseas Employment with respect to details of international travel.
- The Federal Investigating Agency and the Bureau of Emigration and Overseas Employment with respect to details of international entry and exit of all persons and information pertaining to work permits, employment visas and immigration visas.
- The Islamabad Capital Territory, provincial and local land record and development authorities with respect to record-of-rights including digitized edition of record-of-rights, periodic record, record of mutations and report of acquisition of rights;
- The Islamabad Capital Territory and provincial Excise and Taxation Departments with respect to information regarding registration of vehicles, transfer of ownership and other associated record.
- All electricity suppliers and gas transmission and distribution companies with respect to particulars of a consumer, the units consumed and the amount of bill charged or paid and where the connection is shared or is used by a person other than the owner, the name and CNIC of the owner and the user shall also be furnished and all electricity suppliers and gas transmission and distribution companies shall make arrangements by the 1st day of January, 2021 for allowing consumers to update the ratio of sharing of a connection or the particulars of users and
- Any other agency, authority, institution or organization notified by the Board.

The Board shall make arrangements for laying the infrastructure for real-time access to information and database and aligning it with its own database, until real-time access to information and database is made available and such information and data shall be provided periodically in such form and manner as may be prescribed and all information received under this section shall be used only for tax purposes and kept confidential.

Audit **Section 177(2A) & (2AA)**

E Audit-177(2A)
The Finance Act has inserted a new sub section (2A) empowering the Commissioner to conduct audit proceedings electronically through video links or any other facility prescribed by the Board.

Sectorial Benchmark ratios-177(2A)
The Finance Act has inserted a new sub section (2AA) to empower commissioner to determine taxable income on the basis of sectoral benchmark ratio prescribed by the Board. The expression "sectoral benchmark ratios" means standard business sector ratios notified by the Board on the basis of comparative cases and includes financial ratios, production ratios, gross profit ratio, net profit ratio, recovery ratio, wastage ratio and such other ratios in respect of such sectors as may be prescribed.

Offences and penalties **Section 182**
The Finance Act has introduced following new penalties for failing to update profile and for contravening the provisions relating to compulsory registration in certain cases.

Sr.No.	Offence	Penalty	Section of the Ordinance to which offence has reference
4A	*Any person who is required to furnish or update a taxpayer's profile but fails to furnish or update within the due date. ``*	*Such a person shall pay a penalty of Rs. 2,500 for each day of default from the due date subject to a minimum penalty of Rs. 10,000.*	114A
4B	*Person who contravenes the provisions of section 181AA.*	*Such a person shall pay a penalty at the rate of Rs. 10,000 for each connection provided to an unregistered person.*	181AA

Non-inclusion in Active taxpayers' list **Section 182A**
The Finance Act has inserted new sub section to provide that where a person fails to furnish or update a taxpayer's profile within the due date or time period such person shall not be included in the active taxpayers' list for the latest tax year ending prior to the aforesaid due date or extended date.

Assessment of default surcharge without payment of tax **Section 205**
The Finance Act has empowerd the Commissioner to make assessment of default surcharge under section 205 for the period of default or part thereof despite that the tax due has not actually been paid.

Jurisdiction of income tax authorities **Section 209**
The Finance Act has introduced a new concept of electronic and randomized allocation of cases through an automated case selection system. After a case has been selected for audit, the jurisdiction for audit and

adjudication would be assigned to separate officers through automated case selection system which is an algorithm for randomly assigning cases to officers through technological modes.

Delegation of power **Section 210**

The Commissioner is empowered to amend or further amend an order of withholding tax recovery if he considers that the original order is erroneous and prejudicial to the interest of revenue.

Through Finance Act, 2020 amendment is made in sub-section (1A) of Section 210, through which the power of amendment of an order of recovery under sub-section (3) of Section 161 can now be delegated to an Additional Commissioner of Inland Revenue.

AMENDMENTS IN FIRST SCHEDULE

Tax rate on capital gains on disposal of Securities

The finance Act has provided to maintain the tax rate as applicable in tax years 2018 to 2020 on capital gains for tax year 2021 and onwards on disposal of securities taxable under section 37A of the Ordinance.

RATES OF ADVANCE TAX **Section 150**

To align the rate of charging section with withholding section in respect of dividend, profit on debt and return on investment on sukuk where the sukuk holder is a company, the Finance Act has added a new clause in Division l, amending provision to lA, and lB of Part-III of First Schedule.

Advance tax on Dividend **(Division I, Part III, First Schedule)**

The Finance Act provides the tax rate of 25% in case of a person receiving dividend from a company where no tax is payable by such company, due to exemption of income or carry forward of business losses under Part VIII of Chapter III or claim of tax credits under Part X of Chapter III".

Tax on profit on debts **(Division IA, Part III, First Schedule)**

Currently, the withholding tax rate of 10% is applicable where the yield or profit on debt is Rs. 500,000 or less.

As per the amendments through the Act rate of advance tax on bank profits in all cases would be 15% except the taxpayer furnishes a certificate to the payer of profit that during the tax year the profit is Rs. 500,000 or less. The 10% rates would be applicable only on provision of such certificate.

Return on Investment in Sukuks **(Division IB, Part III, First Schedule)**

The withholding tax rate has been increased from 15% to 25% on payment of return on investment in sukuk to a company as per the amended Finance Act.

PAYMENTS FOR GOODS AND SERVICES

DIVISION-III [SECTION 153]

The Act has amended Division III of Part-III of First Schedule to include **toll manufacturer** for deduction of tax at the rate of 4% for company and 4.5% for others.

Further services pertaining to warehousing, rendered by asset management companies, data service provided under license by the Pakistan Telecommunication Authority, telecommunications infrastructure (tower) services are now included in the list of specified services for deduction of advance tax at reduced rate of 3%.

ADVANCE TAX AT THE TIME OF SALE BY AUCTION DIVISION-VIII [SECTION 236A)

The Finance Act has added a new provision in Division-VIII, Part-IV for collection of tax @ 5% of the gross sale price where immoveable property is sold by auction.-

ADVANCE TAX ON EXTRACTION OF MINERALS DIVISION XXVI [SECTION 236V)

The Finance Act has omitted the expression "for person who are not appearing in the active taxpayers' list" in Division XXVI in Part IV to extend scope of collection of advance tax on extraction of mineral to those who appear on active taxpayer list.

Existing	Amended
The rate of tax to be collected under section 236V shall be 5% of the value of the minerals for persons who are not appearing in the active taxpayers' list.	The rate of tax to be collected under section 236V shall be 5% of the value of the minerals

AMENDMENTS IN SECOND SCHEDULE

CLAUSE 23A, PART I [EXEMPTION FROM TOTAL INCOME]

The Finance Act has inserted a new proviso to clause 23(A) for deduction of tax by pension fund manager in certain cases in case of withdrawal of before retirement age. This need to be read with omission of section 156B of Income Tax Ordinance, 2001.

CLAUSE 99A, PART I

The Act has extend exemption to Developmental REIT Scheme from tax year 2020 to 2023 under clause 99A of Part I of Second Schedule as follows:

Existing (Proviso 1)	Amended (Proviso 1)
Provided that profit and gains on sale of immovable property to a Developmental REIT Scheme with the object of development and construction of residential buildings shall be exempt up to thirtieth day of June, 2020	Provided that profit and gains on sale of immovable property to a Developmental REIT Scheme with the object of development and construction of residential buildings shall be exempt up to thirtieth day of June, 2023

Existing (Proviso 2)	Amended (Proviso 2)
Provided further that the profit and gains on sale of immovable property to a rental REIT scheme shall be exempt up to the 30th day of June, 2021	Provided further that the profit and gains on sale of immovable property to a rental REIT scheme shall be exempt up to the 30th day of June, 2023

CLAUSE 126A, PART I

The Finance Act has inserted Gwadar Free Zone in clause (126A) for exemption with effect from 1st June, 2020.

CLAUSE 126AB, PART I

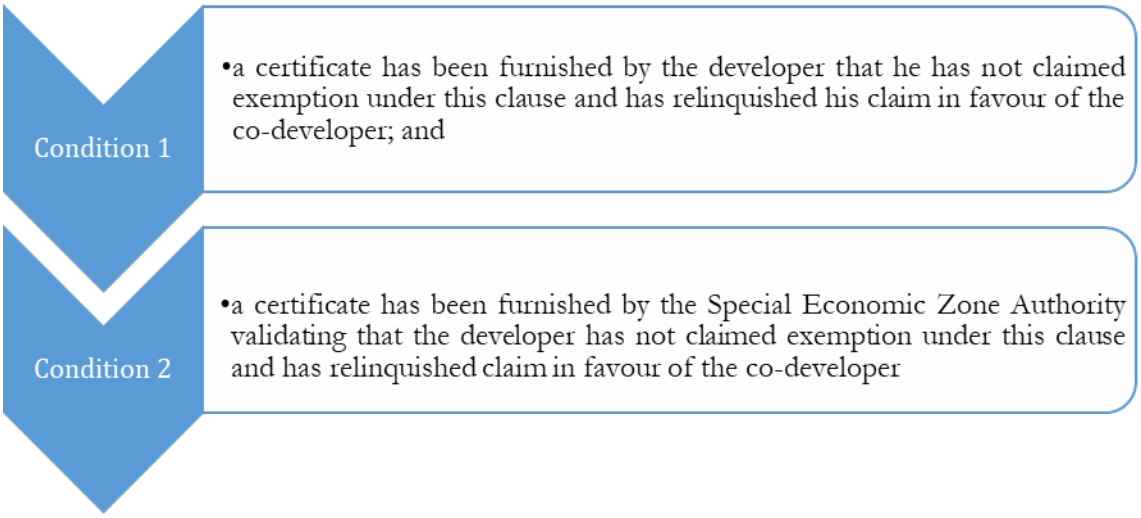
The Finance Act has included income tax exemption on account of profit on debt for China Overseas Port Holding Company Pakistan (Private) Limited, Gwadar International Terminals Limited, Gwadar Marine Services Limited and Gwadar Free Zone Company Limited under clause 126AB of Part I of Second Schedule with effect from 1st June, 2020.

CLAUSE 126AC, PART I

The Finance Act has inserted Gwadar Free Zone in clause (126AC) for exemption with effect from 1st June, 2020.

CLAUSE 126E, PART I

The Finance Act has exempted co-developer as defined in Special Economic Zone Rules, 2013 under clause (126E) subject to certain condition listed below



CLAUSE 147, PART I

The Finance Act has add new clause 147 in Part I of Second Schedule for exemption of any income derived by the Federal Government Employees Housing Authority and Naya Pakistan Housing and Development Authority for tax year 2020 and following four tax years.

CLAUSE 5AA, PART II [REDUCTION IN TAX RATES]

- A new clause (5AA) in Part II of Second Schedule has been inserted by the Act for deduction of tax on profit and debt under section 152(2) @ 10% of the gross amount paid in respect of payments to an individual earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan.
- The tax deducted shall be final tax.

CLAUSE 24C, PART II

Through this newly inserted clause a reduced rate has been announced for persons other than a company for goods supplied (i.e. specified below) to Utility Stores Corporation of Pakistan.

Applicable section	153(1)(a)
Applicable rate	1.5% of the gross amount
Specified goods	Tea Spices Salt Dry Milk

	Sugar Pulses Wheat Flour and Ghee

Proviso 1 This clause is **not applicable to** supply of tea, spices, salt and dry milk which are **sold under a brand name.**

Proviso 2 This clause is also **not applicable** where rate of tax under section 153(1) (a) is less than 1.5% of the gross amount of payment under any provisions of the Ordinance.

Note: This clause is inserted through SRO 287(I)/2020 dated April 7, 2020 and is valid till June 30, 2020. The period is extended for a further period of three months (i.e. till September 30, 2020).

CLAUSE 9A, PART IV [EXEMPTION FROM SPECIFIC PROVISIONS]

The Act has omitted 9A of Part IV of Second Schedule in case of steel melters to be exempt from section 153(1) (a) as prescribed person.

CLAUSE 11A, PART IV

The Finance Act has exempted the following from provision of minimum tax under section 113;

- **A Modaraba qualifying for exemption under clause 100 of Part-I of Second Schedule;**
- **Prime Minister COVID-19 Pandemic Relief Fund-2020;**
- **Federal Government Employees Housing Authority and Naya Pakistan Housing and Development Authority for the TY 2020 and the following four tax years (i.e. till TY 2024);**
- **Hajj Group Operators in respect of turnover relating to Hajj operations for the tax year 2021; and**
- **A resident company engaged in hotel business in Pakistan in respect of turnover for the period starting on the first days of April 2020 and ending on the thirtieth day of September 2020**

Note: PM COVID-19 Relief Fund-2020 is added via SRO 300(I)/2020 dated April 10, 2020.

CLAUSE 12B, PART IV

The Finance Act has added a new clause (12B) to provide exemption from advance tax at import stage u/s 148 for various items imported in respect of fitting COVID-19 Pandemic. The following items were notified earlier through SRO dated 236(I)/2020 dated March 20, 2020.

DELETED CLAUSE
PART IV
The Finance Act has omitted the following clauses:

56C	The provisions of sub-section (3) of section 153, in respect of sale of goods and clause (a) of sub-section (1) of section 169 shall not apply to a person, if the person opts to file return of total income along with accounts and documents as may be prescribed subject to the condition that minimum tax liability under normal tax regime shall not be less than 3.5% of the gross amount of sales, if the person is a company and 4% otherwise
56D	The provisions of sub-section (3) of section 153, in respect of contracts and clause (a) of sub-section (1) of section 169 shall not apply to a person if the person opts to file return of total income along with accounts and documents as may be prescribed subject to the condition that minimum tax liability under normal tax regime shall not be less than 6% of contract receipts, if the person is a company and 6.5 %otherwise
56E	The provisions of sub-section (2) of section 153 and clause (a) of sub-section (1) of section 169 shall not apply in respect of a person if the person opts to file return of total income along with accounts and documents as may be prescribed subject to the condition that minimum tax liability under normal tax regime shall not be less than 0.5% of gross amount of services received.]
56G	The provisions of sub-section (3) of section 233 and clause (a) of sub-section (1) of section 169 shall not apply in respect of a person if the person opts to file return of total income along with accounts and documents as may be prescribed, subject to the condition that minimum tax liability under normal tax regime shall not be less than 10% of the commission.
63	M/s Dawat-e-Hadiya, Karachi 2[and Lahore University of Management Sciences, Lahore] shall be deemed to have been approved by the Commissioner for the purpose of sub-section (36) of section 2 notwithstanding the provisions of clause (c) of sub-section (36) of section 2.

S.No.	Description	PCT
1	Real time PCR system (standard 96-well plate and 0.2ml tubes, 5 channel)	Respective Headings
2	Biosafety Cabinet	
3	Auto Clave 50 Liter Capacity	
4	Multi-channel pipette 0.5-10ul	
5	Single channel pipette a) 2 ul b) 10 ul c) 200 ul d) 1000 ul	
6	Multi-channel pipette 20-200 ml	
7	Vacuum fold	
8	Micro Centrifuge (Non-refrigerated, Rotor Capacity: 12 x 1.5/2.0 ml vessels, 2 x PCR strip, Max. speed: 12, 100 x g (13,400 rpm)	
9	PCR Cabinet (HEPA filter system, UV and white light)	
10	Real time PCR kit for the detection of Coronavirus (SARS-CoV-2)	
11	Viral RNA Extraction Kit & Machine (Automatic Extractors)	
12	VTM (Viral Transport Medium)	
13	Dr. Oligo Synthesizer	
14	Refrigerator/Freezer (-20 C)	
15	Vortex Machine	
16	Refrigerated Centrifuge Machine (Rotor Capacity 1.5ml x 24, max. speed 14000 rpm)	
17	UPS (6 KVA)	
18	Tyvek Suits	
19	N-95	
20	Biohazard Bags (18 Liters)	
21	PAPR (Powdered Air Purifying respirators)	
22	Multimode ventilator with air compressor	
23	Vital sign monitor with 2IBPand ETco2 two Temp	
24	ICU motorized patient bed with side cabinet and over bed table	
25	Syringe infusion pump	
26	Infusion pump	
27	Electric suction machine	
28	Defibrillator	
29	X-Ray Mobile Machine	
30	Simple Nebulizer	Respective Headings
31	Ultrasound machine	
32	Noninvasive BIPAP	
33	ECG Machine	
34	Pulse Oximeters	
35	Ripple mattress	
36	Blood gas analyzer	
37	AMBU Bag	
38	Nitrile Gloves	
39	Latex Gloves	
40	Goggles	
41	Face Shields	
42	Gum Boots	
43	Mackintosh bed sheets	
44	Surgical Masks	
45	Air Ways	

46	Diaflow	
47	Disposable Nebulizer Mask Kit	
48	ECG Electrodes	
49	ETT Tube (Endotracheal Tubes) All sizes	
50	Humidifier Disposable Flexible	
51	IV Cannula all sizes	
52	IV Chambers	
53	Oxygen Recovery Kit	
54	Padded Sheets	
55	Stomach Tube	
56	Stylet for Endotracheal Tube	
57	Suction Tube control valve	
58	Tracheostomy Tube 7, 7.5, 8	
59	Ventilator Circuit	
60	Ventury Masks	
61	Disposable shoes cover (water proof)	

CLAUSE 12C, PART IV

The Finance Act adds a new clause (12C) to exempt persons importing pluses from advance tax at import stage. Previously 2% (Filer) or 3% (Non-Filer) of the import value as increased by customs-duty, sales tax and federal excise duty was collected under section 148 (Division II, Part II of First Schedule) from persons importing pulses.

Note: This clause is inserted via SRO 287(I)/2020 dated April 7, 2020 and is valid till June 30, 2020. The period is extended for a further period of three months (i.e. till September 30, 2020).

CLAUSE 12D, PART IV

The newly inserted clause shall make import of finished drug Remdesivir 100 mg injection and injectable solution 100 mg vial exempt from provisions of advance tax under section 148 for the period starting from the 22nd day of June, 2020 and ending on the date as may be notified by the Board in the official gazette on recommendation of the National Health Services, Regulation and Coordination Division.

Note: This above exemption is previously notified via SRO 558(I)/2020 dated June 22, 2020.

CLAUSE 12E, PART IV

Through FA, 2020 newly inserted clause, import of medicines for treatment of life threatening rare diseases not manufactured in Pakistan, shall be exempt from provision of advance taxation under section 148, subject to the following conditions, namely:–

(i) the import is approved by the Board, through notification in the official gazette;

(ii) the specification and quantity of medicine is recommended by the National Health Services, Regulation and Coordination Division in a prescribed format on a case to case basis; and

(iii) such medicine is required for the personal use of the importing person or his immediate family member: Provided that where circumstances exist to take immediate action in emergency situations, the Board may, on recommendation of a provincial health department or a tertiary care hospital of the Federal or Provincial Government, provisionally allow import of such quantity of medicine under this clause which does not exceed sixty days usage."

CLAUSE 72AA, PART IV [SECTION 152]
The Finance Act has added a new clause to provide exemption to Haj Operator from withholding provisions of payments made to non-residents.

CLAUSE 72B, PART IV
The Act has omitted the following clause:

The provisions of section 148 shall not apply to an industrial undertaking if the tax liability for the current tax year, on the basis of determined tax liability for any of the preceding two tax years, whichever is the higher, has been paid and a certificate to this effect is issued by the concerned Commissioner.

Provided that the certificate shall only be issued by the Commissioner if an application for the said certificate is filed before the Commissioner, in the manner and after fulfilling the conditions as specified by notification in the official Gazette, issued by the Board for the purpose of this clause:

Provided further that the quantity of raw material to be imported which is sought to be exempted from tax under section 148 shall not exceed 125 per cent of the quantity of raw material imported and consumed during the previous tax year:

Provided also that the Commissioner shall conduct audit of taxpayer's accounts during the financial year in which the certificate is issued in respect of consumption, production and sales of the latest tax year for which return has been filed and the taxpayer shall be treated to have been selected for audit under section 214C:

Provided also if the taxpayer fails to present accounts or documents to the Commissioner or the officer authorized by the Commissioner, the Commissioner shall, by an order in writing, cancel the certificate issued and shall proceed to recover the tax not collected under section 148 for the period prior to such cancellation and all the provisions of the Ordinance shall apply accordingly.

Provided also that exemption certificate shall not be issued to an industrial undertaking importing raw materials, specified in sub-section (8) of section 148.

CLAUSE 101AA, PART IV
The Finance Act has added a new clause (101AA) to provide exemption from withholding provisions in respect of various banking payments for Pak Rupee Account to the extent of foreign remittances credit. Withholding provisions are listed below:

- Section 231A (Cash withdrawal from a bank)
- Section 231AA (Advance tax on transactions in bank)
- Section 236P (Advance tax on banking transactions otherwise than through cash)

CLAUSE 102A, PART IV
A new clause (102A) has been added to provide exemption to Ehsaas Emergency Cash Transfer Programme from the withholding provision of advance tax on brokerage and commission payment U/S 233. Please note that this program has been planned in the context of economic hardship experienced by the vulnerable due to ongoing COVID-19 crisis. It may also be noted that only needy family will be able to get Rs. 12,000/- through the aforesaid program.

Note: This clause is inserted via SRO 315(I)/2020 dated April 16, 2020 and is valid till June 30, 2020. The period is extended for a further period of three months (i.e. till September 30, 2020).

CLAUSE 111A, PART IV
Through amendment made by the Finance Act, a new clause (111A) has been added in order to provide exemption from 10th schedule to the extent of payment of dividend to non-resident persons.

CLAUSE 112A, PART IV
Through amendment made by the Finance Act, a new clause (112A) has been added in order to provide exemption from provisions of section 236P to non-resident individual investing in a debt instrument whether conventional or shariah compliant issued by the Federal Government under the Public Debt Act, 1944 on non-resident rupee account reportable (NRAR) or a foreign currency account maintained with a banking company in Pakistan.

CLAUSE 114A, PART IV
The Finance Act has inserted new clause (114A) for exempting non-resident individual from clause (ae) of sub-section 114 and section 181 solely by reason of profit on debt earned from a debt instrument.

CLAUSE 116, PART IV
The Finance Act has added a new clause whereby provision of following sections shall not apply to the Fund namely "The Prime Minister's COVID-19 Pandemic Relief Fund-2020".

- Section 151 (Profit on debt)
- Section 231A (Cash withdrawal from a bank)
- Section 231AA (Advance tax on transactions in bank)
- Section 236P (Advance tax on banking transactions otherwise than through cash)

Note: This clause is previously inserted via SRO 300(I)/2020 dated April 10, 2020.

CLAUSE 117, PART IV
The Act has added a new clause whereby provision of section 236P (i.e. (Advance tax on banking transactions otherwise than through cash) **shall not apply** at the time of transfer of any sum to the Fund namely "The Prime Minister's COVID-19 Pandemic Relief Fund-2020"

SEVENTH SCHEDULE, RULE 7C

Rule 7(C)
Under this rule provision of section 4B (i.e. super tax) for Banks has been extended for another year (i.e. TY 2021) by the Act.

Rule 7E.
Under rule 7E a proviso has been added by the Act, which provides that taxable income arising from additional advances to Naya Pakistan Housing and Development Authority for low cost housing schemes shall be taxed at the rate of 10%

TENTH SCHEDULE, RULE 2(1)

Amendment by the Act omits the expression "or a statement under sub-section 4 of section 115" in rule 2(1) of tenth schedule as a consequential change to section 115(4).

RULE 3(1)
Amendment by the Finance Act omits the expression "or a statement, as the case may be" and ""or a statement under sub-section 4 of section 115" in rule 3(1) of tenth schedule as a consequential change to section 115(4).

RULE 10(b)
The amendment made by the Finance Act would substitute the expression "(2A) (a)" for the expression "(1), (1AA), (2)" in sub-rule (b) of rule 10 of tenth schedule. The result of these changes is that 100% extra tax will not be applicable on payment to non-resident person on account of royalty, fee for technical services, insurance & reinsurance premium and general/ unspecified payment which is subject to 20% tax under section 152(2) while payment on account of sale of goods to PE of non-resident person is now subject to 100% extra tax. It is pertinent to reproduce here text of our commentary last year whereby we had already identified these anomalies and finally the Government has realized its mistake:

Quote
- There appear some anomalies which need to be addressed in respect of payments subjected to 100% extra withholding tax under tenth schedule discussed hereunder.
- Payments to non-resident persons on account of Royalty, fee technical services, insurance & reinsurance premium, foreign produced films are subjected to 10th schedule hence subject to 100% extra withholding tax if the non-resident person receiving such payment is not on ATL. Whereas payments to non-resident persons on account of construction services & related services, advertisement services rendered by T.V. satellite channels, advertisements by non-resident media person relaying from outside Pakistan and fee for offshore digital services have been kept out of the purview of 10th schedule i.e. no extra tax would be charged if such non-resident persons receiving such payments are not on ATL. Interestingly the position of law under the current concept of filer & non-filer was not the same whereby rates for non-filer non-resident persons were only provided in respect of construction & related services.
- For PE of non-resident persons, tenth schedule has not been made applicable in case of supplies however same is applicable for PE rendering services & contracts while also applicable for residents rendering supplies, services & contracts. **Unquote**

RULE 10(bb)
The Act has inserted a new-sub-rule (bb) in rule 10.
"Tax deducted under sub-section (2) of section 152 to the extent of clause (5AA) of Part II." This is in consonance with clause 5AA inserted in Part II of Second Schedule however the text inserted here does not give complete reference.

RULE 10(k), (n), (o), (q), (u), (v), (w) and (x)
The Act has omitted the following sub-rules in rule 10 of tenth schedule.
10(k) tax collected under section 235B
10(n) tax collected under section 236D
10(o) tax collected under section 236F
10(q) tax collected under section 236J
10(u) tax collected under section 236R
10(v) tax collected under section 236U
10(w) tax collected under section 236V
10(x) tax collected under section 236X

ANNEXURE -A

Sr.No. (1)	Name (2)
(i)	International Islamic Trade Finance Corporation.
(ii)	Islamic Corporation for Development of Private Sector.
(iii)	National Memorial Bab-e-Pakistan Trust.
(iv)	Pakistan Agricultural Research Council.
(v)	The corporatized entities of Pakistan Water and Power Development Authority from the date of their creation upto the date of completion of the process of corporatization i.e. till the tariff is notified.
(vi)	The Prime Minister's Special Fund for victims of terrorism.
(vii)	Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP.
(viii)	The Institutions of the Agha Khan Development Network (Pakistan) as contained in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and the Agha Khan Development Network.
(ix)	Pakistan Council of Scientific and Industrial Research
(x)	The Pakistan Water and Power Development Authority established under the Pakistan Water and Power Development Authority Act, 1958 (W. P. Act XXXI of 1958).
(xi)	WAPDA First Sukuk Company Limited.
(xii)	Pension of a former President of Pakistan and his widow.
(xiii)	State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation
(xiv)	International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVIII of 1956) and provided in section 9 of Article VI of Articles of Agreement 1955 as amended through April 1993.
(xv)	Pakistan Domestic Sukuk Company Ltd.
(xvi)	ECO Trade and Development Bank.
(xvii)	The Islamic Chamber of Commerce and Industry under the Organization of Islamic Conference (OIC)
(xviii)	Commission on Science and Technology for Sustainable Development in the South (COMSATS) formed under International Agreement signed on 5th October, 1994.
(xix)	WAPDA on issuance of twenty billion rupees TFC's/SUKUK certificates for consideration of DiamerBhasha Dam Projects
(xx)	Federal Board of Revenue Foundation.
(xxi)	WAPDA Second Sukuk Company Limited.
(xxii)	Pakistan International Sukuk Company Limited.
(xxiii)	Second Pakistan International Sukuk Company Limited.
(xxiv)	Third Pakistan International Sukuk Company Limited.
(xxv)	Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on the 25th December, 2015.
(xxvi)	Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams – Fund.
(xxvii)	National Disaster Risk Management Fund.
(xxviii)	Deposit Protection Corporation established under sub-section (l) of section 3 of Deposit Protection Corporation Act, 2016 (XXXVII of 2016).
(xxix)	SAARC Energy Centre.
(xxx)	The Asian Development Bank established under the Asian Development Bank Ordinance, 1971 (IX of 1971)
(xxxi)	The Prime Minister's COVID-19 Pandemic Relief Fund-2020.
(xxxii)	Saarc Arbitration Council (SARCO).
(xxxiii)	International Parliamentarians' Congress.

ANNEXURE -B

Sr.No. (1)	Name (2)
(i)	Abdul Sattar Edhi Foundation.
(ii)	Al-Shifa Trust.
(iii)	Bilquis Edhi Foundation.
(iv)	Fatimid Foundation.
(v)	Pakistan Engineering Council.
(vi)	The Institution of Engineers.
(vii)	Liaquat National Hospital Association.
(viii)	The Citizens Foundation.
(ix)	Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT
(x)	Greenstar Social Marketing Pakistan (Guarantee) Limited.
(xi)	Indus Hospital, Karachi.
(xii)	Gulab Devi Chest Hospital.
(xiii)	Pakistan Poverty Alleviation Fund.
(xiv)	National Academy of Performing Arts.
(xv)	Pakistan Sweet Homes Angels and Fairies Place.
(xvi)	National Rural Support Programme.
(xvii)	Pakistan Bar Council.
(xviii)	Pakistan Centre for Philanthropy.
(xix)	Pakistan Mortgage Refinance Company Limited.
(xx)	Aziz Tabba Foundation.
(xxi)	Shaukat Khanum Memorial Trust.
(xxii)	Layton Rahmatullah Benevolent Trust (LRBT).
(xxiii)	The Kidney Centre Post Graduate Training Institute.
(xxiv)	Pakistan Disabled Foundation..
(xxv)	Forman Christian College..
(xxvi)	Habib University Foundation.
(xxvii)	Begum Akhtar Rukhsana Memorial Trust Hospital.
(xxviii)	Al-Khidmat Foundation.
(xxix)	Dawat-e-Islami Trust.
(xxx)	Sardar Trust Eye Hospital, Lahore..
(xxxi)	Akhuwat.
(xxxii)	Audit Oversight Board..
(xxxiii)	Patient's Aid Foundation.
(xxxiv)	Al-Shifa Trust Eye Hospital.
(xxxv)	Saylani Welfare International Trust.
(xxxvi)	SARMAYA-E-PAKISTAN LIMITED.
(xxxvii)	Lahore University of Management Sciences, Lahore.
(xxxviii)	Dawat-e-Hadiya, Karachi.
(xxxix)	Ghulam Ishaq Khan Institute of Engineering Sciences and Technology.
(xl)	Society for the Promotion of Engineering Sciences and Technology in Pakistan (SOPREST).
(xli)	Businessmen Hospital Trust.
(xlii)	Baitussalam Welfare Trust.

SIGNIFICANT AMENDMENTS SALES TAX

Active taxpayer **Section 2 (1)**

The Finance Act has made following amendment in definition of the term active taxpayer.

i. Omitted the words "or is blocked" in sub-clause (a) in clause (1) of section 2; and

ii. Substitute the word "quarterly" with the words "two consecutive monthly" in sub-clause (d) in clause (1) of section 2

Since in terms of deregistration under section 21, there is no concept of blocking of taxpayer registration, therefore this been removed from definitions to bring in line with Section 21.

Further, the requirement of filing monthly withholding statements under 165 of Income tax Ordinance, 2001 was changed to bi annual via Finance Act, 2019 which is further amended to Quarterly in the Finance Act 2020. Accordingly, the Act has now harmonized Clause (d) with provisions of section 165 of the Ordinance whereby registered person who fails to file quarterly statement under the Ordinance will no longer be an active taxpayer.

Output tax **Section 2(20) (c)**

After the Eighteenth Amendment in the Constitution of Pakistan, 1973, the Provinces have enacted their respective Acts and are charging and collecting sales tax on the services rendered in their respective jurisdiction. However, the sales tax on services under ICT Ordinance is still administered and collected by the FBR. Hence the term "Provincial Sales Tax levied on services rendered" in the definition of the term "output tax" under the ST Act seems to be redundant.

To streamline the situation the Finance Act, 2020 has substituted the aforesaid clause and retain only sales tax on the services rendered or provided" by the person under the ICT Ordinance, 2001.

Existing	Amended
Provincial sales tax levied on services rendered or provided by the person	Sales tax levied on the services rendered or provided by the person under the ICT Ordinance, 2001.

Value of Supply **Section 2(46)**

Through amendment in clause "h" WAPDA is also included in addition to independent power producers for the levy of sales tax on the value of supply made by them with effect from sales made from 1st July, 2019.

Through insertion of a new clause "j", any vehicle purchased from general public by a registered person, but later on sold by him in open market after making value additions, sales tax by such registered person shall be charged on the difference between purchase price and the sale proceeds/ value charged by him on the basis of the valuation method proposed by the Board.

Scope of Tax **Section 3(7)**

Word of buyer has been omitted and substituted with the "being purchaser of goods or services" for better understanding and clarity purposes by the Act.

Determination of tax liability **Section 7**

The Act has insert sub-section (5) in section 7 whereby the Board will be empowered to restrict wastage of materials on which input tax has been claimed in respect of the goods or class of goods.

Tax credit not allowed **Section 8**

Clause "m" of sub section 1 of section 8 provides that a registered person shall not be entitled to reclaim or deduct input tax paid on the input goods 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 Finance Act, 2020 the restriction on claim of input tax is extended to services if supplies were made to un-registered persons and invoice were raised without mentioning NTN or CNIC.

Adjustable input tax **Section 8B**

New clause (4A) is inserted, as per which in case of locally manufactured electric vehicles which are subject to reduced rate of tax under Eighth Schedule shall be limited to the extent of amount of output tax, and any unadjusted/ excess input tax can neither be refunded nor be carried forwarded to future tax periods.

Power of tax authorities to modify orders, etc. **Section 11C**

The Finance Act has inserted new section 11C, which specifies that where question of law has been decided by a High Court or the Appellate Tribunal on or after 01 July 1990 in the case of a registered person, the Commissioner or the Officer of Inland Revenue may follow the said decision in case of said taxpayer in so far as it applies to question of law arising in any assessment pending before the Commissioner or an officer of Inland Revenue, until the decision of the High Court or of the Appellate Tribunal is reversed or modified. This is similar to Section 124A of the Income Tax Ordinance, 2001.

Further, in case subsequently, decision of the High Court or the Appellate Tribunal is reversed or modified, the Commissioner or the Officer of Inland Revenue may, within a period of one year of receipt of decision, modify the assessment so that it conforms with the final decision. In such case, expiry of the limitation period will not apply.

Tax Invoice **Section 23(1) (b)**

Through Finance Act, 2019 it was made necessary that tax invoice shall also bear the CNIC number in case of supplies made to unregistered persons, excluding supplies made by a retailer where transaction value inclusive of sales tax does not exceed fifty thousand rupees. Through this Act limit of Rs. 50,000 has been increased to Rs. 100,000 which means a retailer is not required to mention CNIC or NTN of an unregistered person if transactional value is less than Rs. 100,000/-.

Access to record, documents, etc. **Section 25(2A)**

A new sub section 2A is inserted whereby Commissioner may conduct audit proceeding electronically through video links, or any other such facility prescribed by the Board.

Return **Section 26(1)**

To ensure provision of all the required information or details, a term "complete" in addition to "true and "correct" in Section 26(1) of the ST Act has been inserted through FA, 2020.

Offences and Penalties **Section 33**

Following amendment to penalties for offences at serial no 25 are made.

That even after imposition of penalty, if a person does not integrate his business with the FBR system within two months, the business premises shall be sealed until he integrates such business.

Following new entry has been inserted via FA, 2020 as serial no 28.

Offences (1)	Penalties (2)	Section of the Act to which offence has reference (3)
Any person who is required to share information under section 56AB, fails to do so in the manner as required under the law	Such person shall pay a penalty of twenty five thousand rupees for first default and fifty thousand rupees for each subsequent default	56AB

Authorized officers to have access to premises, stocks, accounts and records **Section 38(1)**

The authorized officers have free access to business or manufacturing premises, registered office, or any other place where any stock or record is maintained or kept by the registered person.

The Finance Act has extend the scope of access to include real time electronic access to records of the registered person. Further, it is provided that the Board may make rules in relation to real time access for audit.

Appeals **Section 45B (1A)**

The previous appeal filing fee of one thousand rupees is increased as follows:

Person	Against assessment	Any other case
In case of company	Rs. 5,000	Rs. 5,000
Other than company	Rs. 2,500	Rs. 1,000

Further, the Act has inserted new sub-section (5) in section 45B of the Act which provides that the Commissioner (Appeals) shall not admit any documentary evidence which was not produced before the assessing officer unless the Commissioner (Appeals) is satisfied that the appellant was prevented by sufficient cause from producing such material or evidence before the assessing officer.

Alternative dispute resolution **Section 47A**

Existing section 47A, is substituted with amended section as follows:

1. Any person aggrieved with the liability of tax or admissibility of refund, extent of waiver of default surcharge or penalty and other dispute, may apply to Board for the appointment of committee for its

resolve, expect where criminal proceeding are initiated or where interpretation of question of law having effect on identical cases is involved having effect on other cases.

2. The board upon examination of the application, appoint a committee within sixty days of receipt of application, comprising

   (a) the Chief Commissioner Inland Revenue having jurisdiction over the case and;

   (b) two persons from a panel notified by the Board comprising of chartered accountants, cost and management accountants, advocates, having minimum of ten years' experience in the field of taxation and reputable businessmen.

3. The Board shall communicate the order of appointment of committee to the court of law or the appellate authority where the dispute is pending and the Commissioner.

4. The Committee, upon examination of issue may conduct its inquiries and shall decide the dispute through consensus, within one hundred and twenty days of its appointment.

5. The Committee, in case of any hardship may grant stay for a period not exceeding one hundred and twenty days in aggregate or till the decision of the Committee or its dissolution, whichever is earlier.

6. The decision of Committee shall be binding on the Commissioner, when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before any appellate authority or the court of law and has communicated the order of withdrawal to the Commissioner, provided that order of withdrawal is communicated to Commissioner within sixty days of service of the decision by the Committee.

7. In case of failure of Committee to decide the case within the period of one hundred and twenty days, Committee by an order in writing shall be dissolved, and the matter shall be decided the matter shall be decided by the court of law or the appellate authority where the dispute is pending.

8. The Board shall communicate the order of dissolution to the court of law or the Appellate Authority and the Commissioner.

9. The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the appellate authority, where the dispute is pending.

10. The aggrieved person may make the payment of sales tax and other taxes as decided by the committee under sub-section (4) and all decisions and orders made or passed shall stand modified to that extent.

11. The Board may prescribe the amount to be paid as remuneration for the services of the members of the Committee, other than the member appointed under clause (i) of sub-section (2).

12. The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.

Service of orders; decisions etc. **Section 56 (1)(d) & (2)(d)**

The expression "limited companies, both public and private" is replaced with "registered person". Consequently, electronically service of notices and other documents through email or to the e-folder maintained for the purpose of e-filing of Sales Tax-cum-Federal Excise returns, shall be treated as the

prescribed mode of serving notices, orders or requisition to all registered persons irrespective of their legal status.

Real-time access to information and databases **Section 56AB**

In line with the amendment in ITO, 2001 relating to empowering the Board to receive real time access of information and databases from organizations / authorities for broadening of the tax base and effective monitoring of tax evasion, similar amendment is also made under Sales Tax Act, 1990.

Representative **Section 58A (3)**

Through FA, 2020, the changes have been made in sub-section 3 of section 58A of STA, 1990 as follows

Existing	Amended
Subject to sub-section (4), where a person is a non-resident person, the representative of the persons for the purpose of this Act, for a tax year shall be any person in Pakistan	Subject to sub-section (4), where a person is a non-resident person, the representative of the said persons for the purpose of this Act, for a financial year in which relevant tax period falls shall be any person in Pakistan

Further explanation has been added with regard to non-resident person to streamline the situation and remove ambiguity whereby non-resident person shall have the same meaning as assigned under ITO, 2001.

Certain transaction not admissible **Section 73 (4)**

Restriction on input tax as attributable to the prescribed excess supplies to unregistered persons has now been sought to extend to every registered person. Previously, it was applicable only to registered manufacturers.

Amendments in 5th Schedule

In order to support economic activity and reduce cost of production in Gawadar Free Zone, zero rating benefit in terms of section 4 of the 1990 Act, is to be made available to manufacturers utilizing raw material, components and goods in the region for further manufacturing meant for its subsequent export as well on the supply of locally manufactured plant and machinery to manufacturers in the region, by adding serial no. 13 & 14 in column (1) and the entries relating thereto in column (2):-
These were earlier incorporated in Fifth Schedule of through Tax Laws (Amendment) Ordinance, 2019.
These shall be effective from the June 01, 2020

13.	Supplies of raw materials, components and goods for further manufacture of goods in the Gwadar Free Zone and export thereof, provided that in case of supply to tariff area of Pakistan, tax shall be charged on the value assessed on the Goods Declaration for import.
14.	Supplies of locally manufactured plant and machinery of the following specifications, to manufacturers in the Gwadar Free Zone, subject to the conditions, restrictions and procedure given below, namely:− (i) plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer. (ii) apparatus, appliances and equipment specifically meant or adapted for use in conjunction with the machinery specified in clause (i). (iii) mechanical and electrical control and transmission gear, meant or adapted for

	use in conjunction with machinery specified in clause (i). (iv) parts of machinery as specified in clauses (i), (ii) and (iii), identifiable for use in or with such machinery. Conditions, restrictions and procedures:− (a) the supplier of the machinery is registered under the Act; (b) proper bill of export is filed showing registration number; (c) the purchaser of the machinery is an established manufacturer located in the Gwadar Free Zone and holds a certificate from the Gwadar Port Authority to that effect; (d) the purchaser submits an indemnity bond in proper form to the satisfaction of the concerned Commissioner Inland Revenue that the machinery shall, without prior permission from the said Commissioner, not be sold, transferred or otherwise moved out of the Gwadar Free Zone before a period of five years from the date of entry into the Zone; (e) if the machinery is brought to tariff area of Pakistan outside Gwadar Free Zone, sales tax shall be charged on the value assessed on the Goods Declaration for import; and (f) breach of any of the conditions specified herein shall attract legal action under the relevant provisions of the Act, besides recovery of the amount of sales tax along with default surcharge and penalties involved.”;

Amendments in 6th Schedule

(A) In Table-1, in column (1),–

(a) against Serial No. 100A, in column (2),−

(i) after the word “Port”, occurring for the third time, the words, “by the aforesaid operating companies” shall be inserted with effect from the 1st June, 2020.

The amendment would restrict the exemption available under this schedule on material and equipment, appliances for construction and operation of Gawadar port either imported by or supplied to China Overseas Ports Holding Company Limited and its various operating companies, contractors and sub-contractors having concession agreement with Gawadar port authority.

(ii) under the heading “(A). Conditions and procedure for imports” have been amended in condition (iii) as follows.

(I) after the word “imported”, the expression “and also those already imported under Notification No. S.R.O. 115(I)/2008, dated the 6th February, 2008,” shall be inserted with effect from the 1st June, 2020; and

(II) for the words "time of import", the words "applicable rate on residual value" shall be substituted with effect from the 1st June, 2020.

The amendments would result to include goods so imported under S.R.O. 115(I)/2008, dated the 6th February, 2008 whereby for all such exempt goods, sales tax shall be levied at applicable rate on residual value, instead of earlier requirement of tax levied at time of import.

(b) after S. No. 100C and the entries relating thereto in columns (2) and (3), the following new serial number and the entries relating thereto shall with effect from the 1st June, 2020 be added, namely:−

100D.	Machinery, equipment, materials and goods imported either for exclusive use within the limits of Gwadar Free Zone, or for making exports therefrom, subject to the conditions that such machinery, equipment, materials and goods, are imported by investors of Gwadar Free Zone, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (Act IV of 1969) and rules made thereunder shall, mutatis mutandis, apply provided that if any of such goods is taken out of the Zone for purpose other than the export, the tax on the same shall be paid by the importer	Respective headings

The amendment has extended the benefit of exemptions under this schedule to investors having imported machinery, equipment, materials and goods for use within the boundaries of Gawadar Free Zone or for making exports therefrom subject to various limits and restrictions mentioned. However, the tax on the same shall become payable if being taken out of of the Zone.
The above is already inserted by Tax Laws (Amended) Ordinance 2019 is now being made part of the 1990 Act.

(c) Exemption against S. No. 103, in column (2), till year "2020", is enhanced till year "2030" available on import and supply of ships and floating crafts including tugs, dredgers, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistan entity and flying the Pakistan flag.

(d) New sub-clauses are added after S.No. 153 to be read as follows:

154.	Dietetic foods intended for consumption by children suffering from inherent metabolic disorder subject to the conditions that the importer shall acquire approval and quota from Ministry of National Health Services, Regulations and Coordination.	Respective headings.' and
155.	Oil cake and other solid residues, whether or not ground or in the form of pellets	2306.1000
156.	Import of CKD kits by local manufacturers of following Electric Vehicles:-	
	(i) Road Tractors for semi- trailers (Electric Prime Movers)	8701.2060
	(ii) Electric Buses	8702.4090
	(iii) Three Wheeler Electric Rickshaw	8703.8030
	(iv) Wheeler Electric Loader	8404.9030

	(v) Electric Trucks	8704.9059
	(vi) Electric Motorcycle	8711.6090

(B) in Table-3, in column (1),–

(a) for S. No. 15A and the entries relating thereto in columns (2), (3) and (4), the following S. No. and the entries relating thereto is substituted, namely:

Amended Table under S.No. 15A

15A.	Parts and Components for manufacturing LED lights:-		Respective headings
	(i) Housing /shell. Shell cover and base cap for all kinds of LED lights and bulbs	Respective heading	
	(ii) Bare and stuffed Metal Clad Printed Circuit Boards (MCPCB) for LED	8534. 0000	If imported by LED light manufacturers registered under the Sales Tax Act, 1990 subject to annual quota determination by the Input Output Co-efficient Organization (IOCO)”;
	(iii) Constant Current Power Supply for of LED Lights and Bulbs (1-300W)	8504.4090	
	(iv) Lenses for LED lights and bulbs	9001.9000	

(b) after serial number 19 and entries relating thereto in columns (2), (3) and (4), the following new Serial No and corresponding entries relating thereto are added, namely:–

20.	Plant and machinery for the assembly/ manufacturing of electric vehicles.	Respective heading	Admissible on one time basis for setting up the new assembly and/ or manufacturing facility of the vehicles and expansion in the existing units to the extent of electric vehicles specific plant and machinery, duly approved/ certified and determined by the Engineering Development Board (EDB)

This is being amended to harmonize with corresponding custom laws.

Amendments in 8th Schedule

(a) Oil cake and other solid residues, whether or not ground or in the form of pallets as appearing under S. No. 1 are excluded are would be subject to sales tax at standard rate

(b) For Potassium Chlorate, sales tax levied at standard rate of 17%, along with existing rupees 70 per kg is now enhanced to rupees 80 per Kg as appearing in Table-1, in column (1), against S. No. 56.

(c) For supplies including finished fabric, and locally manufactured finished articles of textile and textiles made-ups and leather and artificial leather, made from retail outlets, having POS integrated with FBR,

rate of sales tax is reduced to 12% from previous 14% as appearing in Table-1, in column (1), against S. No.66, in column (4).

(d) S. No. 70 is and the entries relating thereto are added, namely:-

70.	Following locally manufactured electric vehicles			
	(j) Road Tractors for semi- trailers (Electric Prime Movers)	8701.2060	1%	Local supplies only
	(ii) Electric Buses	8702.4090	1%	
	(iii) Three Wheeler Electric Rickshaw	8703.8030	1%	
	(iv) Wheeler Electric Loader	8404.9030	1%	
	(v) Electric Trucks	8704.9059	1%	
	(vi) Electric Motorcycle	8711.6090	1%	

Amendments in 9th Schedule

The Ninth Schedule deals with levy of sales tax on imports or supply of cellular mobile phones etc.

(a) Existing table in 9th schedule is replaced with table 1 and 2, as follows:

- Sales tax on supply of Subscriber Identification Module (SIM) Cards by cellular mobile operator (CMO) shall be levied at Rs. 250 as per table I.

- Sales tax on supply of mobile phones in CBU (Completely Built Unit) and CKD (Completely Knocked Down)/SKD (Semi Knocked Down) condition by importers/ CMOs / manufacturers shall be taxed at the rates given in table 2.

S. No	Description / Specification of Goods	Sales tax on import in CKD/SKD condition	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs)	Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4)
(1)	(2)	(3)	(4)	(5)
1.	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:--			
	A. Not exceeding US$ 30 (excluding smart phones)	Rs. 130	Rs. 10	Rs. 10
	B. Not exceeding US$ 30	Rs. 200	Rs. 10	Rs. 10

	(smart phones)			
	C. Exceeding US$ 30 but not exceeding US$ 100	Rs. 200	Rs. 10	Rs. 10
	D. Exceeding US$ 100 but not exceeding US$ 200	Rs. 1,680	Rs. 10	Rs. 10
	E. Exceeding US$ 200 but not exceeding US$ 350	Rs. 1,740	Rs. 1,740	Rs. 10
	F. Exceeding US$ 350 but not	Rs. 5,400	Rs. 5,400	Rs. 10
	G. Exceeding US$ 500	Rs. 9,270	Rs. 9,720	Rs. 10

(b) after the Table, substituted as aforesaid, under the heading "Liability, Procedure and Conditions", for the existing conditions (i) to (viii) and the "Note", the following shall be substituted, namely:–

(i) The liability to pay the tax on the goods specified in this Schedule shall be,–

a. In case of the goods specified in Table-I, of the Cellular Mobile Operator (CMO);
b. in case of goods specified in columns (3) and (4) of Table-II, of the importer; and
c. in case of goods specified in column (5) of Table-II, of the local manufacturers of the goods.

(ii) (The time of payment of tax due under this Schedule shall be the same as specified in section 6;
(iii) The tax paid under this Schedule shall not be deductible against the output tax payable by the purchaser or importer of the goods specified in this Schedule;
(iv) The input tax paid on the input goods attributable to the goods specified in this Schedule shall not be deductible for the tax payable under this Schedule; and
(iv) The Board may prescribe further mode and manner of payment of tax due under this Schedule.

Amendments in 10th Schedule

The following new table has been inserted via FA, 2020 whereby fixed rate has been charged on cement and concrete blocks falling in PCT heading 6810.1100. The table (2) is as follows

S.No	Item	Tax
(1)	(2)	(3)
1.	Paver	Rs. 2 per sq.ft
2.	Hollow Block (Volume less than 1 cubic feet)	Rs. 3 per piece
3.	Solid Block (Volume less than 1 cubic feet)	Rs. 3 per piece
4.	Kerb Stone (Volume less than 1 cubic feet)	Rs. 5 per piece
5.	Kerb Stone (Volume greater than 1 cubic feet)	Rs. 10 per piece

Note: No input tax adjustment shall be allowed against the tax paid under this Schedule.

Amendments in 11th Schedule

In 11th schedule, in the Table, –

(a) after the heading "TABLE", after the word "agent", for the words "not be applicable to goods and supplies specified after the end of this Table", the expression "are specified as below provided that withholding of tax under his schedule shall not be applicable to the goods and supplies specified vide clauses (i) to (viii) after the Table" shall be substituted;

(b) in column (1), against S. No. 1, in column (3), for the words "Registered persons", the words "Active Taxpayers" has been substituted;

(c) in column (1), against S. No. 2, in column (3), for the word "Person", the words "Active Taxpayer" has been substituted; and

(d) in column (1), against S. Nos. 3, 4 and 6, in column (3), for the words "Unregistered persons", the words "persons other than Active Taxpayers" has been substituted; and

(e) after the Table, after clause (viii), the following new clause shall be added, namely:–

(ix) Supply of sand, stone, gravel/crush and clay to low cost housing schemes sponsored or approved by Naya Pakistan Housing and Development Authority."; and

Amendments in 12th Schedule

The Finance Act has amended the condition (2), for clause (i), under the heading "Procedure and conditions" to relax the conditions and to exempt from charging value addition tax on all raw materials and intermediary goods imported by a manufacturer for in-house consumption.

SIGNIFICANT AMENDMENTS FEDERAL EXCISE

Adjustment of duties of excise **Section 6(2AB)**

The Finance Act has inserted new sub-section (2AB) under Section 6 of Federal Excise Act, 2005 (Act, 2005) which empowers the Board to impose restrictions on wastage of material on which input tax has been claimed in respect of the goods or class of goods.

Power of Tax Authorities to Modify Orders, etc. **Section 14C**

The Finance Act has inserted section 14C in the Act, 2005 which states that wherever taxpayer has preferred an appeal against the order of High Court or Appellate Tribunal, Commissioner or an officer of Inland Revenue can still follow the said decision against taxpayer, as far as it applies to question of law arising, until same is reversed by the High Court or Appellate Tribunal.

If the decision is subsequently reversed or modified in favor of taxpayer, Commissioner or an officer of Inland Revenue, within a period of one year of receipt of the modified/ reversed decision, shall modify the assessment order to conform to the final decision.

Power to seize **Section 26 (1)**

The Finance Act has enhanced the scope of seizure of goods to all dutiable goods. currently, these provisions are applicable to cigarette, beverages and un-manufactured tobacco.

Confiscation of goods subject to Federal Excise Duty **Section 27**

The amendment through Finance Act has enhanced the scope of Section 27 from "Cigarettes, un-manufactured tobacco or beverages" to "dutiable goods".

Appeals to Commissioner (Appeals) **Section 33**

The existing appeal filing fee of one thousand rupees has been increased as follows:

Person	Against assessment	Any other case
In case of company	Rs. 5,000	Rs. 5,000
Other than company	Rs. 2,500	Rs. 1,000

Further, new sub-section (4) in section 33 of the Act has been inserted which provides that the Commissioner (Appeals) shall not admit any documentary evidence which was not produced before the assessing officer unless the Commissioner (Appeals) is satisfied that the appellant was prevented by sufficient cause from producing such material or evidence before the assessing officer.

Appeal before Appellate Tribunal **Section 34 (3)**

The Finance Act provides that appeal by Appellate Tribunal under the Act, 2005 shall be decided as per procedures laid down under Section 131 and 132 of the Income Tax Ordinance, 2001 and rules made thereunder.

Alternative Dispute Resolution **Section 38**

The section related to Alternative Dispute Resolution has been amended in line with the changes made in Income Tax Ordinance, 2001 and Sales Tax, 1990.

Selection for audit by the Board **Section 42B**

The amendment has made it mandatory for the Board to keep the audit parameters confidential.

Audit **Section 46(10)**

The Finance Act has omitted the provision of subsection 10 of Section 46 of the Act, 2005 which presently provide for conducting audit only once in three years.

Real-time access to information and databases **Section 47AB**

Similar to insertions in Income tax Ordinance, 2001 and Sales Tax, 1990, Finance Act has inserted Section 47AB to make arrangement with National Database and Registration Authority, Federal Investigation Agency, Bureau of Emigration and Overseas Employment, Federal and Provincial Local land and Development Authority etc. to enable provision of real time access of information and database about taxpayer in the prescribed form and manner from such authorities.

Amendments in 1st Schedule

Following substitution in 1st schedule

a) For serial no. 8 following goods and entries relating thereto, following shall be substituted namely

S. No.	Description	Tariff Heading	Revised rate
"8.	Cigarettes of tobacco or tobacco substitutes excluding locally produced cigarettes	24.02	65% of retail price or the rate of duty as prescribed against S.no. 9 whichever is higher

Following new insertions in 1st schedule

b) After serial no. 8 following new entries shall be inserted

"8a	8a E-liquids by whatsoever name called, for electric cigarette kits	Respective heading	Rupees ten per ml";
"8b	Cigars, cheroots and cigarillos of tobacco and tobacco substitute	Respective heading	65% of retail price or rupees ten thousand per kg whichever is higher

c) After serial no. 55B following new entries shall be inserted

"55C.	Imported double cabin (4x4) pick-up vehicles	8704.2190 8704.3190	25% ad val
55D	Locally manufactured double cabin (4x4) pickup vehicles except the vehicle booked on or before 30 June 2020 subject to restriction and conditions specified by the Board.	8704.2190 8704.3190	7.5% ad val"; and

Enhancement of FED rate of following:

Sr. No	Description	Existing rate	Revised rate
56	Filter rod for cigarettes	Re. 0.75 per filter rod	Rs. 1 per filter rod

The Act has reduced FED rate on Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers from existing Rs. 2 per kg to Rs. 1.50 per Kg.

SIGNIFICANT AMENDMENTS IN CUSTOMS ACT 1969

Advance ruling **Section 2(ai)**

The definition of advance ruling is has been amended as under:

"Advance ruling" means a written decision by the Board or any officer or a committee authorized by Board, on the request of an applicant for determination of classification, origin or applicability of a particular relief or exemption on goods prior to their importation or exportation, valid for a specified period of time"

Smuggle **Section 2(s)**

The Finance Act has included transportation, storage and safe-keeping of smuggled goods in the definition of smuggling to render it more comprehensive under sub-clause (i), whereas threshold for the manufactures of gold or silver or platinum or palladium or radium or precious stones, and any other goods notified by the Federal Government in the official Gazette, has been increased to five hundred thousand from existing one hundred and fifty thousand.

Assistance to the officers of customs. **Section 7**

The Finance Act has legally bound Border Military Police (BMP) to assist customs officers in discharge of their official functions.

Detention, seizure and confiscation of goods imported in violation of section 15 or section 16 **Section 17**

The amendment in the Finance Act has inserted following proviso to Section 17 to stipulate the period of detention of goods for early resolution of cases as under:

"Provided that the period of detention shall not exceed fifteen days which may be extended by the Chief Collector or Director General for a period not exceeding fifteen days."

General power to exempt from customs duties **Section 19**

The Finance Act has amended section 19 so as to provide legal cover to notifications issued by the Federal Government under this section upto 30 June 2021.

Minimal duties not to be demanded **Section 19C**

The Finance Act has enhanced the monetary limit of duty free goods to provide relief to common man and to facilitate trade and business especially e-commerce. The section has been substituted as under

"Where the value of imported goods does not exceed five thousand rupees, no duties and taxes shall be demanded, subject to conditions and restrictions as may be prescribed by the Board under the rules."

Allowing mutilation or scrapping of goods. **Section 27A**

The Finance Act has barred the scrapping and mutilation goods imported in new condition and to classify them as chargeable to leviable duty and taxes as new goods.

False statement, error, etc. **Section 32A**

The Finance Act has included the following in the purview of false statement namely:

"If any person, in connection with any matter of customs declares value which is significantly higher or lower than the actual value, that is, the price actually paid or payable for the goods when sold for export to Pakistan, proceedings may be initiated under this section subject to conditions or limitations as may be prescribed by the Board under the rules"; and

To propose that an offence, having no revenue implication but covered under sub-section (1), shall also be served with show cause notice within a period of one hundred and eighty days of detection of such fraud for penal action under the relevant provisions of law.

Checking of goods declaration by the Customs. Section 80

The Finance Act has amended section 80 to provide opportunity of hearing to the importer in case of reassessment of goods after their release so as to meet the requirement of "fair notice" in dispensation of natural justice.

Declaration by passenger or crew of baggage. Section 139

The amendment through Finance Act has included following offences under this section namely;

Where any passenger or a member of the crew makes a false declaration or fails to make such declaration as required under sub-section (1), he shall be guilty of an offence under this Act, and

Where any person attempts to bring into or takes out of Pakistan, currency, gold, precious metals or stones, in any form, through concealment in baggage or circumventing customs controls at airports, sea-ports and land border custom-stations, he shall be guilty of an offence of smuggling within the meaning of clause (s) of section 2."

Punishment for offences. Section 156

The amendment in the Finance Act has included following offences and penalties under this section namely;

(i)	where any goods be smuggled into or out of Pakistan,-	such goods shall be liable to confiscation and any person concerned in the offence shall be liable to
	(a) if the value of the goods is from PKR 500,001 to 3,000,000 (both inclusive);	a penalty not exceeding the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding two years;
	(b) if the value of the goods is from PKR 3,000,001 to 5,000,000 (both inclusive);	a penalty not exceeding two times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding three years. Provided that the sentence of the imprisonment shall not be less than two years
	(c) if the value of the goods is from PKR 5,000,001 to 7,500,000 (both inclusive)	a penalty not exceeding three times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding five years: Provided that the sentence of the imprisonment shall not be less than two and half years.
	(d) if the value of the goods is from PKR 7,500,001 to 10,000,000 (both inclusive);	a penalty not exceeding four times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding ten years: Provided that the sentence of the imprisonment shall not be less than three years.
	(e) if the value of the goods exceeds PKR 10,000,000;	a penalty not exceeding five times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding fourteen years: Provided that the sentence of the imprisonment shall not be less than five years and the whole or any part of his moveable and

		immoveable assets and property shall also be liable to forfeiture in accordance with section 187 of the Customs Act, 1969: Provided further that, in the case of such goods as may be notified by the Federal Government in the official Gazette, the sentence of imprisonment shall not be less than five years and the whole or any part of his property shall also be liable to forfeiture.

(iii)	If the smuggled or prohibited goods comprise currency, gold, silver, platinum or precious stones in any form	such currency or goods shall be liable to confiscation and any person concerned in the offence shall be liable to-
	(a) if the value of the currency or goods is upto US $ 10,000 or equivalent in value (currency of other denomination) etc;	a penalty not exceeding the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding two years;
	(b) if the value of the currency or goods is from US $ 10,001 to US $ 20,000 (both inclusive) or equivalent in value (currency of other denomination) etc;	a penalty not exceeding two times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding three years: Provided that the sentence of the imprisonment shall not be less than two years.
	(c) If value of the currency or goods is from US $20,001 to US $50,000 (both inclusive) or equivalent in value (currency of other denomination) etc	penalty not exceeding three times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding five years: Provided that the sentence of the imprisonment shall not be less than two and half years.
	(d) if the value of the currency or goods is from US $ 50,001 to US $100,000 (both inclusive) or equivalent in value (currency of other denomination) etc;	a penalty not exceeding four times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding ten

		years: Provided that the sentence of the imprisonment shall not be less than three years.
	(e) if the value of the currency or goods exceeds US $ 100,000 or equivalent in value (currency of other denomination) etc;	a penalty not exceeding five times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding fourteen years: Provided that the sentence of the imprisonment shall not be less than five years and the whole or any part of his moveable and immoveable assets and property shall also be liable to forfeiture in accordance with section 187 of the Customs Act, 1969.

Power of adjudication. **Section 179**

The Act has decreased the time limit for adjudicating cases of smuggling under section 2(s) from ninety to thirty days.

Burden of proof as to lawful authority etc. **Section 187**

Amendment in the Finance Act has enabled customs authorities to proceed against the properties, acquired by a person in his own name or in the name of someone else, by the proceeds of smuggling and also to make him liable to provide evidence of the lawful possession of such properties.

Orders of Appellate Tribunal. **Section 194B**

Under section 194-B the Appellate Tribunal shall be required to decide the appeal within sixty days or within such extended period as the Tribunal may, for reasons to be recorded in writing fix.

The amendment in Finance Act provides that in the case of smuggling, appeals shall be decided within a period of 30 days.

Alternative Dispute Resolution. **Section 195C**

The Finance Act has made following changes as regards Alternative Dispute Resolution;

(i) Any person can now be nominated by the Board from the panel mentioned sub-section 2 instead of retired judge

(ii) The Board shall communicate the order of appointment of committee to the court of law or the appellate authority and the Collector.

(iii) The condition that the aggrieved person or the concerned Collector under Alternative Dispute Resolution shall withdraw the appeal pending before any court of law is no more applicable.

(iv) The decision of the committee under sub-section (5) shall be binding on the Collector when the aggrieved person, being satisfied with the decision, has withdrawn the appeal pending before the court of law or any appellate authority and has communicated the order of withdrawal to the Collector. Provided that if the order of withdrawal is not communicated to the Collector within sixty days of the service of decision of the committee upon the aggrieved person, the decision of the committee shall not be binding on the Collector.

Procedure for sale of goods and application of sale proceeds. Section 201

Amendment through Finance Act has restricted the share of importer in sale proceeds of goods other than the confiscated to the extent of the declared value so as to discourage mis-declaration of value.

Regulation of business in gold, etc. Section 212A

Under section 212A, the Federal Government may devise authorized economic operator programme to provide facilitations relating to secure supply chains of imported and exported goods through simplified procedures.

The amendment in Act provides legal cover to the benefits granted to the Authorized Economic Operators (AEOs). A new sub section 3 in section 212A is added for this purpose as under:

"(3) Notwithstanding anything contained in this Act or any other law for the time being in force, the Board may, subject to such conditions, limitations or restrictions as it thinks fit to impose, grant benefits to the authorized economic operators, in such manner as may be provided under the rules made, including-

(a) laying down any procedure or mode for collection of customs duties, fee, surcharge, penalty or any other levy under this Act or any other law;

(b) deferring collection of customs duties, fee, surcharge, penalty or any other levy either in whole or in part;

(c) condoning or substituting whole or part of the bank guarantee or pay order of a scheduled bank required under this Act with any other financial instrument as deemed appropriate.

Advance ruling.-. Section 212B

The Finance Act has inserted a new section as under:

"**212B. Advance ruling.-** (1) An applicant desirous of advance ruling may make an application in such form and in such manner as may be prescribed under the rules, stating any of the questions as contained in sub-section (2) hereinafter, on which the advance ruling is sought.

(2) The question on which advance ruling is sought shall be in respect of-

i. classification of goods under First Schedule to this Act;
ii. determination of origin of the goods under the rules of origin notified for bilateral and multilateral agreements;
iii. applicability of notifications issued in respect of duties under this Act or any tax or duty chargeable under any of the law for the time being in force in the same manner as duty of customs leviable under this Act; or
iv. any other matter as the Board may specify by notification in the official Gazette.

(3) The proceeding for issuance of advance ruling shall be completed within ninety days.
(4) The advance ruling issued under sub-section (1) shall be binding on the applicant.

(5) The ruling issued under sub-section (1) shall be binding on the Customs for a period of one year, unless there is a change in law or facts or circumstances on the basis of which the advance ruling was pronounced.
(6) The appeal against the ruling issued under sub-section (1) shall lie with the Member Customs (Policy) within thirty days of issuance of Ruling:

> Provided that during the appeal period of thirty days, the operation of Ruling shall remain suspended unless the applicant accepts the Ruling."

Amendments in 1st Schedule

Customs duty on specified imports made for construction, development and operation of 'Gwadar port and Free Zone Area' is presently leviable @ 0%, subject to certain conditions / limitations.

Following amendments are deemed to have been made with effect from the June 01, 2020.

- Import of equipment/ materials by concession holders, its operator companies and their contractors/sub- contractors to now specifically include Gwadar International Terminals Limited and Gwadar Marine Services Limited and their following operating entities & their contractors / subcontractors within the scope thereof.
- Presently, ship bunker oils imported by concession holders for supply of fuel/lubricants to ships used in the Port only, enjoy the subject concession. Now the scope of the same has been widened to cover all visiting ships including all local/ foreign/ fishing vessels;
- All the imports made for port related businesses upto a specified period, presently enjoy this concession. Now has been made applicable (w.e.f July 1, 2016) only to packaging, distribution, stuffing and de-stuffing, CFS, container yard, warehousing including cool and cold rooms, transshipment, labelling, light end assembly and reassembly, imports and exports/value added exports, value adding of imports, other similar or related businesses activities and such commercial activities as are required to support the free zone.

Amendments in 5th Schedule

Imports of Plant, Machinery, Equipment and Apparatus, including Capital Goods for various industries/sectors: Part-I Fifth Schedule

The Act has enhanced the meaning of capital goods given under Part-I of the Fifth Schedule to include within its scope plant, machinery and equipment imported by the IT sector, storage, communication and for infrastructure development of SEZs by Zone Developer whereby a duty free import of such goods will be allowed to these sectors which is currently available to other industries like mining, agriculture, fisheries etc.

CD on import of Plant machinery and equipment for setting up of industries in erstwhile FATA Areas

Under serial number 26 of the table under Part-I, Act has extended the period of exemption from custom duty on import of Plant machinery and equipment for setting up of industries in erstwhile FATA Areas from existing June 30, 2020 to June 30, 2023.

Further, the Act has reduced the rate of customs duty on items imported under following PCT headings under table to the Part I subject to the condition mentioned against the same.

			Customs duty %		Condition
Sr. No.	**Description**	**PCT Code**	**Existing**	**Revised**	
23	Parts, Components and inputs for manufacturing LED lights: (i) Housing/Shell, shell cover and base cap for all kinds of LED Lights and Bulbs (ii) Pickling preparations for metal surfaces; soldering brazing or welding powders and pastes consisting of metal and other materials (iii)Poly Butylene Terephthalate (iv) Bare or Stuffed Metal Clad Printed Circuit Board (MCPCB) (v) Constant Current Power Supply for of LED Lights and Bulbs (1-300W) (vi) Lenses for LED lights and Bulbs	 3810.9090 3907.7000 8534. 0000 8504.4090 9001.9000	 20 20	 0 0 0 0 0 0	If imported by LED Light and Bulbs manufacturers registered under the Sales Tax Act, 1990 subject to annual quota determination by the Input Output Coefficient Organization (IOCO).
26	Plant machinery and equipment imported during the period commencing on 1st July,2014 and ending on 30th June, 2023 for setting up of industries in erstwhile FATA Areas.			0	The plant machinery and Equipment under the said serial number shall be released on certification from Provincial Home Secretary that the goods are bonafide requirement of the unit as per Annex B. The goods shall not be sold or otherwise disposed of without prior approval of the Board."; and

36	Machinery, equipment and other project related items for setting up of Submarine Cable Landing stations				
	(i) Tubes Pipes and hollow profiles of cast iron	7303.0000	20	0	If imported by Internet Service providers registered under the Sales Tax Act 1990, duly certified by the Ministry of Information Technology and Telecommunication and Pakistan Telecommunication Authority (PTA), and subject to annual quota determination by the Input Output Co-efficient Organization (IOCO).
	(ii) Articles of non-malleable cast iron	7325.1000	20	0	
	(iii) Static Converters	8504.4090	16	0	
	(iv) Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus	8517.6290	16	0	
	(v) Optical fiber Cables	8544.7000	20	0	
37	Other Electric Conductors exceeding 32000 V	8544.6090	20	11	If imported by manufacturers of transformers, registered under the Sales Tax Act 1990.

(B)	in Part II, in Table C, in column (1), after S.No.33, and corresponding entries relating thereto in columns (2), (3) and (4), the following shall be added, namely: -				
34	Meglumine antimonite	3004.9099		0	

(C) in Part III, in the Table, in column (1), -

(i)	against S.No.96, in column (4), for the expression "5%" appearing against PCT 7606.1200, the expression "0%" shall be substituted;
(ii)	against S.No.105, in column (5), for the figure "2020" the figure "2030", shall be substituted; and
(iii)	for S.No.107 and the entries relating thereto in columns (2), (3), (4) and (5), the following shall respectively be substituted, namely: -

107	(i) Paper having specification 60 gm/m2 in 23X36 inches or 20X30 inches sheets (ii) Art paper having specification 20x30 inches, 23x30 inches, 23x33 inches, 23x36 inches and 700x1000 mm	4810.1310 4810.1990		0	(1) If imported by a Federal or Provincial Government Institution or a Nashir-e-Quran approved by respective Provincial Quran Board for printing of Holy

					Quran; (2) In case of Nashir-e-Quran the quantity of paper to be imported would be determined by IOCO; and (3) The Nashir-eQuran may also get printing done from another printer (vendor), duly registered under Sales Tax Act,1990 and with relevant Provincial Quran Board, having suitable in-house facility, subject to approval of the IOCO. Imports made by Nashir-e-Quran availing the facility of printing through vendors will be cleared against submission of bank guarantee or pay order. In such case, - (i) the vendor shall have a firm contract with the Nashir-eQuran; (ii) the Nashir-eQuran may provide the imported paper, to the vendor; (iii) the vendor shall not be entitled to import the paper, under this scheme for printing of Quran to be supplied to the Nashir-eQuran; (iv) the vendor, after completing the printing, shall supply the printed Quran to that Nashire-Quran only with whom he held the firm contract; and (v) the vendor shall also maintain proper record of the imported pape utilized, and printed Quran supplied to the Nashire-Quran (vi) the security deposited by the Nashire-Quran at the time of clearance shall

					be released after NOC from IOCO regarding consumption of paper and supply of finished product as per the contract.”;
(iv)	for S.No.109 and the entries relating thereto in columns (2), (3), (4) and (5), the following shall respectively be substituted, namely: -				
109	(i) Other craft paper (ii) Multi-ply (clay coated paper and paper board (iii)Aluminum foil (rolled but not further worked)	4804.3900 4810.9200 7607.1100		15	If imported by a Sales Tax registered manufacturer of Aseptic liquid food packaging material, subject to quota determination by IOCO.”;

Import of Active Pharmaceutical Ingredients, Excipients/Chemicals, Drugs, Packing Material/ Raw Materials for Packing and Diagnostic Kits and Equipment, Components and other Goods

The Act has reduced customs duty from 11% to 0% on “Meglumine antimonite” under PCT heading ‘3004.9099’ without any applicable condition under Table C of Part-II.

Ships and Floating crafts, Nashir-e-Quran, Raw Materials/Inputs for Poultry and Textile Sector; Other Goods

The Act has extended the period of exemption from CD on import of Ships and other floating crafts including tugs, survey vessels and other specialized crafts purchased or bare-boat chartered by a Pakistani entity and flying Pakistani flag from June 30, 2020 to June 30, 2030 under serial number 105 of the table under Part-III.

The Act has allowed exemption for those Nashir-e-Quran who do not have their own in-house printing facility in respect of paper of certain specification imported for printing of Holy Quran subject to certain conditions.

The Act has further reduced rate of customs duty on import of following goods under Part-III as given hereunder:

			Customs duty %	
Sr. No.	**Description**	**PCT Code**	**Existing**	**Revised**
96	(i) Coils of aluminium alloys	7606.9290	5	0
109	(i) Other craft paper	4804.3900	16	15
116	(xiii) Glass board for manufacturing TV panels (LCD, LED, OLED, HDI etc.)	8529.9090	10	0

After S.No.120120, the following new S. Nos. and entries relating thereto in columns (2), (3), (4) and (5), shall be added, namely: -

Sr. No.	Description	PCT Code	Existing under First Schedule	Revised	Condition
"119	Organic composite solvents and thinners, not elsewhere specified or included; prepared paint or varnish removers.	3814.0000	20%	5%	If imported by manufacturers of Butyl Acetate registered under the Sales Tax Act 1990, subject to annual quota determination by Input Output Co-efficient Organization (IOCO).
120	Semi-finished products of Iron or non- alloy steel	7207.1110 7207.1190 7207.1210 7207.1290 7207.1910 7207.1920	11%	5%	If imported by manufacturers of Wire Rods registered under the Sales Tax Act 1990,

		7207.1990 7207.2010 7207.2020 7207.2090			subject to annual quota determination by Input Output Co-efficient Organization (IOCO).
121	Plasticised (Poly Vinyl Chloride)	3904.2200	20%	0%	If imported by manufacturers of disposable syringes and saline infusion sets, registered under the Sales Tax Act 1990, subject to annual quota determination by Input Output Co-efficient Organization (IOCO).
122	Other unsaturated Polyesters	3907.9100	20%	0%	If imported by manufacturers of buttons, registered under the Sales Tax Act 1990, subject to annual quota determination by Input Output Coefficient Organization (IOCO).
123	Other saturated Polyesters	3907.9900	20%	5%	If imported by manufacturers of interlining/ buckram, registered under the Sales Tax Act 1990, subject to annual quota determination by Input Output

					Coefficient Organization (IOCO).
124	(i) Skimmed milk powder	0402.1000	20%	0%	If imported by manufacturers of Ready to Use Supplementary Foods (RUSF), duly authorized by United Nations World Food Program (UNWFP) and subject to annual quota determination by Input Output Coefficient Organization (IOCO).; and
	(ii) Chickpeas	0713.2010	3%	0%	
	(iii) Soyabean oil	1507.9000	Rs 11700MT	0%	
	(iv) Palm Olein	1511.9030	Rs 9050MT	0%	
	(v) Hydrogenated vegetable fats	1516.2010	Rs 10200MT	0%	
	(vi) Malto Dextrins	1702.9030	11%	0%	
	(vii) Premixes of vitamins and minerals	2106.9090	20%	0%	
	(viii) Emulsifier	3404.9090	11%	0%	
	(ix) Antioxidant	3824.9999	11%	0%	

(D) in Part VI, in the Table, in column (1), after S.No.6, and the entries relating thereto in columns (2), (3), (4) and (5), the following shall be added, namely:-

Sr. No.	Description	PCT Code	Existing rate	Revised rate	Condition
"7	Aircraft engine	8407.1000	3%	0%	For use in aircraft and trainer aircraft."

PROVINCIAL ACTS OF PUNJAB, SINDH, KPK AND BALUCHISTAN

SIGNIFICANT AMENDMENTS IN PUNJAB SALES TAX ON SERVICES ACT 2012

Through Punjab Finance Act, 2020 (hereinafter called as "the Act"), following changes have been made in the Punjab Sales Tax on Services Act, 2012:

Section 16 Time limit for deduction and adjustment of tax on inputs paid under any other law

As per sub section 2 of section 16, a registered person is allowed to claim adjustment, deduction, or refund in respect of the tax paid under any other law i.e. Federal sales tax or any provincial sales tax, for any taxable service or goods or class of taxable service or goods used in connection with the provision of a taxable service by such person, on his furnishing a tax invoice or declaration of import of goods in his name which bears his National Tax Number.

Previously, sub-section 2 did not prescribe time lime for adjustment of invoices contrary to sub-section 1 where time limit has been prescribed that adjustment is allowed from sale tax liability to be paid to Punjab Revenue Authority with condition that the taxpayer holds a true and valid tax invoice not older than six tax periods.

To address this anomaly, the Act states that tax invoice or declaration of import of goods should not be older than six tax periods for adjustment against tax liability.

Section 16C Extent of Adjustment of Input tax

Prior to the Act, as per section 16C, the input tax paid on acquisition of such of the capital goods, machinery and fixed assets as are classified under section XVI, Chapters 84 and 85 of the First Schedule of the Customs Act, 1969 (IV of 1969) shall be adjustable against the output tax in twelve equal monthly instalments.

Through the Act, the adjustment of input tax in installments has been done away with and now input tax is allowed in a tax period in which it is paid. However, input tax in excess of 80% of the output tax shall not be allowed.

Section 16D Refunds

A new section 16D has been inserted whereby the authority or any officer authorized by the Authority is allowed to refund the tax paid through inadvertence, error of misconstruction.

Section 29 Deregistration

Previously, Punjab Revenue Authority (PRA) had the authority to re-register a registered person or such class of registered persons not required to be registered under this Act. The Act has given the Commissioners such authority under section 29.

Section 30 Issuance of tax invoice

The Act has allowed electronic issuance of invoices and to transmit such invoices to PRA in such format and manner as PRA may by notification prescribe.

Section 31 Records

Section 31 prescribes the records required to be maintained by persons providing taxable services. The Act made certain amendments to such requirements as follows:

Existing	Amended
(a) Records of taxable service provided indicating: (i) The description and type of service; (ii) The value of the service; (iii) The particulars of the person to whom the service was provided; and (iv) any other information as may be specified by the Authority; (b) Records of exempt service; and (c) Such other records as may be specified by the Authority.	(a) record of services provided, including exempt services, indicating the description, quantity and value of service, name, registration number and address of the person to whom services were rendered and the amount of tax charged; (b) record of goods and services received, including exempt goods and services, indicating description, quantity and value of goods and services, name, address and registration number of the service provider or supplier of goods and the amount of the tax charged; (c) record of goods imported indicating the description, quantity and value of goods and the amount of tax paid on imports; (d) double entry accounts; (e) bank statements and banking instruments; (f) inventory records, utility bills, salary and labor bills, rent deeds and agreements; (g) record required to be maintained and the declarations filed under any other law for the time being in force; and (h) such other record as may be specified by the Authority

Section 33 Audit proceedings

The Act has inserted sub-section 3a whereby the Officer authorized to conduct audit is authorized to conduct audit proceedings electronically through video links or any other facility as may be notified by the Authority.

Section 39 Appointment of authorities

Through the Act, the roles of Audit compliance and Risk compliance functions have been merged under one officer to be known as “Audit-cum-Risk Compliance Officer”.

Section 57 Obligation to produce documents and provide information

Previously an Officer, not below the rank of Assistant Commissioner could require the taxpayer to produce documents and information under section 57. The Act now also empowers the officers below the rank of Assistant Commissioner to exercise powers under section 57.

Section 60 Powers of adjudication

Section 60 of the Sales Tax on Services Act, 2012 provides the jurisdictions and powers of Officers for adjudication of cases. The Act has made following changes in this section:

Existing	Amended
(a) Additional Commissioner: Cases without any restriction as to the amount of the tax involved or amount erroneously refunded;	(a) Additional Commissioner: Cases without any restriction as to the amount of the tax involved or amount erroneously refunded
(b) Deputy Commissioner: Cases where the amount of the tax involved or the amount erroneously refunded, but does not exceed two and a half million rupees;	(b) Assistant Commissioner/Deputy Commissioner: Cases where the amount of the tax involved does not exceed ten million rupees
(c) Assistant Commissioner: Cases where the amount of the tax involved, or the amount erroneously refunded does not exceed one million rupees;	(c) Enforcement Officer/Audit-cum-Risk Compliance Officer: Cases where the amount the tax involved does not exceed five million rupees;

The Act has also inserted that the Authority may assign a case or class of cases to any of its officers involving any amount of tax involved.

Section 63 Appeals

The Act has allowed filing of appeal electronically in addition to manual filing in order to facilitate the taxpayers.

Section 66 Appeal to the Appellate Tribunal

The Act has enhanced the time limit for filing of appeal before Appellate Tribunal to sixty days from existing thirty days.

Section 70 Recovery of arrears of tax

The Act included recovery by banking company or financial institution from running finance or demand finance facility in the existing mode of recoveries under section 70.

The Act has also authorized the Officer to arrest a defaulter and cause his detention for a period not exceeding six months subject to condition that the adjudged amount has been upheld by the Appellate Tribunal.

Presently if a taxpayer deposits twenty five percent of the demand, no action shall be taken against him during the pendency of appeal. Now the Act has reduced the deposit amount for automatic stay to ten percent from existing twenty five percent.

SECOND SCHEDULE

The Act has made following amendments in second schedule to the Punjab Sales Tax on Services Act, 2012:

Sr. No.	Description	Tariff heading	Existing Rate	Revised rate
1	Hotels, motels, guest houses.	9801.1000	(i) Zero percent without input tax adjustment for non-corporate, non-franchise, non-chain businesses; and only (ii) sixteen percent or others.	(i). Five percent without input tax adjustment for no corporate, no franchise, non-chain businesses with less than 20 rooms; and (ii). Sixteen percent for others
	Marriage halls and lawns (by whatever name called) including pandal and shamiana services.	9801.3000	Zero percent without input tax adjustment.	Five percent without input tax adjustment
	Clubs including race clubs and their membership services including services, facilities or advantages, for a subscription or any other amount, to their members.	9801.4000	Sixteen percent	Sixteen percent
	Catering services (including all ancillary/allied services such as floral or other decoration, furnishing of space whether or not involving rental of equipment and accessories)	9801.5000	Zero percent without input tax adjustment.	Five percent without input tax adjustment.
7	Services provided in respect of insurance to a policy holder by an insurer, including a re-insurer for: (a) fire insurance; (b) goods insurance; (c) health insurance; (d) life insurance; (e) marine insurance; (f) theft insurance; and (g) Any other insurance. **EXCLUDING:** (a) marine insurance for export;	98.13	(i) Zero percent without input tax adjustment for health insurance and life insurance; and (ii) Sixteen percent of the gross premium paid, for others.	(i) Zero percent without input tax adjustment for health insurance for individuals; and (ii) Sixteen percent of the gross premium paid, for others.

	and (b) Crop insurance.			
11	Services provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops, *deras*, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc	9801.2000 and 9801.9000	Sixteen percent	(a) Five percent without input tax adjustment where payment against services is received through debit or credit cards; and (b) Sixteen percent for others.
13	Franchise service including intellectual property rights services and licensing services.	9823.0000, 9839.0000 and respective headings	Sixteen percent	(a) Five percent without input tax adjustment for services relating to educational institutions; and (b) Sixteen percent for others.
14	Excluding: New insertion: (iv) where the construction services are provided to any registered person who is otherwise liable to pay sales tax as a property developer, builder and promoter.	9824.0000 and 9814.20000	-	-
15	Existing entry: (i) Services provided by property developers, builders and promoters (including their allied services). Excluding: Actual purchase value or documented cost of land. (ii) Affordable housing services provided under Government sponsored housing programs. New entry: Services provided by property developers, builders and promoters (including their allied services); Excluding: Affordable housing services provided under Government sponsored housing programs	9807.0000 and respective subheadings of heading 98.14	(i) Eight percent without input tax adjustment or sixteen percent with input tax adjustment; and (ii) Five percent without input tax adjustment or sixteen percent with input tax adjustment.	Rs.100 per square yard for land development and Rs.50 per square feet for building construction.

18	Services provided for personal care by beauty parlors, salons, clinics, sliming clinics, spas (including saunas, Turkish baths and Jacuzzi) and similar other establishments. **EXCLUDING:** Services provided in a parlor, salon or clinic where the facility of air-conditioning is not installed or is not available in the premises on any day of the financial year.	9810.0000 9848.0000 9847.0000 9821.4000, 9821.5000 and 9815.7000 and respective headings	Zero percent without input tax adjustment	(a) Five percent without input tax adjustment where payment against services is received through debit or credit cards; and (b) Sixteen percent for others.
22	Information technology-enabled or information technology based services including software development, software customization, software maintenance, system support, system assembly, system integration, system designing and architecture, system analysis, system development, system operation, system maintenance, system up-gradation and modification, data warehousing or management, data entry operations, data migration or transfer, system security or protection, web designing, web development, web hosting, network designing, services relating to enterprise resource or management planning (including marketing of products), development and sale of smart phone applications or games, graphics designing, medical transcription, remote monitoring, telemedicine, insurance claim processing, online retrieval and database access or retrieval service.	9815.6000 and respective headings	(i) Zero percent without input tax adjustment for services provided by digital platforms; and (ii) Sixteen percent for others.	Five percent without input tax adjustment
25	Services provided by tour operators and travel agents including all their allied services or facilities other than Hajj and Umrah including Ziyarat.	9805.5100 9805.5000 and 9803.9000	Zero percent without input tax adjustment	Five percent without input tax adjustment

26	Manpower recruitment agents including labor and manpower Supplies	9805.6000	Sixteen percent	(b) Five percent without input tax adjustment for services where the value of service is fixed by the Bureau of Emigration and Overseas Employment; and (b) Sixteen percent for others.
32	Services provided by property dealers and realtors.	9806.2000 and 9844.0000	Zero percent without input tax adjustment	Five percent without input tax adjustment
35	Services provided in respect of rent-a-car including renting of all categories of vehicles meant for transportation of persons.	9819.3000 and respective headings	Zero percent without input tax adjustment	(b) Five percent without input tax adjustment for services provided to end consumers; and (b) Sixteen percent for others.
36	Services provided by car/ automobile dealers.	9806.3000 and 9845.0000	Zero percent without input tax adjustment	(a) Sixteen percent for services provided by companies or authorized dealers; and (b) Five percent without input tax adjustment, for others.
37	Services provided in respect of manufacturing or processing on toll or job basis against processing on conversion charges including industrial and commercial packaging services and similar	9868.0000 9841.0000 and 9819.1400	Sixteen percent	Five percent without input tax adjustment
40	Brokerage (other than stock) and indenting services including commission agents, under-writers and auctioneers.	9829.0000 9819.1200 9819.1100 9819.1300 and 9819.9100	Sixteen percent	(b) Five percent without input tax adjustment for services provided in respect of

				agricultural produce; and (b) Sixteen percent for others.
43	Services provided in specified fields such as health care, gym, physical fitness, indoor sports, games, amusement parks, arcades and other recreation facilities and body or sauna massage etc.	9821.1000 and 9821.2000 9821.4000	Zero percent without input tax adjustment	Five percent without input tax adjustment
45	Services provided by cable TV operators.	9819.9000	Zero percent without input tax adjustment	Five percent without input tax adjustment
52	Services provided by accountants (including practicing chartered or cost accountants), auditors, actuaries, tax consultants (by whatever name called), practicing company secretaries, receivers, liquidators, auctioneers and corporate law consultants, whether individual or otherwise.	9815.2000 9815.3000 9850.0000 9851.0000 9855.0000 and respective headings	Sixteen percent	(a)Five percent without input tax adjustment for services relating to accountancy, audit, tax or corporate law consultancy; and (b) Sixteen percent for others.
58	Services provided by photography studios and event or occasion photographers/film-makers **EXCLUDING:** Non-corporate (individual) photographers operating from small road-side shops declared as such by the Authority.	9819.7000 and respective headings	Sixteen percent	Five percent without input tax adjustment
60	Services provided by skin and laser clinics, cosmetic and plastic surgeons and hair transplant services including consultation services. **EXCLUDING:** Services provided to acid or burn victims.	9847.0000 and respective headings	Sixteen percent	Five percent without input tax adjustment
63	Parking Services	Respective headings	Sixteen percent	Five percent without input tax adjustment
66	Services in respect of treatment of textile, leather but not limited to Dyeing services, Edging and	Respective headings	Zero percent without input tax adjustment	Five percent without input tax adjustment

	cutting, cloth treating, water proofing, Embroidery, Engraving, Fabric bleaching, Knitting, Leather staining, Leather working, Preshrinking, Colour separation services, pattern printing and shoe making services.			
67	Apartment house management, real estate management and services of rent collection.	Respective headings	Zero percent without input tax adjustment	Five percent without input tax adjustment
68	(i) Medical consultation/ visit fee exceeding Rs. 1,500 per consultation/ visit of doctors, medical practitioners, and medical specialists. (ii) Bed/ room charges of hospitals exceeding Rs. 6000/- per day per bed / room.	9815.1000 and other Respective headings	Zero percent without input tax adjustment	Zero percent without input tax adjustment

The Act has added following services in the list of taxable services:

Sr. No.	Description	Heading	Rate
69	Ride-Hailing Services	-	Four percent without input tax adjustment

THE STAMP ACT, 1899
(Act II of 1899)

SCHEDULE I
STAMP-DUTY ON INSTRUMENTS
(SEE SECTION 3)

Sr. No.	Description of Instrument	Proper Stamp-duty
18	**CERTIFICATE OF SALE** (in respect of each property put up as a separate lot and sold) granted to the purchaser of any property sold by public auction by a Civil or Revenue Court, or Collector or other Revenue Officer: a) in case of immovable property in an urban area; and b) b) in any other case	One ~~Five~~ percent of the value of the property. Three percent of the value of the property. **NOTE:** In case of registration of the instrument, an additional stamp duty shall be charged as under: (a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and (b) Rs.1000/-, if the consideration exceeds Rs.500,000/.]
23	**CONVEYANCE** as defined by section 2(10) not being a **TRANSFER** charged or exempted under Article 62: (a) In case of immovable property in an urban area; and (b) in any other case (c) in case of a registered motor vehicle	One ~~Five~~ percent of the value of property. Three percent of the value of the property. **Note:** In case of registration of the instrument, an additional stamp duty shall be charged as under: (a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and (b) Rs.1000/-, if the amount of consideration exceeds Rs.500,000/-. one hundred rupees.
27-A	"**DECREE, RULE OF A COURT OR AN ORDER OF A COURT** based on mutual consent of the parties in cases involving transfer of an immovable property including sale, exchange, gift or mortgage, declaring or conferring a right in, or title to, an immovable property: a) in case of immovable property in an urban area; and b) in any other case **EXPLANATION**.- Value, in this Article, means the value of the property in accordance with the valuation	One ~~Five~~ percent of the value of the property. Three percent of the value of the property. **NOTE:** In case of registration of the instrument, an additional stamp duty shall be

	table as notified by the Collector or where valuation table is not available, the average sale price of a property of similar nature in the same revenue estate or locality in the preceding year as may be determined by the Collector.	charged as under: (a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and (b) Rs. 1000/-, if the consideration exceeds Rs.500,000/-.
31	**EXCHANGE** of immovable property: a) in case of immovable property in an urban area; and b) in any other case	One ~~Five~~ percent of the highest value of property plus One ~~two~~ percent of the lowest value of the property; and Three percent of the highest value of the property. **NOTE**: In case of registration of the instrument, an additional stamp duty shall be charged as under: (a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and (b) Rs. 1000/-, if the consideration exceeds Rs.500,000/.];
33	**GIFT** – Instrument of, including a memorandum of oral gift of an immovable property, not being a **SETTLEMENT (Article 58)** or **WILL** or **TRANSFER (Article 62)** – when executed in respect of an immovable property: a) in case of immovable property in an urban area; and b) in any other case	One ~~Five~~ percent of the value of the property: provided that if the gift deed is executed between spouses, father, mother, son, daughter, grandparent, sibling or from one wife or widow to another wife or widow of the same husband, the rate of stamp duty shall be three percent of the value of the property. One ~~Three~~ percent of the value of the property. **Note:** In case of registration of the instrument, an additional stamp duty shall be charged as under: (a) Rs.500/-, if the amount of consideration does not exceed Rs.500,000/-; and (b) Rs.1000/-, if the amount of consideration exceeds Rs.500,000/-.]
35	[**LEASE,** including an under lease or sub-lease and any agreement to let or sub-let: (1) where by such lease the rent is fixed and no	

	premium is paid or delivered: (a) where the lease purports to be for a term of less than twenty years;	3.25% of the average annual rent of the lease.
	(b) Where the lease purports to be for a term of twenty years: (i) in case of immovable property in an urban area; and	2% ~~5.25%~~ of the average annual rent of the lease.
	(ii) in any other case	3.25% of the average annual rent of the lease.
	(c) where the lease purports to be for a term in excess of twenty years or in perpetuity: (i) in case of immovable property in an urban area; and	2 %~~5.25%~~ of the consideration equal to the whole amount of rent which would be paid or delivered in respect of the first ten years of the lease.
	(ii) in any other case	3.25% of the consideration equal to the whole amount of rent which would be paid or delivered in respect of the first ten years of the lease.
	(d) where the lease does not purport to be for any definite term: (i) in case of immovable property in an urban area; and	2% ~~5.25%~~ of the consideration equal to the whole amount of the rent which would be paid or delivered in respect of the first ten years of the lease.
	(ii) in any other case.	3.25% of the consideration equal to the whole amount of rent which would be paid or delivered in respect of the first ten years of the lease.
	(2) (a) where the lease is granted for money advanced and where no rent is reserved: (i) in case of immovable property in an urban area; and	2% ~~5.25%~~ of the consideration equal to the amount of the advance set forth in the lease.
	(ii) in any other case	3.25% of the consideration equal to the amount of such advance as set forth in the lease.
	(b) where the lease is granted for a fine or premium and where no rent is reserved: (i) in case of immovable property in an urban area; and	2% ~~5.25%~~ of the consideration equal to the amount of such fine or premium as set forth in the lease.
	(ii) in any other case	
	(3) (a) where the lease is granted for money advanced in addition to the rent reserved: (i) in case of immovable property in an urban area; and	

		3.25% of the consideration equal to the amount of such fine or premium as set forth in the lease.
	(ii) in any other case	2% ~~5.25%~~ of the consideration equal to the amount of advance as set forth in the lease, in addition to the duty which would have been payable on such lease, if no advance had been paid or delivered: provided that, in any case when an agreement to lease is stamped with the ad valorem stamp required for a lease and a lease in pursuance of such agreement is subsequently executed, the duty on such lease shall not exceed one hundred rupees.
	(b) Where the lease is granted for a fine or premium in addition to the rent reserved: (i) in case of immovable property in an urban area; and	3.25 percent of the consideration equal to the amount of advance as set forth in the lease, in addition to the duty which would have been payable on such lease, if no advance had been paid or delivered: provided that, in any case when an agreement to lease is stamped with the ad valorem stamp required for a lease and a lease in pursuance of such agreement is subsequently executed, the duty on such lease shall not exceed one hundred rupees.
	(ii) in any other case	2% ~~5.25%~~ of the consideration equal to the amount of such fine or premium as set forth in the lease, in addition to the duty which would have been payable on such lease, if no fine or premium had been paid or delivered: Provided that, in any case when an agreement to lease is stamped with the ad valorem stamp required for a lease and a lease in pursuance of such agreement is subsequently executed, the duty on such lease shall not exceed one hundred rupees.
	Exemption Lease, executed in the case of a cultivator for purposes of cultivation (including a lease of trees for the	3.25% of the consideration equal to the amount of such fine or premium as set forth in the lease in addition to the duty which would have been payable on such lease, if no fine or premium had been paid or delivered: Provided that, in any case when an

	production of food or drink) without the payment or delivery of any fine or premium when a definite term is expressed and such term does not exceed one year, or when the average annual rent reserved does not exceed one hundred rupees.	agreement to lease is stamped with the ad valorem stamp required for a lease and a lease in pursuance of such agreement is subsequently executed, the duty on such lease shall not exceed one hundred rupees.
45	**PARTITION**-Instrument of [as defined by section 2 (15).	One percent ~~Two percent~~ of the amount of the value of the separated share or shares of the property. ***Explanation–*** The largest share remaining after the property is partitioned (or if there are two or more shares of equal value and not smaller than any of the other shares, than one of such equal shares) shall be deemed to be that from which other shares are separated: Provided always that– (a) when an instrument of partition containing an agreement to divide property in severalty is executed and a partition is effected in pursuance of such agreement, the duty chargeable upon the instrument affecting such partition shall be reduced by the amount of duty paid in respect of the first instrument but shall not be less than [one hundred rupees]; (b) where land is held on Revenue Settlement for a period not exceeding thirty years and paying the full assessment, the value for purpose of duty shall be calculated at not more than five times the annual revenue; (c) where a final order for effecting a partition passed by any Revenue authority or any Civil Court, or an award by an arbitrator directing a partition, is stamped with the stamp required for an instrument of partition in pursuance of such order or award is subsequently executed, the duty on such instrument shall not exceed one hundred rupees; [(d) when instrument of partition is executed in respect of agricultural land, the Stamp Duty shall be charged as one rupee for every

		rupees one hundred or part thereof of the value of such land. **[Note:** In case of registration of the instrument, an additional stamp duty shall be charged as under: (a) Rs. 500/-, if the amount of consideration does not exceed Rs. 500,000/-; and (b) Rs.1000/-, if the amount of consideration exceeds Rs. 500,000/-. [**Exception**.– Notwithstanding anything contained herein, a fixed stamp duty of five hundred rupees shall be charged in respect of an instrument of partition relating to an urban or rural property including agricultural land, which is partly or wholly based on opening of inheritance.
55	[**RELEASE,** that is to say any instrument (not being such a release as is provided for by section 23-A) whereby a person renounces a claim on another person or against any specified property. (i) in case of immovable property in an urban area; and (ii) in any other case	 One ~~Five~~ percent of the amount of the claim or value of the property. Three percent of the amount of the claim or value of the property. **Note:** In case of registration of the instrument, an additional stamp duty shall be charged as under: (a) Rs.500/-, if the amount of consideration does not exceed Rs. 500,000/-; and (b) Rs.1000/- if the amount consideration exceeds Rs. 500,000/-.
58	**SETTLEMENT–** **A-Instrument of** (including a deed of dower)– [(i) where the settlement is made in favor of legal heirs in respect of agricultural land. (ii)] where the settlement is made for a religious or charitable purpose; (iii) in any other case. ***Exemption–*** Deed of dower executed on the occasion of marriage between Muslims.	 One ~~Three~~ percent of the value of the property. One ~~Three~~ percent of the sum equal to the amount or value of the property settled. One ~~Three~~ percent of the consideration equal to the amount or value of the property settled: Provided that, where an agreement to settle is stamped with the stamp required for an

	B-Revocation of– *See* also **TRUST (No. 64)**.	instrument of settlement, and an instrument of settlement in pursuance of such agreement is subsequently executed, the duty on such instrument shall not exceed [one hundred rupees]: Provided further that, where an instrument of settlement contains any provision for the revocation of the settlement, the amount or value of the property settled shall, for the purposes of duty, be determined as if no such provisions were contained in the instrument. One ~~Two~~ percent of the consideration equal to the amount or value of the property concerned as set forth in the instrument of revocation but not exceeding one hundred rupees. **Note:** In case of registration of the instruments, an additional stamp duty shall be charged as under: (a) Rs. 500/-, if the amount of consideration does not exceed Rs. 500,000/-; and (b) Rs.1000/-, if the amount of consideration exceeds Rs. 500,000/-.
63	[**TRANSFER OF LEASE** by way of assignment and not by way of under-lease: (i) in case of immovable property in an urban area; and (ii) in any other case. **Exemption:** Transfer of any lease exempt from duty.	One ~~Five~~ percent of the amount of consideration for the transfer. Three percent of the amount of consideration for the transfer. **Note:** In case of registration of the instrument, an additional stamp duty shall be charged as under: (a) Rs. 500/-, if the amount of consideration does not exceed Rs.500,000/-; and (b) Rs.1000/-, if the amount of consideration exceeds Rs.500,000/-
63-A	**TRANSFER OF RIGHT OR INTEREST RELATING TO AN IMMOVABLE PROPERTY,** that is to say**,** transfer of a right or interest relating to an immovable property or an acknowledgement of such transfer, by a development authority, housing authority, statutory	

	body, cooperative housing society, company or a developer and every instrument by which a right or interest relating to an immovable property is being transferred, registered, recorded or acknowledged by the authority, body, society, company or developer. **Explanation.–** Transfer of the right or interest under this Article does not include original allotment from a development authority, housing authority, statutory body, cooperative housing society or company and transfer through inheritance. (i) in case of immovable property in an urban area; and (ii) in any other case	One ~~Five~~ percent of the value of the property. Three percent of the value of the property.

SIGNIFICANT AMENDMENTS IN KPK SALES TAX ON SERVICES ACT, 2013.

Through KP Finance Act, 2020, the following amendments have been made in the Khyber Pakhtunkhwa Sales Tax on Services Act, 2013.

Powers and functions of the Authority **Section 5(4)**

A new sub-section 4 has been inserted in section 5 to delegate the powers and functions of the KP Revenue Authority with respect to day to day work or other regular work whether or not involving adjudicatory process or exercise of quasi-judicial powers, including but not limited to the powers under section 45 (i.e. Suspension of registration), 46 (i.e. de-registration) and 78 (i.e. revision of any decision or order passed by an officer other than Collector-Appeal) in all tax or allied matters and administrative or other operations of the Authority under the Act to the Director General (DG), Khyber Pakhtunkhwa Revenue Authority.

Application of principles of origin and reverse charge in certain situations **Section 20(2)**

A proviso has been added to sub-section 2 of section 20 in order to make liable a resident person of the Khyber Pakhtunkhwa receiving taxable services to deduct the prescribed amount of tax from a person who provides taxable services from outside the province of Khyber Pakhtunkhwa and has not charged or paid the tax to the KP Government.

Sub-section 2 of section 20 would now be read as under;

Previously	Amended
(2) Where the recipient of a taxable service is a person registered under this Act, he shall deduct the whole amount of tax in respect of the service received and pay the same to the Government.	(2) Where the recipient of a taxable service is a person registered under this Act, he shall deduct the whole amount of tax in respect of the service received and pay the same to the Government. **Provided** that where a person, receiving taxable service, is resident of Khyber Pakhtunkhwa and sub-section (1) is not applied or is otherwise not applicable in respect of such service for any reason, provision of this sub-section shall apply regardless whether such person us registered or not.

Scope of tax and allied matters **Section 26(1) 26(4)**

A proviso is added in section 26(1) whereby 15% rate has been prescribed as the standard or general rate of tax for the purpose of the KP Act 2013. This change has been made to merge and prioritize sources under a standard rate with the amendment requiring the registered person to opt to pay tax at standard or general rate on a service which is chargeable to the reduced rate of tax or vice versa. The sub-section 1 of section 26 would now be read as under;

An explanation under Sub section 26(4) has been inserted that the expression “paid” shall be construed to include deposit of tax with the Government.

Standard or general tax rate application choice **Section 26A**

A new section with a motive to allow the registered person in KP to opt for paying the tax at standard or general rate.

26A (1) Option for registered person to opt for paying at standard rate and claim of input tax
Where any service or class of services are chargeable to tax at reduced rate either under the Second Schedule or under any notifications issued under the KP Act 2013, the registered person may opt to pay KP sales tax at standard or general rate and take or claim of adjustment of admissible input tax subject to conditions and limitation as may be specified by the Authority.

Condition: Permission from KPRA is required before using standard or general rate

26A (2) Switching back to reduced rate of tax
Likewise, registered person may be switching back to the reduced rate of tax however to change from the standard or general rate to the reduce rate may be subjected to enquiry or audit as deemed necessary by the KP Revenue Authority to ascertain the genuineness of the case.

Condition: Permission from KPRA is required before switching back to reduced rate.

26A (3) Non-adjustment of input tax
Registered person cannot adjust the amount of input tax accrued during the currency of the period when standard or general rate of tax was applicable against the services subsequently subjected to the reduced rate of tax.

26A (4) Withdrawal of permission granted
The KP Revenue Authority is being empowered to withdraw any permission granted in respect of any case or class of cases after issuing show cause notice and providing opportunity of personal hearing.

Assessment of tax — Section 40

Currently, the term tax "**short-payment**" as defined in section 2(49) of KP Act, 2013 refers to where a registered person pays an amount of tax less than the tax due owing to miscalculation or incorrect assessment of the tax amount due for a tax period.

Through KP Finance Act, 2020 changes have been made in section 40(1) and clarify the term 'short payment also include such short payment which has resulted or may have resulted from taking inadmissible adjustment of input tax.

Registration — Section 41

An explanation has been inserted under subsection 3 of section 41 to clarify that a person liable to withhold and/or pay tax otherwise under the KP Act 2013 or Rules or Regulations but is not registered or is not required to be registered, to be deemed as a registered person for all legal purposes. Such person will be required to comply with the requirements of registration, enrollment, non-filing or non-submission of information or document and allied matters regardless of his place of residence, business or other activity.

Information declaration or return **Section 55A**

A new section has been inserted where by the providers of exempt and non-taxable services may be required by the KP Revenue Authority to file monthly or periodic declarations or returns containing the information as may be required to be provided. Person violating in filing the return of declaration shall be under legal obligation and will be charged with the same penalty as is applicable for non-filing of return.

Tax fraction formula

The KP Finance Act, 2019 prescribed a formula for the tax to be calculated based on fraction. However, the formula was inadvertently placed under the Para 17 of the Principles of Application and Interpretation of the Second Schedule and all allied matters instead of under the Para 16. The Act now seeks to transpose said formula to its correct place i.e. under the Para 16.

Formula

"a / (100 + a) x Value of Services

NOTE: "a" is the applicable rate of tax

AMENDMENTS IN STAMP ACT, 1899

SCHEDULE 1 STAMP DUTY ON CERTIFICATE OF SALE SERIAL 18

Through KP Finance Act, 2020 dated July 6, 2020, the following amendments have been made in KP Finance Act, 2013 (Khyber Pakhtunkhwa Act No. XXI of 2013),-

To exempt the proper stamp duty on certificate of sale in respect of each property put as a separate lot and sold.

"SCHEDULE-1"
[SEE SECTION-2]
STAMP DUTY ON INSTRUMENTS
[SEE SECTION-3]

Article Number	Description of Instrument	Proper Stamp Duty	
		Previously	Now
18	**CERTIFICATE OF SALE** (in respect of each property put up as separate lot and sold) granted to the purchaser of any property sold by public auction by a Civil or Revenue Court, or Collector or other Revenue Officer	2% percent of the consideration equal to the amount of the purchase money.	Exempted

SIGNIFICANT CHANGES IN BALUCHISTAN SALES TAX ON SERVICES ACT, 2015

Through Baluchistan Finance Act, 2020 (hereinafter called as "the Act"), following changes have been made in the Baluchistan Sales Tax on Services Act, 2015:

Issuance of tax invoices **Section 30**

Currently, Section 30 provides that registered person providing taxable services my issue invoices to other registered person or other recipient of taxable services electronically subject to certain conditions and restriction as may notified by the Authority and may transmit such invoices to the Authority as well as to Commissioner.

Now the requirement to transmit invoices electronically to Commissioner has been omitted.

Records **Section 31**

Section 31 of the Act prescribes the records required to be maintained by persons providing taxable services. The Act has made certain amendments to specify each detailed record to be maintained for taxable, as well as exempt services.

A comparative table has been provided below:

EXISTING	AMENDED
(a) Records of taxable service provided indicating: - • The description and type of service; • The value of the service; • The particulars of the person to whom the service was provided; and • Any other information as may be specified by the Authority; (b) Records of exempt service; and (c) Such other records as may be specified by the Authority.	(a) Record of services provided, including exempt services, indicating the description, quantity and value of service, name, registration number and address of the person to whom services were rendered and the amount of tax charged; (b) Record of goods and services received, including exempt goods and services, indicating description, quantity and value of goods and services, name, address and registration number of the service provider or supplier of goods and the amount of the tax charged; (c) Record of goods imported indicating the description, quantity and value of goods and the amount of tax paid on imports. (d) Books of Prime Entry or subsidiary books including Cash Books; (e) Double entry accounts including General Ledger; (f) Annual Audited Financial Statements prepared either on the basis of International Financial

	Reporting Standards (IFRSs), or International Public Sector Accounting Standards (IPSAS), as the case maybe; (g) Bank statements, banking instruments and the related reconciliation statements; (h) Inventory records, utility bills, salary and labor bills, rent deeds and agreements; (i) Record required to be maintained and the declarations filed under any other law for the time being in force; and (j) Records of tax invoices and debit credit notes issued by the person; (k) Records of tax invoices and debit credit notes received by the person; (l) Records of customs documents (goods declaration under Section 30 of the Customs Act, 1969 and its ancillary documents); (m) Minutes of various meetings, including minutes of Board meeting(s), the Annual General Meeting (AGM), and the Extra Ordinary General Meeting; and (n) Such other records as may be specified by the Authority.

Audit proceedings **Section 33**

The Act made amendments whereby the documents and records available with agent of the registered person or in any electronic media, can be subject to audit. Moreover, the officer now authorized for conducting audit proceeding electronically, via any video link or any other facility.

Returns **Section 35**

Through this amendment the taxpayers can now submit their monthly sales tax returns online electronically and the requirement of manual submission of returns has been omitted.

Offences and penalties **Section 48**

The Act has inserted the following new serial numbers in the table of offences and penalties:

S NO.	OFFENCES	PENALTIES	SECTION
2A	Where any person fails or refuses to issue a tax invoice as required in sub-rule (1) of rule 29 of the Baluchistan Sales Tax on Services Rules, 2018	Rs 20,000 on first default, and Rs 50,000 for each subsequent default. + business premises sealed on 3 defaults.	General
2B	Where any person either avoids, defies, fails to comply with e invoicing system or Issues Invoices outside the e-invoicing system.	Maximum penalty Rs 100,000 and Minimum penalty Rs 25,000 + business premises sealed on 3 defaults	59A

Appeals **Section 63**

Currently where a taxpayer is aggrieved by any decision or order passed by any officer of the BRA and needs to file an appeal against such decision or order. An appeal shall be preferred to the Commissioner (Appeals), within thirty days of the receipt of the decision or order.

The amendment has been made through the Act whereby now no time limit to file an appeal, and also have an option to file an appeal either manually or electronically has been given to aggrieved person.

Appellate Tribunal **Section 66**

The Section 66 deals with constitution of the legal forum of the Appellate Tribunal. The Appellate Tribunal shall consist of a Chairperson and such other judicial and technical members as are appointed by the Government, having regard to the needs of the Tribunal.

The following changes have been made:

- The composition of the Appellate Tribunal is being altered to comprise of three members of such number of judicial and technical members as are determined and appointed by the Government having regard to the needs of the Tribunal.
- The Technical member will be the person recommended by a Government Committee, as prescribed in Section 3(4) of Baluchistan Revenue Authority Act, 2015. The Technical Member would be a person who is, or has, been a Commissioner of the Baluchistan Revenue Authority or Federal Board of Revenue, having at least two years of experience as Commissioner (Appeals). Now, it has been restricted to the Commissioner of BRA having at least two years of experience.
- The Technical Member can now be an Associated Chartered Certified Accountant or Associated Chartered Accountant having at-least three years of experience in taxation.
- The Government is also now empowered to appoint any person as Technical Member for 3 years, who has worked for a minimum of three years

a) in the Federal Board of Revenue or Provincial Excise and Taxation Department or Baluchistan Board of Revenue in the rank not below BS20 for five years in aggregate, or
b) as A Commissioner Inland Revenue (Appeals) under clause (c), subsection (1) of section 30 of the Sales Tax Act 1990, for three years with service of at least five years in BS-20, as an Accountant Member of the Appellate Tribunal.

- The Government shall appoint a member of the Appellate Tribunal as Chairperson of the Appellate Tribunal and, except in special circumstances, the person appointed should be a judicial member. Now, an exception to this rule has been provided, in so much so, in the event of the occurrence of any vacancy in the office of the Chairperson by reason of his death, resignation or otherwise, the senior most Member of the Tribunal shall act as the Chairperson until the date on which a new Chairperson is appointed to fill such vacancy. Where the Chairperson is unable to discharge his functions owing to absence, illness or any other cause, the senior most Member of the Tribunal shall discharge the functions of the Chairperson until the date on which the Chairperson resumes his duties
- The powers and functions of the Appellate Tribunal shall be exercised and discharged by Benches constituted from members of the Tribunal by the Chairperson of the Appellate Tribunal. Now, the manner in which power and functions can be discharged can be prescribed through Rules.
- The Tribunal may dispose-off any case where the amount of tax or penalty involved does not exceed Five Million rupees. Now, it is clarified that this tax or penalty is:
  a) A tax;
  b) Input tax credit involved; or
  c) the difference in tax or input tax credit involved or the amount of fine, fee, default surcharge or penalty determined in any order appealed against, does not exceed five hundred thousand rupees and which does not involve any question of law. The question of law will now only be raised before the High Court.
- If the members of a Bench differ in opinion on any point, the point shall be decided according to the opinion of the majority. The majority rule is now also made applicable in cases where the Bench differs equally. However, an anomaly arises here as to how can there be any majority if the Bench is equally divided. The specific procedures in case of equal division of Bench have also been omitted.
- The Government may, from time to time, increase or decrease the number of members of the Appellate Tribunal, by way of a Notification in the official Gazette. Now, this will be done after consultation with the BRA and Finance Department.
- Now, any act or proceedings of the Appellate Tribunal shall not be questioned, or be invalid, merely on the ground of the existence of any vacancy or defect in the constitution of the Appellate Tribunal.

Member qualification, remuneration and removal **Section 66A**

Through the Act a new section 66A has been inserted whereby a framework for the Qualification of a person as a member of Appellate Tribunal. The Government would assign remuneration to a selected member. Moreover, no member would be discharged or removed, without being informed of the charges imposed against him and without being the opportunity of being heard.

Recovery of arrears of tax **Section 72**

Currently the section relates to the actions performed by the Authority in respect of recover of tax from defaulters. For the same purpose, the Authority can also make demand on behalf of the taxpayer, from a person who owes the taxpayer any payment under any legally enforceable contract.

The Act has amended the above whereby the Authority can now make a demand on behalf of any **Banking company**, which also includes a demand from Finance Facility Defaulters. Moreover, a relief for taxpayer is provided by granting automatic stay of 30 days from the date of order.

Second Schedule - "TAXABLE SERVICES"

HEADING	DETAIL	EXISTING	AMENDED
9801.2000	Services provided or rendered by restaurants including café, coffee houses, food huts, ice-cream shops and eateries ***Explanation:*** *- For the purposes of this tariff heading, the term 'Chainaki Restaurant' means a restaurant, café, coffee house, food hut, ice cream shop and eatery where its monthly electricity consumption is not more than Rs. 7,000 and the number of employees does not exceed two*	15%	(i) Chainaki Restaurants': - the amount of monthly tax shall be fixed at Rs.3,000 without input tax credit or adjustment; (ii) Other restaurants including cafés, coffee houses, food huts, ice cream shops and eateries excluding chainaki restaurants: 6% without input tax credit or adjustment
9814.2000	Contractor of building (including water supply, gas supply and sanitary works), electrical and mechanical works (including air conditioning), multidisciplinary works (including turn-key projects) and similar other works. Excluding. - Where the construction work is funded under an agreement of foreign grant-in-aid *or interest free loans* or involves construction of consular buildings. ***Explanation*** *- Notwithstanding the rate of 15% fixed in column 3 (rate of tax), the following reduced rate of 6%, will be applicable, for all services specified at tariff heading 9814.2000 without input tax credit or adjustment to the extent of contracts for which payment is made from the Provincial Consolidated Fund.]*	15%	(i) Rs. 60 per square yard in case the services mentioned a service rendered in relation to a residential building/property; and (ii) Rs. 50 per square feet in case the services mentioned are rendered in relation to a commercial building / property.

9814.3000	Property developers or promoters	15%	(i) Rs. 60 per square yard in case the services mentioned are rendered in relation to a residential property; and (ii) Rs. 50 per square feet in case the services mentioned are rendered in relation to a commercial property.
9815.4000	Management consultants. *"Excluding. - Where the services are rendered and funded under an agreement of foreign grant-in-aid or interest free loan.";*	15% [6% without input tax credit / adjustment]	15% (6% without input tax credit / adjustment)
9815.5000	Technical, scientific and engineering consultants. *"Excluding. - Where the services are rendered and funded under an agreement of foreign grant-in-aid or interest free loan.";*	15% [6% without input tax credit / adjustment]	15% (6% without input tax credit / adjustment)
9815.7000	Tax practitioners and consultants. *"Excluding. - Where the services are rendered and funded under an agreement of foreign grant-in-aid or interest free loan.";*	15% [6% without input tax credit / adjustment]	15% (6% without input tax credit / adjustment)
9815.8000	Corporate law practitioners and consultants. *"Excluding. - Where the services are rendered and funded under an agreement of foreign grant-in-aid or interest free loan.";*	15% [6% without input tax credit / adjustment]	15% (6% without input tax credit / adjustment)
9824.0000	Construction services.	15%	15%

	Excluding. - Where the construction work is funded under an agreement of foreign grant-in-aid or interest free loan or involves construction of consular buildings. *Explanation. - Notwithstanding the rate of 15% fixed in column 3 (rate of tax), the following reduced rate of 6%, will be applicable, for all services specified at tariff heading 9824.0000 without input tax credit or adjustment to the extent of contracts for which payment is made from the Provincial Consolidated Fund.".*		
9868.0000	Information and technology based services including software development, software customization, software maintenance, system support, system assembly, system integration, system designing and architecture, system analysis, system development, system operation, system maintenance, system up-gradation and modification, data warehousing or management, data entry operations, data migration or transfer, system security or protection, web designing, web development, web hosting, network designing, services relating to enterprise resource or management planning (including marketing of products), development and sale of smart phone applications or games, graphics designing, medical transcription, remote monitoring, telemedicine, insurance claim processing, online retrieval and database access or retrieval service. *Explanation. -Notwithstanding the rate of 15% fixed in column 3 (rate of tax), the following reduced rate of 6%, will be applicable, for all services specified at tariff heading 9868.0000 without input tax credit or adjustment.*	15%	15%

SINDH SALES TAX ON SERVICES ACT, 2011

Finance Department of Government of Sindh has not issued any Finance Act in 2020. However, through the notifications whose commentary is appended hereunder respective significant changes are made in Sindh Sales Tax on Services Act 2011.

NOTIFICATION NO: SRB-3-4/12/2020
DATE OF ISSUANCE: June 22, 2020
EFFECTIVE FROM: WITH IMMEDIATE EFFECT (i.e. JUNE 22, 2020)
AMENDMENTS MADE IN: 2nd SCHEDULE TO THE SINDH SALES TAX ON SERVICES ACT, 2011

COMMENTARY

Through this notification, the Sindh Revenue Board has reduced the rate of sales tax on services provided or rendered by the recruiting agents, as are classified under tariff heading 9805.6000 of the Second Schedule to the Act from 13% to 8% during the tax periods of the financial years 2018-19, 2019-20 and 2020-21 subject to the conditions that such a service provider:

a. is registered with the Board in terms of section 24 of the Act and has shown the services of "Recruiting agents" of tariff heading 9805.6000 as his Principal Activity in his Registration Form SST-01.
b. is a stand-alone service provider of the taxable service of "recruiting agents" of tariff heading 9805.6000.
   Explanation: For the purposes of this notification, a "standalone service provider" means a person whose principal economic activity is the provision of services of "Recruiting agents" of tariff heading 9805.6000, and such economic activity of the provision of the services of recruiting agency is related to recruitment of individuals or group of individuals for overseas employment in countries outside Pakistan.
   Provided that the services provided or rendered by such recruiting agents in relation to recruitment of individuals or group of individuals for employment in Pakistan shall continue to be levied to tax at the statutory rate of 13 per cent;
c. e-files his tax returns (Form SST-03) regularly, in the prescribed manner, showing the details of his services liable to statutory rates of tax and also to reduced rates of tax, separately, in the same return:
   Provided that the tax returns for the tax periods prior to June, 2020, if not filed earlier, shall be e-filed by the service provider on or before the 20th day of July, 2020.
d. e-deposits his tax liability on the taxable services regularly in the prescribed manner:
   Provided that the tax liability for the tax periods upto June, 2020, if not paid earlier, shall be e-deposited by the service provider in Sindh Government's head of account "B-02384" in the prescribed manner by the 15th day of July, 2020; and
e. complies with the provisions of the Sindh Sales Tax on Services Act, 2011, and the rules and notifications issued thereunder in relation to the taxable services received or procured by him and also in relation to the taxable services provided or rendered by him.

This notification shall not entitle any person, whether a service provider or a service recipient, to any refund or adjustment of tax and if not rescinded earlier, shall stand rescinded at 23:59 hours of the 30th day of June, 2021.

NOTIFICATION NO: SRB-3-4/13/2020
DATE OF ISSUANCE: June 22, 2020
EFFECTIVE FROM: WITH IMMEDIATE EFFECT (i.e. JUNE 22, 2020)
AMENDMENTS MADE IN: 2nd SCHEDULE TO THE SINDH SALES TAX ON SERVICES ACT, 2011

COMMENTARY

Through this notification, the Sindh Revenue Board has granted exemption of sales tax on services of life insurance services (other than its related re-insurance services), classified under tariff heading 9813.1500 of the Second Schedule to the Act as were provided or rendered during the period from the 1st day of July, 2019 to the 30th day of June, 2020 subject to the conditions that:

a. the person providing or rendering life insurance services commences e-depositing, in the Sindh Government's head of account "B-02384" in the prescribed manner, the amounts of Sindh sales tax due, on such services for the tax periods from July,
b. the amounts of Sindh sales tax charged or collected, if any, on such services during the period from the 1st day of July, 2019 to the 30th June, 2020, are e-deposited, by the person providing or rendering such services, in Sindh Government's head of account "B-02384" in the prescribed manner by the 15th day of July, 2020.

This notification shall not entitle any person, whether a service provider or a service recipient, to any refund or adjustment of tax.

NOTIFICATION NO: SRB-3-4/14/2020
DATE OF ISSUANCE: June 22, 2020
EFFECTIVE FROM: WITH IMMEDIATE EFFECT (i.e. JUNE 22, 2020)
AMENDMENTS MADE IN: 2nd SCHEDULE TO THE SINDH SALES TAX ON SERVICES ACT, 2011

COMMENTARY

Through this notification, the Sindh Revenue Board has extended the period of exemption of sales tax on insurance services (other than its related re-insurance services) till 30th June 2021. The exemption was allowed vide Notification # SRB-3-4/5/2019 dated 8th May 2019.

ISSUING AUTHORITY: SINDH REVENUE BOARD
POWERS EXERCISED U/S: 10 of Sindh Sales Tax on Services Act, 2011
NOTIFICATION NO: No.SRB-3-4/15/2020.
DATE OF ISSUANCE: June 22, 2020
EFFECTIVE FROM: WITH IMMEDIATE EFFECT (i.e. JUNE 22, 2020)
AMENDMENTS MADE IN: 2nd SCHEDULE TO THE SINDH SALES TAX ON SERVICES ACT, 2011

COMMENTARY

Through this notification, the Sindh Revenue Board has extended the period of exemption of sales tax on the services provided or rendered by Cable TV Operators, as are classified under tariff heading 9819.9000 of the Second Schedule to the Act till 30th June 2021. The exemption was allowed vide Notification # SRB-3-4/15/2019 dated 27th June, 2019.

NOTIFICATION NO: SRB-3-4/16/2020
DATE OF ISSUANCE: June 29, 2020
EFFECTIVE FROM: WITH IMMEDIATE EFFECT (i.e. JUNE 29, 2020)
CORRECTIONS MADE IN: SRO No. SRB-3-4/31/2019 dated 3rd August, 2019

COMMENTARY

Through this notification, the Sindh Revenue Board has made the following typo corrections in SRO No. SRB-3-4/31/2019 dated 3rd August, 2019:
In the said notification,

(a) in clause (c),
(i) the words "or for printing on newspaper and periodical", may be read as "or for printing in newspaper or periodical"; and
(ii) the words "shall be added" may be read as "shall be substituted" ; and
(b) in clause (d), the words "and in any newspaper and periodical" may be read as "and in any newspaper or periodical"

NOTIFICATION NO: SRB-3-4/18/2020
DATE OF ISSUANCE: June 29, 2020
EFFECTIVE FROM: WITH EFFECT FROM JULY 01, 2020
AMENDMENTS MADE IN: Sindh Sales Tax Special Procedure (Withholding) Rules, 2014

COMMENTARY

Through this notification, the Sindh Revenue Board has made following amendments to Sindh Sales Tax Special Procedure` (Withholding) Rules, 2014:

Rule 3 Responsibility of a withholding agent:	In the Proviso in sub-rule (1), after the word and bracket "company)", the words "in relation to its services of life insurance and health insurance of individual persons" shall be inserted. Through the afore mentioned insertion, withholding agent will not be responsible to withhold tax on payment to insurance companies in relation to its services of life insurance and health insurance of individual persons
Rule 5 Application of other provisions: (New sub-rule 2 inserted)	(2) **The withholding agent shall maintain the records** as prescribed in section 26 of the Act and in sub-rule (2A) of rule 29 of the Sindh Sales Tax on Services Rules, 2011, **for a period of 8 years** from the tax period to which it relates. The withholding agent shall also maintain, for a period of 8 years from the tax period to which it relates, the record of the tax invoices received by him from the service providers and the documents and banking instruments showing the withholding agents' compliance of the provisions of section 73 of the Sales Tax Act, 1990, and of clause (i) of rule 22A of the Sindh Sales Tax on Services Rules, 2011.

NOTIFICATION NO: SRB-3-4/19/2020
DATE OF ISSUANCE: June 29, 2020
EFFECTIVE FROM: WITH IMMEDIATE EFFECT (i.e. JUNE 29, 2020)
AMENDMENTS MADE IN: Sindh Sales Tax Special Procedure (Transportation or carriage of Petroleum Oils through Oil Tankers) Rules, 2018.

COMMENTARY

Rule 3 Rate of tax: Through this notification, the Sindh Revenue Board has enabled the registered persons to submit their election or option under Rule 3 **electronically** the concerned Commissioner and the same shall remain valid till **30th June 2021**.

NOTIFICATION NO: SRB-3-4/17/2020
DATE OF ISSUANCE: June 29, 2020
EFFECTIVE FROM: WITH EFFECT FROM JULY 01, 2020
AMENDMENTS MADE IN: Sindh Sales Tax on Services Rules, 2011

COMMENTARY

Through this notification, the Sindh Revenue Board has made following amendments to Sindh Sales Tax on Services Rules, 2011:

Rule 6 Automatic Grant of Registration:	The rule has been omitted.
Rule 7 Change in particulars of registration:	(i) for the words " **automatically registered person described in rule 6**", the words "**registered person**" shall be substituted; (ii) after the word "**intimate**", the commas and words "**, to the Board,**" shall be inserted; and (iii) for the alphabets, figures and words "**SST-01 to the Board, and**", the alphabets, figures, commas and words "**SST-01, together with the complete supporting documents, and the**" shall be substituted;
Rule 23A Application: Through the insertion of new Clause (b), the provisions relating to refund shall apply to processing and sanction of claims for refund by a registered person in the case as specified therein:	(b) the year end claim as declared by a registered person in terms of the Proviso to section 15 of the Act, read with entry in row No. 18 of his tax return in form "SST-03" of these rules.
Rule 29 Record keeping and invoicing:	New requirement as to the maintenance of record added where by the taxpayer shall maintain documents and records showing compliance of the provisions of clause (i) of rule 22A.
Rule 30: Procedure for collection of Sales tax on services provided by banking companies, financial institutions, cooperative financing societies, modarabas, musharikas, leasing companies, foreign exchange dealers, non-banking financial institutions, companies providing	Through the amendment, the submission of Quarterly Reconciliation Of Sales Taxable Services Provided Or Rendered In Sindh By The Banking & Nonbanking Financial Companies has been enabled for submission **online**. Furthermore, the previous Annex to this rule providing the format of the aforesaid reconciliation has been substituted by the new Annex modifying the format of the said reconciliation.

management services including fund and asset management services and other persons dealing in any such services.	
Rule 32 Procedure for payment of Sales Tax by Shipping agents.	Typo correction: In sub-rule (3), for the word "pilot age", the word "pilotage" shall be substituted.
Rule 34A Procedure for levy, collection and payment of sales tax on Sponsorship services.	(a) in sub-rule (2), (i) for the words "providing the sponsorship", the words "providing or rendering the sponsorship services", shall be substituted; and (ii) for the words "receiving the sponsorship in any manner", the words "receiving the sponsorship services in lieu of any consideration in any manner or in any kind" shall be substituted; (b) in sub-rule (4), for the words "and also in case where the sponsorship is received", the words "or is not a person actually registered under section 24 of the Act and also in case where the sponsorship services are received" shall be substituted; (c) in sub-rule (5), in the first Proviso, for the words " from a service provider", occurring twice, the words "from services recipient" shall be substituted;
Rule 35 Procedure for collection of Sales Tax on Telecommunication Services.	Through the amendment, the submission of Monthly Statement For Telecom Services has been enabled for submission **online**. Furthermore, in the FORM at the end, in the Table under Part-I, against S.No.16 in the first column, in clause (e), for the words "exempt services", the words "exempt services, if any (please specify)" shall be substituted.
Rule 36 Procedure for payment of Sales Tax on franchise fee or technical fee or royalty under a franchise agreement	Through the amendment, the submission of Statement under this rule has been enabled for submission **online**.
Rule 40 Port Operators and Terminal Operators.	After the amendment, all services provided or rendered by a port operator or a terminal operator in relation to the cargo imported into **or exported from** Pakistan or the imported cargo in transit or in transshipment through a port or terminal in Sindh, shall also be liable to tax.
Rule 42B Special procedure for collection and payment of sales tax on construction services.	Through the amendment, the submission of Form under this rule has been enabled for submission **online**.
Rule 42BB Special procedure form payment of tax on ready mix concrete services.	Through the amendment, the submission of Form R under this rule has been enabled for submission **online**.
Rule 42BBC (New Rule inserted after Rule 42BBB)	**"42BBC. Procedure for the levy, collection and payment of tax on the renting of machinery, equipment, appliances, and other tangible goods.**

	(1) This rule shall apply to the persons providing or rendering and also to the persons procuring or receiving the services of renting of machinery, equipment, appliances and other tangible goods as described against tariff heading 9806.6000 of the Second Schedule to the Act: Provided that this rule shall not apply in the cases of the services of commodity or equipment leasing, hire purchase leasing and rent a car and automobile rental service as described against tariff headings 9813.3020, 9813.3030 and 9819.3000, respectively, of the Second Schedule to the Act. (2) The rate of tax shall be 5% as prescribed against tariff heading 9806.6000 in the Table of notification No. SRB-3-4/8/2013 dated the 1st July, 2013, subject to the conditions and restrictions prescribed therein. (3) The liability to deposit the sales tax shall be:- (a) on the person providing or rendering the services in the case the services are provided or rendered by a person in Sindh or from the place of business in Sindh; and (b) on the person procuring or receiving the service in the case the where the services is procured or received from a person not resident in Pakistan. (4) The amount of the sales tax involved shall be deposited in Sindh Government's head of account "B-02384" by the 15th day of a month following the tax period to which it relates. The tax return, in the prescribed form, shall be e-filed within 3 days from the due date of payment. (5) The service providers shall maintain the records as are prescribed under the Act and the sub-rule (2) of rule 29. In addition, the service provider shall also maintain an account of the stock of machinery, equipment, appliances and other tangible goods possessed by him for provision of the service. In addition, the service recipients procuring or receiving the services from the service providers not resident in Pakistan shall also maintain the record prescribed under the Act or rule 29(2). (6) The services providers shall issue tax invoices in accordance with the provisions of rule 29(1)."
42G Procedure for collection and payment of sales tax on the services provided or rendered by persons or transport agencies engaged in the services of or in relation to intercity transportation or carriage of goods by road or through pipeline or conduit.	Through the amendment, the submission of Form I under this rule has been enabled for submission **online**.

THANKING NOTE

Lastly, it is matter of true privilege for Khilji & Co, Chartered Accountants, to thank all its team members for their contributions during preparation of this document. It was really helpful to have all inputs. KCO considers itself extremely fortunate to have this highly capable, dedicated and exemplary team.

It has been a monumental effort for all team members contributing through their services and expertise to make this document possible in such a short span of time. We hope and believe that this document would assist our clients and team members in better understanding and evaluation of the Changes in Finance Act.

We value your feedback as it helps us improve. We would appreciate feedback on the document.

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