

A

BILL

*to give effect to the financial proposals of the Federal Government for the year beginning on the first day of July, 2022, and to amend certain laws*

WHEREAS it is expedient to make provisions to give effect to the financial proposals of the Federal Government for the year beginning on the first day of July, 2022, and to amend certain laws for the purposes hereinafter appearing;

It is hereby enacted as follows:-

1. Short title and commencement. — (1) This Bill shall be called the Finance Bill, 2022.

(2) It shall, unless specified otherwise, come into force on the first day of July, 2022.

2. Amendments of Customs Act, 1969 (IV of 1969). — In the Customs Act, 1969 (IV of 1969), the following further amendments shall be made, namely:-

(1) in section 2,-

(a) after clause (bbb), the following new clause shall be inserted, namely:-

“(bbc) **“bordering and coastal areas”** means all districts located along international borders including coastal areas of Pakistan, notified as such by Provincial Governments;”;

(b) in clause (kka), after the word “authenticated”, the expression “standardized information and documents lodged with a single entry point through Pakistan Single Window” shall be inserted;

- (c) after clause (kkc), the following new clause shall be inserted, namely:-
- “(kkd) **“essential commodities”** means those items availability of which is considered vital for domestic use or consumption, as notified by the Board, from time to time, in consultation with the ministries concerned;”;
- (d) after clause (o), the following new clause shall be inserted, namely;
- “(oa) **“other government agencies”** means as defined under the clause (n) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021 (III of 2021);”;
- (e) after clause (pa), the following new clause shall be inserted, namely;
- “(pb) **“Pakistan Single Window”** means as defined under the clause (m) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021 (III of 2021);”;
- (f) in clause (qb), after the word “Controls”, the expression, “ , Trade Controls” shall be inserted;
- (g) in clause (s), in sub-clause (iii), after the semi colon, at the end, the word “or” shall be inserted and thereafter following new clause shall be added, namely:-
- “(iv) essential commodities, as notified by the Board;”;
- (h) after clause (ssss), the following new clauses shall be added, namely:-

- “(sa) **"trade controls"** means as defined under the clause (x) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021 (III of 2021);”;
- (sb) **"un-authorized access"** means as defined under the clause (y) of sub-section (1) of section 2 of the Pakistan Single Window Act, 2021 (III of 2021);”;
- (2) in section 3C, in the marginal heading, for the expression “Directorate General of Training and Research”, the expression “Pakistan Customs Academy (PCA)” shall be substituted;
- (3) in section 19, in sub-section (5), in the second proviso, for the figure “2022”, the figure "2023" shall be substituted;
- (4) in section 21, in clause (c), the expression “or for supplies against international tenders,” shall be omitted;
- (5) in section 81,-
- (a) in sub-section (2), for the words “six months”, the words “ninety days” shall be substituted; and
- (b) in the proviso, for the word “ninety”, the word “thirty” shall be substituted;
- (6) in section 98, in sub-section (1), for clause (a), the following shall be substituted, namely:-
- “(a) by the Additional Collector of Customs, for a period not exceeding one month;
- (aa) by the Collector of Customs, for a period not exceeding six months; and;”;

(7) in section 138, in sub-section (1), after the word “allow”, the expression “change of consignee name for clearance under section 79 or” shall be inserted;

(8) in section 156, in sub-section (1),-

(a) against S.No.8.(i), in column (1), after the word “goods”, the expression “including essential commodities as notified by the Board” shall be inserted; and

(b) after S.No. 104 and entries related thereto in columns (1), (2) and (3), the following new S.No. and entries related thereto shall be added, namely:-

“105(i)	Un-authorized	Imprisonment	General
access	to	which	may
information,		extend up to six	
data	or	months or with	
personal		fine which may	
details	of	extend to one	
registered user		hundred	
of Pakistan		thousand rupees	
Single Window		or with both.	
system	or		
systems			
connected	or		
ancillary			
thereto;			

(ii) Un-authorized Imprisonment  
 copy, which may  
 transmission or extend upto six  
 cause to months or with  
 transmit any fine which may  
 data, extend to one  
 information or hundred  
 detail in thousand rupees  
 relations to or with both.  
 Pakistan Single  
 Window  
 system or  
 systems  
 connected or  
 ancillary  
 thereto;

(iii) Un-authorized Imprisonment  
 interference, or which may  
 attempt to extend to three  
 interfere, years or fine  
 damage or which may  
 attempt to extend to five  
 damage any hundred  
 part of whole of thousand rupees  
 the Pakistan or with both.

Single Window  
system or data  
or system  
connected to or  
ancillary  
thereto;

- (iv) Use of any information system, device or data to make any illegal claim or title or cause any person to part with property or to enter into any express or implied contract or intent to commit fraud by any input, alteration, deletion or suppression of
- Imprisonment which may extend to four years or fine which may extend to one million rupees or with both.

data, resulting  
in unauthentic  
data with the  
intent that such  
data be  
considered or  
acted upon for  
legal purpose,  
as if it were  
authentic in  
relations to  
Pakistan Single  
Window  
system or  
Systems  
connected or  
ancillary  
thereto;

- (v) Use, make, Imprisonment  
supply, retain, which may  
obtain device, extend to six  
system or months or with  
software for fine which may  
offences under extend to one  
section 13 of hundred

- the Pakistan Single Window Act, 2021 (III of 2021);
- (vi) Obtain, sell, process, use or transmit another person's Unique User Identifier or make an attempt thereof without authorisation;
- (vii) Tamper with or attempt to tamper with, alter, re-programme any Pakistan Single Window system or system connected or
- thousand rupees or with both.
- Imprisonment which may extend to four years and fine which may extend to one million rupees or with both.
- Imprisonment which may extend to four years and fine which may extend up to one million rupees or with both and any devices or systems used in

	ancillary	offence shall be
	thereto for un-	liable to
	authorised use;	confiscation.
(viii)	Write, offer,	Imprisonment for
	make available,	a term which may
	distribute or	extend to four
	transmit a	years and fine
	malicious code	which may
	or abet in the	extend to five
	same, with	million rupees or
	intent to cause	with both.
	harm to	
	Pakistan Single	
	Window	
	system or data	
	resulting in or	
	intending to	
	result in	
	corruption,	
	destruction,	
	alteration,	
	suppression,	
	theft or loss to	
	the Pakistan	
	Single Window	

system or data,  
or any attempt  
thereof.”;

- (9) in section 157, in sub-section (2), second proviso shall be omitted;
- (10) in section 164, in sub-section (3), for the full stop at the end, a colon shall be substituted and thereafter, the following proviso shall be added, namely:-

“Provided that in case of essential commodities, as notified by the Board, the powers under sub-section (1) shall only be exercised within bordering and coastal areas.”;

- (11) after section 170, the following new section shall be inserted, namely:-

**“170A. Procedure in case of seizure of essential commodities.-** In case of seizure of essential commodities, as notified by the Board, such seized goods shall be deposited in the nearest custom-house or the nearest place appointed by the Collector of Customs, as the case may be, for deposit of goods so seized.”;

- (12) in section 179, in sub-section (1),-
  - (a) in clause (ii), for the word “three”, the word “five”, shall be substituted; and
  - (b) in clause (iii), for the word “one”, the word “two” shall be substituted;

(13) in section 196, in sub-section (1), for the expression “or Collector or Director of Intelligence and Investigation, or Director of Valuation”, the expression “or an officer of Customs” shall be substituted;

(14) for section 203, the following shall be substituted, namely:-

“203. Wharfage or storage fees and port charges.- (1) The Collector of Customs may from time to time fix the period after the expiration of which goods left in any custom-house, customs area, wharf or other authorised landing place or part of the custom-house premises, shall be subject to payment of fees, and the amount of such fees, as provided under the rules prescribed by the Board.

(2) The Collector of Customs may from time to time fix the port charges on import and export of goods for services rendered by terminal operators, as provided under the rules prescribed by the Board.

(3) The Collector of Customs having jurisdiction may from time to time fix charges, fees for storing of seized and confiscated goods, vehicles etc. in declared State warehouse.”;

(15) in section 217, after the word “Government”, the words “or the Provincial Government” shall be inserted.

(16) the First Schedule to the Customs Act, 1969 (IV of 1969), shall be substituted in the manner provided for in the First Schedule to this Act;

(17) the Fifth Schedule to the Customs Act, 1969 (IV of 1969), shall be substituted in the manner provided for in the Second Schedule to this Act;

3. Amendments of the Sales Tax Act, 1990.— In the Sales Tax Act, 1990, the following further amendments shall be made, namely:-

- (1) in section 2,—
- (a) in clause (12), after the word “include”, the words and comma “production, transmission and distribution of electricity,” shall be added;
  - (b) in clause (29A), in sub-clause (b), after the word “Act”, the words “excluding fee and service charges imposed and collected under section 76” shall be added;
  - (c) in clause (33),—
    - (i) in sub-clause (c), the word “and” at the end shall be omitted; and
    - (ii) in sub-clause (d), for the colon at the end, a semi colon and the word “and” shall be substituted, and thereafter the following new clause shall be added, namely:—

“(e) production, transmission and distribution of electricity.”;
  - (d) in clause (43A), after sub-clause (g), the following new sub-clause shall be inserted, namely:—

“(ga) a person engaged in supply of articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal;”;
- (2) in section 3,—
- (a) in sub-section (1A), after the words “registration number”, the words “or he is not an active taxpayer” shall be inserted; and

- (b) in sub-section (7), for the full stop at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:–

“Provided that in case of the online market place facilitating the sale of third party goods, the liability to withhold tax on taxable supplies of such party at the rates specified in column (4) against S. No. 8 of the Eleventh Schedule to the Sales Tax Act, 1990 shall be on the operator of such market place.”;

- (c) in sub-section (9),–

- (i) for the words “five per cent where the monthly bill amount does not exceed rupees twenty thousand and at the rate of seven and half per cent where the monthly bill amount exceeds the aforesaid amount”, the words “rupees three thousand per month where the monthly bill amount does not exceed rupees thirty thousand, rupees five thousand per month where the monthly bill amount exceeds rupees thirty thousand but does not exceed rupees fifty thousand and rupees ten thousand per month where the monthly bill amount exceeds rupees fifty thousand” shall be substituted;

- (ii) after sub-section (9), the following proviso shall be inserted, namely:–

“Provided that the Board may through a general order prescribe any persons or class of person who shall

pay rupees fifty thousand per month through their monthly electricity bill”

(iii) in the existing first proviso, after the word “provided”, the word “further” shall be inserted; and

(iv) in the existing second proviso, for the word “further”, the word “also” shall be substituted;

(d) after the repealed sub-section (10), the following new sub-section shall be added, namely:–

“(11) Notwithstanding anything contained in the Act, the Board through Notification in the official Gazette, may require any person or class of persons to integrate their invoice issuing machines with the Board’s Computerized System for real time reporting of sales in such mode and manner and from such date as may be prescribed.”;

(3) in section 6, after the omitted sub-section (4), the following new sub-section shall be added, namely:–

“(5) The Federal Government may, subject to such conditions, limitations and restrictions as it may impose, by notification in the official Gazette, allow payment of sales tax on installments basis by the Federal or Provincial Governments or any public sector organization on import or supply of any goods or class of goods:

Provided that such payment may be allowed from any previous date specified in the notification under this sub-section.”;

(4) in section 8, in sub-section (1), clause (m) shall be omitted;

- (5) in section 8B, in sub-section (1), the words “other than public limited companies listed on Pakistan Stock Exchange” shall be omitted; and
- (6) after the repealed section 14A, following new section 14AB shall be added, namely:–

**“14AB. Discontinuance of gas and electricity connections.–**

Notwithstanding anything contained in this Act or any other law for the time being in force, the Board shall have power through Sales Tax General Order to direct the gas and electricity distribution companies for discontinuing the gas and electricity connections of any person who fall in the following categories, namely:–

- (a) Any person, including tier-1 retailers, who fail to register for sales tax purpose or
- (b) Notified tier-1 retailers registered but not integrated with the Board’s Computerized System

Provided that upon registration or integration, as the case may be, of the above said persons, the Board shall notify the restoration of their gas or electricity connection through Sales Tax General Order.

- (7) in section 23, in sub-section (1), clause (b) shall be substituted, namely:–  
“name, address and registration number of the recipient”;
- (8) in section 30C,–
- (i) for the marginal heading “Directorate General of Training and Research”, the words “Inland Revenue Services Academy” shall be substituted;

- (ii) for the words “Directorate General of Training and Research”, the words “Inland Revenue Services Academy” shall be substituted;
- (9) in section 33, in the Table, in serial number 24, in column (1),–
- (a) after the word “barcode”, the words “or QR code” shall be inserted; and
- (b) after the word “barcode”, occurring for the second time, the words “or QR code or defaces the prescribed invoice number of barcode or QR code” shall be inserted;
- (10) after section 76, the following new section shall be added, namely:–
- “77. **Uniform.**– The Board may, by notification in the official Gazette, prescribe rules for wearing of uniform by officers and staff of Inland Revenue Services.”;
- (11) in the Third Schedule, in column (1), against serial number 7, in column (3), for the expression “3402.2000”, the words “Respective heading” shall be substituted;
- (12) in the Sixth Schedule,–
- (A) in Table-1, in column (1),–
- (a) against serial number 13, in column (3), the expression “0709.5910, 0709.5990,” shall be omitted;
- (b) serial number 32 and entries relating thereto in columns (2) and (3) shall be substituted, namely:–

“32.	Newsprint and books but excluding brochures, leaflets and directories	Respective headings.”.
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- (c) against serial number 45, in column (3), for the expression “9027.8000”, the words “Respective headings” shall be substituted;
- (d) against serial number 120, in column (3), for the expression “3822.0000”, the words “Respective headings” shall be substituted;
- (e) against serial number 133, in column (3), for the expressions “2930.9090”, “2931.0010”, “2931.0090”, “2932.2920”, “2933.3930”, “2941.9050”, “3402.1110”, “3402.1190”, “3402.1290”, “3402.1300” and “3402.1990”, the words “Respective headings” shall be substituted;
- (f) against serial number 137,—
  - (i) in column (2), after the words “printing paper”, the words “art card” shall be inserted; and
  - (ii) in column (3), after the expression “8402.6990”, the expression “4810.2900” shall be added;
- (g) after serial number 162, the following new serial numbers and entries relating thereto in columns (2) and (3) shall be inserted, namely:—

“163.	Goods imported by various agencies of the United Nations, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts and, Orders, rules and regulations	99.01, 99.02, 99.03 and 99.06
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	<p>made thereunder; and agreements by the Federal Government:</p> <p>Provided that such goods are charged to zero-rate of customs duty under the Customs Act, 1969 (IV of 1969), and the conditions laid therein.</p> <p>Provided further that exemption under this serial shall be available with effect from the 15<sup>th</sup> day of January, 2022.</p>	
164.	Photovoltaic cells whether or not assembled in modules or made up into panels	8541.4200 and 8541.4300
165.	Goods imported by or donated to hospitals run by the non-profit making institutions subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969, (IV of 1969).	99.13 and 99.14,
166.	Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.	Respective headings

167.	Goods temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate of customs duty subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969 (IV of 1969).	99.19, 99.20 and 99.21
168.	Silver, in unworked condition	7106.1000, 7106.9110 and 7106.9190
169.	Gold, in unworked condition	7108,1100, 7108.1210 and 7108.1290
170.	Tractor	8701.9220 and 8701.9320
171.	Seeds for sowing	Respective heading
172.	Machinery, equipment and materials imported either for exclusive use within the limits of Export Processing Zone or for making exports therefrom, and goods imported for warehousing purpose in Export Processing Zone,	Respective headings.”.

	<p>subject to the conditions that such machinery, equipment, materials and goods are imported by investors of Export Processing Zones, and all the procedures, limitations and restrictions as are applicable on such goods under the Customs Act, 1969 (IV of 1969) and rules made thereunder shall mutatis mutandis, apply.</p>	
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(B) in Table-2, in column (1),—

- (a) serial number 11 and entries relating thereto in columns (2) and (3) shall be omitted;
- (b) against serial number 32, in column (3), for the expression “0403.1000”, the words “Respective heading” shall be substituted;
- (c) against serial number 45 and entries relating thereto in columns (2) and (3) shall be substituted, namely:—

“45.	<p>Edible vegetables including roots and tubers whether fresh, frozen or otherwise reserved (e.g. in cold storage) but excluding those bottled or canned.</p>	Respective heading
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- (d) after serial number 51, the following new serial number and entries relating thereto in columns (2) and (3) shall be added, namely:–

“52.	Supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal on which tax has been paid at the import stage @ 4%.	71.13
53.	Prepared food or foodstuff supplied by Restaurants and caterers	Respective heading

(C) in Table-3,–

- (i) in the Annexure, after omitted serial number 21, in column (1), the following new serial number and entries relating thereto to in columns (2), (3) and (4) shall be added, namely:–

“22.	1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through hydel, oil, gas, coal, nuclear and renewable	Respective Headings	(i) This concession shall also be available to primary contractors of the project upon fulfilment of the following conditions, namely:-
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	<p>energy sources including under construction projects entered into an implementation agreement with the Government of Pakistan prior to 15<sup>th</sup> day of January, 2022.</p> <p>2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.</p>		<p>(a) the contractor shall submit a copy of the contract or agreement under which he intends to import the goods for the project;</p> <p>(b) the Chief Executive or head of the contracting company shall certify in the prescribed manner and format as per Annex-A that the imported goods are the projects bona fide requirement; and</p> <p>(c) the goods shall not be sold or otherwise disposed of without prior approval of the FBR on payment of sales</p>
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			<p>tax leviable at the time of import;</p> <p>(ii) temporarily imported goods shall be cleared against a security in the form of a post-dated cheque for the differential amount between the statutory rate of sales tax and the amount payable along with an undertaking to pay the sales tax at the statutory rates in case such goods are not re-exported on conclusion of the project.</p>
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(ii) After the Table, Annexure-A shall be substituted, namely:—

**“Annex-A**

Header Information											
NTN/FTN of Importer			Regulatory Authority no.				Name of Regulatory authority				
(1)			(2)				(3)				
Details of Input goods (to be filled by the chief executive of the importing company)								Goods imported (Collectorate of import)			
HS Code	Description	Specs	Custom Duty rate (applic-able)	Sales Tax rate (applicable)	WHT	Quantity	UOM	Quantity imported	Collectorate	CRN/	Date of CRN/Mach.No.
(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)

**CERTIFICATE.** It is certified that the description and quantity mentioned above are commensurate with the project requirement and that the same are not manufactured locally. It is further certified that the above items shall not be used for any other purpose.

Signature of Chief Executive, or  
the person next in hierarchy duly  
authorized by the Chief Executive

Name \_\_\_\_\_

N.I.C. No. \_\_\_\_\_

NOTE:- In case of clearance through Pakistan Customs Computerized System, the above information shall be furnished online against a specific

user I.D. and password obtained under section 155D of the Customs Act, 1969.

**Explanation.—**

Chief Executive means.—

1. owner of the firm, in case of sole proprietorship; or
2. partner of firm having major share, in case of partnership firm; or
3. Director, in case of private limited company; or
4. Chief Executive Officer or the Managing Director in case of limited company or multinational organization; or
5. Principal Officer in case of a foreign company.”.

(D) in Table-4, in the Annexure, against serial number 80, in column (1), in column (3), for the expression “0403.1000”, the expression “0403.2000” shall be substituted;

(13) in the Eighth Schedule, in Table-1, in column (1),—

- (a) serial numbers 25, 47 and 75 and entries relating thereto in columns (2), (3), (4) and (5) shall be omitted;
- (b) against serial number 43, in column (4), for the expression “5%”, the expression “10%” shall be substituted;
- (c) against serial number 44, in column (4), for the expression “5%”, the expression “10%” shall be substituted;
- (d) against serial number 52, in column (4), for the expression “2%”, the expression “10%” shall be substituted;

- (e) against serial number 53, in column (4), for the expression “9405.4090”, the words “Respective headings” shall be substituted;
- (f) against serial number 56, in columns (4) and (5), for the expression “90”, the expression “60” shall be substituted.
- (g) after serial number 77, the following new serial and entries relating thereto in columns (2), (3), (4) and (5) shall be added, namely:–

“78.	Supply of articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal.	71.13	3%	No input tax shall be adjusted
79.	Import of articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal.	71.13	4%	No input tax shall be adjusted
80.	Local supply of reclaimed lead	Respective heading	1%	Subject to the conditions that: (i) Supplies are made to registered manufacturers of lead and

				lead batteries; and (ii) No refund of input tax shall be admissible.”.
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- (14) in the Ninth Schedule, in Table-II, in column (1), against serial number 1, in column (2),—
- (a) against category D, in column (4), for the expression “Rs. 10”, the expression “10% *ad valorem*” shall be substituted;
- (b) against category E, in column (4), for the expression “Rs. 1,740”, the expression “10% *ad valorem*” shall be substituted;
- (c) against category F, in column (4), for the expression “Rs. 5,400”, the expression “10% *ad valorem*” shall be substituted; and
- (d) against category G, in column (4), for the expression “Rs. 9,270”, the expression “10% *ad valorem*” shall be substituted;
- (15) in the Eleventh Schedule, against serial number 7, in column (1), in column (3), for the expressions “8548.1010” and “8548.1090”, the words “Respective headings” shall be substituted;
- (16) in the Twelfth Schedule, in the Table, under the heading, Procedure and conditions, against clause (2), in sub-clause (i), after the word “consumption”, the expression “excluding compressor scrap (PCT heading 7204.4940), motor scrap (PCT heading 7204.4990) and copper cable cutting scrap (PCT heading 7404.0090)” shall be added.;

4. Amendments in the Islamabad Capital Territory (Tax on Services) Ordinance, 2001,– (XLII of 2001). – In the Islamabad Capital Territory (Tax on Services) Ordinance, 2001 (XLII of 2001), in the Schedule, –

(1) in Table 1, in column (1). –

(i) for S.No.1 and entries related thereto in columns (2), (3) and (4), the following shall be substituted, namely:-

“1	<p><b>Services provided or rendered by hotels, motels, guest houses, farmhouses, restaurants, marriage halls, lawns, clubs and caterers.</b></p> <p>Services provided or rendered by hotels motels, guest houses and farmhouses.</p> <p>Services provided or rendered by restaurants.</p> <p>Services provided or rendered by marriage halls and lawns.</p> <p>Services provided or rendered by clubs.</p> <p>Services provided or rendered by caterers, suppliers of food and drinks</p>	98.01	Fifteen percent”
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(ii) against S.Nos. 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58 and 59 in column (4), for the word “Sixteen”, the word “Fifteen” shall be substituted;

(iii) against S.No.42 in column (4), for the word “Seventeen”, the word “Fifteen” shall be substituted;

(2) in Table 2, S.No.11 and entries relating thereto in columns (1), (2), (3) and (4), shall be omitted;

5. Amendments of Income Tax Ordinance, 2001 (XLIX of 2001). — In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:-

(1) in section 2,—

(a) after clause (7), the following new clause shall be inserted, namely:-

“(7A) “beneficial owner” means a natural person who –

(a) ultimately owns or controls a Company or association of persons, whether directly or indirectly, through at least ten percent shares or voting rights; or

(b) exercise ultimate effective control, through direct or indirect means, over the company or association of persons including control over the finances or decisions or other affairs of the company or association of persons;”;

(b) after clause (18), the following new clause shall be inserted, name:—

“(18A) “distributor” means a person appointed by a manufacturer, importer or any other person for a specified area to purchase goods from him for further supply;”;

(c) after clause (22), the following new clause shall be inserted, namely:-

“(22AA) “fair market value” means value as provided in section 68;”;

- (d) after clause (62A), the following new clause shall be inserted, namely:-

“(62B) “Synchronized Withholding Administration and Payment System agent” or “SWAPS agent” means any person or class of persons notified by Board to collect or deduct withholding taxes through Synchronized Withholding Administration and Payment System;”;

- (e) after clause (66), the following new clause shall be inserted, namely:-

“(66A) “tax invoice” means an invoice as prescribed under the Income Tax Rules, 2002;”;

- (2) in section 4, –

- (a) in sub- section (4), in clause (a) for the expression “in sections 5, 6 and 7”, the expression “under this chapter”, shall be substituted; and

- (b) in sub-section (5) for the expression “in section 5, 6 and 7”, the expression under this chapter shall be substituted;

- (3) after section 4B, the following new section shall be inserted, namely:–

**“4C. Tax on high earning persons for poverty alleviation.—**

(1) A tax shall be imposed for poverty alleviation for tax year 2022 at the rates specified in Division IIB of Part I of the First Schedule, on income of every person.

- (2) For the purposes of this section, “income” shall be the sum of the following:—
- (i) profit on debt, dividend, capital gains, brokerage and commission;
  - (ii) taxable income (other than brought forward depreciation and brought forward business losses) under section 9 of the Ordinance, if not included in clause (i);
  - (iii) imputable income as defined in clause (28A) of section 2 excluding amounts specified in clause (i); and
  - (iv) income computed, other than brought forward depreciation, brought forward amortization and brought forward business losses under Fourth, Fifth and Seventh Schedules.
- (3) The tax payable under sub-section (1) shall be paid, collected and deposited on the date and in the manner as specified in sub-section (1) of section 137 and all provisions of Chapter X of the Ordinance shall apply.
- (4) Where the tax is not paid by a person liable to pay it, the Commissioner shall by an order in writing, determine the tax payable, and shall serve upon the person, a notice of demand specifying the tax payable and within the time specified under section 137 of the Ordinance.

- (5) Where the tax is not paid by a person liable to pay it, the Commissioner shall recover the tax payable under sub-section (1) and the provisions of Part IV, X, XI and XII of Chapter X and Part I of Chapter XI of the Ordinance shall, so far as may be, apply to the collection of tax as these apply to the collection of tax under the Ordinance.
- (6) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.
- (4) in section 6,—
- (a) in sub-section (1), after the word “services” occurring for the first time, the words “,fee for money transfer operations, card network services, payment gateway services, interbank financial telecommunication services” shall be inserted;
- (b) in sub-section (2), for the words “amount of the royalty fee for offshore digital services or fee for technical services”, the expression “amounts of receipts mentioned in sub-section (1)”, shall be substituted;
- (c) in sub-section (3), in clause (b), the words “ for technical services or fee for offshore digital services” shall be omitted; and
- (d) in sub-section (4), for the expression “, fee for offshore digital services or fee for technical services” the words “or fee” shall be substituted;
- (5) after section 7D, the following new section shall be inserted, namely:—
- “7E. Tax on deemed income.—** (1) Notwithstanding anything contained in the Ordinance, for tax year 2022 and onwards, a tax shall

be imposed at the rates specified in Division VIII C of Part-I of the First Schedule, on the income specified in this section.

(2) A resident person shall be treated to have received rent equal to five percent of the fair market value of an immovable property situated in Pakistan whether such property has actually been rented out for any consideration or not.

(3) This section shall not apply to –

- (a) self-owned business premises from which business is carried out;
- (b) self-owned agriculture land where agriculture activity is carried out by person but does not include farmhouse and land annexed thereto;
- (c) where the fair market value of the property or properties, in aggregate, excluding properties mentioned in clauses (a) and (b) does not exceed twenty five million Rupees;
- (d) a Provincial Government, a Local Government, a local authority or a development authority;
- (e) land development and construction projects of builders and developers registered with Directorate General of Designated Non-Financial Businesses and Professions of Board;
- (f) a property which is subject to tax under section 15 of the Ordinance and the tax chargeable is more than tax chargeable under this section:

Provided that if tax chargeable under section 15 is less than the tax chargeable under this section so much of the amount of tax which is in excess of tax chargeable under section 15 shall be paid under this section

(4) The Federal Government may include or exclude any person or property for the purpose of this section.

(6) in section 8, –

- a. for the expression “5, 5AA, 6, 7, 7A and 7B “, wherever occurring the expression “5, 5A, 5AA, 6, 7, 7A, 7B and 7E” shall be substituted; and
- b. in clause (d), for the expression “7A and 7B” the expression “7A, 7B, and 7E ” shall be substituted;

(7) in section 21,–

- (a) after clause (e), the following new clause shall be inserted, namely:-

“(ea) an amount in excess of fifty percent of contribution made by a person to an approved gratuity fund, an approved pension fund or an approved superannuation fund.”;
- (b) in clause (l), after the word "any expenditure", occurring in the beginning, the expression "by a taxpayer not being a company" shall be inserted;
- (c) after clause (l), amended as aforesaid, the following new clause shall be inserted, namely: —

"(la) any expenditure by a taxpayer being a company for a transaction, paid or payable under a single account head which, in aggregate, exceeds rupees one million, made other than by digital means from business bank account of the taxpayer notified to the Commissioner under section 114A:

Provided that this clause shall not apply in the case of expenditures on account of —

- (A) utility bills;
- (B) freight charges;
- (C) travel fare;
- (D) postage; and
- (E) payment of taxes, duties, fee, fines or any other statutory obligation:

Provided further that this clause shall be effective from such date as the Board may notify.”;

(d) in clause (m), after the word "account" the expression "or through digital means" shall be inserted; and

(e) after clause (q), the following new clause shall be added, namely:-

“(r) any expenditure attributable to sales claimed by any person who is required to integrate but fails to integrate his business with the Board through approved fiscal electronic device and software:

Provided that disallowance of expenditure under this clause shall not exceed ten percent of the allowable deduction.”;

- (8) in section 22, –
- (a) in sub-section (2), the proviso shall be omitted;
  - (b) in sub-section (8), after clause (b), the proviso shall be omitted;  
and
  - (c) in sub-section (13), in clause (a), for the expression “two and half” , the expression “ five” shall be substituted;
- (9) in section 23, in sub-section (5), –
- (a) in clause (c), the word “or” at the end shall be omitted;
  - (b) in clause (d), for the full stop at the end, a semi colon and the word “or” shall be substituted and thereafter the following new clause shall be added, namely:–  
“(e) immovable property or structural improvement to the immovable property.”;
- (10) in section 37, –
- (a) for sub-section (1A), the following shall be substituted, namely:-  
“(1A) Notwithstanding anything contained in sub-section (1), gain arising on disposal of immovable property situated in Pakistan, to a person in a tax year shall be chargeable to tax under the head capital gains at the rates specified in Division VIII of Part I of the First Schedule.”

- (b) in sub-section (2), for the expression “sub-sections (3) and”, the expression “sub-section” shall be substituted;
  - (c) sub-section (3) shall be omitted;
  - (d) sub-section (3A) shall be omitted; and
  - (e) sub-section (4A) shall be omitted;
- (11) in section 44, –
  - (a) in sub-section (3), the expression “technical assistance” shall be omitted; and
  - (b) after sub-section (3), the following new sub-section shall be added, namely.-
    - “(4) Federal Government may, in respect of an official development assistance financed loans and grants-in-aid, subject to such conditions and limitations as it may specify, exempt income of any person on a case to case basis through a notification in the official Gazette.”;
- (12) in section 53, in sub-section (2), after the word "The" occurring in the beginning the expression "Federal Government or the" shall be inserted;
- (13) section 59C shall be omitted and shall be deemed to have been omitted with effect from 2<sup>nd</sup> March, 2022;
- (14) sections 60C, 62, 62A, 63 shall be omitted;
- (15) in section 65F, in sub-section (1), clause (c) shall be omitted;
- (16) section 65H shall be omitted and shall be deemed to have been omitted with effect from 2<sup>nd</sup> March, 2022;
- (17) in section 82,–

(a) in clause (a), after the semicolon at the end, the word “or” shall be added; and

(b) in clause (c), for the full stop at the end, a semicolon shall be substituted and thereafter the following new clause shall be added, namely:–

“(d) being citizen of Pakistan is not a tax resident of any other country.”;

(18) in section 92, after first proviso, the following explanation shall be added, namely:–

“Explanation.– For removal of doubt it is clarified that if the income of association of persons is exempt and no tax is payable under the Ordinance due to this exemption, the share received in the capacity as member out of the income of the association shall remain exempt.”;

(19) for section 99A, the following shall be substituted, namely:-

**“99A. Special provisions relating to payment of tax through electricity connections.** (1) Notwithstanding anything contained in the Ordinance, a tax shall be charged and collected from retailers other than Tier-I retailers as defined in Sales Tax Act, 1990 (VII of 1990) and specified service providers on commercial electricity connections at the rates provided in clause (2A) of Division IV, Part IV of the First Schedule.

(2) A retailer who has paid sales tax under sub-section (9) of section 3 of Sales Tax Act, 1990 (VII of 1990), shall not be required to pay

tax under this section and the sales tax so paid shall constitute discharge of tax liability under this section.

(3) The tax collected or paid under this section shall be final tax on the income of persons covered under this section in respect of business being carried out from the premises where the electricity connection is installed.

(4) For the purposes of this section, Board with the approval of the Minister in-charge may issue an income tax general order to-

- (a) provide the scope, time, payment, recovery, penalty, default surcharge, adjustment or refund of tax payable under this section in such manner and with such conditions as may be specified.
  - (b) provide record keeping, filing of return, statement and assessment in such manner and with such conditions as may be specified;
  - (c) provide mechanism of collection, deduction and payment of tax in respect of any person; or
  - (d) include or exempt any person or classes of persons, any income or classes of income from the application of this section, in such manner and with such conditions as may be specified.”;
- (20) in section 100C, in sub-section (4), in clause (e), in the proviso for the expression “2022” the expression “ 2024” shall be substituted;
- (21) section 100F shall be omitted and shall be deemed to have been omitted with effect from 02<sup>nd</sup> March, 2022;

- (22) in section 109, in sub-section (1),—
- (a) in clause (b), the word “or” occurring at the end shall be omitted;
  - (b) in clause (c), for the full stop at the end, a semicolon shall be substituted;
  - (c) In clause (d), for the full stop at the end, a semicolon and the word “or” shall be substituted and the following new clause shall be added, namely:—
    - "(e) from tax year 2018 and onwards, treat a place of business in Pakistan as a permanent establishment, if the said place fulfills the conditions as specified in sub-clause (g) of clause (41) of section 2.”;
- (23) in section 111, —
- (a) after sub-section (4), the following explanation shall be added, namely: —

*"Explanation.—* For removal of doubt, it is clarified that the remittance through money service bureaus, exchange companies or money transfer operators shall be deemed to constitute foreign exchange remitted from outside Pakistan through normal banking channels as provided under this sub-section.”; and
  - (b) in sub-section (5), for the explanation, the following shall be substituted, namely;

“Explanation.— For the removal of doubt, it is clarified that a separate notice under this section is not required to be issued if the explanation regarding nature and sources of;

(i) any amount credited in a person’s books of account;  
or

(ii) any investment made or ownership of money or valuable article; or

(iii) funds from which expenditure was made; or

(iv) suppression of any production, sales, or any amount chargeable to tax; or

(v) suppression of any item of receipt liable to tax in whole or in part has been confronted to the taxpayer through a notice under sub-section (9) of section 122 of the Ordinance.”;

(24) in section 113, in sub-section (2), clause (c) shall be omitted;

(25) after section 114A, the following new section shall be inserted, namely:—

**"114B. Powers to enforce filing of returns.—** (1) Notwithstanding anything contained in any other law for the time being in force, the Board shall have the powers to issue income tax general order in respect of persons who are not appearing on active taxpayers’ list but are liable to file return under the provisions of the Ordinance.

(2) The income tax general order issued under sub-section (1) may entail any or all of the following consequences for the persons mentioned therein, namely:—

- (a) disabling of mobile phones or mobile phone SIMS;
- (b) discontinuance of electricity connection; or
- (c) discontinuance of gas connection.

(3) The Board or the Commissioner having jurisdiction over the person mentioned in the income tax general order may order restoration of mobile phones, mobile phone SIMS and connections of electricity and gas, in cases where he is satisfied that —

- (a) the return has been filed; or
- (b) person was not liable to file return under the provisions of the Ordinance.

(4) No person shall be included in the general order under sub-section (1) unless following conditions have been met with, namely:—

- (a) notice under sub-section (4) of section 114 has been issued;
- (b) date of compliance of the notice under sub-section (4) of section 114 has elapsed; and
- (c) the person has not filed the return.

(5) The action under this section shall not preclude any other action provided under the provisions of the Ordinance.";

- (26) in section 121, in sub-section (3), for the word “five”, the word “six” shall be substituted;
- (27) in section 122, in sub-section (9), in the first proviso, for the word “twenty”, the word “eighty” shall be substituted;
- (28) for section 134A, the following shall be substituted, namely:-
- “134A. Alternative Dispute Resolution. —** (1) Notwithstanding any other provision of the Ordinance, or the rules made thereunder, an aggrieved person in connection with any dispute pertaining to—
- (a) the liability of tax of one hundred million and above against the aggrieved person or admissibility of refund, as the case may be;
  - (b) the extent of waiver of default surcharge and penalty; or
  - (c) any other specific relief required to resolve the dispute;
- may apply to the Board for the appointment of a committee for the resolution of any hardship or dispute mentioned in detail in the application, which is under litigation in any court of law or an Appellate Authority, except where criminal proceedings have been initiated.
- (2) The application for dispute resolution shall be accompanied by an initial proposition for resolution of the dispute, including an offer of tax payment, from which, the applicant would not be entitled to retract.

(3) The Board may, after examination of the application of an aggrieved person, appoint a committee, within forty five days of receipt of such application in the Board, comprising,—

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

(ii) person to be nominated by the taxpayer from a panel notified by the Board comprising –

(a) chartered accountants, cost and management accountants and advocates having a minimum of ten years' experience in the field of taxation;

(b) officers of the Inland Revenue Service who have retired in BS 21 or above; or

(c) reputable businessmen as nominated by Chambers of Commerce and Industry:

Provided that the taxpayer shall not nominate a Chartered Accountant or an advocate if the said Chartered Accountant or the advocate is or has been an auditor or an authorized representative of the taxpayer; and

(d) person to be nominated through consensus by the members appointed under (i) and (ii) above, from the panel as notified by the Board in (ii) above:

Provided that where the member under this clause cannot be appointed through consensus, the

Board may nominate a member proposed by the taxpayer eligible to be nominated as per clause (ii).

(4) The aggrieved person, or the Commissioner, or both, as the case may be, shall withdraw the appeal pending before any court of law or an Appellate Authority, after constitution of the committee by the Board under sub-section (3), in respect of dispute as mentioned in sub-section (1).

(5) The committee shall not commence the proceedings under sub-section (6) unless the order of withdrawal by the court of law or the Appellate Authority is communicated to the Board:

Provided that if the order of withdrawal is not communicated within seventy five days of the appointment of the committee, the said committee shall be dissolved and provisions of this section shall not apply.

(6) The Committee appointed under sub-section (3) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of the Inland Revenue or any other person to conduct an audit and shall decide the dispute by majority, within one hundred and twenty days of its appointment:

Provided that in computing the aforesaid period of one hundred and twenty days, the period, if any, for communicating the order of withdrawal under sub-section (5) shall be excluded.

(7) The decision by the Committee under sub-section (6) shall not be cited or taken as a precedent in any other case or in the same case for a different tax year.

(8) The recovery of tax payable by a taxpayer in connection with any dispute for which a Committee has been appointed under sub-section (3) shall be deemed to have been stayed on withdrawal of appeal up to the date of decision by the Committee or the dissolution of the Committee whichever is earlier.

(9) The decision of the committee under sub-section (6) shall be binding on the Commissioner and the aggrieved person.

(10) If the Committee fails to decide within the period of one hundred and twenty days under sub-section (6), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the court of law or the Appellate Authority which issued the order of withdrawal under sub-section (5) and the appeal shall be treated to be pending before such court of law or the Appellate Authority as if the appeal had never been withdrawn.

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

(12) The aggrieved person, on receipt of the order of dissolution, shall communicate it to the court of law or the Appellate Authority, which shall decide the appeal within six months of the communication of said order.

- (13) The aggrieved person may make the payment of income tax and other taxes as decided by the committee under sub-section (6) and all decisions, orders and judgments made or passed shall stand modified to that extent.
- (14) 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 (3).
- (15) The Board may, by notification in the official Gazette, make rules for carrying out the purposes of this section.”;
- (29) in section 148, –
- (a) in sub-section (7), the expression “at the rate of 1% or 2%”, shall be omitted; and
  - (b) after sub-section (7), the following new sub-section shall be inserted, namely:-

“(7A) Notwithstanding anything contained in sub-section (7), the tax required to be collected under this section shall be minimum tax on the income every person arising from imports of following goods –

    - (i) edible oil;
    - (ii) packaging material;
    - (iii) paper and paper board; or
    - (iv) plastics:

Provided that the Board with the approval of Minister in-charge may, by a notification in the official Gazette, add any

entry thereto or omit any entry therefrom or amend any entry therein this sub-section.”;

(30) in section 149, in sub-section (1), the expression “ 62, 63, 64” shall be omitted;

(31) in section 152,—

(a) after sub-section (1DB), the following new sub-sections shall be inserted, namely:-

“(1DC) Every exchange company licensed by the State Bank of Pakistan shall deduct tax at the time of making payment of service charges or commission or fee, by whatever name called, to the global money transfer operators, international money transfer operators or such other persons engaged in international money transfers or cross-border remittances for facilitating outward remittances, at the rates given in Division IV, Part I of the First Schedule:

Provided that where such person retains service charges or commission or fee, by whatever name called from the amount payable to the exchange company on any account, the exchange company shall be deemed to have paid the service charges or commission or fee, by whatever name called and the exchange company shall collect the tax accordingly.

(1DD) Every banking company while making payment to card network company or payment gateway or any other person, of any transaction fee or licensing fee or service charges or commission or fee by whatever name called or

interbank financial telecommunication services, shall deduct tax at the rates given in Division IV, Part I of the First Schedule:

Provided that where card network company or payment gateway or any other person retains money in relation to aforementioned services from the amount payable to the banking company on any account, the banking company shall be deemed to have paid the amount and the banking company shall collect the tax accordingly.”;

- (b) in sub-section (1E) for the expression “and (1DB)”, the expression “(IDB), (1DC) and (IDD)” shall be inserted;
- (32) in section 154A, in sub-section (1), in clause (a), the expression “in case tax credit under section 65F is not available”, shall be omitted;
- (33) in section 164, –
  - (a) in sub-section (1), for the words “challan of payment” the expression “Computerized Payment Receipt (CPR)” shall be substituted and for the full stop at the end, a colon shall be substituted and thereafter the following new proviso shall be added, namely:-

“Provided that in case of persons or class of persons notified as SWAPS agent, SWAPS Payment Receipt (SPR) shall be replaced with Computerized Payment Receipt (CPR).”;

(b) in sub-section (2), for the words “challan of payment”, the expression “Computerized Payment Receipt (CPR) or SWAPS Payment Receipt (SPR)” shall be substituted;

(34) after section 164, the following new sub-section shall be inserted, namely:-

**“164A. Payment of tax collected or deducted by SWAPS**

**agents.-** (1) Subject to the Ordinance, the Board may, by notification in the official gazette, notify any person or class of persons required to deduct or collect tax under the Ordinance to integrate with Synchronized Withholding Administration and Payment System and to act as SWAPS agent within the time and in the manner as may be prescribed.

(2) The tax collected or purported to be collected or deducted or purported to be deducted under the Ordinance by a notified SWAPS agent and credited to the Commissioner through digital mode, shall be treated to have been paid under section 160 of the Ordinance.

(3) Where tax has been paid by a notified SWAPS agent in accordance with sub-section (2) of this section, copy or number of SWAPS Payment Receipt (SPR) shall replace copy or number of Computerized Payment Receipts (CPR) for the purposes of the Ordinance.

(4) Any notified SWAPS agent shall not be eligible for tax credit under Part X of Chapter III of the Ordinance and exemption

under any of the provisions of the Ordinance if notified SWAPS agent fails to integrate with Board.

(5) All persons from whom the tax has been collected or deducted by the notified SWAPS agents shall be eligible for credit of tax withheld against SPR issued by SWAPS Agent.

(6) All other provisions of the Ordinance, not specifically dealt with in this section, shall, *mutatis mutandis*, apply to the notified SWAPS agents.”;

(35) in section 174, in sub-section (3), in the explanation, for the full stop at the end a colon shall be substituted and thereafter the following new proviso shall be added, namely:-

“Provided that limitation prescribed under this sub-section shall not apply to the records pertaining to income, assets, expenses or transactions to which clause (ii) of sub-section (2) of section 111 applies.”;

(36) after section 175A, the following new section shall be inserted, namely:-

**"175B. National Database and Registration Authority (NADRA).** (1) The National Database and Registration Authority shall, on its own motion or upon application by the Board, share its records and any information available or held by it, with the Board, for broadening of the tax base or carrying out the purposes of the Ordinance.

(2) The National Database and Registration Authority may —

(i) submit proposals and information to the Board with a view to broadening the tax base;

- (ii) identify in relation to any person, whether a taxpayer or not – (a) income, receipts, assets, properties, liabilities, expenditures, or transactions that have escaped assessment or are under-assessed or have been assessed at a low rate, or have been subjected to excessive relief or refund or have been misdeclared or misclassified under a particular head of income or otherwise;
- (b) the value of anything mentioned in sub-clause (a) of clause (ii), if such value is at variance with the value notified by the Board or the district authorities, as the case may be, or if no such value has been notified the true or market value; and
- (iii) enter into a memorandum of understanding with the Board for a secure exchange and utilization of a person's information.

(3) The Board may use and utilize any information communicated to it by the National Database and Registration Authority and forward such information to an income tax authority having jurisdiction in relation to the subject matter regarding the information, who may utilize the information for the purposes of the Ordinance.

(4) The National Database and Registration Authority may compute indicative income and tax liability of anyone mentioned under sub-sections (1) or (2) by use of artificial intelligence, mathematical or statistical modeling or any other modern device or calculation method.

(5) The indicative income and tax liability computed by the National Database and Registration Authority under sub-section (4) shall be notified by the Board to the person in respect of whom such indicative income and tax liability has been determined, who shall have the option to pay the determined amount on such terms, conditions, installments, discounts, reprieves pertaining to penalty and default surcharge, and time limits that may be prescribed by the Board.

(6) In case the person against whom a liability has been determined under sub-section (4), does not pay such liability within the time prescribed under sub-section (5), the Board shall take action under the Ordinance, upon the basis of tax liability computed under sub-section (4).

(7) If the person against whom the liability has been determined under sub-section (4) pays such liability in terms of sub-section (5), such payment shall be construed to be an amended assessment order under section 120 or sub-section (1) of section 122 or sub-section (4) of section 122, as the case may be.

(8) For the purposes of sub-sections (4) and (5), the Board may prescribe the extent of installments, reprieves pertaining to penalty and default surcharge and time limits.”;

(37) in section 177,—

- a. sub-section (6), shall be omitted; and
- b. in sub-section (6A), for the expression, “issuing the audit report”, the expression “completion of the audit”, shall be substituted;

(38) after section 181D, the following new section shall be inserted, namely:-

**“181E. Record of beneficial owners.-** (1) Every company and association of persons shall electronically furnish particulars of its beneficial owners in such form and manner as may be prescribed. (2) Every company and association of persons shall update the particulars of its beneficial owners as and when there is a change in the particulars of the beneficial owners.”;

(39) in section 182, in sub-section (1), in the Table, in column (1),—

- (a) against S. No. 1, for the entry in column (3), the following shall be substituted, namely:-

"Such person shall pay a penalty equal to higher of –

- (a) 0.1% of the tax payable in respect of that tax year for each day of default; or
- (b) rupees one thousand for each day of default:

Provided that minimum penalty shall be —

- (i) rupees ten thousand in case of individual having seventy-five percent or more income from salary; or

(ii) rupees fifty thousand in all other cases:

Provided further that maximum penalty shall not exceed two hundred percent of tax payable by the person in a tax year:

Provided also that the amount of penalty shall be reduced by 75%, 50% and 25% if the return is filed within one, two and three months respectively after the due date or extended due date of filing of return as prescribed under the law;

*Explanation.—* For the purposes of this entry, it is declared that the expression "tax payable" means tax chargeable on the taxable income on the basis of assessment made or treated to have been made under section 120, 121, 122 or 122D.

(c) after S. No. 29, the following new S. Nos and entries relating thereto in columns (2), (3) and (4) shall be inserted, namely:-

"30	Any company or Association of Persons who contravenes the provisions of Section 181E.	Such company or Association of Persons shall pay a penalty of Rs. 1,000,000/- for each default.	181E
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31	Any person who fails to integrate or perform roles and functions as specified, after being duly notified by the Board as SWAPS Agent.	Such person shall pay a penalty of: (i) Rs.50,000 for first default of 07 days (ii) Rs. 100,000 for second default of next 07 days (iii) Rs. 50,000 for each week after the second consecutive week of default:  Provided that no penalty shall be imposed for the period for which extension from integration is granted by the Commissioner subject to the condition that, if the SWAPS Agent fails to integrate within such extended time, penalties shall be imposed as if no extension was granted.”	164A
32	Any person, who is integrated for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, conducts such transactions in a manner so	Such person shall pay a penalty of five hundred thousand rupees or two hundred per cent of the amount of tax involved, whichever is higher.	237A

	<p>as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number or QR code or bears duplicate invoice number or counterfeit QR code, or defaces the prescribed invoice number or QR code, or any person who abets commissioning of such offence.</p>		
33	<p>Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, services and similar business transactions with the Board or its computerized system, fails to get himself registered under the Ordinance, and if registered, fails to integrate in</p>	<p>Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub-</p>	237A

	the manner as required under law.	section (3) of section 237A, as the case may be.	
34	A person required to integrate his business as stipulated under sub-section (3) of section 237A, who fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under the law and rules made thereunder.	Such person shall be liable to pay- i) penalty of five hundred thousand rupees for first default; ii) penalty of one million rupees for second default after fifteen days of order for first default; iii) penalty of two million rupees for third default after fifteen days of order for second default; iv) penalty of three million rupees for fourth default after fifteen days of order for third default:  Provided that if such person fails to integrate his business within fifteen days of imposition of penalty for fourth default, his business premises shall be sealed till such time he integrates his business in the manner as stipulated under sub-section (3) of section 237A:  Provided further that if the person integrates his business with	237A

		the Board's computerized system before imposition of penalty for second default, penalty for first default shall be waived by the Commissioner.”;	
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(40) in section 191, in sub-section (1),—

c. in clause (f), the word “or” at the end shall be omitted;

d. in clause (g), for the comma at the end, a semi colon shall be substituted and thereafter the following new clauses shall be added, namely:-

“(h) integrate his business with Board’s computerized system; or

(i) generate tax invoice verifiable by the Board’s system;”;

(41) after section 209, the following new section shall be inserted, namely:-

**“209A. Uniform.-** The Board may by notification in the official gazette, prescribe rules for wearing of uniform by officers and staff of Inland Revenue Service of Pakistan.”;

(42) in section 214A, after the word “may,” in the beginning, the expression “ at any time before or after the expiry of such time or period,” shall be inserted;

(43) in section 216,—

(a) for sub-section (2), the following shall be substituted, namely:—

"(2) Notwithstanding anything contained in the *Qanun-e-Shahadat*, 1984 (P.O. No. 10 of 1984), the National Accountability Ordinance, 1999 (XVIII of 1999), the Federal

Investigation Agency Act, 1974 (VIII of 1975) and the Right of Access to Information Act, 2017 (XXXIV of 2017), or any other law for the time being in force, no court or other authority shall, save as provided in the Ordinance, require any public servant to produce before it any return, accounts, or documents contained in, or forming a part of the records relating to any proceedings under the Ordinance, or declarations made under the Voluntary Declaration of Domestic Assets Act, 2018, the Foreign Assets (Declaration and Repatriation) Act, 2018 or the Assets Declaration Act, 2019 or any records of the Income Tax Department generally, or any part thereof, or to give evidence before it in respect thereof."; and

(b) in sub-section (3), clause (kb) shall be omitted;

(44) section 216A shall be omitted;

(45) in section 218, in sub-section (1), in clause (b), the word "or" shall be omitted;

(46) in section 229, for the words "Directorate General of Training and Research", wherever occurring, the words "Inland Revenue Service Academy" shall be substituted

(47) in section 235, after sub-section (1), the following new sub section shall be added namely:-

"(1A) In addition to tax collectible under sub-section (1), there shall be collected tax at the rates given in the Division IV of Part IV of First Schedule from retailers and service providers as provided under section 99A of the Ordinance.";

- (48) in section 236C, in sub-section (3), for the word “four”, the word “ten” shall be substituted;
- (49) sections 236I and 236Q shall be omitted;
- (50) after omitted section 236X, the following new section shall be inserted, namely:-

**“236Y. Advance tax on persons remitting amounts abroad through credit or debit or prepaid cards.—**(1) Every banking company shall collect advance tax, at the time of transfer of any sum remitted outside Pakistan, on behalf of any person who has completed a credit card or debit card or prepaid card transaction with a person outside Pakistan at the rate specified in Division XXVII of Part IV of the First Schedule.

(2) The advance tax collected under this section shall be adjustable.”

- (51) in section 237A, after sub-section (2), the following new sub-section shall be added, namely:-

“(3) In case of an integrated enterprise, no sale shall be made or service shall be rendered, as the case may be, without generating fiscal invoices as prescribed.”;

- (52) after section 237A, the following new section shall be added, namely:-

**“237B Prize schemes to promote tax culture.-** The Board may prescribe prize schemes to encourage the general public to make purchases, or avail services only from integrated enterprises issuing tax invoices.

(2) The Board may prescribe procedure for mystery shopping in respect of invoices issued by integrated enterprises randomly and in case of any discrepancy, all the relevant provisions of the Ordinance shall apply accordingly.”;

(53) in the First Schedule,—

(A) in Part I, in Division I,

(a) in clause (1), for the TABLE, the following shall be substituted, namely:-

**“TABLE**

<b>S#</b>	<b>Taxable Income</b>	<b>Rate of Tax</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
1.	Where taxable income does not exceed Rs. 600,000/-	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	5% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 10,000 + 12.5% of the amount exceeding Rs. 800,000

4.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 60,000 + 17.5% of the amount exceeding Rs. 1,200,000
5.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 270,000 + 22.5% of the amount exceeding Rs. 2,400,000
6.	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 405,000 + 27.5% of the amount exceeding Rs. 3,000,000
7.	Where taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 680,000 + 32.5% of the amount exceeding Rs. 4,000,000
8.	Where taxable income exceeds Rs. 6,000,000	Rs. 1,330,000 + 35% of the amount exceeding Rs. 6,000,000.”

(b) in clause (2), for the TABLE, the following shall be substituted, namely:-

**“TABLE**

<b>S#</b>	<b>Taxable Income</b>	<b>Rate of Tax</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
1.	Where taxable income does not exceed Rs. 600,000	0
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	Rs. 100
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	7% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,600,000	Rs. 84,000 + 12.5% of the amount exceeding Rs. 2,400,000
5.	Where taxable income exceeds Rs. 3,600,000 but does	Rs. 234,000 + 17.5% of the amount exceeding Rs. 3,600,000

	not exceed Rs. 6,000,000	
6.	Where taxable income exceeds Rs. 6,000,000 but does not exceed Rs. 12,000,000	Rs. 654,000 + 22.5% of the amount exceeding Rs. 6,000,000
7.	Where taxable income exceeds Rs. 12,000,000	Rs. 2,004,000 + 32.5% of the amount exceeding Rs. 12,000,000.”

(c) for Division II, the following shall be substituted,  
namely:–

**“Division II**

**Rates of Tax for Companies**

The rate of tax imposed on the taxable income of a company shall be as set out in the following Table,  
namely:-

<b>Type of Company</b>	<b>Rate of Tax</b>
Small company	20%
Banking company	42%
Any other company	29%

(d) in Division IIA, in the Table, in column (1), against Serial No. 1. in heading of column (6), for the

expression "Tax Year 2021 and onwards", the expression "Tax Years 2021 and 2022", shall be substituted;

- (e) after Division IIA, the following new Division shall be inserted, namely:-

**"Division IIB**

**Tax on high earning persons for poverty alleviation**

The rate of tax under section 4C shall be:-

<b>Income under section 4C</b>	<b>Rate of tax</b>
Where income does not exceed Rs. 300 million	0% of the income
Where income exceeds Rs. 300 million	2% of the income

- (f) for Division IV, the following shall be substituted, namely:-

**"DIVISION IV**

**Rate of Tax on Certain Payments**

The rate of tax imposed under section 6 on payments shall be 15% of the gross amount of royalty or fee for technical services and 10% in any other case.”;

- (g) in Division VII, for the table, the following shall be substituted, namely:-

**“TABLE**

<b>S.No</b>	<b>Holding Period</b>	<b>Rate of Tax for Tax year 2023 and onwards</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
1.	Where the holding period does not exceed one year	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%
4.	Where the holding period exceeds three years but does not exceed four years	7.5%
5.	Where the holding period exceeds four years but does not exceed five years	5%
6.	Where the holding period exceeds five years but does not exceed six years	2.5%
7.	Where the holding period exceeds six years	0%

8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%";
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(h) for Division VIII, the following shall be substituted, namely:-

**“Division VIII**

The rate of tax to be paid shall under sub-section (1A) of section 37 shall be as follows:

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

5.	Where the holding period exceeds four years but does not exceed five years	5%	0	-
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-
7.	Where the holding period exceeds six years	0%	-	-

(i) after Division VIII B, the following new Divisions shall be added, namely:

**Division VIII C**

**Tax on deemed rental income**

**The rate of tax under section 7E shall be 20%.”**

(B) in Part II,

(a) in the table, in column (1), against S. No. 2, in column (3), after the expression “federal excise duty”, the expression “and 3.5% of the import value as increased by customs duty, sales tax and federal excise duty in case of commercial importer” shall be added; and

(b) in the second proviso, in the table, in column (1), S.No.5 and 6 and entries relating thereto in columns (2), (3) and (4) shall be substituted as under:-

“5	Exceeding 350 and up to 500	5000	3000
6	Exceeding 500	11,500	5,200”;

- (C) in Part III,
- (a) in Division III, in clause (2), in sub-paragraph (i), for the full stop at the end a comma shall be substituted and thereafter the expression “REIT management services, services rendered by National Clearing Company of Pakistan Limited.” shall be added; and
- (b) for Division IVA, the following shall be substituted, namely:-

**“DIVISION IVA**

**Export of Services**

The rate of tax to be deducted under section 154A shall be:-

<b>S.No.</b>	<b>Types of Receipts</b>	<b>Rate of Tax</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
1.	Export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board	0.25% of proceeds
2.	Any other case	1% of proceeds”;

- (D) in Part IV,-
- (a) in Division III, in clause (2), for the TABLE, the following shall be substituted, namely:-

<b>“S.No</b>	<b>Capacity</b>	<b>Rs. per seat per annum</b>	<b>Rs. per seat per annum</b>

		<b>Non Conditioned</b>	<b>Air Air Conditioned</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>
1.	4 or more persons but less than 10 persons	500	1000
2.	10 or more persons but less than 20 persons	1500	2000
3.	20 persons or more	2500	4000”;

(b) in Division IV, after clause (2), the following new clause shall be inserted, namely:-

“(3) the rate of tax leviable under section (99A), and collectable under sub section (1A) of Section 235 shall be as under:-

<b>Gross amount of monthly bill</b>	<b>Tax</b>
Where the amount does not exceed Rs. 30,000	Rs. 3000
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 5000
Where the amount exceeds Rs. 50,000 but doesnot exceed Rs. 100,000	Rs. 10,000
Specified retailers and service providers through Income Tax General Order	Rs.50,000”;

(c) in Division VII,

- (j) in clause (1), for the TABLE the following shall be substituted, namely:-

**“TABLE**

<b>S.No</b>	<b>Engine Capacity</b>	<b>Tax</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
1.	Upto 850 cc	Rs.10,000
2.	851cc to 1000cc	Rs.20,000
3.	1001cc to 1300cc	Rs.25,000
4.	1301cc to 1600cc	Rs.50,000
5.	1601cc to 1800cc	Rs.150,000
6.	1801cc to 2000cc	Rs.200,000
7.	2001cc to 2500cc	Rs.300,000
8.	2501cc to 3000cc	Rs.400,000
9.	Above 3000cc	Rs.500,000

Provided that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles.”

(a) in clause (2), for the proviso the following two provisos shall be inserted, namely:-

“Provided that in cases where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be Rupees twenty thousand:

Provided further that the rate of tax to be collected under this clause shall be reduced by ten percent each year from the date of first registration in Pakistan.”;

(d) in Division X, for the expression “1%”, the expression “2%” shall be substituted;

(e) in Division XA, for the TABLE the following shall be substituted, namely:-

<b>“S.No</b>	<b>Description</b>	<b>Rate of Tax</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
1.	Foreign-produced TV drama serial or play	Rs.1,000,000 per episode
2.	Foreign-produced TV play (single episode)	Rs.3,000,000
3.	Advertisement starring foreign actor	Rs.100,000 per second.”;

(f) Division XVI shall be omitted;

- (g) in Division XVIII, for the expression “1%”, the expression “2%” shall be substituted;
- (h) Division XXIII shall be omitted; and
- (i) after omitted Division XXVI, the following new division shall be added, namely:-

**“DIVISION XXVII**

Advance tax on amount remitted abroad through credit, debit or prepaid cards

The rate of tax to be deducted under section 236Y shall be 1% of the gross amount remitted abroad.”;

(54) in the Second Schedule, —

(A) in Part-I,—

(a) for clause (23A), the following shall be substituted, namely:-

“(23A) The accumulated balance received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005.”;

(b) clause (23B) shall be omitted;

(c) in clause (66),

(A) in sub-clause (1), in the Table 1, in column (1),—

(i) S. Nos. (xix) to (xlv) shall be re-numbered as S. Nos. (I) to (IV) respectively;

- (ii) after S. No. (Iv), re-numbered as aforesaid, and entries relating thereto in column (2), the following new entries shall be added, namely: —

“(Ivi)	Pakistan Mortgage Refinance Company Limited.;
(Ivii)	The Pakistan Global Sukuk Programme Company Limited.”
(Iviii)	Karandaaz Pakistan from tax year 2015 onwards
(lix)	Pakistan Sweet Homes Angles and Fairies Place.
(Ix)	Public Private Partnership Authority for tax year 2022 and subsequent four tax years
(Ixi)	Dawat-e-Islami Trust
(Ixii)	Hamdard Laboratories (Waqf) Pakistan

(B) in sub-clause (2), in the Table 2, in column (1), Sr. No (xiv), (xviii) and (xxvii) and entries relating thereto in column (2) shall be omitted;

(d) in clause (99), after the expression “ as reduced by”, the expression “ accumulated losses and” shall be inserted;

(e) clause (102A) shall be omitted;

- (f) in clause (103D), for the expression “clause (p) of section 2 of the Special Technology Zones Authority Ordinance, 2020” the expression “the Special Technology Zones Authority Act, 2021 (XVII of 2021)” shall be substituted;
- (g) for clause (126EA), the following shall be substituted, namely:-
- “(126EA) Profits and gains derived by –
- (a) zone developer as defined in the Special Technology Zones Authority Act, 2021 (XVII of 2021) from development and operations of the zones for a period of ten years starting from the date of signing of the development agreement;
  - (b) zone Enterprises as defined in the Special Technology Zones Authority Act, 2021 (XVII of 2021) for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and
  - (c) Special Technology Zones Authority established under the Special Technology Zones Authority Act, 2021 (XVII of 2021).”;
- (h) in clause (132), after the sixth proviso,-
- (i) the following new explanation shall be added, namely:-

*“Explanation:-* For the removal of doubt it is clarified that exemption under this clause shall continue to remain available to those persons to whom exemption under this clause was available on or before 30<sup>th</sup> day of June, 2021 before insertion of sixth proviso vide Finance Act, 2021:

Provided further that the exemption under this clause shall be available for the life cycle of the project or 25 years from the date of commencement of commercial production, whichever is earlier.” and

- (i) after clause (149), the following new clause shall be added, namely:-

“(150) Income derived by Siyahkalem Engineering Construction Industry and Trade Company Limited from contract dated 23<sup>rd</sup> day of May 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by the Saudi Fund for Development with effect from tax year 2017.

(151) Any income derived by a person from cinema operations in a tehsil or town where there is no cinema, for five years from the commencement of cinema operations:

Provided that this exemptions shall only be available to those persons who start cinema construction on or before 31 day of December, 2023.

(B) in Part II,—

- (a) in clause (24C), after the word "cement" the expression ", steel" shall be inserted; and
- (b) in clause (24D), after the word "cement" the expression ", steel" shall be inserted;

(C) in Part III,—

- (a) clauses (1) and (1AA) shall be omitted;
- (b) in clause (6) for the expression " 10%", the expression " 5%" shall be substituted; and
- (c) clauses (9A) and (20) shall be omitted;

(D) in Part IV,—

- (a) in clause (11A), after the sub-clause (xiv), following new sub-clause shall be added, namely:—

“(xiv)	Mobile phone manufacturers engaged in the local manufacturing of mobile phone devices.”;
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- (b) in clause (12B), for the expression “30<sup>th</sup> day of June, 2021”, the expression “31<sup>st</sup> day of December, 2021” shall be substituted;
- (c) after clause (12B), the following new clause shall be added, namely:—

“(12BA) The provisions of section 148 shall not apply on import of thirty million adult 3xPly Knit face masks received as humanitarian assistance from M/s HANES Brands Inc. North Carolina, USA for distribution within the population of Lahore Division, Government of the Punjab.”;

- (d) after clause (12N), the following new clauses shall be added, namely:—

“(12O) The provisions of section 148 shall not apply on import of drones donated by Ministry of Agriculture and Rural Affairs (MARA), Government of China to Pakistan through Sea Route.

(12P) The provisions of section 148 shall not apply on import of cinematographic equipment as notified by the Federal Government ”;

- (e) for clause (60DA), the following shall be substituted, namely:-

“(60DA) The provisions of section 148 shall not apply to the import of the capital equipment as defined in Special Technology Zones Authority Act, 2021 (XVII of 2021).”

- (a) Zone developers as defined in Special Technology Zones Authority Act, 2021 (XVII of 2021) for consumption in the special technology zones for the period of ten years

commencing from the date of signing the development agreement.

- (b) Zone enterprises as defined in Special Technology Zones Authority Act, 2021 (XVII of 2021) for a period of ten years from the date of issuance of license by the Special Technology Zone Authority; and
- (c) Special Technology Zones Authority established under Special Technology Zones Authority Act, 2021 (XVII of 2021)."

- (f) clause (86) shall be omitted;
- (g) for clause (95), the following shall be substituted, namely:— "(95) The provisions of sections 147, 151, 152, 236A and 236K shall not apply to the Second Pakistan International Sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and The Pakistan Global Sukuk Programme Company Limited, as a payer.";
- (h) for clause (96), the following shall be substituted, namely:—  
"(96) The provisions of sections 151, 153, 155 and 236C shall not apply to the Second Pakistan International Sukuk Company Limited, the Third Pakistan International Sukuk Company Limited and

the Pakistan Global Sukuk Programme Company Limited, as a recipient"; and

- (i) after clause (97), the following new clause shall be inserted, namely:—

"(97A) The provisions of sections 37, 236C and 236K shall not apply to National Highway Authority in respect of transfer of immovable property to the Pakistan Global Sukuk Programme Company Limited and in respect of transfer of immoveable property to National Highway Authority from the Second Pakistan International Sukuk Company Limited or the Pakistan Global Sukuk Programme Company Limited."

- (j) after clause (119), the following new clause shall be added, namely:-

"(120) The provisions of Divisions II and III of Part V of Chapter X and Chapter XII of the Ordinance for deduction or collection of withholding tax shall not apply to the persons mentioned in Table 1 of clause (66) of Part I of the second schedule as recipients of payment:

Provided that such persons shall continue to perform functions as withholding and collecting agent under the aforesaid provisions."

(k) After the omitted clause (105), the following new clause shall be inserted, namely:-

“(105A) The provisions of section 177 and 214C shall not apply to a person whose income tax affairs have been audited in any of the preceding four tax years

Provided that the Commissioner may select a person under section 177 for audit with approval of the Board.”;

(55) in the Fourth Schedule, after rule 6D, the following new rule shall be inserted, namely:-

“6DA. The provisions of section 4C shall apply to the taxpayers under this Schedule and shall be taxed at the rates specified in Division IIB of Part I of the First Schedule from tax year 2022 onwards.”;

(56) in the Fifth Schedule, after rule 4AA, the following new rule shall be inserted, namely:-

“4AB. The provisions of section 4C shall apply to the taxpayers under this schedule and shall be taxed at the rates specified in Division IIB of Part I of the First Schedule from tax year 2022 onwards.”;

(57) in the Seventh Schedule,-

(a) in rule 6C, for sub-rule (6A), the following shall be substituted, namely: -

“(6A) For tax year 2022 and onwards, the taxable income attributable to investment in the Federal Government securities shall be taxed at the rate of—

- (i) 55% instead of rate provided in Division II of Part I of the First schedule if the gross advances to deposit ratio as on last day of the tax year is upto 40%;
- (ii) 49% instead of rate provided in Division II of Part I of the First schedule if the gross advances to deposit ratio as on last day of the tax year exceeds 40% but does not exceed 50%; and
- (iii) at the rates provided in Division II of Part I of the First schedule if gross advances to deposit ratio as on last day of the tax year exceeds 50%.

**Explanation.-** For the removal of doubt it is clarified that the tax rate under this sub-rule is applicable to total income attributable to total investment in Federal Government securities.” and

(b) after rule (7C), following new rule shall be substituted, namely:-

“(7CA) The provisions of section 4C shall apply to the taxpayers under this schedule and shall be taxed at the rates

specified in Division IIB of Part I of the First Schedule from tax year 2022 onwards.”;

(58) in the Tenth Schedule –

(a) in rule (1), for the full stop at the end, a colon shall be substituted and thereafter the following new provisos shall be added, namely:–

“Provided that the tax required to be collected under section 231B shall be increased by two hundred percent of the rate specified in First Schedule in case of persons not appearing in the active taxpayers’ list:

Provided further that the tax required to be collected under section 236K shall be increased by two hundred and fifty percent of the rate specified in Division XVIII of Part IV of the First Schedule in case of persons not appearing in the active taxpayers.”; and

(b) in rule 10, –

(i) after sub-rule (c), the following new sub-rule shall be inserted, namely:-

“(ca) tax collected or deducted under section 154A;” and

(ii) sub-rules (e), (p) and (t) shall be omitted;

(59) in the Twelfth Schedule,

(a) in Part I, in columns (1) and (2), before PCT Code 2711.1100, the following new PCT Codes and entries relating thereto shall be inserted, namely:–

"27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal.
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(b) in Part II, in columns (1) and (2), –

(i) PCT Codes 27.01 and entries relating thereto shall be omitted;

(ii) after PCT Code 85.03, the following new PCT Codes and entries relating thereto shall be inserted, namely:–

"8504.3100	SMD Inductors for LED Bulb and Lights.
8504.4090	Constant Current Power Supply of LED Lights and Bulbs.”;

(iii) after PCT Code 85.29, the following new PCT Code and entries relating thereto shall be inserted, namely:–

"8532.2200	Electrical Capacitors Aluminum Electrolytic for LED Bulbs and Lights.”;
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(iv) after PCT Code 85.38, the following new PCT Codes and entries relating thereto shall be inserted, namely:–

"8539.9020	Base Cap for all Kinds of LED Bulbs.
8539.9090	Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Bulbs.

8539.9090	Housing/Shell, Shell Cover and Base Cap for all Kinds of LED Bulbs.”;
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- (v) after PCT Code 90.32, the following new PCT Code and entries relating thereto shall be inserted, namely:—

“9001.9000	Lenses for LED Bulbs and Lights.”;
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- (vi) after PCT Code 9401.9030, the following new PCT Codes and entries relating thereto shall be inserted, namely:—

“9405.1090	Housing/Shell, Shell Cover and Base Cap for all Kinds of LED Lights.
“9405.9900	Bare or Stuffed Metal Clad Printed Circuit Boards (MCPCB) for all kinds of LED Lights.”.

- (60) in the Thirteenth Schedule, in the Table 1, in column (1), after S. No. 62 and entries relating thereto in column (2), the following S. No and entry relating thereto shall be added, namely: —

“63	All entities mentioned in Table-I of clause (66) of Part-I of the Second Schedule of the Ordinance.”;
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6. Amendments of the Federal Excise Act, 2005. — In the Federal Excise Act, 2005, the following further amendments shall be made, namely:—

- (1) in section 2, in clause (9), after the words “zero percent”, the words “excluding fee and service charges imposed and collected under section 49” shall be inserted;

- (2) in section 29, in sub-section (2), in clause (c), for the words “Directorate General of Training and Research”, the words “Inland Revenue Services Academy” shall be substituted;
- (3) after section 49, the following new section shall be added, namely:–  
“50 **Uniform.**– The Board may, by notification in the official Gazette, prescribe rules for wearing of uniform by officers and staff of Inland Revenue Services.”;
- (4) in the First Schedule,–
- (A) in Table-I, in column (1),–
- (a) against serial number 8a, in column (4), for the words “Rupees ten per ml”, the words “Rupees ten thousand per kg” shall be substituted;
- (b) against serial number 9, in column (4), for the words “five thousand two hundred”, the words “five thousand and six hundred” shall be substituted;
- (c) against serial number 10, in column (4), for the words “one thousand six hundred and fifty”, the words “one thousand eight hundred and fifty” shall be substituted;
- (d) against serial number 56,–
- (i) in column (3), for the expression “5502.9090”, the words “Respective headings” shall be substituted;  
and
- (ii) in column (4), for the words “Rupee one per filter rod”, the expression “Rupees fifteen hundred per kg” shall be substituted;
- (B) in Table-II, in column (1),–

against serial number 3, in column (2), in clause (b), in sub-clause (ii), in column (4), for the word “Ten”, the word “Fifty” shall be substituted;

(b) against serial number 6, in column (1), in column (4), for the word “sixteen”, the words “nineteen and half” shall be substituted;

7. Amendment in Finance Act, 2018 (XXX of 2018).– In the Finance Act, 2018 (XXX of 2018), in section for the TABLE, the following shall be substituted, namely:-

**“TABLE**

<b>Sr. No</b>	<b>Mobile Phones having C&amp;F Value (US Dollars)</b>	<b>Rate of levy per set in Pak Rupees</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
1.	Up to 30	100
2.	Above 30 and up to 100	200
3.	Above 101 and up to 200	600
4.	Above 201 and up to 350	1800
5.	Above 351 and up to 500	4000
6.	Above 501 and up to 700	8000
7.	Above 701 and above	16000”

8. **“Levy of tax on capital value of certain assets. – (1)** A tax shall be levied, charged and collected, to be called the capital value tax 2022 on the value of assets at the rates provided in the First Schedule to this section.

(2) Capital value tax shall be charged on the following assets-

- (a) motor vehicle held in Pakistan where the value of motor vehicle exceeds rupees five million;
- (b) assets of a resident individual, whether movable or immovable, held abroad where the value of such assets exceeds rupees one hundred million; or
- (c) such assets or class of assets as specified by the Federal Government through a notification in the official Gazette, at such rates and in such manner as may be specified.

(3) Value of the assets, for the purposes of this tax, shall be determined in the following manner –

- (a) in case of motor vehicle mentioned in clause (a) of sub-section (2) above –
  - (i) where the vehicle is imported in Pakistan, the import value assessed by the Customs authorities as increased by customs duties;
  - (ii) where the vehicle is manufactured or assembled locally in Pakistan, the value at which the motor vehicle is sold by the local manufacturer or assembler;
  - (iii) where the vehicle is auctioned, the auction price; or
  - (iv) in any other case, the total consideration paid to acquire, alter or improve the vehicle;
- (b) the value of the motor vehicle mentioned in clause (c) above, shall be reduced by ten percent for each year from the end of financial year in which the motor vehicle is acquired:

Provided that the value shall be treated as zero-

- (i) after ten years from the end of financial year in which the motor vehicle is acquired; or
    - (ii) where the value after reduction as mentioned in this clause, is less than or equal to rupees five million;
  - (c) in case of assets mentioned in clause (b) of sub-section (2) above, the value shall be the higher of -
    - (i) the total consideration paid to acquire, alter or improve the asset; or
    - (ii) the fair market value of the asset;
  - (d) in case of assets notified by Federal Government in terms of clause (c) of sub-section (2) above, the value shall be as specified in such notification.
- (4) The tax shall be collected or paid in following manner –
  - (a) the Collector of Customs shall collect tax at the time of import of motor vehicle mentioned in clause (a) of sub-section (2) on the import value as increased by customs duties at the rate specified in the First Schedule;
  - (b) the provisions of the Customs Act, 1969 (IV of 1969), in so far as relevant, shall apply to the collection and payment of tax under clause (a) of this sub-section;
  - (c) Local manufacturer or assembler shall collect tax from the buyer of the motor vehicle mentioned in clause (a) of sub-section (2) on sale value at the rate specified in the First Schedule;
  - (d) any person making sale by public auction or auction by a tender of motor vehicle mentioned in clause (a) of sub-section (2) shall

collect tax from the person to whom such motor vehicle is sold on the sale value 'auction price' of motor vehicle at the rate specified in the First Schedule;

- (e) where clauses (c) or (d) apply, the tax shall be collected at the time of sale or where the payment is made in installments at the time of payment of first installment and the tax collected shall be paid to the credit of the Federal Government through remittance to the Government Treasury or deposit in an authorized branch of the State Bank of Pakistan or the National Bank of Pakistan within seven days of the date of collection:

Provided that the tax collected by the Federal Government, a Provincial Government or a Local Government shall be paid to the credit of the Federal Government on the day the tax is collected;

- (f) Every motor vehicle registering authority of Excise and Taxation Department at the time of collecting motor vehicle tax shall also collect tax on the value of motor vehicle at the rate specified in the First Schedule:

Provided that tax under this clause shall not be collected from the person in the financial year in which tax has been paid or collected from the said person under this section at the time of-

- (i) import;
- (ii) purchase from local manufacturer or assembler; or
- (iii) auction;

- (g) in case of assets mentioned in clauses (b) of sub-section (2), the person holding the assets shall be liable to pay tax at the time of filing of income tax return for the tax year in the manner prescribed; and
- (h) in case of assets notified by Federal Government in terms of clause (c) of sub-section (2) above, the tax shall be collected or paid in the manner as specified in such notification.

(5) The proceeds of the tax collected under this section shall be credited to the Federal Consolidated Fund under the head specified by the Federal Government.

(6) Where a person fails to-

- (a) pay tax to the credit of the Federal Government;
- (b) collect tax; or
- (c) pay to the credit of the Federal Government after having collected the tax, the person shall be personally liable to pay–
  - (i) the amount of tax; and
  - (ii) the default surcharge at a rate equal to twelve per cent per annum on the tax unpaid computed for the period commencing on the date on which the tax was due and ending on the date on which it was paid.

(7) Where sub-section (6) applies, the officer of Inland Revenue may pass an order after giving the person an opportunity of being heard, and proceed to recover the tax under the provisions of the Income Tax Ordinance, 2001 (XLIX of 2001) and the Income Tax Rules, 2002 as if the tax were an arrear of income tax.

(8) The Commissioner, on an application by the person, may revise any order made under this section.

(9) The provisions of the Income Tax Ordinance, 2001 (XLIX of 2001) and the Income Tax Rules, 2002 in so far as relevant, shall apply to the collection and recovery of tax under this section.

(10) Any person dissatisfied with any order passed by the Commissioner or an officer of Inland Revenue under this section may prefer an appeal before the Commissioner (Appeals) against the order as provided in section 127 of the Income Tax Ordinance, 2001 (XLIX of 2001) and all provisions of Part III of Chapter X of the Income Tax Ordinance, 2001 shall apply accordingly.

(11) The Federal Board of Revenue may, by notification in the official Gazette, prescribe the manner and procedure relating to the collection and recovery of, or any other matter relating to the capital value tax.

(12) The Federal Government may, by notification in the official Gazette, exempt any asset or class of assets from tax subject to such conditions as may be specified.

(13) In this section –

- (a) “**Commissioner**” means Commissioner as defined in the Income Tax Ordinance, 2001 (XLIX of 2001);
- (b) “**Commissioner (Appeals)**” means Commissioner (Appeals) as defined in the Income Tax Ordinance, 2001 (XLIX of 2001);
- (c) “**officer of Inland Revenue**” means an officer of Inland Revenue as defined in the Income Tax Ordinance, 2001 (XLIX of 2001);
- (d) “**person**” means a person as defined in section 80 of the Income Tax Ordinance, 2001 (XLIX of 2001);
- (e) “**resident individual**” shall have the same meanings as defined in the Income Tax Ordinance, 2001 (XLIX of 2001);

- (f) “**tax**” means capital value tax and includes any default surcharge, penalty, fee, any amount or sum leviable or payable under this section or the rules prescribed under this section.

**First Schedule**

**(See section 1)**

**Rates of Capital Value Tax**

**TABLE**

<b>S. No.</b>	<b>Assets/Description</b>	<b>Rate</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
1	Motor vehicle mentioned in clause (a) of sub-section (2)	2% of the value
2	Assets held abroad mentioned in clause (b) of sub-section (2)	1% of the value

**STATEMENT OF OBJECTS AND REASONS**

The purpose of this bill is to make financial provisions for the year beginning on the first day of July, 2022 and it shall come into force on the first day of July, 2022

(Miftah Ismail)

Minister for Finance & Revenue

**Tax Expenditure Report 2022**

**EXECUTIVE SUMMARY**

Tax expenditure is basically the tax revenue that is forgone due to specific provisions of tax laws relating to exemptions, exclusions, preferential rates, tax credits, deferral of tax etc. It is identified and measured against a benchmark system that accounts for tax revenues receivable in the normal course. This report uses the standard “Revenue Forgone” methodology to estimate the tax expenditure under the Income Tax, Sales Tax and Customs Duty laws in Pakistan. This approach quantifies the direct ex-post revenue loss associated with the provisions relative to the statutory tax rates. This report is based on data relevant to FY2020-21 with a few exceptions. Income tax expenditures are calculated using the tax returns for the FY2020-21 and taking the statutory rates available in First schedule of ITO-2001 as the benchmark rates. The benchmarks for scope of income are taken as defined in Section 9 of ITO-2001 as the various heads of income and the origin-of-income concept for residents and non-residents. Where exact data was not available reliance is placed on third party data and calendar year data instead of financial year data. Tax expenditure arising from exemption from withholding income tax at import stage is included for the first time. The Sales Tax expenditure is based on returns / imports data for the FY2020-21 and the difference of sales tax paid and the sales tax payable at 17% is calculated as the Sales Tax expenditure. Certain adjustments on gross estimates have been made to allow for input tax adjustments in certain zero rated items based on the assumption if such items were not zero rated. On local supplies the adjustments are made at the assumed 30% value addition rate. Custom duty expenditure is calculated based on

the legal provisions under the Customs Act 1969 and statutory instruments through which exemptions/concessions are granted to imported goods. Statutory rates of customs duty relevant to FY 2020-21 are taken as the benchmark rates while provisions relating to exemptions from regulatory duty and additional customs duty have been excluded.

The interpretation of estimates in this report are subject to certain caveats. The impact of FBR tax expenditure on provincial tax systems are not included in this report. The expenditure amounts are calculated assuming that all other provisions of that tax type remain unchanged. The expenditure amounts are unadjusted which means that eliminating a certain tax expenditure would not necessarily increase revenue in the same amount. Actual receipts would depend on enforcement, taxpayer compliance, effective dates of legislation repealing the exemption, exact wording of any legislation, and taxpayer's behavior. Moreover, the actual amount would also depend on the nature of economic activity, elasticity of goods and services, etc. Hence, the realization of actual revenue, consequent to removal of certain exemptions, may vary.

The global comparison of 21 countries' tax expenditure during 2019 and 2020 shows that mostly advanced countries have higher estimates of forgone tax revenues. Within the sample set of countries, the Russian Federation tops the list with an estimated 14.8% of GDP as tax expenditure while India is at the other extreme with only 0.4% of GDP as tax expenditure. Pakistan is ranked 19<sup>th</sup> in the list with an estimated 2.8% of its GDP in terms of tax expenditure.

### **Key Findings**

- **The total Federal Taxes' expenditure based on the data relating to FY2020-21 is estimated at Rs. 1,482.3 billion (see Table 1), with a tax-wise breakdown as follows:**

- The total expenditures are 31.2 % of total collection in FY 2020-21.
- Income Tax: Rs.399.7 billion (27.0% of total expenditure and 0.7% of GDP in FY2020-21)
- Sales Tax: Rs. 739.8 billion (49.9% of total expenditure and 1.3% of GDP in FY2020-21)
- Customs Duty: Rs. 342.8 billion (23.1% of total expenditure and 0.6% of GDP in FY2020-21)
- The tax revenue foregone constitutes approximately 2.67% of total GDP in FY2020-21 and 2.8% in FY 2019-20.

**Table 1. Summary of Tax Expenditure Estimates FY 2021-22 (Rs. Billion)**

	Tax Expenditure		Increase %	Tax Expenditure
	FY 2020-21	FY 2021-22		% of GDP
Income Tax	448.0	399.7	-10.8	0.72
Sales Tax	578.4	739.8	27.9	1.33
Customs Duty	287.8	342.8	19.1	0.62
Total	1,314.2	1,482.3	12.8	2.67

- A large part of the tax expenditure in Income Tax is in the form of exemptions from total income and special provisions; Profits and gains from power generation projects (Rs. 37 billion), income of Collective Investment Scheme or a REIT Scheme (Rs. 26 billion), tax credit (Rs. 65 billion), pension (Rs. 16 billion), provident funds (Rs. 14 billion) are the major heads of tax expenditure in Income Tax.
- In Sales Tax, approximately 44% of the tax expenditure is at import stage under

6<sup>th</sup> schedule of the STA 1990. Around 26% tax expenditure in Sales Tax is in the form of reduced rates under the 8<sup>th</sup> schedule of the STA 1990.

- Tax expenditure under Customs Duty is estimated to be around Rs. 343 billion which is largely granted under Fifth Schedule and Chapter 99 of Customs Act, 1969.

**Table 2. Income Tax Expenditure Summary**

Exemption Heads	Tax Expenditure		Increase
	(Rs. million)		%
	FY2020-21	FY2021-22	
Allowances	37,318	10,625	-71.5
Tax Credits	105,342	65,465	-37.9
Exemptions from Total Income	267,115	232,852	-12.8
Reduction in Tax Rates	124	195	57.1
Reduction in Tax Liability	2,839	3,285	15.7
Exemption from Specific Provisions	2,687	61,076	2173.0
Others / Miscellaneous	32,621	26,164	-19.8
<b>Total Income Tax Expenditure</b>	<b>448,046</b>	<b>399,662</b>	<b>-10.8</b>

**Table 3. Sales Tax Expenditure Summary**

Exemption Heads	Tax Expenditure		Increase
	(Rs. Million)		(%)
	FY2020-21	FY2021-22	
Zero Rating under 5th Schedule to Sales Tax Act 1990	12,887	33,422	159.4

<b>Exemption under 6th Schedule on (Imports)</b>	173,808	327,656	88.5
<b>Exemption under 6th Schedule on Local supplies</b>	156,134	139,046	-10.9
<b>Reduced Rates Under 8th Schedule</b>	208,531	193,722	-7.1
<b>Sales Tax on cellular Mobile Phones under 9th Schedule</b>	27,096	45,919	69.5
<b>Total Sales Tax Expenditure</b>	<b>578,456</b>	<b>739,767</b>	<b>27.9</b>

**Table 4. Customs Duty Expenditure Summary**

<b>Exemption Heads</b>	<b>Tax Expenditure</b>		<b>Increase</b>
	<b>(Rs. Million)</b>		<b>(%)</b>
	<b>FY2020-21</b>	<b>FY2021-22</b>	
<b>Chapter-99 Exemptions</b>	12,635	15,963	26.3
<b>FTA &amp; PTA Exemptions</b>	34,210	46,105	34.8
<b>Fifth Schedule Exemptions &amp; Concessions</b>	137,418	168,754	22.8
<b>General Concessions: Automobile sector, E&amp;Ps, CPEC, etc.</b>	55,877	60,987	9.1
<b>Export Related Exemptions</b>	47,631	51,081	7.2
<b>Total Customs Expenditure</b>	<b>287,771</b>	<b>342,890</b>	<b>19.2</b>
<b>Grand Total (Income Tax + Sales Tax + Customs Duty)</b>	<b>1,314,273</b>	<b>1,482,319</b>	<b>12.8</b>

## **Chapter 1:**

### **Introduction**

- 1.1. Tax Expenditure**
- 1.2. Methodology and Measurement**
- 1.3. Issues in interpretation**

#### **1.1 Tax Expenditure**

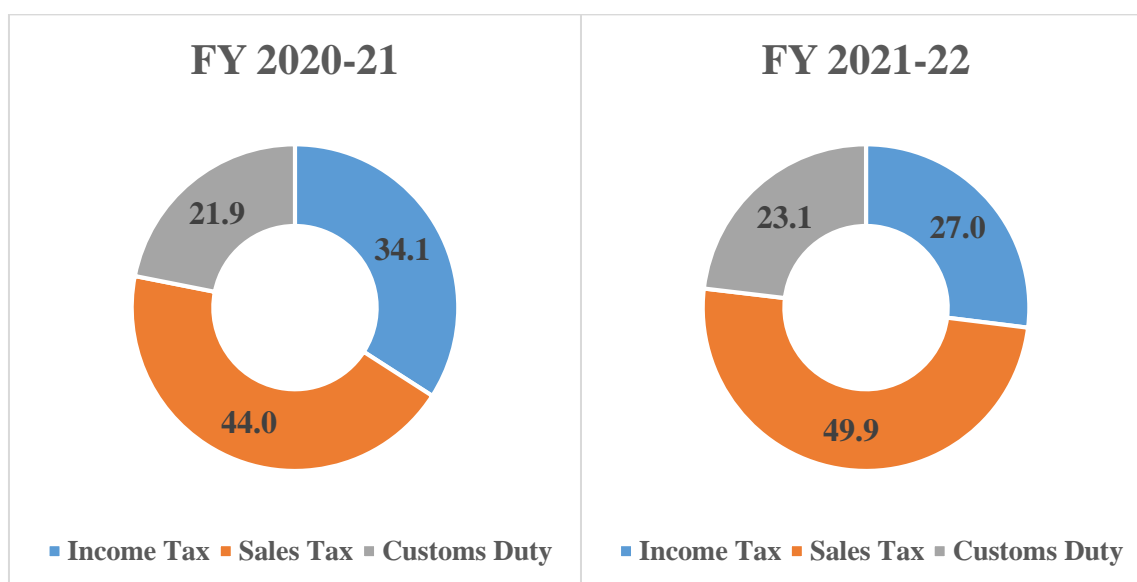
A tax expenditure is a deviation from a defined “benchmark” tax structure. A benchmark is a reference tax system that defines what ought to be taxed in the normal course, when there are no deviations. Formal definition of “tax expenditure”, therefore, depends on how the benchmark tax system has been specified. The fundamental aspects of the tax system that constitute the “benchmark” are given in more detail in this chapter under heading 1.2. Thus, deviations from this benchmark, whether provided for in the main body of law or its schedules, are treated as tax expenditures. The concept of a tax expenditure has been defined in various ways, including the following:

- The Organization for Economic Cooperation and Development (OECD) defines tax expenditure as “the estimated costs to the tax revenue of preferential treatment for specific activities.”
- The International Monetary Fund defines a tax expenditure as revenue foregone “as a result of selective provisions in the tax code.”

Tax expenditures can take different forms. They are usually in the form of allowances (amounts deducted from the tax base before applying the tax rate), credits (amounts deducted from tax liability), exemptions (exclusion from the tax base), or rate relief

(reduced tax rates), etc. They are sometimes referred to as tax incentives or tax subsidies. Negative tax expenditures are tax sanctions. A tax sanction means levying tax at a higher rate than the norm. However, negative tax expenditures have not been discussed in this report.

**Figure 1: Head-wise Tax Expenditure (% Share of Total Tax Expenditure)**



## 1.2 Methodology and Measurement

The worldwide used Revenue Forgone methodological approach<sup>1</sup> is used to estimate tax expenditure in income tax, sales tax, and customs duty for this report. This method quantifies the direct ex-post revenue loss associated with the provisions relative to the statutory tax rates (holding other factors constant)<sup>2</sup>. This method calculates the tax liability for the taxpayer and subtract tax paid from the tax liability. The difference of the two is the tax revenue foregone or income tax expenditure.

<sup>1</sup> Canada Finance Department (2022), Federal Tax Expenditures - Concepts, Estimates and Evaluations 2022  
US Treasury (2022), Australia Treasury (2022)

<sup>2</sup> Geourjon (2019),

### **1.2.1 Measurement of Income Tax Expenditure**

The data for this report comes from the tax returns for the FY 2020-21. As per Finance Act 2020-21, the statutory tax rates and withholding tax rates are applied to calculate the normal tax amount. The FBR sales tax return database is also used to estimate the tax expenditure in income tax for FY2020-21. Tax rates given in First Schedule of the ITO-2001 are taken as the benchmark rates. Any variation or concession in tax rates within First Schedule is not considered as a deviation from the benchmark. Benchmark tax rates are the FY 2020-21 statutory tax rates.

Section 9 of the ITO-2001 defines the “taxable income” benchmarks including all heads of income, i.e., salary, income from property, income from business, capital gains, and income from other sources. As per ITO-2001, taxpayer residents in Pakistan are subject to tax on their worldwide income, while non-residents are taxable in Pakistan on their income from Pakistani sources only.

Rate of minimum tax for loss declaring entities is taken as 1.5% and tax rates for individuals are taken as per the relevant slab given in First Schedule of ITO 2001. Exemptions on export are measured against relevant tax rate of 1%. Corporate benchmark rate is taken as 29% as corporate tax rate changed from 30% to 29% for FY 2018-19 onwards.

We obtained data from third party sources to calculate the tax expenditure for the *Clause 1, 2, 3, 9, and 12 of Part 1 of Second Schedule* of ITO 2001. This data was not available for the financial year; therefore, the calendar year data was used to calculate the tax expenditure for these clauses.

Finally, exemption from section 148 (withholding on import stage) is also accounted as tax expenditure. Therefore, clause 56 Part IV of Second Schedule of ITO-2001 is

included in this report to calculate the tax expenditure in income tax, which was not included in previous two reports.

### **1.2.2 Measurement of Sales Tax Expenditure**

The standard tax rate is 17% which is paid by the final consumers. This is benchmark sales tax which is used to calculate the sales tax liability. The FBR sales tax return database is used to estimate the tax expenditure in sales tax for FY2020-21. This method uses the concept that a tax liability at 17% sales tax rate would have been payable if there were no tax concessions. This method quantifies the direct ex-post revenue loss associated with the provisions relative to the standard sales tax rates. The method calculates the tax liability at 17% tax rate, which the taxpayer would face in the absence of zero rating, reduced rates and exemptions. The actual sales tax paid has been subtracted from the tax liability at 17% tax. The difference of the two is the sales tax revenue foregone.

Adjustments were made on gross estimates to avoid duplication in the estimations, and include the following: In case of zero-rated items, the adjustment includes the input on some items, which if were not zero-rated, the full input tax would have been claimed, such as, crude oil, and machinery for E&P sector. The impact of tax expenditure to the extent of these items was thus deducted from the total estimation of zero rated items.

Further, in case of exempt sales, an estimated 30% input credit adjustment would have been claimed in the absence of exemptions. The input credit adjustment is mandatory to calculate the representative tax expenditure. Exempt sales cannot claim the adjustment for the input tax as per law. Therefore, information on the inadmissible input credit is not known for exempt sales under 6<sup>th</sup> Schedule. However, tax returns

data of individual firms has been employed to calculate the input credit for the exempt sales.<sup>3</sup> The average estimate of input credit adjustment for exempt sales is approximately 30% of the exempt sales. The impact on tax expenditure to that extent has been reduced.

### **1.2.3 Measurement of Tax Expenditure in Customs Duty**

Under Customs law, exemptions or concession are granted to goods that are imported into Pakistan through SROs, and special classification provided in Pakistan Customs Tariff published each year by FBR, and/or through specific rate of tariff.

The Statutory rates of CD of FY 2020-21 are considered as benchmark rates to estimate the tax expenditure in customs duty. Customs related exemptions / concessions are generally sector or item based. Data for estimation of Customs is taken from Goods Declarations database, and estimations were calculated against statutory rates of duty.

Report is based on the customs duty exemptions given under chapter-99, FTA/PTAs, Fifth Schedule to Customs Act, 1969 and exemptions given under SROs.

Furthermore, the figures reported under “Export Related Exemptions” category has also been included in the final calculations because these are the exemptions which are provided to various export-oriented sectors under various exemption granting SROs and cannot be excluded from the exemption category.

The existing tariff structure is based on a cascading principle, i.e., lower duty rates on raw materials and higher duty rates on finished products. These statutory customs duty rates are used to estimate tax amount that would have been paid if there were no tax concessions at the import stage. The actual customs duty paid has been

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<sup>3</sup> The tax returns data of 2700 firms was obtained from PRAL to calculate the average estimate of input credit adjustment.

subtracted from the tax liability. The difference of the two is the customs duty revenue foregone.

### **1.3 Issues in interpretation**

We must acknowledge that these estimates are quantified amounts. It does not represent the true tax expenditure estimates. Thus, a number of caveats are applied when we interpret these estimates. These caveats are discussed as follow:

- i. The tax expenditure estimates presented in this report relate to FBR revenues only. Practically, federal and provincial tax systems interact with each other to varying degrees. As a result, changes in FBR tax expenditure may have consequences for provincial revenues. In this report, we do not account for the provincial revenue expenditure.
- ii. The amount by which federal tax revenues are reduced due to existence of tax expenditures are estimated independently for each tax expenditure by assuming that all other tax provisions remain unchanged. However, elimination of a tax expenditure would not necessarily yield the full amount of revenues shown in this report due to interaction of multiple tax expenditures.
- iii. The reduction in tax revenue reported in this report is only due to the actual tax expenditure observed in the database. We assume that all other factors remain unchanged.
- iv. This measurement approach assumes that existence of tax expenditure does not affect taxpayers' behavior. There is a strong probability that if a particular tax expenditure provision is eliminated, it may not result in an exactly proportionate increase in revenue.

- v. This methodology does not take into account the potential impact of a particular tax expenditure on the overall level of economic activity and consequently increase or decrease in aggregate tax revenues. For example, eliminating particular tax expenditure may affect the level of consumption or economic activity, which in turn could cause a further change in the amount of tax revenue collected.
- vi. Revenue forgone provides quantified amounts only; it ignores the potential transitional provisions and consequential government policy changes that may occur due to the elimination of a particular measure.

## **Chapter 2:**

### **International Evidence on Tax Expenditure**

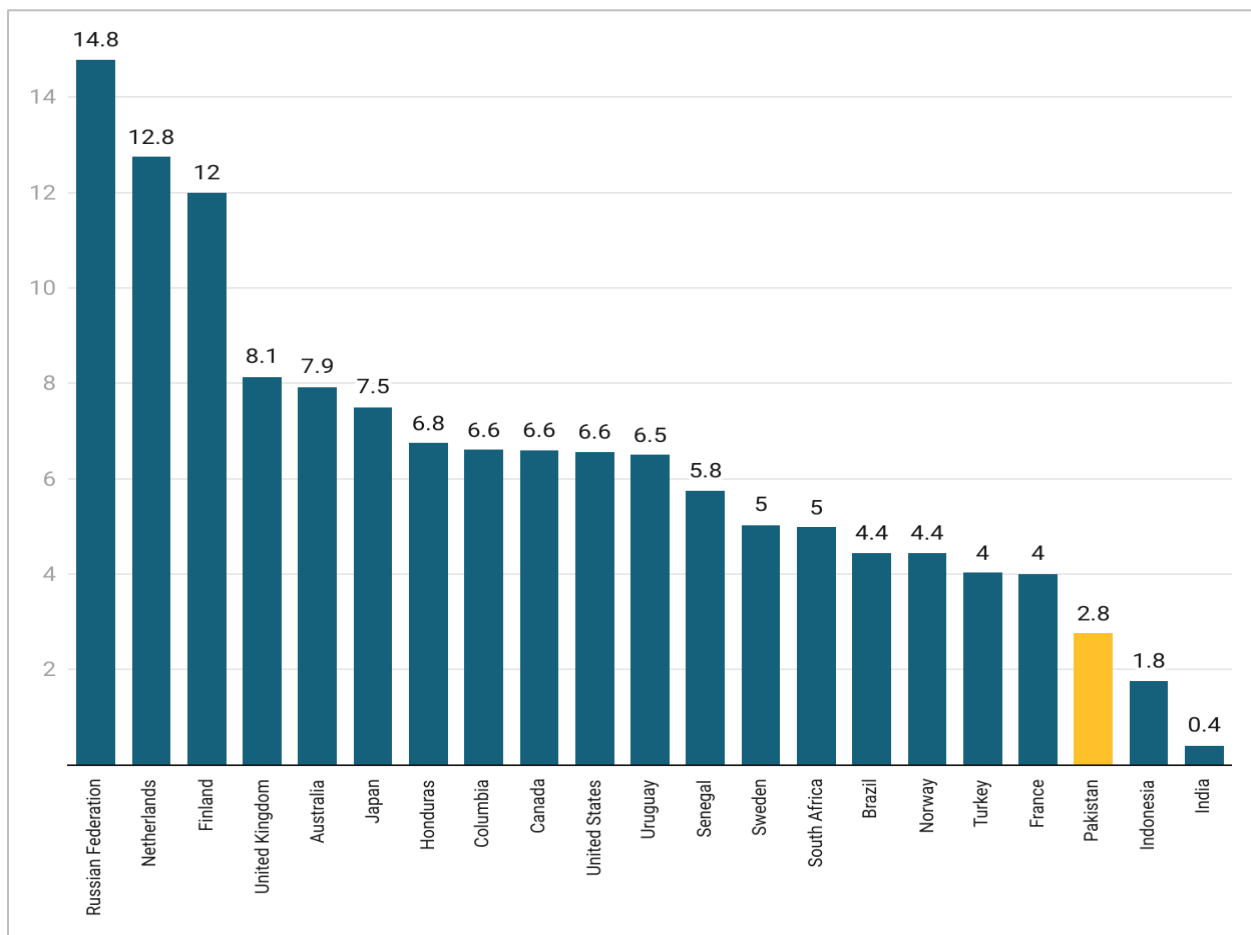
A large number of countries provide concessions, exemptions and tax relief on certain products and segments of society. Figure 2 shows that there is a huge variation across countries. Mostly advanced countries report significantly higher estimates of revenue forgone.

Russian Federation is not only one of the largest economies but at the same time it provides a huge size of tax exemptions. In U.S., income tax expenditure constitutes 6.6% of GDP which is more than 1.4 trillion dollars a year. This amount is 4 times higher than the total GDP of Pakistan.

Similarly, the government tax revenue gets reduced by more than 8% of GDP in Australia. Canada, Japan and UK are also creating tax expenditure which is more than 7% of their GDP. The revenue forgone or tax expenditure in European countries is relatively close to the world average of the tax expenditure (around 4% of GDP). However, Finland and Netherlands are exceptions, where tax expenditures exceed by

12% of their GDP. A large number of small and emerging economies also give tax concessions and exemptions both at local supplies and imported goods. For instance, they amount to more than 4% of GDP in Brazil and South Africa, come close to 8% in Colombia and Mauritania, and exceed 10% in Jordan. Pakistan and India appears at lower tail of this distribution, Pakistan has a tax expenditure equal to 2.8% of GDP and India has an expenditure of 0.4% of their GDP.

**Figure 2. Revenue Forgone (% of GDP)**



Data source: Global Tax Expenditure

In this figure, the tax expenditure varies between the years 2019 and 2020 across countries.

## Chapter 3: Tax Expenditure Estimates

### 3.1 Income Tax Estimates

### 3.2 Sales Tax Estimates

### 3.3 Customs Estimates

#### 3.1 *Income Tax Estimates*

- Tax expenditures are classified according to type of tax measure, i.e., allowances, credits, exemptions, reduced rates, etc. Overall income tax expenditure accounted for 27.0% of the total expenditure in FY2021-22. The larger share of exemptions was received in the form of exemptions from total income taxes, and exemptions from specific provisions and allowances.
- The tax expenditures estimation for FY2021-22 includes the tax expenditures under Clause 56, Part IV of Second Schedule for Income Tax. This tax expenditure was not part of the previous reports.
- The inclusion of exemption from specific provisions at import stage increases the total expenditure in income tax by Rs. 46.7 billion which is 2% of total tax expenditure.
- This revenue foregone in income tax constitutes approximately 0.7% of GDP in the FY2021-22.

**Table 5. Income Tax Expenditure Summary**

Exemption Heads	Tax Expenditure		Increase (%)
	(Rs. million)		
	FY2020-21	FY2021-22	
<b>Allowances</b>	37,318	10,625	-71.5

<b>Tax Credits</b>	105,342	65,465	-37.9
<b>Exemptions from Total Income</b>	267,115	232,852	-12.8
<b>Reduction in Tax Rates</b>	124	195	57.1
<b>Reduction in Tax Liability</b>	2,839	3,285	15.7
<b>Exemption from Specific Provisions</b>	2,687	61,076	2,173.0
<b>Others / Miscellaneous</b>	32,621	26,164	-19.8
<b>Total Income Tax Expenditure</b>	<b>448,046</b>	<b>399,662</b>	<b>-10.8</b>

- Other than specific provisions, the exemptions in allowances were reduced by 71.5% in FY2021-22 as compared to those in FY2020-21. In Tax Expenditure Report FY2020-21, Section 23 and Section 23A have been considered as tax expenditure in Income Tax. The provisions of initial allowance (Section 23) and first year allowance (Section 23A) do not give rise to any exemption to a person chargeable to tax under ITO-2001. The said allowances merely create timing difference with regard to discharge of Income Tax Liability<sup>4</sup>. Thus, the Tax Expenditure Report FY2021-22 has excluded these expenditures from the tax expenditure in Income Tax.

### **3.2 Sales Tax Estimates**

- The tax expenditure in sales tax is 49.9% of the total expenditure in FY2021-22. The larger share of exemptions is granted at the import stage which is nearly 44% of the total sales tax expenditure.
- The tax expenditure in sales tax increased by 27.9% compared to that in preceding year. Several factors played role in the surge of sales tax expenditure.

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<sup>4</sup> Tax Expenditures under Section 23 and Section 23A have been excluded in the light of comments of Inland Revenue Policy Wing.

- The sales tax revenue increased by 20% in the same fiscal year contributing towards an increase in tax expenditure as well.
- Due to COVID-19, the exemptions in pharmaceutical sector were increased.
- New exemptions were introduced for energy technology, health, and pharmaceutical sectors.
- On local sales, cost of exemption due to the exempt local supplies is Rs. 139.0 billion and on import stage Rs. 327.6 billion.
- This cost of sales tax expenditure constitutes approximately 1.33% of the GDP in FY2021-22.

**Table 6. Sales Tax Expenditure Summary**

Exemption Heads	Tax Expenditure		Increase (%)
	(Rs. Million)		
	FY2020-21	FY2021-22	
<b>Zero Rating under 5th Schedule to Sales Tax Act 1990</b>	12,887	33,422	159.4
<b>Exemption under 6th Schedule on (Imports)</b>	173,808	327,656	88.5
<b>Exemption under 6th Schedule on Local supplies</b>	156,134	139,046	-10.9
<b>Reduced Rates Under 8th Schedule</b>	208,531	193,722	-7.1
<b>Sales Tax on cellular Mobile Phones under 9th Schedule</b>	27,096	45,919	69.5
<b>Total Sales Tax Expenditure</b>	<b>578,456</b>	<b>739,767</b>	<b>27.9</b>

### 3.3 Customs Estimates

- The large portions of expenditure (49% of customs duty expenditure) is on account of Fifth Schedule of the Customs Act, 1969, which provides concessions in the form of reduced rate, zero rate, exemptions to specific sectors/items. It applies to plant, machinery and equipment, chemicals, parts, and renewable energy sources equipment.

**Table 7. Customs Duty Expenditure Summary**

Exemption Heads	Tax Expenditure (Rs. Million)		Increase (%)
	FY2020-21	FY2021-22	
<b>Chapter-99 Exemptions</b>	12,635	15,963	26.3
<b>FTA &amp; PTA Exemptions</b>	34,210	46,105	34.8
<b>Fifth Schedule Exemptions &amp; Concessions</b>	137,418	168,754	22.8
<b>General Concessions: Automobile sector, E&amp;Ps, CPEC, etc.</b>	55,877	60,987	9.1
<b>Export Related Exemptions</b>	47,631	51,081	7.2
<b>Total Customs Expenditure</b>	<b>287,771</b>	<b>342,890</b>	<b>19.2</b>

- The customs duty expenditure cost 0.6% of the GDP in FY2021-22 and contributed 22.2% in the total tax expenditure in the same fiscal year.

#### Chapter 4:

#### APPENDIX

**4.1 Appendix A - Details of Tax Estimates**

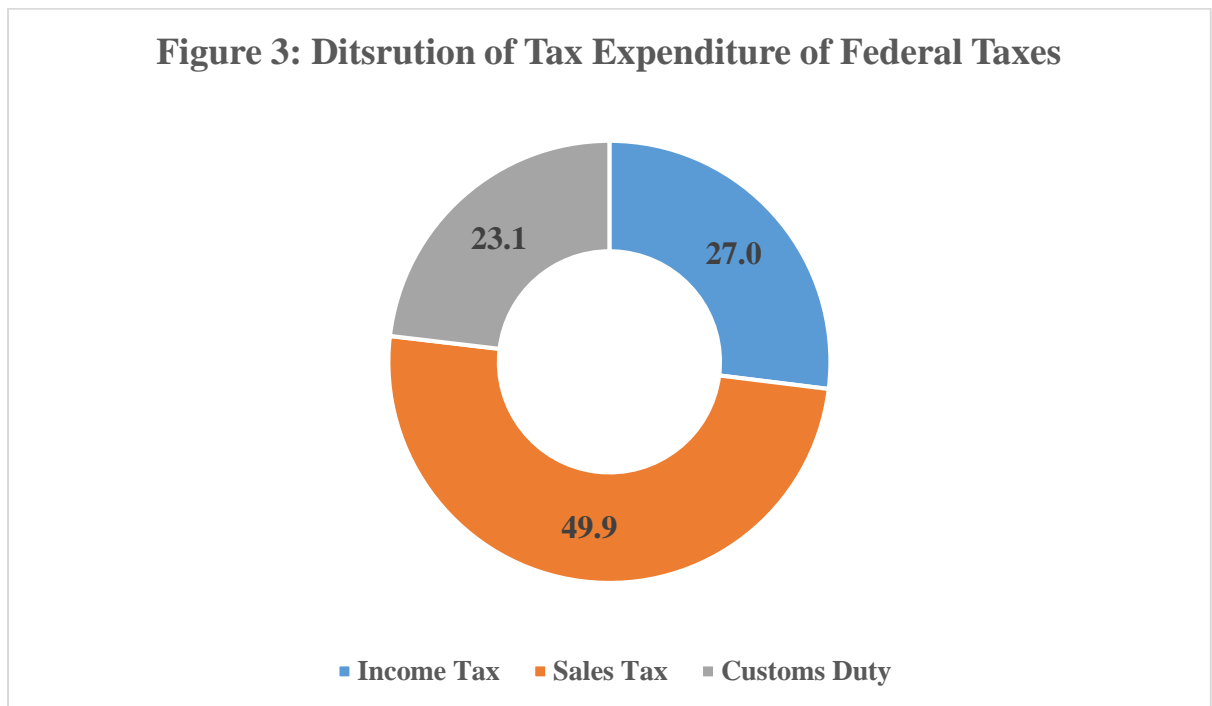
**4.1.1 Details of Income Tax Estimates**

**4.1.2 Details of Sales Tax Estimates**

**4.1.3 Details of Customs Duty Estimates**

**4.2 Appendix B – Data Sources**

**4.1 Appendix A - Details of Tax Estimates**



**4.1.1 Details of Income Tax Estimates**

**Table 8. INCOME TAX EXPENDITURE<sup>5</sup>**

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<sup>5</sup> The following codes apply where tax expenditure estimates are not quantified: “-” Cost of tax expenditure is zero or rounded to zero, “n.a.” Estimate is not available due to insufficient data

<b>S. NO.</b>	<b>SECTION/CLAUSE NO/SROS</b>	<b>DESCRIPTION OF CLAUSE</b>	<b>INTENDED BENEFICIARY</b>	<b>TAX EXPENDITURE (Rs. Million)</b>
<b>Allowances</b>				
<b>1</b>	60	Deductible allowance for Zakat	Persons paying Zakat	1,377.31
<b>2</b>	60A	Deductible allowance for Workers' Welfare Fund	Persons paying Workers' Welfare Fund	3,826.82
<b>3</b>	60B	Deductible allowance for Workers' Participation Fund	Persons paying Workers' Participation Fund	4,722.80
<b>4</b>	60C	Deductible allowance for profit on debt	Individuals paying profit or share in rent and share in appreciation for value of house on loan by banks etc	650.11
<b>5</b>	60D	Deductible allowance for education expenses	Individuals having income of less than Rs. 1.5 million paying tuition fee	48.32
<b>Total Tax Expenditure from Allowances</b>				<b>10,625.37</b>

#### Tax Credits

<b>1</b>	64B	Tax Credit for Employment Generation by Manufacturers	Corporate manufacturing sector	7.77
<b>2</b>	61	Tax Credit for Charitable Donations	Persons giving charitable donations	4,278.51
<b>3</b>	62	Tax Credit for Investment in Shares and Life Insurance Premium	Persons (excluding companies) investing in shares, sukuks, or life insurance	2,678.62
<b>4</b>	62A	Tax Credit for Investment in Health Insurance	Persons (excluding companies) investing in health insurance	28.15
<b>5</b>	63	Tax Credit for Contribution to Approved Pension Fund	Eligible persons as defined in sub- section (19A) of section 2 of Ordinance	1,160.31
<b>6</b>	65B	BF Tax Credit for Non-Equity Investment in Plant and Machinery	Corporate manufacturing sector	11,812.78

<b>7</b>	65B	BF Tax Credit for Equity Investment in Plant and Machinery	Corporate manufacturing sector	8,891.21
<b>8</b>	65C	Tax Credit for Enlistment in Registered Stock Exchange	Companies opting for enlistment in a registered stock exchange	0.73
<b>9</b>	65D	Tax Credit for Newly Established Industrial Undertaking	Corporate industrial units (including corporate dairy farming)	6,053.96
<b>10</b>	65E	Tax Credit for Investment in Plant and Machinery by Existing Company	Corporate industrial units (including corporate dairy farming)	15,120.89
<b>11</b>	100C	Tax Credit for Trust / Welfare Institution / Non-Profit Organization	Non-profit organizations, trusts, welfare institutions	15,432.31
<b>Total Tax Expenditure from Tax Credits</b>				<b>65,465.24</b>

### **Exemption from Total Tax**

1	Clause 1 of Part 1 of Second Schedule	Any income chargeable under the head "Salary" received by a person who, not being a citizen of Pakistan, is engaged as an expert or technical, professional, scientific advisor or consultant or senior management staff by institutions of the Agha Khan Development Network, (Pakistan) listed in Schedule I of the Accord and Protocol dated, November 13, 1994 executed between the Government of the Islamic Republic of Pakistan and Agha	Foreign experts working with Agha Khan Development Network, (Pakistan)	127.23
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Khan Development  
Network

<b>2</b>	Clause 2 of Part 1 of Second Schedule	Any income chargeable under the head "Salary" received by-  (a) A Pakistani seafarer, working on Pakistan flag vessels for one hundred and eighty three days or more during a tax year; or  (b) A Pakistani seafarer working on a foreign vessel provided that such income is remitted to Pakistan, not later than two months of the relevant tax year,	Employees  (Pakistani seafarers)	72.38
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		through normal banking channels.		
<b>3</b>	Clause 3 of Part 1 of Second Schedule	Any allowance or perquisite paid or allowed as such outside Pakistan by the Government to a citizen of Pakistan for rendering services outside Pakistan	Employees (diplomats)	1,035.30
<b>4</b>	Clause 8 of Part 1 of Second Schedule	Any pension received by a citizen of Pakistan from a former employer, other than where the person continues to work for the employer (or an associate of the employer)	Employees (pensioners)	3,947.25
<b>5</b>	Clause 9 of Part 1 of Second Schedule	Pensions received by employees of Federal Government, Provincial Government, or Armed Forces, or their	Employees (retired government servants & military personnel)	13,881.57

		families and dependents		
<b>6</b>	Clause 12 of Part 1 of Second Schedule	Any payment in the nature of commutation of pension received from Government or under any pension scheme approved by the Board	Employees (pensioners)	16,255.74
<b>7</b>	Clause 13 of Part 1 of Second Schedule	Any income representing any payment received by way of gratuity by employees of Government, or from any gratuity fund approved by the Commissioner in accordance with the rules in Part III of the Sixth Schedule of the ITO-2001	Employees (recipients of gratuity payments)	687.69
<b>8</b>	Clause 16 & 17 of Part 1 of Second Schedule	Income derived by the families and dependents	Families and dependents of the "Shaheeds"	143.08

		of the "Shaheeds" belonging to the Civil Armed Forces of Pakistan	belonging to the Civil Armed Forces	
<b>9</b>	Clause 19 of Part 1 of Second Schedule	Any sum representing encashment of leave preparatory to retirement of a member of the Armed Forces of Pakistan or an employee of the Federal Government or a Provincial Government;	Employees (retiring personnel of Armed Forces or Government servant)	1,774.74
<b>10</b>	Clause 22 of Part 1 of Second Schedule	Any payment from a provident fund to which the Provident Funds Act, 1925 (XIX of 1925) applies;	Employees (recipient of payments from provident funds	9,137.38
<b>11</b>	Clause 23 of Part 1 of Second Schedule	The accumulated balance due and becoming payable to an employee participating in a	Employees participating in a recognized provident fund	246.41

		recognized provident fund;		
<b>12</b>	Clause 23A of Part 1 of Second Schedule	The accumulated balance upto [50]% received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 at the time of eligible person's- (a) retirement; or (b) disability rendering him unable to work; or (c) death by his nominated survivors.	Voluntary participants in pension funds	95.38
<b>13</b>	Clause 23B of Part 1 of Second Schedule	The amounts received as monthly installment from an income payment plan invested out of the accumulated balance of an individual	Pensioners	32.43

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

<b>14</b>	Clause 23C of Part 1 of Second Schedule	Any withdrawal of accumulated balance from approved pension fund that represent the transfer of balance of	Pensioners	197.55
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approved provident  
 fund to the said  
 approved pension  
 fund under the  
 Voluntary Pension  
 System Rules, 2005

<b>15</b>	Clause 24 of Part 1 of Second Schedule	Any benevolent grant paid from the Benevolent Fund to the employees or members of their families in accordance with the provisions of the Central Employee Benevolent Fund and Any benevolent grant paid from the Benevolent Fund to the employees or members of their families in accordance with the provisions of the Central Employee Benevolent Fund and	Employees (recipient of benevolent grants)	495.06
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Group Insurance Act,  
1969;

<b>16</b>	Clause 25 of Part 1 of Second Schedule	Any payment from an approved superannuation fund made on the death of a beneficiary or in lieu of or in commutation of any annuity, or by way of refund of contribution on the death of a beneficiary	Families of deceased enrolled in approved superannuation funds	32.03
<b>17</b>	Clause 26 of Part 1 of Second Schedule	Any income of a person representing the sums received by him as a worker from out of the Workers Participation Fund established under the Companies Profits (Workers Participation) Act, 1968 (XII of 1968)	Low-income workers; recipients of payments from WPF	-

<b>18</b> Clause 39 of Part 1 of Second Schedule	Any special allowance or benefit (not being entertainment or conveyance allowance) or other perquisite within the meaning of section 12 specially granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit;	Employees receiving payments to meet expenses in the performance of duties	1,508.12
<b>19</b> Clause 40 of Part 1 of Second Schedule	Any income of a newspaper employee representing Local Travelling Allowance paid in accordance with the decision of the Third Wage Board for Newspaper Employees constituted under the Newspaper	Newspaper employees	-

		Employees (Conditions of Service) Act, 1973;		
<b>20</b>	Clause 53A of Part 1 of Second Schedule	The following perquisites received by an employee by virtue of his employment, namely: - free or subsidized food provided by hotels and restaurants to its employees during duty hours; - free or subsidized education provided by an educational institution to the children of its employees; - free or subsidized medical treatment provided by a hospital or a clinic to its employees;	Employees receiving employment- related perquisites	192.99

- any other perquisite  
 or benefit for which  
 the employer does not  
 have to bear any  
 marginal cost, as  
 notified by the Board;

<b>21</b>	Clause 55 of Part 1 of Second Schedule	The perquisites represented by the right of a judge of the Supreme Court of Pakistan or of a judge of High Court to occupy free of rent as a place of residence any premises provided by Federal or Provincial Government, as the case may be, or in case a judge chooses to reside in a house not provided by Government, so much of income which represents the sum	Judiciary of Superior Courts	35.05
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	(ii) Mutual Fund set up by the Investment Corporation of Pakistan,	* Sheikh Sultan Trust Karachi.	
	(iii) Sheikh Sultan Trust, Karachi;		
<b>24</b>	Clause 57(2) of Part 1 of Second Schedule	Any income other than capital gain on stock and shares of public company, PTC vouchers, modaraba certificates, or any instrument of redeemable capital and derivative products held for less than 12 months derived by any Mutual Fund, investment company, or a collective investment scheme or a REIT Scheme or Private Equity and Venture Capital Fund or the	Mutual funds, investment companies, collective investment schemes, REIT schemes, Private Equity & Venture Capital Funds, and National Investment (Unit) Trust of Pakistan -

		National Investment (Unit) Trust of Pakistan, if not less than ninety per cent of its income of that year is distributed amongst the Unit- holders;		
<b>25</b>	Clause 57(3)(i) of Part 1 of Second Schedule	Any income of a provident fund to which the Provident Funds Act, 1925 applies;	Provident Funds	1,785.36
<b>26</b>	Clause 57(3)(ii) of Part 1 of Second Schedule	Any income of trustees on behalf of a recognized provident fund or an approved superannuation fund or an approved gratuity fund;	Trustees of recognized provident funds, approved superannuation funds, and approved gratuity funds	13,964.50
<b>27</b>	Clause 57(3)(iii) of Part 1 of Second Schedule	Any income of a benevolent fund or group insurance scheme approved by the Board for the	Benevolent funds and group insurance schemes	142.1

		purposes of this clause;		
<b>28</b>	Clause 57(3)[(iv), (vi), (vii)] of Part 1 of Second Schedule	Any income of a Service Fund, any Unit, Station or Regimental Institute; and any recognized Regimental Thrift and Savings Fund, the assets of which consist solely of deposits made by members and profits earned by investment thereof;	Service Funds	-
<b>29</b>	Clause 57(3)(v) of Part 1 of Second Schedule	Any income of Employees Old Age Benefits Institution established under the Employees Old Age Benefit Act, 1976 (XIV of 1976);	Employees Old Age Benefits Institution	6,035.61
<b>30</b>	Clause 57(3)(viii) of Part 1 of Second Schedule	Any income of a Pension Fund	Approved Pension Funds	1,601.67

		approved by the SECP;		
<b>31</b>	Clause 57(3)(ix) of Part 1 of Second Schedule	Any profit or gain or benefit derived by a pension fund manager from a pension Fund approved under the Voluntary Pension System Rules, 2005, on redemption of the seed capital invested in pension fund as specified in the Voluntary Pension System Rules, 2005;	Pension funds under the Voluntary Pension System Rules 2005	15.44
<b>32</b>	Clause 57(3)(xi) of Part 1 of Second Schedule	Any income of International Irrigation Management Institute	International Irrigation Management Institute	-
<b>33</b>	Clause 57(3)(xii) of Part 1 of Second Schedule	Any income of Punjab Pension Fund established under the Punjab Pension Fund Act, 2007 and the	Punjab Pension Fund	2,640.16

		trust established thereunder		
<b>34</b>	Clause 57(3)(xiii) of Part 1 of Second Schedule	Any income of Sindh Province Pension Fund established under the Sindh Province Pension Fund Ordinance, 2002	Sindh Province Pension Fund	4,132.50
<b>35</b>	Clause 57(3)(xiv) of Part 1 of Second Schedule	Any income of Punjab General Provident Investment Fund established under the Punjab General Provident Investment Fund Act, 2009 (V of 2009) and the trust established thereunder;	Punjab General Provident Investment Fund	183.18
<b>36</b>	Clause 57(3)(xv) of Part 1 of Second Schedule	Any income of Khyber Pakhtunkhwa Retirement Benefits and Death Compensation Fund	Khyber Pakhtunkhwa Retirement Benefits and Death Compensation Fund	209.00

<b>37</b>	Clause 57(3)(xvi) of Part 1 of Second Schedule	Any income of Khyber Pakhtunkhwa General Provident Investment Fund;	Khyber Pakhtunkhwa General Provident Investment Fund	639.27
<b>38</b>	Clause 57(3)(xvii) of Part 1 of Second Schedule	Any income of Khyber Pakhtunkhwa Pension Fund;	Khyber Pakhtunkhwa Pension Fund	1,095.12
<b>39</b>	Clause 61 of Part 1 of Second Schedule	Any amount paid as donation to certain institutions, foundations, societies, boards, trusts and funds	All institution, foundations, societies, boards, trusts and funds mentioned in clause 61 of Part 1 of Second Schedule	3,690.50
<b>40</b>	Clause 64A of Part 1 of Second Schedule	Any amount donated to the Prime Minister's Special Fund for victims of terrorism	Persons making donations into the said Fund	-
<b>41</b>	Clause 64B of Part 1 of Second Schedule	Any amount donated to the Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP	Persons making donations into the said Fund	-

<b>42</b>	Clause 64C of Part 1 of Second Schedule	Prime Minister's Flood Relief Fund 2010 and Provincial Chief Ministers' Relief Funds, for victims of flood 2010	Persons making donations into the said Fund	-
<b>43</b>	Clause 65A of Part 1 of Second Schedule	Income derived from the Welfare Fund created under section 16 of the Emigration Ordinance, 1979 (except the income generated by the aforesaid Fund through commercial activities.)	Emigrants and their families in Pakistan	-
<b>44</b>	Clause 66 of Part 1 of Second Schedule	Any income derived by certain listed philanthropic organization like hospitals, governmental and non-governmental and international entities	All institution, foundations, societies, boards, trusts and funds mentioned in clause 66 of Part 1 of Second Schedule	39,290.98

45	Clause 72A of Part 1 of Second Schedule	Any income derived by Sukuk holder in relation to Sukuk issued by "The Second Pakistan International Sukuk Company Limited" and the Third Pakistan International Sukuk Company Limited, including any gain on disposal of such Sukuk.	Sukuk holders	2,670.00
46	Clause 74 of Part 1 of Second Schedule	Profit on debt derived by Hub Power Company Limited on or after the first day of July, 1991	Hub Power Company Limited	1.07
47	Clause 75 of Part 1 of Second Schedule	Any income of an agency of a foreign Government, a foreign national (company, firm or association of persons), or any other	Agencies of foreign Governments, foreign nationals or any other non-resident person	5,392.00

non-resident person approved by the  
 approved by the Federal Government  
 Federal Government  
 for the purposes of  
 this clause, from profit  
 on moneys borrowed  
 under a loan  
 agreement or in  
 respect of foreign  
 currency instrument  
 approved by the  
 Federal Government.

<b>48</b>	Clause 78 of Part 1 of Second Schedule	Profit on debt on foreign currency accounts	Foreign currency account holders	-
<b>49</b>	Clause 79 of Part 1 of Second Schedule	Profit on debt derived by non-resident Pakistanis on rupee accounts	Citizens of Pakistan residing abroad and remitting foreign exchange	-
<b>50</b>	Clause 80 of Part 1 of Second Schedu	Income derived from a private foreign currency account held with an authorized bank in Pakistan, or certificate of	Foreign currency account holder resident individual citizens of Pakistan	-

investment issued by investment banks, by a resident individual who is a citizen of Pakistan: (This exemption is not available in respect of any incremental deposits made in the said accounts on or after the 16th day of December, 1999)

<p><b>51</b> Clause 90 of Part 1 of Second Schedule</p>	<p>Profit on debt payable by an industrial undertaking in Pakistan — (i) on moneys borrowed by it under a loan agreement with a financial institution in a foreign country (ii) on moneys borrowed or debts incurred by it in a foreign country in respect of the</p>	<p>Financial institutions in foreign countries lending with approval of Federal Government of Pakistan</p>	<p>-</p>
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purchase of capital  
plant and machinery;

<b>52</b>	Clause 90A of Part 1 of Second Schedule	Any profit on debt derived by any person on bonds issued by Pakistan Mortgage Refinance Company to refinance the residential housing mortgage market	Investors / buyers of bonds issued by Pakistan Mortgage Refinance Company	12.93
<b>53</b>	Clause 91 of Part 1 of Second Schedule	Any income of a text- book board of a Province	Text-book boards of provinces	592.76
<b>54</b>	Clause 98 of Part 1 of Second Schedule	Any income derived by any Board or other organization established by Government in Pakistan for the purposes of controlling, regulating or encouraging major games and sports recognized by	Regulators, organizations and boards established by government to encourage major games and sports	7.89

		Government, except Pakistan Cricket Board;		
<b>55</b>	Clause 99 of Part 1 of Second Schedule	Any income derived by a Collective Investment Scheme or a REIT Scheme, if not less than ninety per cent of its accounting income of that year, as reduced by capital gains whether realized or unrealized, is distributed amongst the unit or certificate holders or shareholders as the case may be	Collective Investment Schemes and REIT Schemes that are distributing more than 90% of their incomes to certificate holders / shareholders.	26,284.05
<b>56</b>	Clause 99A of Part 1 of Second Schedule	Profits and gains accruing to a person on sale of immovable property to a REIT Scheme	Taxpayers selling immovable property to a Developmental REIT Scheme or a rental REIT Scheme	-

57	Clause 100 of Part 1 of Second Schedule	Income, except income from manufacturing or trading activity, of a registered modaraba, provided not less than ninety per cent of its total profits are distributed amongst the shareholders;	Modarabas	429.04
58	Clause 101 of Part 1 of Second Schedule	Venture capital companies and venture capital funds registered under Venture Capital Companies and Funds Management Rules, 2000 and a Private Equity and Venture Capital Funds	Venture capital companies venture capital funds, and Private Equity & Venture Capital Funds.	877.68
59	Clause 102A of Part 1 of Second Schedule	Income of a person as represents a subsidy granted to him by the Federal Government for the purposes of	Recipients of subsidies granted by Federal Government	6,450.00

implementation of any orders of the Federal Government in this behalf

<b>60</b>	Clause 103 of Part 1 of Second Schedule	Any distribution received by a taxpayer from a collective investment scheme out of the capital gains of the said scheme. This exemption is available to only such mutual funds, collective investment schemes that are debt or money market funds and these do not invest in shares;	Investors investing in debt or money market mutual funds and collective investment schemes	n.a.
<b>61</b>	Clause 104 of Part 1 of Second Schedule	income derived by the Libyan Arab Foreign Investment Company being dividend of the Pak-Libya Holding Company;	Libyan Arab Foreign Investment Company	-

62	Clause 105 of Part 1 of Second Schedule	Income derived by the Government of Kingdom of Saudi Arabia being dividend of the Saudi-Pak Industrial and Agricultural Investment Company Limited;	Government of Kingdom of Saudi Arabia	-
63	Clause 105A of Part 1 of Second Schedule	Income derived by Kuwait Foreign Trading Contracting and Investment Company or Kuwait Investment Authority being dividend of the Pak Kuwait Investment Company in Pakistan;	Kuwait Foreign Trading Contracting & Investment Company, and Kuwait Investment Authority	60.00
64	Clause 105B of Part 1 of Second Schedule	Income received by a taxpayer from a corporate agricultural enterprise, distributed as dividend out of its	Taxpayers receiving dividend income from corporate agricultural enterprises	43.57

		income from agriculture;		
<b>65</b>	Clause 110B of Part 1 of Second Schedule	Gain on transfer of a capital asset, being a membership right held by a member of an existing stock exchange, for acquisition of shares and trading or clearing rights acquired by such member in new corporatized stock exchange in the course of corporatization of an existing stock exchange;	Members of Stock Exchange	-
<b>66</b>	Clause 110C of Part 1 of Second Schedule	Any gain by a person on transfer of a capital asset, being a bond issued by Pakistan Mortgage Refinance Company to refinance the residential	Persons deriving gain from bonds issued by Pakistan Mortgage Refinance Company	-

		housing mortgage market		
<b>67</b>	Clause 114 of Part 1 of Second Schedule	Income under the head "capital gains" derived by industrial undertakings set up in a "Zone" within the meaning of the Export Processing Zones Authority Ordinance, 1980;	Industrial undertakings set up in "Zones" within the meaning of Export Processing Zones Authority Ordinance	-
<b>68</b>	Clause 126 of Part 1 of Second Schedule	Income of a public sector university established solely for educational purposes and not for the purposes of profit;	Public sector universities	6,262.23
<b>69</b>	Clause 126A of Part 1 of Second Schedule	Income derived by China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar	Listed companies	57.18

		International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations;		
<b>70</b>	Clause 126AA of Part 1 of Second Schedule	Profit and gains derived by a taxpayer from businesses set up in the Gawadar Free Zone Area;	All businesses set up in Gawadar Free Zone	-
<b>71</b>	Clause 126AB of Part 1 of Second Schedule	Profit on debt derived by- (a) any foreign lender; or (b) any local bank having more than 75 per cent shareholding of the Government or the State Bank of Pakistan, under a Financing Agreement with the China Overseas Ports	Foreign lenders or public sector banks/ State bank having financing agreement with China Overseas Ports Holding Company Limited	-

		Holding Company Limited;		
<b>72</b>	Clause 126AC of Part 1 of Second Schedule	Income derived by contractors and sub-contractors of China Overseas Ports Holding Company Limited, China Overseas Ports Holding Company Pakistan (Private) Limited, Gawadar International Terminal Limited, Gawadar Marine Services Limited and Gawadar Free Zone Company Limited from Gawadar Port operations;	Contractors and sub-contractors of listed companies from Gawadar Port operations	104.54
<b>73</b>	Clause 126AD of Part 1 of Second Schedule	Income derived by China Overseas Ports Holding Company Limited being dividend received from China Overseas Ports	China Overseas Ports Holding Company Limited	-

Holding Company  
Pakistan (Private)  
Limited, Gwadar Inter  
national Terminal  
Limited Gwadar  
Marine Services  
Limited and Gwadar  
Free Zone Company  
Limited;

<b>74</b>	Clause 126B of Part 1 of Second Schedule	Profit and gains derived by Khalifa Coastal Refinery	Khalifa Coastal Refinery	-
<b>75</b>	Clause 126BA of Part 1 of Second Schedule	Profits and gains derived by a refinery set up between the 1st day of July, 2018 and the 30th day of June, 2023 with minimum 100,000 barrels per day production capacity. Exemption under this clause is also available to existing refineries, if—	Oil refineries	2,987.70

(a) existing production capacity is enhanced by at least 100,000 barrels per day;

(b) the refinery maintains separate accounts for income arising from aforesaid additional production capacity; and

(c) the refinery is a deep conversion refinery;

<b>76</b>	Clause 126C of Part 1 of Second Schedule	Profits and gains derived by a taxpayer from an industrial undertaking set up in Larkano Industrial Estate from 2008 to 2013;	Industrial undertakings set up in Larkano Industrial Estate	-
<b>77</b>	Clause 126D of Part 1 of Second Schedule	Profits and gains derived by a taxpayer from an industrial undertakings set up in	Industrial undertaking set up in the Gawadar	-

the Gawadar declared  
 by the Federal  
 Government to be a  
 Zone within the  
 meaning of Export  
 Processing Zone  
 Authority Ordinance,  
 1980

<b>78</b>	Clause 126E of Part 1 of Second Schedule	Income derived by a zone enterprise as defined in the Special Economic Zones Act, 2012 and developer of zone for a period of ten years	Zone enterprise as defined in the Special Economic Zones Act, 2012, and developers of zones.	367.74
<b>79</b>	Clause 126G of Part 1 of Second Schedule	Profits and gains derived by the following companies from the projects mentioned against each that have been declared 'Pioneer Industry' by Economic Coordination	Astro Plastics (Pvt) Limited, M/s. Novatex Limited	-

Committee of the  
 Cabinet:-  
 1. Income of Astro  
 Plastics (Pvt) Limited  
 derived from their  
 project Biaxially  
 Oriented Polyethylene  
 Terephthalate (BOP  
 ET) Project; and  
 2. Income of Novatex  
 Limited derived from  
 their project  
 Biaxially Oriented  
 Polyethylene  
 Terephthalate  
 (BOPET)  
 Project;

<b>80</b>	Clause 126H of Part 1 of Second Schedule	Income from fruit processing or preservation units set up in Balochistan Province, Malakand Division, Gilgit Baltistan and FATA between the first day	Fruit processing or preservation units set up in Balochistan Province, Malakand Division, Gilgit Baltistan and ex- FATA	-
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of July, 2014 to the thirtieth day of June, 2017;

<b>81</b>	Clause 126I of Part 1 of Second Schedule	Industrial undertakings set up by 31st day of December, 2016 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use for generation of renewable energy;	Manufacturers of plant, machinery & equipment for use in generation of renewable energy sources.	17.34
<b>82</b>	Clause 126J of Part 1 of Second Schedule	Profits and gains derived by a taxpayer, from an industrial undertaking set up between 1st day of July, 2015 and 30th day of June, 2016 engaged in operating warehousing or cold chain facilities for	Industrial undertakings engaged in operating warehousing or cold chain facilities for storage of agriculture produce	-

		storage of agriculture produce		
<b>83</b>	Clause 126K of Part 1 of Second Schedule	Profits and gains derived by a taxpayer, from an industrial undertaking set up between the first day of July, 2015 and the 30th day of June, 2017 for establishing and operating a halal meat production unit	Halal meat production units	240.05
<b>84</b>	Clause 126L of Part 1 of Second Schedule	Industrial undertakings set up in the Provinces of Khyber Pukhtunkhwa and Baluchistan between 1st day of July, 2015 and 30th day of June, 2018;	Industrial undertakings set up in the Provinces of Khyber Pukhtunkhwa and Baluchistan between 1st day of July, 2015 and 30th day of June, 2018	272.08
<b>85</b>	Clause 126M of Part 1 of Second Schedule	Profits and gains derived by a taxpayer from a transmission	Companies deriving income from	-

		line project set up in Pakistan on or after the 1st day of July, 2015;	transmission line projects in Pakistan	
<b>86</b>	Clause 126N of Part 1 of Second Schedule	Profits and gains derived by a taxpayer from an industrial undertaking, duly certified by the Pakistan Telecommunication Authority, engaged in the manufacturing of cellular mobile phones setup and commercial production has commenced between the first day of July, 2015 and the thirtieth day of June, 2017;	Local cellular mobile phone manufacturers	1.31
<b>87</b>	Clause 126O of Part 1 of Second Schedule	Profits and gains of a company from a green field industrial undertaking incorporated on or	Green field industrial undertakings	-

after the first day of  
July, 2019;

<b>88</b> Clause 131 of Part 1 of Second Schedule	Royalty, commission or fees earned from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise by the company or in the consideration of technical services rendered outside Pakistan to such	Innovators and technical experts	-
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enterprise by the  
 company under an  
 agreement in this  
 behalf;

<b>89</b>	Clause 132 of Part 1 of Second Schedule	Profits and gains derived by a taxpayer from an electric power generation project set up in Pakistan on or after the 1st day of July, 1988, subject to following conditions:  (a) owned and managed by a company formed for operating the said project and registered under the Companies Ordinance, 1984 (XLVII of 1984), and having its registered office in Pakistan;	Electric power generation projects	37,455.73
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(b) not formed by the splitting up, or the reconstruction or reconstitution, of a business already in existence or by transfer to a new business of any machinery or plant used in a business which was being carried on in Pakistan at any time before the commencement of the new business; and

(c) owned by a company fifty per cent of whose shares are not held by the Federal Government or Provincial Government or a 1[Local Government] or which is not controlled by the Federal

Government or a Provincial Government or a 2[Local Government] Provided further that exemption under this clause shall also be available to the expansion projects of the existing Independent Power Projects already in operation;

<b>90</b>	Clause 132A of Part 1 of Second Schedule	Profit and gains derived by Bosicor Oil Pakistan Limited	Bosicor Oil Pakistan Limited (refinery)	-
<b>91</b>	Clause 132B of Part 1 of Second Schedule	Profits and gains derived by a taxpayer from Coal mining projects in Sindh, supplying coal exclusively to power generation projects	Coal mining projects in Sindh	2,717.14

92	Clause 133 of Part 1 of Second Schedule	Income from exports of computer software or IT services or IT enabled services. Provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels	Exporters of computer software, IT services or IT enabled services	3,131.85
93	Clause 135A of Part 1 of Second Schedule	Income derived by non-residents from investment in OGDCL exchangeable bonds issued by the Federal Government	Non-residents deriving income from investment in OGDCL exchangeable bonds issued by the Federal Government.	-
94	Clause 136 of Part 1 of Second Schedule	Income of a special purpose vehicle as defined in the Asset	Special purpose vehicles as defined in the Asset Backed	-

		Backed Securitization	Securitization Rules,	
		Rules, 1999;	1999	
<b>95</b>	Clause 139 of Part 1 of Second Schedule	The benefit represented by free provision to the employee of medical treatment or hospitalization or both by an employer or the reimbursement received by the employee of the medical charges or hospital charges or both paid by him	Employees receiving free medical care from employers.	1,778.06
<b>96</b>	Clause 141 of Part 1 of Second Schedule	Profit and gains derived by LNG Terminal Operators and Terminal Owners;	LNG Terminal Operators and Terminal Owners	816.33
<b>97</b>	Clause 142 of Part 1 of Second Schedule	Income from social security contributions derived by Balochistan Employees' Social	Provincial social security institutions	787.73

		Security Institution, Employees' Social Security Institution Khyber Pakhtunkhwa, Punjab Employees' Social Security Institution and Sindh Employees' Social Security Institution;			
<b>98</b>	Clause 143 of Part 1 of Second Schedule	Profit and gains derived by a start-up as defined in clause (62A) of section 2;	Startups as defined in clause (62A) of section 2 of the ITO- 2001	900.91	
<b>99</b>	Clause 145 & 146 of Part 1 of Second Schedule	Income of individuals domiciled or companies and associations of persons resident in the ex-Tribal Areas;	Individuals domiciled or companies and associations of persons resident in the ex-Tribal Areas	4,269.83	
<b>100</b>	Clause 147 of Part 1 of Second Schedule	Any income derived by the Federal Government Employees Housing Authority and Naya Pakistan Housing and	Federal Government Employees Housing Authority and Naya Pakistan Housing and Development Authority	647.63	

Development  
 Authority for the tax  
 year 2020 and the  
 following four tax  
 years

<b>101</b>	Clause 16, 39A, 51 & 52 of Part 1 of Second Schedule	Others	Others	1,538.35
<b>Total Tax Expenditure from Total Income</b>				<b>232,851.94</b>

**Reduction in Tax Rates**

<b>1</b>	Clause 3B of Part 2 of Second Schedule	The income of Pakistan Cricket Board derived from sources outside Pakistan shall be taxed at a rate of four per cent of the gross receipts from such sources	Pakistan Cricket Board	-
<b>2</b>	Clause 18 of Part 2 of Second Schedule	In the case of a modaraba the rate of income tax shall be 25% of total income excluding such part of	Modarabas	-

total income to which  
 Division III of Part I of  
 the First Schedule or  
 section 153 or section  
 154 applies

<b>3</b> Clause 18A of Part 2 of Second Schedule	The rate of tax shall be reduced to 20% for a company setting up an industrial undertaking between the first day of July, 2014 to the thirtieth day of June, 2017, for a period of five years beginning from the month in which the industrial undertaking is set up or commercial production is commenced whichever is later. Provided that fifty percent of the cost of the project including	Companies setting up industrial undertakings between 2014 and 2017	-
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working capital is  
through owner equity  
foreign direct  
investment;

4 Clause 18B of Part 2 of Second Schedule	The rate of tax shall be reduced by 2% in case of a company whose shares are traded on stock exchange if it fulfills prescribed Shariah compliant criteria approved by State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the Board, and derives income from manufacturing activities only	Shariah compliant companies whose shares are traded on stock exchange	-
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5	Clause 27 of Part 2 of Second Schedule	The tax on payments under the Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22 (as reduced by deduction of driver's salary) shall be charged at the rate of 5% as a separate block of income	Employees (civil servants of BS-20 and above)	170.36
6	Clause 28A of Part 2 of Second Schedule	The rate of tax under section 148 on import of hybrid cars shall be reduced as below:— Upto 1200 cc - 100% 1201 to 1800 cc - 50% 1801 to 2500 cc - 25%;	Consumers of Hybrid Cars	24.5
7	Clause 28C of Part 2 of Second Schedule	The rates of tax shall be five percent in the case of a person running online	E-commerce sector	-

marketplace as  
 defined in clause  
 (38B) of section 2

**Total Tax Expenditure From Reduction in Tax Rates** **194.86**

**Reduction in Tax Liability**

1	Clause 1(1) of Part 3 of Second Schedule	Any amount received as flying allowance by flight engineers, navigators of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Junior Commissioned Officers or other ranks of Pakistan Armed Forces; and submarine allowance by the officers of the Pakistan Navy, shall be taxed @ 2.5% as a separate block of income	Employees (persons receiving flying allowance)	90.44
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<p><b>2</b> Clause 1(1AA) of Part 3 of Second Schedule</p>	<p>Total allowances received by pilots of any Pakistani airlines shall be taxed at a rate of 7.5%, provided that the reduction under this clause shall be available to so much of the allowances as exceeds an amount equal to the basic pay</p>	<p>Employees (pilots of Pakistani Airlines)</p>	<p>230.19</p>
<p><b>3</b> Clause 1(2) of Part 3 of Second Schedule</p>	<p>The tax payable by a full time teacher or a researcher, employed in a non profit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education</p>	<p>Employees (full time teacher or a researcher)</p>	<p>2,711.26</p>

Commission,  
including government  
research institution,  
shall be reduced by  
an amount equal to  
25% of tax payable on  
his income from  
salary

<b>4</b>	Clause 4 of Part 3 of Second Schedule	In respect of old and used automotive vehicles, tax under section 148 shall not exceed the amount specified in Notification No. S.R.O. 577(I)/2005, dated the 6th June, 2005	Importers of old and used cars	252.62
<b>5</b>	Clause 7 of Part 3 of Second Schedule	The amount of tax payable by foreign film-makers from making films in Pakistan shall be reduced by fifty percent on income	Foreign film-makers	-

		from film-making in Pakistan		
<b>6</b>	Clause 8 of Part 3 of Second Schedule	The amount of tax payable by resident companies deriving income from film- making shall be reduced by seventy percent on income from film-making	Film making companies based in Pakistan	-
<b>7</b>	Clause 9 of Part 3 of Second Schedule	The tax payable on profits and gains derived by a person from low cost housing projects shall be reduced by fifty percent	Taxpayers deriving income from low cost housing projects	-
<b>Total Tax Expenditure From Reduction in Tax Liability</b>				<b>3,284.51</b>

#### **Exemption from Specific Provisions**

<b>1</b>	Clause 5 of Part 4 of Second Schedule	The provisions of section 111 regarding un-explained income or assets shall not apply in respect of	Foreign currency account holders	-
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foreign exchange  
deposited in a private  
Foreign Currency  
account held with an  
authorized bank in  
Pakistan in  
accordance with the  
Foreign Currency  
Accounts Scheme  
introduced by the  
State Bank of  
Pakistan, excluding  
such accounts where  
incremental deposits  
were made on or after  
the 16th day of  
December, 1999

<b>2</b>	Clause 11A of Part 4 of Second Schedule	Pakistan Red Crescent Society	Pakistan Red Crescent Society	7.79
<b>3</b>	Clause 11A of Part 4 of Second Schedule	Corporate and Industrial Restructuring Corporation (CIRC)	Corporate and Industrial Restructuring Corporation (CIRC)	-

4	Clause 11A of Part 4 of Second Schedule	National Disaster Risk Management Fund.	National Disaster Risk Management Fund.	
5	Clause 56 of Part 4 of Second Schedule	The provisions of section 148, regarding withholding tax on imports shall not apply in respect of— (i) goods classified under Pakistan Customs Tariff falling under1[“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),	importers of goods/items of Chapter 86, 99 of PCT, Petroleum oil Exploration companies based in Pakistan, exporters covered under SRO 450(I)/2001, persons involved in temporary imports under SRO 492(I)/2009, Manufacturing Bond notified vide S.R.O. 450(I)/2001, manufacturers who imported mineral oil or formulator of pesticides which is exempt from customs-duties	46,738.18

J.P.1 (PCT Code	under the customs
2710.1912), base oil	Notification No.
for lubricating oil (PCT	S.R.O. 857(I)/2008,
Code 2710.1993),	the Federal
Light diesel oil (PCT	Government, a
Code 2710.1921) and	Provincial
Super Kerosene Oil	Government, a
imported by Pakistan	Local Government,
State Oil Company	a foreign company
Limited, Shell	and its associations
Pakistan Limited,	whose majority
Attock Petroleum	share capital is held
Limited, Byco	by a foreign
Petroleum Pakistan	government, a
Limited, Admore Gas	person who imports
Private Limited,	plant and machinery
Chevron Pakistan	for execution of a
Limited, Total-PARCO	contract with the
Pakistan(Private)	Federal Government
Limited, Hascol	or a provincial
Petroleum	government or a
Limited,3[Barki	local government
Energy (Private)	and produces a
Limited], Gas and Oil	certificate from that
Pakistan (Pvt) Ltd4[or	government,

any other oil	companies
marketing company	importing high
licensed by Oil and	speed diesel oil,
Gas Regulatory	light diesel oil, high
Authority (OGRA)]and	octane blending
oil refineries.	component or
	kerosene oil, crude
	oil for refining and
(ii) goods imported by	chemical used in
direct and indirect	refining thereof in
exporters covered	respect of such
under sub- chapter 7	imports, Petroleum
of Chapter XII of SRO	(E&P) companies
450(I)/2001 dated	covered under the
June 18, 2001;	Customs and Sales
(iii) goods temporarily	Tax Notification No.
imported into Pakistan	S.R.O.678(I)/2004,
for subsequent	except motor
exportation and which	vehicles imported by
are exempt from	such companies.
customs duty and	
sales tax under	
Notification	
5[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

2[(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) Petroleum (E&P) companies covered under the Customs and Sales Tax Notification No. S.R.O.678(I)/2004, dated the 7th August, 2004, except motor vehicles imported by such companies.

<b>6</b>	Clause 60A of Part 4 of Second Schedule	The provisions of section 148 shall not apply for import of plant, machinery and equipment in the case of:-  (a) M/s China State Construction Engineering Corporation Ltd. (M/s CSCEC); and	M/s China State Construction Engineering Corporation Ltd. (M/s CSCEC); and  M/s China Communication Construction Company (M/s CCCC).	0.76
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section 2  
 notwithstanding the  
 provisions of clause  
 (c) of sub-section (36)  
 of section 2;

<b>9</b>	Clause 71 of Part 4 of Second Schedule	The provisions of this Ordinance shall not be applicable to the M/s TAISEI Corporation under the agreement with National Highway Authority, GOP	M/s TAISEI Corporation	-
<b>10</b>	Clause 77 of Part 4 of Second Schedule	Provisions of sections 148 and 153 shall not be applicable on import and subsequent supply of items with dedicated use of renewable sources of energy	Importers and suppliers of items with dedicated use of renewable sources of energy	12,110.33
<b>11</b>	Clause 78 of Part 4 of Second Schedule	(i) The dividend income of the shareholders of "Coal Mining and Coal	Shareholders of coal mining and coal based power	-

based Power generation projects  
 Generation Projects in in Sindh  
 Sindh” shall be  
 exempt from  
 provisions of section  
 150 from the date of  
 commencement of  
 business till 30 years  
 from such date; and

(ii) The payments  
 made on account of  
 sale or supply of  
 goods or providing or  
 rendering of services  
 during project  
 construction and  
 operations, shall be  
 exempt from the  
 provisions of section  
 152(2A) and section  
 153”;

<b>12</b>	Clause 91 of Part 4 of Second Schedule	The provisions of section 148 shall not apply to-	Farming sector	1,931.22
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- (i) Tillage and seed bed preparation equipment
- (ii) Seeding or planting equipment
- (iii) Irrigation, drainage and agro-chemical application equipment
- (iv) Harvesting, threshing and storage equipment
- (v) Post-harvest handling and processing & miscellaneous machinery;

<b>13</b>	Clause 102 of Part 4 of Second Schedule	The provisions of section 231B (1A) shall not apply to light commercial vehicles leased under the Prime Minister's Youth Business Loan Scheme	Beneficiaries of PM's Youth Business Loan Scheme	-
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**Total from Specific Provisions**

**61,075.52**

**Others / Miscellaneous**

<b>1</b>	Section 41 of ITO- 2001	Agricultural income	Agriculture sector	-
<b>2</b>	Section 49 of ITO- 2001	The income of the Federal Government shall be exempt from tax under this Ordinance. The income of a Provincial Government or a Local Government is exempt, other than income chargeable under the head “Income from Business” derived by a Provincial Government or Local Government from a business carried on outside its jurisdictional area.	Government organizations	26,164.12

\* Exemption under this section is not available in the case of corporation, company, a regulatory authority, a development authority, other body or institution established by or under a Federal law or a Provincial law or an existing law or a corporation, company, a regulatory authority, a development authority or other body or institution set up, owned and controlled, either directly or indirectly, by the Federal Government or a Provincial Government,

regardless of the  
ultimate destination of  
such income as laid  
down in Article 165A  
of the Constitution of  
the Islamic Republic  
of Pakistan

<b>Total from Others</b>	<b>26,164.12</b>
<b>Total Income Tax Expenditure</b>	<b>399,661.56</b>

#### 4.1.2 Details of Sales Tax Estimates

**Table 9. SALES TAX EXPENDITURE**

Exemption Heads	Tax Expenditure		Increase
	(Rs. Million)		(%)
	FY2020- 21	FY2021- 22	
Zero Rating under 5th Schedule to Sales Tax Act 1990	12,887	33,422	159.4
Exemption under 6th Schedule on (Imports)	173,808	327,656	88.5
Exemption under 6th Schedule on Local supplies	156,134	139,046	-10.9
Reduced Rates Under 8th Schedule	208,531	193,722	-7.1
Sales Tax on cellular Mobile Phones under 9th Schedule	27,096	45,919	69.5
<b>Total Sales Tax Expenditure</b>	<b>578,456</b>	<b>739,767</b>	<b>27.9</b>

#### 4.1.3 Details of Customs Duty Estimates

**Table 10. CUSTOMS EXPENDITURE**

Exemption Order	Exemption Type	Beneficiary Sector	Tax Expenditure (Rs. Million)
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Chapter-99

Exemptions

9901.0000 -	Chapter-99 Exemptions: Goods imported by various agencies of the United Nations	Agencies under the United Nations	985
9902.0000 -	Chapter-99 Exemptions: Goods imported by Diplomats/Embassies/ Consulates	Diplomats/Embassies/ Consulates under the Diplomatic and Consular Privileges Act, 1972	608
9903.0000 -	Chapter-99 Exemptions: Goods imported by privileged personnel or by organizations or by any person authorized by the contracting parties, under grant-in-aid agreements	Privileged personnel or by organizations or by any person authorized by the contracting parties, under grant-in-aid agreements (including those agreements which cover off budget foreign contributions or funds brought by registered INGO's without any financial	1,995

		liabilities to the Government of Pakistan)	
9904.0000 -	Chapter-99 Exemptions: Vehicles in CKD condition, imported by recognized local manufacturer for supply to diplomat, diplomatic mission, privileged person	Vehicles in CKD condition, imported by recognized local manufacturer for supply to diplomat, diplomatic mission, privileged person	-
9905.0000 -	Chapter-99 Exemptions: Imports by Dignitaries of UAE, Qatar and Bahrain	Dignitaries of UAE, Qatar and Bahrain	0
9906.0000 -	Chapter-99 Exemptions: Goods imported under the President/ Prime Minister/ Governors/ 's Salary, Allowances and Privileges Act, 1975	The President and the Prime Minister of Pakistan. The Governors and the Acting Governors of the Provinces	3

9908.0000 -	Chapter-99 Exemptions: Goods received as gift or donation from a foreign government or organization by the Federal or Provincial Government or any public sector organization or Goods received as gift by Pakistani organizations from Church World Services or the Catholic Relief Services	Gifts received by the Federal, the provincial or any public sector organization	16
9909.0000 -	Chapter-99 Exemptions: Articles, value of which does not exceed Rs.20,000/- per parcel, if imported through post or	Articles, value of which does not exceed Rs.20,000/- per parcel, if imported through post or courier service as unsolicited gift parcel	28

	courier service as unsolicited gift parcel		
9910.0000 -	Chapter-99 Exemptions: Samples of no commercial value imported by manufacturers	Samples of no commercial value imported by the manufacturers	8
9911.0000 -	Chapter-99 Exemptions: Relief goods donated for free distribution among the victims of natural disaster or other catastrophe OR Plant, machinery and equipment imported by way of donation for installation in the earthquake hit districts	(i) Relief goods donated for free distribution (ii) Plant, machinery and equipment imported by way of donation for installation in the earthquake hit districts as certified by ERRA/National Disaster Management Authority.	505
9912.0000 -	Chapter-99 Exemptions: Imports by Edhi Foundation	Imports by Edhi Foundation	0

9913.0000 -	Chapter-99 Exemptions: Gifts or donations received by a charitable non-profit making hospital or institution	Gifts or donations received by a charitable non-profit making hospital or institution	5,933
9914.0000 -	Chapter-99 Exemptions: Imports by Charitable Institutions and Hospitals	Imports by Charitable Institutions and Hospitals	1,799
9915.0000 -	Chapter-99 Exemptions: Goods imported by or donated to non -profit making educational and research institutions	Goods imported by or donated to non -profit making educational and research institutions	308
9916.0000 -	Chapter-99 Exemptions: Goods supplied free of cost as replacement of identical goods previously imported	Goods supplied free of cost as replacement of identical goods previously imported within	241

		warranty period	
		Replacement Goods.	
9922.0000 -	Chapter-99	Ship spares, stores	9
	Exemptions: Ship	and equipment	
	spares, stores and	imported for use in	
	equipment imported	ships registered in	
	for use in ships	Pakistan Temporary	
	registered in Pakistan	Import or Export.	
9924.0000 -	Chapter-99	Eye cornea	0
	Exemptions: Eye		
	cornea		
9925.0000 -	Chapter-99	Medical	604
	Exemptions: Artificial	appliances/equipment.	
	kidneys, hemodialysis		
	machines,		
	hemodialyzers, A.V.		
	fistula needles,		
	hemodialysis fluids &		
	powder, blood tubing		
	tines for dialysis,		
	reverse osmosis		
	plants for dialysis,		
	double lumen catheter		
	for dialysis, catheters		
	for renal failure		

	patients, peritoneal dialysis solution and cardiac catheters.		
	colostomy bags and appliances identifiable for Ostomy use		
9927.0000 -	Chapter-99	Pharmaceutical raw materials if imported	85
	Exemptions: Pharmaceutical raw materials if imported for manufacture of contraceptives in accordance with the input out put ratios determined by the Directorate of Input Output Co-efficient Organization.	for manufacture of contraceptives	
	Contraceptives and accessories thereof.		
9930.0000 -	Chapter-99	Any goods, including vehicles, specified in the First schedule to the Customs Act, 1969 (IV of 1969) imported	781
	Exemptions: Any goods, including vehicles, specified in the First schedule to		

the Customs Act, 1969 (IV of 1969) imported by Federal/Provincial/Local Government Departments, Municipal bodies and Development authorities subject to the condition that the goods are donated to the importers for use in an approved foreign grant funded project under a proper grant relating to Capital Aid-Technical Assistant Agreement signed between the Government of Pakistan and a foreign government or agency subject to concurrence of the by Federal/Provincial/Local Government Departments, Municipal bodies and Development authorities subject to the condition that the goods are donated to the importers for use in an approved foreign grant funded project

	Federal Board of Revenue.		
9931.0000 -	Chapter-99 Exemptions: Ground handling equipment, service and operation vehicles, catering equipment and fuel trucks not manufactured locally, imported by domestic airlines or by any other service company to which a license has been issued by the Civil Aviation Authority for such purposes.	Ground handling equipment imported by airlines	63
9937.0000 -	Chapter-99 Exemptions: Items relating to disabled persons, like Wheel chairs, Artificial human part, Items	Certain items imported by the Disabled persons	205

	used for rehabilitation of blind persons etc..		
9938.0000 -	Chapter-99 Exemptions: Disposables, as are not manufactured locally, for Cardiology/cardiac surgery, Neurovascular, Electrophysiology, Endosurgery, Endoscopy, Oncology, Urology, Gynecology;	Certain Disposables, as are not manufactured locally, for Cardiology/cardiac surgery, Neurovascular, Electrophysiology, Endosurgery, Endoscopy, Oncology, Urology, Gynecology;	753
9939.0000 -	Chapter-99 Exemptions: Diagnostic kits for HIV and Hepatitis	Diagnostic kits for HIV and Hepatitis	406
9941.0000 -	Chapter-99 Exemptions: Goods imported by or donated to municipal authorities including development	Goods imported by or donated to municipal authorities including development authorities , Federal Government,	627

authorities , Federal	Provincial
Government,	Government,
Provincial	Government of Azad
Government,	Jammu and Kashmir,
Government of Azad	Government of Gilgit-
Jammu and Kashmir,	Baltistan, National
Government of Gilgit-	Disaster Management
Baltistan, National	Authority (NDMA),
Disaster Management	Provincial Disaster
Authority (NDMA),	Management Authority
Provincial Disaster	(PDMA) and
Management	Government
Authority (PDMA) and	Emergency/Rescue
Government	services,
Emergency/Rescue	
services,	

Sub-Total:- Chapter-99 15,963

Exemptions

FTA & PTA

Exemptions: Bilateral  
arrangements with  
different Governments  
/Regional  
commitments

558(I)/2004 Table I	Section 19	FTA: General exemption on import from ECO	-
558(I)/2004 Table II	Section 19	FTA: General exemption on import from SAARC	34
1296(I)/2005 Table-I	Section 19	FTA: Pak-China Early Harvest Program (prescribes FTA CD Rate)	0
1296(I)/2005 Table-II	Section 19	FTA: Pak-China Early Harvest Program (prescribes %age of concession in CD Rate)	3
1274(I)/2006 Table-I	Section 19	FTA: General exemption on import from SAARC countries under SAFTA Agreement	287
1274(I)/2006 Table-II	Section 19	FTA: General exemption on import from SAARC countries under SAFTA Agreement	1

SRO 659(I)/2007 Table-I	Section 19	FTA: General exemption on import from China under Pak- China FTA	15
SRO 659(I)/2007 Table-II	Section 19	FTA: General exemption on import from China under Pak- China FTA	15
SRO 1640(I)/2019 -	Section 19	FTA: General exemption on import from China under Pak- China FTA	34,588
SRO1151(I)/2007 Table	Section 19	PTA: General exemption on import from Mauritius under PTA	-
SRO1261(I)/2007 Table I	Section 19	PTA: General exemption on import from Malaysia under PTA	3,082
SRO1261(I)/2007 Table II	Section 19	PTA: General exemption on import from Malaysia under PTA	687

SRO741(I)/2013 Table	Section 19	PTA: General exemption on import from Indonesia under Pak-Indonesia PTA	4,032
SRO280(I)/2014 d	Section 19	FTA: General exemption on import from Sri Lanka under Pak-Sri Lanka FTA	485
SRO280(I)/2014 I	Section 19	FTA: General exemption on import from Sri Lanka under Pak-Sri Lanka FTA	-
SRO280(I)/2014 Table-I	Section 19	FTA: General exemption on import from Sri Lanka under Pak-Sri Lanka FTA	2,747
SRO280(I)/2014 TABLE-III	Section 19	FTA: General exemption on import from Sri Lanka under Pak-Sri Lanka FTA	129
		Sub- Total:- FTA & PTA Exemptions	46,105

Fifth

Schedule(Customs

Duty)

Fifth Schedule (Customs Duty) Part-I	Exemption under 18(1A) of the Customs Act, 1969	Imports of Plant, Machinery, Equipment and Apparatus, including Capital Goods for various industries/sectors	44,962
Fifth Schedule (Customs Duty)- Part II Table-A	Exemption under 18(1A) of the Customs Act, 1969	Import of Active Pharmaceutical Ingredients by pharma sector	1,892
Fifth Schedule (Customs Duty)- Part II Table-B	Exemption under 18(1A) of the Customs Act, 1969	Excepients/Chemicals by pharmaceutical sector	525
Fifth Schedule (Customs Duty)- Part II Table-C	Exemption under 18(1A) of the Customs Act, 1969	Drugs (mostly Life Saving) by pharmaceutical sector	10,179
Fifth Schedule (Customs Duty)- Part II Table-D	Exemption under 18(1A) of the Customs Act, 1969	Packing Materials/Raw Materials for Packing by pharmaceutical sector	1,159
Fifth Schedule (Customs Duty)- Part II Table-E	Exemption under 18(1A) of the Customs Act, 1969	Diagnostic Kits/Equipment) by pharmaceutical sector	3,591

Fifth Schedule(Customs Duty)- Part III	Exemption under 18(1A) of the Customs Act, 1969	Poultry and Textile Sectors	71,407
Fifth Schedule(Customs Duty)- Part IV	Exemption under 18(1A) of the Customs Act, 1969	Machinery and Equipment for Textile Sector	414
Fifth Schedule(Customs Duty)- Part V	Exemption under 18(1A) of the Customs Act, 1969	Automotive Manufacturing Sector (Auto Policy)	891
Fifth Schedule(Customs Duty)- Part VI	Exemption under 18(1A) of the Customs Act, 1969	Aviation Sector (Aviation Policy)	265
Fifth Schedule (Customs Duty) Part-VII	Exemption under 18(1A) of the Customs Act, 1969	Essential edible items like pulses, potato etc., Oil and Oil products, Inputs of export sectors etc.	33,468
Fifth Schedule(Customs Duty)- Part VIII	Exemption under 18(1A) of the Customs Act, 1969	Miscellaneous.	
		Sub-Total:- Fifth Schedule(Customs Duty)	168,754

268(I)/2015	Section 19	Mining equipment & machinery imported by Thar Coal Field	849
565(I)/2006	Section 19	Raw material of survey based Local industries: Stationary/ Electrical Capacitors/ Pesticides / Distilled Fatty Acids / CRC & GI coils / Fans/ Transformers / Electric Motors manufacturers	13,859
SRO 499(I)/2013	Section 19	Auto Sector: General concession for import of Hybrid Electric Vehicles	2,110
SRO678(I)/2004	Section 19	Exploration and Production (E&P) Companies	5,777
107(I)/2019 and SRO 48(I)/2018	Section 19	Textile Sector (Local Yarn Producers): Import of Cotton	-
SRO 121(I)2014	Section 219	Afghan Transit Trade	9
SRO 48(I)/2018	Section 19	Import of cotton	-

SRO 642(I)/2016	Section 19	Imports by M/s CSCEL for Karachi-Peshawar Motorway	-
SRO 644(I)/2018	Section 19	General: Concession of CD on import of electric motor vehicles	1,027
SRO40(I)/2017	Section 19	Lahore Orange Metro Train Project	-
SRO655(I)/2006	Section 19	Vendors of Automotive sector	13,065
SRO656(I)/2006	Section 19	OEMs of Automotive Sector	16,811
SRO235(I)/2020	Section 19	COVID-19 Exemptions - General	50
SRO318(I)/2020	Section 19	COVID-19 Exemptions - General	155
SRO556(I)/2020	Section 19	COVID-19 Exemptions - General	2,566
SRO558(I)/2020	Section 19	COVID-19 Exemptions - General	24
SRO559(I)/2020	Section 19	COVID-19 Exemptions - General	-
SRO1251(I)/2020	Section 19	COVID-19 Exemptions - General	4,686
		Sub-total	60,987

Export Related

Exemptions

SRO450(I)/2001	Section 219	DTRE	5,941
SRO450(I)/2001	Section 219	Manufacturing Bonds	8,793
SRO 327(I)/2008	Section 219	Export Oriented Units	19,910
SRO 492(I)/2008	Section 219	Temporary Imports	10,530
SRO 450(I)/2008/9917.0000	Section 219	EPZ (abroad)	5,907
		Sub-Total:-	51,081
		Total Customs Expenditure	342,890
		Total Tax Expenditure	1,482,319

**4.2 Appendix B – Data Sources**

Estimations for tax expenditures of Sales Tax and Customs are based on data obtained from FBR's official database (PRAL). However, for estimations of Income Tax, the data requirement is more complicated. Data from FBR's official database, i.e. from income tax returns, has certain limitations, and therefore, it is not enough for calculating the tax expenditures. In some cases, additional data was requested from FBR's field formations, while in many other cases, data was collected from various third party sources. A list of these sources is given here:

**Federal Government and semi-autonomous departments:**

1. Accountant General Pakistan Revenue
2. Alternative Energy Development Board
3. Aviation Division
4. Board of Investment

5. Bureau of Emigration
6. Controller General of Accounts
7. Economic Affairs Division
8. Employees' Old-Age Benefits Institution
9. Engineering Development Board
10. Export Processing Zones Authority
11. Federal Employees Benevolent and Group Insurance Fund
12. Finance Division
13. Military Accountant General, Rawalpindi
14. Military Lands & Cantonment Headquarters, Rawalpindi
15. Ministry of Energy (Power Division)
16. Ministry of Foreign Affairs
17. Ministry of Maritime Affairs,
18. Ministry of Textile Industry
19. National Logistic Cell, Rawalpindi
20. National Transmission & Dispatch Company (NTDC)
21. Oil & Gas Development Company Limited (OGDCL)
22. Oil & Gas Regulatory Authority (OGRA)
23. Pakistan Agricultural Research Council
24. Pakistan Centre for Philanthropy (PCP)
25. Pakistan Council of Scientific and Industrial Research
26. Pakistan National Shipping Corporation
27. Pakistan Railway Headquarters, Lahore
28. Pakistan Software Export Board (PSEB)
29. Pakistan Telecommunication Authority (PTA)

30. Pakistan Water & Power Development Authority
31. Petroleum Division
32. Prime Ministers' Office (Prime Minister's Youth Program)
33. Private Power and Infrastructure Board (PPIB)
34. Registrar of Ships & Superintendent of Light Houses
35. Securities & Exchange Commission of Pakistan (SECP)
36. State Bank of Pakistan (SBP)

**Provincial Government departments:**

37. Accountant General, Balochistan
38. Accountant General, KPK
39. Accountant General, Punjab
40. Accountant General, Sindh
41. Board of Revenue, Balochistan
42. Board of Revenue, KPK
43. Board of Revenue, Punjab
44. Board of Revenue, Sindh
45. Directorate of Postal Accounts, Lahore
46. Energy Department, Sindh
47. Finance Department, Balochistan
48. Finance Department, KPK
49. Finance Department, Punjab
50. Finance Department, Sindh
51. Mines & Mineral Development Department (Sindh)
52. Provincial Sports Boards
53. Provincial Text Book Boards

54. Social Security Institutions

**Financial institutions**

55. Asset Management / Mutual Funds Institutions

56. Commercial Banks

57. Real Estate Investment Trust (Dolmen City)

58. Health Insurance Companies

59. National Investment Trust Limited

60. Pakistan Mortgage Refinance Company Limited,

61. Pakistan Stock Exchange

62. Pension Funds (registered under Voluntary Pension System)

63. Private pension funds and trusts (registered with FBR)

64. Provident Fund Institutions (those registered under Provident Fund Act 1925)

**Private / Other**

65. Agha Khan Development Network

66. Association of Builders and Developers (ABAD)

67. China North Industries Corps

68. China Overseas Ports holding Company (Pakistan) Pvt. Ltd.,

69. Gwadar Free Zone Company (GFZC)

70. Pakistan Film Producers Association

71. Pakistan Science Foundation

72. Pakistan Software Houses Association for IT & ITES (P@SHA)

73. Shipping Companies

**Websites and Online**

74. Budget documents (federal & provincial governments)

**75. Pakistan Bureau of Statistics**

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- 12 International Monetary Fund, "Tax Expenditure Reporting and Its Use in Fiscal Management: A Guide for Developing Economies", IMF, 2019.
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## Evidence-Based Revenue Forecasting FY 2022-23

### 1. Summary of Revenue Forecasts for FY 2022-23

The FBR revenue forecasts for FY 2020-23 based on expected collection for FY 2022, i.e., **Rs. 6,100 billion**, buoyancy estimates and macroeconomic indicators is **Rs. 7,004 billion**. This excludes the policy and administrative/enforcement measures. The required growth to meet the projected revenue target will be 14.8 percent during FY 2020-23. Table 1 below shows the tax-wise revenue forecasts.

**Table 1: Tax-wise Revenue Forecasts FY 2022-23 (Rs. Billion)**

Tax	Expected Base (collection)  FY 2021-22	FBR Forecasts without Measures  FY 2022-23	FBR Forecasts with Measures  FY 2022-23	Required Growth (%)
Total (FBR)	6,100.0	6,649.0	7,004.0	14.8
DT	2,227.0	2,478.0	2,594.0	16.5
ST	2,576.0	2,790.0	2,940.0	14.1
FED	337.0	359.0	420.0	24.6
CD	960.0	1,022.0	1,050.0	9.4

## 2. Current Revenue Trends

Despite ongoing Covid-19 related challenges, tax collection growth witnessed a healthy rebound during last three years particularly in FY 2021-22. The collection growth was at lowest level in FY 2018-19 with a negative 0.4 percent growth, however, in the following years it started picking up. The growth remained 4.4 percent in FY 2019-20 and reached 18.7 percent in FY 2020-21 (Table 2). All the taxes recorded a double-digit growth in FY 2020-21. The original target for FY 2020-21 was Rs. 4,963 billion, which was later revised to Rs. 4,691 billion against which collection was made to the extent of 101.2 percent, i.e., Rs. 54 billion excess over the revised target.

**Table 2: FBR Yearly Collection Trend (Rs. Billion)**

<b>Tax</b>	<b>FY17- 18</b>	<b>% Inc/Dec</b>	<b>FY18- 19</b>	<b>% Inc/Dec</b>	<b>FY19- 20</b>	<b>% Inc/Dec</b>	<b>FY20- 21</b>	<b>% Inc/Dec</b>	<b>FY21- 22</b>	<b>% Inc/Dec</b>
<b>DT</b>	1,537	14.3	1,446	-5.9	1,523	5.4	1,731	13.6	2,227	28.6
<b>ST</b>	1,485	11.8	1,459	-1.8	1,597	9.4	1,988	24.5	2,576	29.6
<b>FED</b>	213	7.9	238	11.6	250	5.2	277	10.6	337	21.6
<b>CD</b>	608	22.5	686	12.7	627	-8.6	748	19.4	960	28.3
<b>Total</b>	3,844	14.1	3,828	-0.4	3,997	4.4	4,745	18.7	6,100	28.6

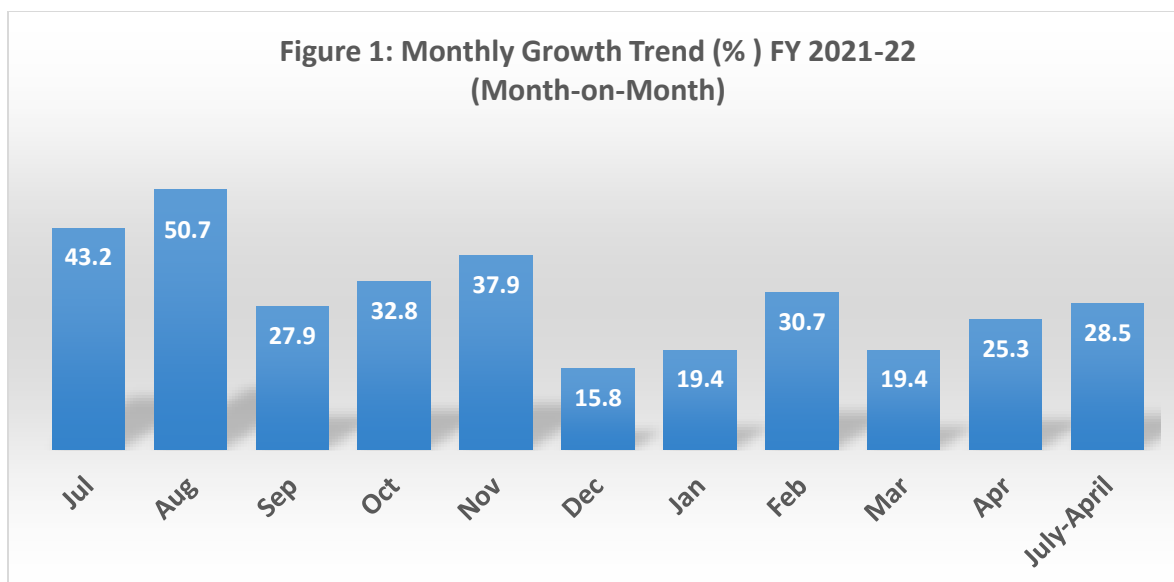
The pace of growth in FBR's collection attained in FY 2020-21, and continued in FY 2020-22, remained satisfactory. All taxes have achieved their respective targets during first ten months of CFY, except the FED. The overall growth in collection has been recorded at

28.5 percent This remarkable revenue growth witnessed due to economic recovery in the post-COVID period and low revenue growth in past few years. The tax-wise collection is shown in table 3.

**Table 3: Net Collection July-April FY 2021-22 (Rs. Billion)**

Tax	July-April		Increase (%)
	FY 2020-21	FY 2021 -22	
DT	1,362.60	1,743.70	28
ST	1,596.30	2,064.20	29.3
FED	223.4	256	14.6
CD	595.4	791.8	33
<b>Total</b>	<b>3,777.70</b>	<b>4,855.80</b>	<b>28.5</b>

The month-wise growth trend is reflected in figure 1 below. Although there is a declining trend on a month wise basis, however, the ten months' average growth is still above 28 percent.

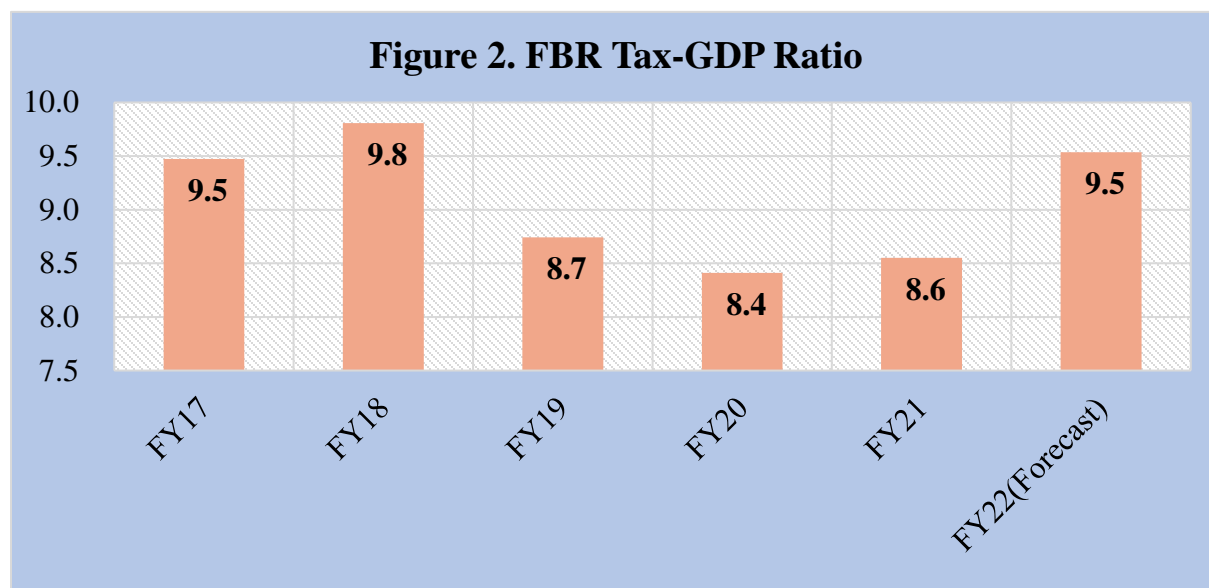


## Tax-GDP Ratio

Tax-GDP ratios are used to project extent of tax collection in the economy on a relative scale. FBR revenue collection has shown a steady increase in the last few years. As mentioned in the previous section despite ongoing Covid-19 challenges such as lockdowns and disruptions of international supply chains, the growth in revenues was 4.4 percent immediately after the first pandemic year, which was further increased to 18.7 percent in FY 2020-21. The tax-GDP Ratio of FBR's collection is presented in the Figure 2. GDP base is important to show the scale and scope of economic activities. The FBR's tax-GDP ratio remained between 8.4 percent to 9.8 percent during last five years. During FY 2018-19 and FY 2019-20, tax-GDP ratio declined, which was mainly attributed to Covid-19 pandemic related economic challenges.

However, again it started to increase in FY 2020-21 as pandemic was effectively managed in Pakistan and world was also opening up (Figure 2). It is expected that tax-

GDP ratio will increase further in FY 2021-22 as reported by the first ten months' collection performance.



Source: GDP data PBS

### 3. Evidence Based Revenue Forecasts FY 2022-23

FBR collects the Federal level taxes including Direct taxes (DT), Sales Tax (Domestic and Imports), Federal Excise Duty (FED) and Customs Duties (CD). The methodology for revenue forecasting (Annex I) is based on projections of macroeconomic indicators and buoyancy value of each tax. Last year, tax-wise buoyancy estimates had been used to forecast the FBR tax-wise revenues for FY 2021-22. This year the buoyancy estimates have been revised with the rebased National Accounts updated values. Following table reflects the respective buoyancies which are estimated using simple log regression method in excel sheet by using log values of actual data for taxes.<sup>6</sup>

<sup>6</sup> Source: National Accounts, Pakistan Bureau of Statistics, FBR Annual Reports.

**Table 4: Buoyancy Estimates**

IT (Dom)	IT (Imports)	ST (Dom)	ST (Imports)	FED (Dom)	FED (Imports)	CD
1.16	1.11	1.12	1.10	0.90	0.74	1.10

The estimate of relevant macroeconomic indicator is applied on specific tax buoyancy estimate to arrive at the autonomous growth rate for that specific tax.

### 3.1 Tax-wise Revenue Projections FY 2022-23

The autonomous growth (Table 2 Annex-1) has been applied on base year's (FY 2021-22) expected collection (Rs. 6100 billion) for each respective tax, which estimates an increase of **Rs. 1004 billion** for the FY 2022-23. This addition has been added in the expected collection of FY 2021-22, thus the revenue forecast for FY 2022-23 has been obtained to the tune of **Rs. 7,004 billion**. The required growth over the expected collection of FY 2021-22, i.e., Rs. 6,100 billion would be 14.8 percent for FY 2022-23.

**Table 5: Revenue Projections for FY 2022-23 (Rs. Billion)**

Expected Base	FBR Projections without Measures	Required Growth (%)
---------------	-------------------------------------------	---------------------

FY2021-22	FY2022-23		
6,100	7,004	14.8	
<b>Direct taxes</b>	<b>DT (Dom)</b>	<b>DT</b>	<b>DT</b>
		<b>(Imports)</b>	<b>(total)</b>
Expected Base FY 2021-22	1925.4	301.6	2227
FBR Projections without Measures FY 2022-23	2269.7	324.2	2594
Required Growth (%)	17.9	6.2	16.5
<b>Sales Tax</b>	<b>ST (Dom)</b>	<b>ST</b>	<b>ST</b>
		<b>(Imports)</b>	<b>(total)</b>
Expected Base FY 2021-22	743.1	1832.9	2576
FBR Projections without Measures FY 2022-23	884.6	2055.5	2940
Required Growth (%)	19	12.1	14.1
<b>Federal Excise Duty</b>	<b>FED (Dom)</b>	<b>FED</b>	<b>FED</b>
		<b>(Import)</b>	<b>(total)</b>
Expected Base FY 2021-22	301.5	35.5	337

FBR Projections without Measures FY 2022-23	359	61	420
---------------------------------------------	-----	----	-----

Required Growth (%)	17.9	106.5	24.6
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**Customs Duty**

**CD (total)**

Expected Base FY 2021-22			960
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Projection (2022-23) with Autonomous Growth			1,050
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Required Growth (%)			9.4
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**4. Conclusion**

The overall FBR taxes are buoyant and there is a potential for achieving growth in tax revenues provided that macroeconomic indicators are doing well. It is evident from last 20 years data that FBR revenues increased substantially. The tax-wise breakdown reveals that the Income Tax (Domestic) and Sales Tax (Domestic) are most buoyant with 1.16 and 1.12 respective buoyancy values. On the other hand, sales tax (imports), customs and FED have relatively lower buoyancies. In this regard, addressing the issues of narrow base, unnecessary exemptions and under invoicing/valuation problems at import stage can be instrumental for making these taxes more buoyant, thus enabling the revenue organization to fetch more tax revenues.

It is estimated that the total FBR collection for the next year would be Rs. 7,004 billion. However, the revenue collection and achieving of target would largely depend on the performance of the economy against the targets and the effective enforcement by FBR.

## Methodology

The Directorate General of Revenue Analysis Wing projects the tax-wise revenue estimates based on buoyancy estimates<sup>7</sup> before budget. Tax-wise buoyancy estimates are calculated by using historical collection and respective bases (from national income accounts) data. The current tax-wise buoyancy estimates are estimated from data for the years 2001-02 to 2020-21 in respect of economic indicators, i.e., GDP, LSM and Imports.<sup>8</sup> This year Pakistan Bureau of Statistics (PBS) has published its revised National Income Accounts on 2015-16 base. Data is extracted from the National Income Accounts tables provided at the website of PBS<sup>9</sup>.

The tax buoyancy is an indicator to measure efficiency and responsiveness of revenue mobilization in response to growth in the GDP or national income. A buoyant tax means the tax revenues increase more than proportionately in response to a rise in national income/GDP/base.

Tax buoyancy is the ratio of the percentage change in tax revenues (including changes in tax collection due to changes in tax base or tax rate) to percentage change in tax base or GDP. To calculate tax buoyancy, the ex-post (including changes in tax rate/ base) percentage change in tax revenue is used.

**Table 6. Tax-wise FBR taxes and Respective Tax Bases**

Tax-wise TAX	Tax-wise Tax Base
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<sup>7</sup> Buoyancy is relationship between changes in actual revenues and changes in proxy tax base from National Accounts data.

<sup>8</sup> Annex-I and Annex II

<sup>9</sup> <https://www.pbs.gov.pk/national-accounts-tables>

Income Tax (Dom)	GDP
Income Tax (Imports)	Import Value
Sales Tax (Dom)	Large Scale Manufacturing (LSM)
Sales Tax (Imports)	Import Value
Customs Duties (CD)	Dutiable Import Value
Federal Excise Duty (Dom)	Large Scale Manufacturing (LSM)
Federal Excise Duty (Imports)	Import Value

The respective proxy bases of tax-wise FBR taxes are as follow:

The buoyancy estimates of tax-wise FBR taxes are as follow:

$$IT(D) \text{ Buoyancy Estimates} = \frac{\% \text{ Change in Actual Income Tax Revenues}}{\% \text{ Change in GDP}}$$

$$IT(I) \text{ Buoyancy Estimates} = \frac{\% \text{ Change in Actual Income Tax Revenues}}{\% \text{ Change in Import Value}}$$

$$ST(D) \text{ Buoyancy Estimates} = \frac{\% \text{ Change in Actual ST Revenues}}{\% \text{ Change in LSM}}$$

$$ST(I) \text{ Buoyancy Estimates} = \frac{\% \text{ Change in Actual Sales Tax Revenues}}{\% \text{ Change in Import Value}}$$

$$CD \text{ Buoyancy Estimates} = \frac{\% \text{ Change in Actual Customs Duty Revenues}}{\% \text{ Change in Import Value}}$$

$$FED (D) \text{ Buoyancy Estimates} = \frac{\% \text{ Change in Actual Federal Excise Duty Revenues}}{\% \text{ Change in LSM}}$$

$$FED (I) \text{ Buoyancy Estimates} = \frac{\% \text{ Change in Actual Federal Excise Duty Revenues}}{\% \text{ Change in Import Value}}$$

Using these buoyancy estimates autonomous growth for each tax has been estimated by using the macroeconomic indicators forecasts for each proxy base.<sup>10</sup> The parametric forecasts are provided for the GDP Growth, inflation, LSM growth and imports for upcoming year. GDP value used for this projection of growth is Gross Value Addition of Sectors at Constant Factor Costs. Using the inflation forecasts, these GDP growth estimates are converted into GDP growth estimates at Current Factor Cost. Furthermore, GDP-Gross value addition at Current Factor Cost at market prices (inclusive of Taxes less subsidies) are used for measuring the Buoyancy estimates to be used for revenue forecasts.

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<sup>10</sup> Finance Division macroeconomic framework for the next fiscal year along with rolling estimates for next two years in their Medium Term Budget Strategy Paper (2021-22 to 2023-24).

### ***Calculating Autonomous Growth***

In the second step autonomous growth has been estimated by multiplying buoyancy estimates with projected growths of respective bases (Table 7):<sup>11</sup>

**Table 7: Growth Assumptions for FY 2022-23**

Macroeconomic Indicators	Projected Growths (%) <sup>12</sup>
GDP (Nominal)	<b>17.0</b>
LSM (Nominal)	<b>19.4</b>
Imports	<b>16.0</b>
Inflation	<b>12.0</b>
GDP (Real)	<b>5.0</b>
LSM (Real)	<b>7.4</b>

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<sup>11</sup> Autonomous growth depends on macroeconomic indicators and assumption of tax structure being able to capture revenue from these as per past performance. A higher growth in base will lead towards higher independent growth in respective taxes and thus higher projected collection.

<sup>12</sup> Source National Accounts, Pakistan Bureau of Statistics / Economic Adviser's Wing, Finance Division

Table 7 provides autonomous growth parameters for each tax. These are based on buoyancy estimates and the macroeconomic proxy bases provided by Pakistan Bureau of Statistics/Finance Division.

**Table 8: Autonomous Growth**

Autonomous growth	%
DT (Dom) (GDP Nominal Growth* DT Dom) Buoyancy)	<b>17.8</b>
DT(Imports) (Imports Growth* DT (Imports) Buoyancy)	<b>19.7</b>
ST(Dom) (LSM Nominal Growth* ST(Dom) Buoyancy)	<b>21.3</b>
ST(imports) (Import Growth * ST (Imports) Buoyancy)	<b>17.8</b>
FED (Dom) (LSM Nominal Growth * FED (Dom) Buoyancy)	<b>18.4</b>
FED (Imports) (Imports Growth * FED (Imports) Buoyancy)	<b>11.4</b>
CD (Imports Growth * CD Buoyancy)	<b>17.6</b>

These autonomous growths have been used to project the autonomous growth estimates of respective tax revenue. For imports although negative growth in quantity of imports can be experienced due to restrictive import policy, however, overall import value is expected to increase due to depreciation of exchange rate in the coming year. According to state bank of Pakistan, Exchange rate will further depreciate by 14 percent until June 2023<sup>13</sup>.

<sup>13</sup> <https://www.sbp.org.pk/ecodata/rates/m2m/M2M-Current.asp>

To be sure of the results robustness a small exercise was also done by using the reduced and increased and decreased nominal growths by 10 percent (Annex IV). The resulting change was insignificant.

### Tax Collection Data

(Rs. Million)								
FY	DT (Imports)	DT(Dom )	ST (Imports)	ST (Dom)	FED (Imports)	FED (Dom)	Custom s	Total
2001- 02	19,231	123,274	92,779	73,782	44,917	2,270	47,818	404,070
2002- 03	20,787	131,111	105,605	89,534	43,097	1,657	68,836	460,627
2003- 04	22,829	142,250	125,875	93,292	43,894	1,659	91,045	520,843
2004- 05	24,484	158,888	144,845	93,692	49,855	3,249	115,374	590,387
2005- 06	26,878	198,110	171,445	123,353	51,419	3,852	138,384	713,442
2006- 07	25,790	307,947	175,909	133,487	66,957	4,847	132,299	847,236
2007- 08	27,675	360,186	196,034	181,396	77,785	14,352	150,663	1,008,0 91
2008- 09	30,102	413,447	203,715	248,029	103,078	14,377	148,403	1,161,1 50

2009-10	50,253	475,724	247,246	269,102	111,227	13,557	160,273	1,327,382
2010-11	66,399	536,052	308,648	324,709	117,833	19,521	184,853	1,558,014
2011-12	85,334	653,090	430,399	374,500	113,607	8,857	216,906	1,882,693
2012-13	103,236	640,173	429,831	412,697	113,811	7,153	239,459	1,946,360
2013-14	123,808	753,447	495,330	501,052	128,493	9,591	242,811	2,254,532
2014-15	147,352	886,368	553,028	534,762	149,030	13,217	306,220	2,589,978
2015-16	179,728	1,037,746	678,313	624,058	177,269	10,785	404,572	3,112,472
2016-17	197,041	1,147,185	702,565	626,400	186,089	11,822	496,772	3,367,874

2017-18	218,691	1,317,892	824,219	661,087	203,637	9,856	608,373	3,843,755
2018-19	221,833	1,223,675	810,357	648,856	225,519	12,667	685,575	3,828,482
2019-20	199,691	1,323,754	876,345	720,532	240,956	9,518	626,612	3,997,408
2020-21	218,499	1,512,755	1,115,912	872,396	257,412	19,633	748,390	4,744,998

Source FBR

### Tax Base Data

(Rs. Million)				
S.No	FY	GDP* (Gross Value Addition +Taxes - Subsidies)	LSM	Imports
1	2001-02	5,599,529	463,805	634,630
2	2002-03	6,116,024	518,279	714,372

3	2003-04	7,059,769	652,097	897,825
4	2004-05	8,109,529	820,629	1,223,079
5	2005-06	9,349,898	974,870	1,711,158
6	2006-07	10,514,773	1,125,730	1,851,806
7	2007-08	12,105,665	1,471,028	2,512,072
8	2008-09	15,021,118	1,540,254	2,723,570
9	2009-10	16,918,474	1,774,338	2,910,975
10	2010-11	20,798,383	2,314,710	3,455,287
11	2011-12	22,812,691	2,549,522	4,009,093
12	2012-13	25,474,626	2,718,555	4,349,880
13	2013-14	28,641,817	3,048,172	4,630,521
14	2014-15	31,229,850	3,079,209	4,644,152
15	2015-16	32,725,049	2,841,709	4,658,749
16	2016-17	35,552,819	3,083,146	5,539,721
17	2017-18	39,189,810	3,499,175	6,694,897
18	2018-19	43,798,401	4,266,145	7,443,253

19	2019-20	47,521,525	4,026,165	7,029,819
20	2020-21	55,488,010	4,914,827	8,982,441

*Source Pakistan Bureau of Statistics*

*\* GDP after adjustments of taxes and subsidies or GDP at market value*

## Verifying Robustness of Results

### Robustness check

#### 10% Reduction in

#### Autonomous growth

	DT (D)	DT (I)	DT	ST (D)	ST (I)	ST	CD	FED (D)	FED (I)	FED	Total
Expected Base Figures 2020-22	1925.4	301.6	2227.0	743.1	1832.9	2576.0	960.0	311.5	25.5	337.0	6100.0
Tax-wise Autonomous Growth	15.1	11.3	14.7	16.7	11.3	12.7	11.2	14.4	7.5	22.2	13.3
FBR Projections without Measures FY 2022-23	2215.9	335.7	2551.5	867.4	2040.9	2908.3	1067.4	356.5	27.4	383.9	6911.1
Tax-wise Required Growth	15.1	11.3	14.7	16.7	11.3	12.7	11.2	14.4	7.5	22.2	13.3

<b>10% Increase in Autonomous growth</b>											
	<b>DT (D)</b>	<b>DT (I)</b>	<b>DT</b>	<b>ST (D)</b>	<b>ST (I)</b>	<b>ST</b>	<b>CD</b>	<b>FED (D)</b>	<b>FED (I)</b>	<b>FED</b>	<b>Total</b>
Expected Base Figures 2020-22	1925.4	301.6	2227.0	743.1	1832.9	2576.0	960.0	311.5	25.5	337.0	6100.0
Tax-wise Autonomous Growth	18.4	13.8	17.9	20.4	13.9	15.5	13.7	17.7	9.2	27.1	16.2
FBR Projections without Measures FY 2022-23	2280.4	343.3	2623.7	895.1	2087.1	2982.1	1091.3	366.5	27.8	394.4	7091.4
Tax-wise Required Growth	18.4	13.8	17.9	20.4	13.9	15.5	13.7	17.7	9.2	27.1	16.2