FINANCE ACT 2022-23

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PREFACE

This document gives a brief insight of major amendments made through the Finance Act , 2022. In order to understand the impact of a particular proposed change, reference should be made to the specific wordings in the relevant statues.

This document is accurate to the best of our knowledge and belief at the time of its provision for issuance. It is intended to provide only a general outline of the Finance Act passed by the National Assembly of Pakistan for the fiscal year 2022-23. Expert opinion on specific proposed changes should be sought before taking decision having major economic significance. PKF F.R.A.N.T.S., Chartered Accountants and PKFI do not accept any responsibility for any loss arising from any action taken or not taken by anyone using this document.

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INCOME TAX ORDINANCE

DEFINITIONS:

i. Definition of **"Beneficial Owner"** is inserted which means a natural person who ultimately owns or controls a Company or association of persons (AOP), whether directly or indirectly, through at least 25% shares or voting rights OR who exercise ultimate effective control over the finances or decisions of the Company or AOP. The update record is to be submitted electronically in the format duly prescribed vide section 181E. This was the requirement of FATF as well to document such beneficial owners.

ii. **Distributor** was not defined in the Ordinance. Now it is defined to mean a person appointed by a manufacturer, importer or any other person for a specified area to purchase goods from him for further supply.

iii. **IT services and IT-enabled services** as defined in 30AD and 30AE are now not limited to the previous definition and the list provided in the definition is not exhaustive.

iv. Definition of **"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 SWAPS. Such agents shall be liable to integrate with the Synchronized Withholding Administration and Payment System (SWAPS) for real time reporting of withholding of tax under various provisions of the Ordinance. Procedure has been devised to notify such agents under section 164A. Failure to integrate may entail non adjustment of tax deducted/collected from SWAPS and will not be eligible for any exemption available under the Ordinance. Further Computerized Payment Receipt (CPR) would be replaced with SWAPS Payment Receipt (SPR).

v. **Tax invoice** is to be defined as prescribed under the Income Tax Rules, 2002.

NEW TAXES IMPOSED:

SUPER TAX ON HIGH EARNING PERSONS U/S 4C:

i. A new tax under the caption and garb of **"Super Tax on high earning persons"** has been imposed under section 4C which shall now be **applicable to all taxpayers**, individuals, AOP and companies, having TOTAL income over 150 million from Tax year 2022 and onward. The Total Income under 4C shall be sum total of income from all heads of income including profit on debt, dividend, capital gain, brokerage & commission and business income which shall be calculated before adjusting any brought forward losses and unabsorbed depreciation. Total income also includes the imputable income as defined in Section 2(28A) in FTR cases. The total income of exporters shall be imputed on worked back formula e.g., if tax deducted on export realization of a company for tax year 2022 is Rs 4.5 million; the imputable income shall be Rs 155 million and super tax payable shall be Rs 1.55 million.

   The tax so paid shall be **final tax** and tax slabs for this section are as below:

S. No.	Income under Section 4C	Tax Rate
1.	Where income does not exceed Rs.150 million	0%
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1%
3.	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2%
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3%
5.	Where income exceeds Rs. 300 million	4%

The tax rate u/s 4C shall be 10% where the persons engaged, whether partly or wholly, in the following businesses and their total income exceeds Rs 300 million for the tax year 2022:

Textiles	Airline	Automobiles	Beverages
Cement	Chemicals	Cigarette & tobacco	Oil refining
Petroleum & Gas Exploration & Production	Pharmaceuticals	Sugar	

The above 10% rate shall be applicable only for tax year 2022. From tax year 2023 onward rates mentioned in table above shall be applicable.

However, for banking companies, the tax under 4C will not be applicable for tax year 2022 but will be applicable from tax year 2023 and onwards because banks are already paying tax under 4B.

TAX ON DEEMED INCOME U/S 7E:

ii. Another new tax under section **7E** has been implemented **for Tax year 2022 and onward** under the caption of "**Tax on deemed income".** According to this scheme of taxation; a resident person shall be treated to have received rent equal to 5% of the fair market value of capital assets (immovable properties) situated in Pakistan held on the last day of tax year. The following capital assets have been excluded from the ambit of such levy:

a) One capital asset owned by Resident person (one self-owned immovable property).
b) Self-owned business premises from which business is carried out by the person appearing on active tax payer list (ATL) any time during the year
c) Self-owned agriculture land where agriculture activity is carried out excluding farmhouse and land annexed thereto. However, farmhouse having covered area less than 5000 square feet used as a single dwelling unit with or without an annex shall also be exempted
d) Capital asset allotted to Shaheed or dependent of Shaheed of armed forces or persons dies or war wounded in the service of armed forces or federal or provincial government or ex-serviceman.

e) Any property from which income is chargeable to tax under the Ordinance and tax leviable is paid thereon. It means rented properties are excluded from the ambit of this section. Earlier in Finance bill rented properties were also subject to deemed income.
f) Capital asset in the first tax year of acquisition where tax u/s 236K has been paid.
g) Where the fair market value of capital assets (properties) in aggregate excluding (a to f) mentioned above does not exceed Rs 25 million.
h) Capital assets owned by a provincial or local government
i) Capital assets owned by a local authority, a development authority, builders and developers registered with DG of Designated Non-Financial Business and Professional Board (DNFBPB).

Capital asset has been defined to mean property of any kind held by a person, whether or not connected with a business **but does not include:**

- Any stock in trade
- Any shares stock or securities
- Any property entitled to a depreciation u/s 22 or 24
- Any moveable asset not mentioned above

Virtually capital asset means immovable properties. The deemed income shall be computed @ 5% of Fair market value (FMV) of such properties of all tax payers and tax @ 20% shall be charged on deemed income. The nutshell of this section is that tax shall be charged @ 1% of the FMV of the immovable properties (20% of 5% is equal to 1%) excluding properties mentioned in (a to i) above. The tax so charged shall be the final tax liability of the person.

EXPANSION OF SCOPE OF PAYMENTS TO NON-RESIDENTS

The scope of tax u/s **6** has been extended to Fee for money transfer operations, card network services, payment gateway services, interbank financial telecommunication services. The tax rate of 15% is intact for non-residents earning royalty or fee for technical services but for all other services (including offshore digital services) the tax rate has been increased from 5% to 10%.

TAXABLE INCOME - INCOME FROM BUSINESS

i. Amendment has been made in section 21 whereby a new clause (ea) is enacted to disallow the contribution paid by the employer to an approved gratuity fund, approved pension fund, and approved superannuation fund by 50%.

ii. The monetary limitation of making mandatory banking channel payments is changed to an aggregate of Rs.250,000 under a single account head for non-corporate taxpayers. Whereas in respect of a taxpayer being a company, a new clause (la) has been added in section 21 to disallow any expenditure paid under a single head that in aggregate exceeds Rs 1,000,000 if not made through digital means from a business bank account notified to Commissioner. The aforesaid limitations shall not be applied to a single transaction not exceeding Rs 25,000, utility bills, freight charges, travel fare, postage, and payment of taxes and duties. Similarly monthly salary exceeding Rs 25,000 shall be paid through cross cheque or through digital means.

iii. A new clause (r) is introduced in section 21 where any expenditure attributable to sales claimed by any person who is required to integrate with FBR approved fiscal electronic device but fails to integrate. However total disallowance of expenditure under this clause shall not exceed 8% of the allowable deduction.

iv. Few positive amendments have been made in section 22 while claiming "Depreciation" on depreciable assets. Through Finance Act 2020 a proviso was added to restrict 50% claim of normal depreciation in the year of acquisition and 50% in the year of disposal. This amendment was highly criticized due to its impracticability. This proviso has now been omitted. Another restriction was imposed on the value of vehicles not plying for hire to Rs 2.5 million. In last few years, the prices of vehicles have been multiplied and now the restricted value of such vehicles for the purpose of charging depreciation has been raised to Rs 7.5 million which is a realistic step.

However, if such vehicle is acquired on lease, the rentals are still restricted to Rs. 2.5 million. This limit should also be enhanced to 7.5 million in line with the above limit by amending section 28(1)(b).

v. Section 23(5) has been amended to exclude Building from the ambit of "Eligible depreciable asset" because the same was already excluded from the Third Schedule. It created confusion if the initial allowance is allowed on factory building or not. Now it is clarified that the initial allowance is only allowed for plant and machinery @ 25% of the cost. However, a vehicle plying for hire is mentioned in the definition of an eligible asset, whereas no rate for initial allowance is provided for such vehicle in the Third Schedule. This anomaly is still unrectified.

TAXABLE INCOME - CAPITAL GAINS

i. Amendment was made in section 37(4A) through Finance Act 2021; whereby the capital asset acquired through gift, if disposed of within two years of acquisition and the Commissioner is satisfied that such gift arrangement is a part of a tax avoidance scheme, then the provisions of section 79(3) shall apply to determine the cost of the asset for done/giftee that will be equal to the original cost of the asset of the donor/giftor. Now this sub-section has been omitted altogether. Resultantly now the cost of capital assets in case of gift or inheritance shall be equal to the cost to the transferor under section 79(3).

ii. Section 37(1A) has been substituted and now capital gain on disposal of immovable properties situated in Pakistan have been bifurcated into open plots, constructed property and flats. The tax on capital gain shall be chargeable to tax as per the schedule below:

Sr.No.	Holding period	Rate of Tax		
		Open Plots	Constructed Property	Flats
a.	Where the holding period does not exceed one year	15%	15%	15%
b.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.50
c.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0
d.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-

e.	Where the holding period exceeds four years but does not exceed five years	5%	0	-
f.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-
g.	Where the holding period exceeds six years	0%	-	-
Earlier, no tax on gain was charged if any of the property was disposed after four years of acquisition.				

As a result of the above, capital gains relating to the disposal of immovable properties situated outside Pakistan will be taxed at the applicable rates **irrespective of the holding period**.

iii. Section 37(3) has been omitted and now total gain on capital assets other than immovable properties or securities shall be subject to normal tax whereas before this amendment capital gain on sale of such assets if sold after a holding period of more than one year; was exempted to the extent of $1/4^{th}$ and $3/4^{th}$ was taxable.

iv. Tax rates of capital gain on sale of securities have also been changed from Tax year 2023 onward ranging from 0% to 15% depending upon holding period. Earlier the tax rate was 12.5% on gain if securities are sold after 1-7-2013.

EXEMPTIONS UNDER INTERNATIONAL AGREEMENT

Earlier **section 44** gave exemption to only those persons who are not citizens of Pakistan where the income earned was under any bilateral or multilateral agreement between the Federal and Foreign Governments. However, this exemption is extended now to **any person,** which means that now any Individual, Company, or AOP either resident or non-resident, earning from the above arrangement will be exempt from tax.

TAXABLE INCOME - DEDUCTIBLE ALLOWANCES

Every individual was entitled to deductible allowance on profit on debt paid to a scheduled bank or NBFI or public listed company on loan obtained for acquisition or construction of the house to the extent of the lessor of 50% of taxable income or Rs 2 million. This incentive has been withdrawn.

TAXABLE INCOME - TAX CREDITS

i. Tax credit under section 62 for investment in shares and insurance is withdrawn.

ii. Tax credit under section 62A for investment in health insurance is withdrawn.

iii. *The consequential amendment has been made in section 149 that while withholding tax on salaries above tax credits shall not be considered.* Tax credit under section 63 for contribution to an approved Pension Fund was also proposed to be withdrawn in Finance Bill but this is not approved. Therefore, the tax credit is still intact under section 63.

iv. Tax credit under section 65F for export of computer software and IT services or IT enabled services is withdrawn. Fixed tax @1% shall remain applicable on export of service u/s 154A; however, for IT services, the rate is proposed to be reduced to 0.25% under the aforesaid section.

TAX RESIDENCE STATUS

Any individual shall be considered as Resident of Pakistan for tax purposes:

a) If his stay in Pakistan during the tax year is 183 days or more OR
b) If he is citizen of Pakistan and is not present in any other country for more than 182 days during the tax year OR
c) If he is citizen of Pakistan and is not a resident tax payer of any other country.

SHARE OF AOP IS EXEMPT IN THE HANDS OF MEMBER OF AOP:

An explanation is added in section 92 to further clarify that if the income of the AOP is exempt and no tax is payable; the share received by a member out of the income of AOP shall remain exempt in the hands of AOP.

FIXED TAX LEVIED ON RETAILERS:

In order to facilitate the retailers other than those falling in Tier-1 a scheme of fixed tax has been introduced through section 99A. The sales tax and income tax at prescribed rates shall be charged through electricity bills which shall be the final tax in such business being carried on where commercial electricity connection is installed. The income tax rates applicable are as under:

Gross amount of monthly Bill	Tax (Rs)
Where the amount does not exceed Rs. 30,000	3,000
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	5,000
Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	10,000
Specified retailers and service providers through Income Tax General Order	Up to 200,000

The Board shall issue General Order to provide scope, time, recovery, adjustment, refund of tax payable and provide for record keeping, filing of return, statement and assessment.

TAX CREDIT FOR CHARITABLE ORGANIZATIONS:

An amendment in Section **100C (4)**, that the approval from the Commissioner under section 2(36) for institutions, foundations, societies, boards, trusts, and funds listed in Table 2 of Clause 66 of the second schedule should be applicable from the 01 July **2023**. Currently, the date of applicability is 01 July 2022. It means that such organizations can get the approval of 2(36) by 30th June 2023. Presently a lot of organizations have submitted their documents and are waiting for approval of the Commissioner. There was an issue that some of the organizations have status of AOP in IRIS system and despite of the fact that the Member Operation has directed to change the status and jurisdiction on NPOs to CTOs; it has not been done by IT wing.

TAX AMNESTY SCHEME ABUNDANT:

Tax Amnesty scheme announced in March 2022 through an Ordinance has been abundant with effect from 2nd March 2022. Accordingly, sections 59C, 65H and 100F were omitted with effect from 2nd March 2022.

RECHARACTERISATION OF INCOME AND DEDUCTIONS:

Section **109,** authorizes the Commissioner to re-characterize transaction for anti-avoidance of tax. A new clause (e) has been added with retrospective effect from tax year 2018 and onwards to treat a place of business in Pakistan as a permanent establishment if non-resident person; provided that the said fixed place of business is used or maintained by a person if the person or its associate carries on business at that place and fulfills the conditions as specified in sub-clause (g) of clause (41) of section 2.

UNEXPLAINED INCOME OR ASSETS U/S 111

i. As regards foreign remittance; there is no change in the threshold i.e., Rs. 5 million in a tax year and the source of the foreign remittances cannot be questioned by the department. Further explanation is added that money received from money service bureaus, exchange companies, or money transfer operators remitted outside Pakistan through normal banking channels qualify as "foreign remittances" for the purpose of this section.

ii. An important amendment targeting the final tax regime businesses, particularly for exporters, is made. A new section **4A** has been inserted which provide that the exporter shall not be entitled to take credit of any sum as in excess of imputable income. The imputable income on work back formula as devised under section 2(28A) ranges from 3% to 5% of export. If profit of any exporter exceeds 3% to 5% range then he is required to submit the financial statements duly audited by a Chartered Accountant. Even after submission of audited accounts the officer has the authority to make sure that **'the excess amount is reasonably attributed to the business activities'.** This amendment shall have far reaching effect on exporter and Sialkot being Export city shall be the main target by FBR. This amendment resumed already omitted the infamous section 169(4) which compels the taxpayers to take credit of the imputed income rather than actual. This matter has already been resolved by the Apex court in land mark judgement in "Elahi Cotton Case". In this judgement the Apex court allowed the exporters to take credit of their normal actual profit. However, department was allowed to probe in cases where abnormal profit is claimed. Resultantly infamous section 169(4) was omitted in 2004 which has now been revived in the same spirit. It appears that the same type of controversy will arise again.

iii. An explanation is added which requires that no separate notice under this section 111 is necessary if the explanation regarding nature and sources of following has already been confronted in notice issued under section 122(9):

   - any amount credited in person's books of accounts; or
   - any investment made or ownership of money or valuable article; or
   - suppression of any production, sales or any amount chargeable to tax; or
   - suppression of any receipt liable to tax

   This amendment has been incorporated to undo the decisions of apex courts where the assessments have been quashed for want of separate notice under section 111.

MINIMUM TAX

i. Minimum tax is applied where there is no tax payable or tax payable is less than minimum tax. This minimum tax shall not be applicable where the super tax u/s 4C as explained above has been paid.

ii. A proviso was added in Section 113(2c) last year to further clarify that if minimum tax is paid due to the fact that no tax is payable or paid for the year; the entire amount of minimum tax paid shall be carried forward for adjustment against tax liability for next five succeeding years. Now the act has reduced the period of carry forward from 5 to 3 years.

PROCEDURE - RETURNS

A new section 114B has been inserted so that the Board shall be further authorized to issue general orders for persons liable to file return but not appearing on the Active Taxpayer's List to disable their mobiles SIMS, electricity connections, or gas connections. The Board or Commissioners then can restore these connections after the return has been filed or if they are satisfied that person was not liable to file the return. No person shall be included in general order unless notice u/s 114(4) has been issued and that remained non-complied.

PROCEDURE – ASSESSMENT:

i. **Best judgement assessment**

Section **121(3)** restricts the commissioner to pass the best judgment assessment order within 5 years after the end of the tax year or the income year to which it relates. Now it is extended to 6 years.

ii. **Amendment of assessment**

The available timeline of 120 days from the date of issue of notice u/s 1229 for finalization of assessments has been extended to 180 days. This timeline can be further extended up to 90 days by the Commissioner for reasons to be recorded in writing.

However, adjournments on account of stay order, Alternate Dispute Resolution Proceedings or agreed assessment proceedings or time taken through adjournments by the taxpayer up to sixty days shall not be counted for computation of time limit under this section.

PROCEDURE – ALTERNATE DISPUTE RESOLUTION (U/S 134A)

Once again ADRC mechanism have been substantially revamped and now only cases of tax liability or refund over Rs 100 million can be referred to ADRC. Other changes as under:

i. Cases of criminal proceedings cannot be referred to the Board for ADRC
ii. Both the question of fact and law can be referred to ADRC.
iii. Application for ADRC shall be accompanied by an initial proposition for resolution of the dispute from which the taxpayer would not be entitled to retract
iv. The Board shall constitute a committee within 45 days of receipt of application. The tax payer can nominate any person from the penal notified by the Board.
v. The taxpayer must withdraw his appeal and submit order of withdrawal. The constituted committee shall decide the matter within 120 days of appointment.
vi. The recovery of tax shall be stayed till final decision or dissolution of committee, whichever is earlier
vii. Decision of the ADRC shall be on the majority basis.
viii. The Board shall dissolve the committee if it fails to decide the matter within stipulated time and the matter shall be decided by the relevant court of law or appellate authority.

PROCEDURE – COLLECTION AND RECOVERY

Presently tax on imports under section **148(7)** was treated as a minimum, except for goods by an **Industrial Undertaking** for its own use, on which the tax rate is 1% or 2% under the Twelfth Schedule. Now all imports irrespective of their tax rates shall be **adjustable** for industrial undertakings for their own use.

The **Commercial Importers** shall continue to be assessed under normal tax regime and tax deducted shall be minimum tax. The rate of withholding for commercial importers importing items mentioned in table II of the Twelfth Schedule has been increased from 2% to 3.5% .

However, the tax paid u/s 148 by importers of the following items shall be minimum tax even if it is imported by the industrial undertaking for its own use:

i. edible oil;
ii. packaging material;
iii. paper and paper board; or
iv. plastics

PROCEDURE – ADVANCE TAX AND DEDUCTION AT SOURCE

New sub-section **152 (1DC)** is inserted to require exchange companies to withhold tax while making payments of service charges or commission or fees, to the global/international money transfer operators or such other persons engaged in international money transfers or cross-border remittances for facilitating outward remittances at the rate of 15% or 10% as applicable.

Further sub-section **1DD** is inserted in Section 152 which requires banking companies to deduct withholding taxes on payments made to card network company or payment gateway or any other person, of any transaction fee or licensing fee or service charges or commission at the rate of 15% or 10% as applicable.

TAX ON INDENTING COMMISSION

Section 154(2) has been removed and the foreign indenting commission is now taxed under section 154A and tax rate applicable shall be 1% instead of 5%.

EXPORT OF SERVICES

i. A major change in the export of IT services is the removal of 100% tax credit which was available up till 2025. Now export of IT and IT-enabled services are subject to tax @ 0.25% of export. However, if the person is not registered with PSE Board, the rate will be 1% on such services, similar to other export of services under section 154A.
ii. Furthermore, filing of withholding statement for relevant tax year is conditional if required by the Ordinance.
iii. Since section 111(4A) is introduced as explained above, therefore section 154(4) has been omitted which restricted that tax payer shall be entitled to take credit of a sum that can reasonably attributed to the business activities mentioned in sub-section (1).

MAINTENANCE OF RECORD

In Section **174(3),** a proviso is added which clarifies that the limitation of 6 years of record-keeping is not applicable to the records pertaining to foreign income, assets, expenses or transactions on which clause (ii) of sub-section (2) of section 111 applies. Since there is no time limitation applicable u/s 111 for foreign assets / income; hence no time limitation can be imposed for record keeping as well for probe of foreign assets / income.

MOU WITH NADRA

A section **175B** is proposed to broaden the tax base with the help of NADRA after empowering it to assist the Board by signing MOU and:

a. Sharing of record/information with the Board on its own motion or if requested.
b. Identifying under-assessment in taxpayers' income, receipts, assets, properties, liabilities, expenditures, or transactions
c. Computing indicative income and tax liability by use of artificial intelligence, mathematical or statistical modeling, or any other modern device or calculation method.

PROCEDURE – AUDIT

An unreasonable amendment was proposed in the bill regarding the removal of audit report but it was not approved by the Act.

Further clause 105A has been added in Part IV of the Second Schedule whereby provisions of section 177 and 214C shall not be applicable to any person whose income tax affairs have been audited in any of the preceding FOUR years. However, Audit u/s 177 can be selected by the Commissioner with the approval of the Board only within the time limit of six years from end of tax year to which they relate.

PROCEDURE – PENALTY

In section **182(1)** once again penalties have been revised and huge penalties have been levied on defaults:

Where any person fails to furnish a return of income as required under section 114 within the due date. Any company or Association of Persons who contravenes the provisions of Section 181E. Any person who fails to integrate or perform roles and functions as specified, after being duly notified by the Board as SWAPS Agent. 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 as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice number.

PROCEDURE – PROSECUTION

Amendment has been made in section 191 whereby a person can also be prosecuted if he fails to integrate his business with Board computerized system or fails to generate tax invoice verifiable by the Board's system. The offence shall be punishable with fine and imprisonment for two years.

ADMINISTRATION-PROCEEDINGS AGAINST TAX OFFICIALS

Section 216A conferring power to the Board for initiation of criminal proceedings against any tax official defined in section 207 is withdrawn.

TRANSITIONAL ADVANCE TAX PROVISIONS

i. **Advance tax on Motor Vehicle u/s 231B** is now advance tax on motor vehicle irrespective of its use whether private or public. However, vehicles for public transport, carriage of goods and agricultural machinery have been excluded from ambit of "Motor vehicle" under sub-section 7 of section 231B.

ii. **The tax under section 236C** was not applicable if the holding period exceed FOUR years. Now this time limit has been removed and now 236C will be applicable on each property. However, in section 37 the maximum period of holding is SIX years where no tax is payable. This anomaly still requires correction.

iii. **Section 236Y** omitted previously and is now restored for deduction of tax while remitting amounts abroad through credit or debit card.

MISCELLLANEOUS -PROMOTION OF TAX CULTURE

Section 237A and 237B empowers the Board to prescribe schemes to encourage purchases from integrated enterprises issuing tax invoice.

FIRST SCHEDULE AMENDMENTS

i. Slab rates for income tax on Non-salaried individuals and AOP's is revised as follows:

Sr. No.	Taxable Income	Rate of Tax
1	0 - 600,000	-
2	600,001 - 800,000	5% of the amount > Rs. 600,000
3	800,001- 1,200,000	Rs. 10,000 + 12.5% of the amount > Rs. 800,000
4	1,200,001 - 2,400,000	Rs. 60,000 + 17.5% of the amount > Rs. 1,200,000
5	2,400,001 - 3,000,000	Rs. 270,000 + 22.5% of the amount > Rs. 2,400,000
6	3,000,001 - 4,000,000	Rs. 405,000 + 27.5% of the amount > Rs. 3,000,000
7	4,000,001 - 6,000,000/-	Rs. 680,000 + 32.5% of the amount > Rs.4,000,000
8	6,000,001 – and above	Rs. 1,330,000 + 35% of the amount > Rs. 6,000,000

ii. Slab rates for income tax on Salaried class have been revised as follows:

Sr. No.	Taxable Income	Rate of Tax
1	0 - 600,000	-
2	600,001 - 1,200,000	2.5% of the amount exceeding Rs. 600,000
3	1,200,001 - 2,400,000	Rs. 15,000+12.5% of the amount > 1,200,000
4	2,400,001- 3,600,000	Rs. 165,000+20% of the amount > Rs. 2,400,000
5	3,600,001 - 6,000,000	Rs. 405,000 + 25% of the amount > Rs. 3,600,000
6	6,000,001 - 12,000,000/-	Rs. 1,005,000 + 32.5% of the amount > Rs. 6,000,000
7	12,000,001 – and above	Rs. 2,995,000 + 35% of the amount > Rs.12,000,000

Salaried class is an individual whose 75% of total income consist of Salary income.

iii. Rate of income tax on taxable income of the Companies is amended as follows:

Type of Company	Rate of Tax
Small Company	20%
Banking Company	39%
Any other Company	29%

iv. Super tax at 10% on selected companies has been imposed for tax year 2022, whereas the banking companies will be taxed at 10% if total income exceeds over 300 million from tax year 2023 onwards.

v. Finance Act has imposed new tax under section 4C for poverty alleviation for the tax year 2022 and onward on income of persons earning more that Rs. 150 million as per following slabs:

Income under section 4C	Rate of Tax
Where income does not exceed Rs. 150 million	0% of the income
Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1% of the income
Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2% of the income
Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3% of the income
Where income exceeds Rs. 300 million	4% of the income

Furthermore, persons engaged in the business of airlines, automobiles, beverages, cement, chemicals, cigarette and tobacco, fertilizer, iron and steel, LNG terminal, oil marketing, oil refining, petroleum and gas exploration and production, pharmaceuticals, sugar and textiles the rate of tax shall be 10% where the income exceeds Rs. 300 million.

vi. Tax @ 15% on gross amount of royalty or fee for technical services or 10% in any other case has been imposed on payments received by non-residents.

vii. Income tax on capital gains arising from disposal of securities for the tax year 2023 and onwards has been modified as follows:

Sr. No.	Holding Period	Rate of Tax
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 PMEX (Acquired after 30 June 2022)	5%

Furthermore, rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or before the 30th day of June, 2022 irrespective of holding period of such securities:

viii. Mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax at the rates as specified below, on redemption of securities

Sr. No.	Category	Rate of Tax
1	Individual and AOP	10% for Stock fund 10% for Other fund
2	Company	10% for Stock fund 25% for Stock fund

ix. Income tax on capital gains arising from sale of immoveable properties for the tax year 2023 and onwards is proposed as follows:

Sr.No.	Holding period	Rate of Tax		
		Open Plots	Constructed Property	Flats
a.	Where the holding period does not exceed one year	15%	15%	15%
b.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.55
c.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0
d.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-
e.	Where the holding period exceeds four years but does not exceed five years	5%	0	-
f.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-
g.	Where the holding period exceeds six years	0%	-	-
Earlier, no tax on gain was charged if any type of immovable property was disposed off after four years of acquisition.				

x. Concept of deemed income has been introduced wherein, if a person holds immoveable property/properties having fair market value exceeding rupees Twenty-Five Million, other than self-owned business premises or agricultural land, or one self-owned immovable property, will be liable for tax @ 1% of cost/Fair Market Value (20% of 5% deemed income).

xi. Minimum tax on Oil Marketing Companies has been reduced from 0.75% to 0.50%.

xii. In case of import of goods specified in Table Part II of the Twelfth Schedule by commercial importers rate of tax collection will be 3.5% of the import value as increased by Custom duty, Sales Tax & FED instead of earlier 2%.

xiii. Finance Act has changed the rate of tax on import of CKD/SKD condition or CBU condition as follows:

C&F Value-in USD	In CBU Condition (8517.1219)	In CKD/SKD Condition (8517.1211)
Exceeding 350 up to 500	Rs. 5,000	Rs. 3,000
Exceeding 500	Rs. 11,500	Rs. 5,200

xiv. REIT management services and Services rendered by National Clearing Company of Pakistan Limited have been added in specified services wherein rate of tax deduction by the withholding agent is 3% of the gross amount under section 1531(b) of the Ordinance.

xv. Tax rate on Export of Services has been reduced from 1% to 0.25% in case where proceeds of Computer Software or IT services or IT Enabled services have been received by persons registered with Pakistan Software Export Board. For other persons, rate of tax remains 1%.

xvi. Rate of income tax on passenger transport vehicles has been increased as follows:

Sr. No.	Capacity	Rs. per seat per annum	Rs. per seat per annum
		Non-Air Conditioned	Air Conditioned
1	4 or more persons but less than 10 persons	500	1,000
2	10 or more persons but less than 10 persons	1500	2,000
3	20 persons or more	2,500	4,000

xvii. Finance Act has specified fixed tax rate for retailers not falling in categories of Tier-1 retailers which will be collected through electricity bills as per following table:

Gross amount of monthly Bill	Tax per month
Where the amount does not exceed Rs. 30,000	3,000
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	5,000
Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	10,000

Specified retailers and service providers through Income Tax General Order	200,000

xviii. Finance Act has enhanced income tax on purchase and registration of motor vehicles as follows:

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

Note: If the engine capacity is not applicable like as of electric cars and the value of vehicle is exceeding Rs. 5 million than income tax @3% will be charged/collected of the import value inclusive of Custom duty, Sales tax and FED or invoice value in case of locally manufactured or assembled cars.

xix. In case where the engine capacity is not available, twenty thousand rupees will be charged as income tax at the time of transfer of motor vehicles having value of rupees five million or more.

xx. Buyer and Seller (Filers) will pay income tax on double rate i.e., 2% instead of earlier 1% at the time of purchase and sale of immovable property, as the case may be. Furthermore, exemption after 4 years for seller has been withdrawn irrespective of the fact that the capital gain may be exempt for seller.

Rate of Advance Tax is as follows;

Sr. No.	Description	Filer	Non-Filer
1	Sale of Property Sec 236C	2%	4%
2	Purchase of Property Sec 236K	2%	7%

xxi. Following tax rates shall be applied on foreign-produced TV serials /Commercials:

Sr. No.	Description	Rate of Tax
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

xxii. Finance Act has withdrawn withholding tax on educational fees and rent of machinery.

xxiii. Tax @ 1% of amount remitted abroad through debit/credit cards tax will be collected by the banking Companies which was earlier omitted last year.

SECOND SCHEDULE

Part I – EXEMPTIONS FROM TOTAL INCOME

i. The Finance Act has withdrawn the exemption of allowance paid by the Government to Pakistani citizens for rendering services abroad.

ii. Exemption of monthly Income from voluntary Pension Scheme has been withdrawn.

iii. **Exemption has been provided to all income** of following organizations:

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

iv. Finance Act has made amendment in the condition of exemption of income derived by **a Collective Investment Scheme** or a REIT Scheme by adding adjustment of **accumulated losses** in the calculation for distribution of ninety (90) percent profit among the shareholders**.**

v. Finance Act has substituted the expression "Special Technology Zones Authority Ordinance, 2020" with the expression **"the Special Technology Zones Authority Act, 2021 (XVII of 2021)"** in clauses 103 & 125EA.

vi. **Exemption has been provided to Income derived by Siyahkalem Engineering Construction Industry and Trade Company Limited** from contract dated 23rd day of May 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by the Saudi Fund for Development with effect from tax year 2017.

vii. **Income of new cinemas from cinema operations**, has been exempted for five years from the commencement of cinema operations.

viii. **Income from production of feature films by resident producers** has been exempted for five years till June 30, 2027.

ix. Income of Venture Capital Company and Venture Capital Fund duly registered under relevant clauses has been exempted for three years till June 30, 2025.

Part II – REDUCTION IN TAX RATES

Finance Act has provided a reduced rate of tax deduction @1% for gold, silver and articles under Section 153(1)(a) of Income Tax, Ordinance, 2001.

Finance Act has withdrawn reduced rate of minimum tax as well as tax withholding @0.25 percent of sales on steel product by excluding it from (FMCG) fast moving consumer goods under clause 24C and 24D of Part II of Second Schedule of Income Tax, Ordinance, 2001.

Part III – REDUCTION IN TAX LIABILITY

i. Finance Act has **withdrawn reduced rate of 2.5%** for **Flying Allowance** and **Marine Allowance** to members of forces as well as government employees of PIA & Civil Aviation Authority and the same will be taxable on normal rates.

ii. Finance Act has also **withdrawn reduced rate of 7.5%** for **Allowances** of pilots of Pakistani Airlines. Now they will be taxable on normal rates.

iii. Finance Act has reduced the maximum tax payable in respect of profit on investment in Behbood Savings Certificate or Pensioners Benefit Account and Shuhada Family Welfare Account from 10% to 5% of such profit.

iv. The reduced rate of 15% payable by a person other than a banking or insurance company in respect of profit on debt from investment in Federal Government securities has been withdrawn and will be taxed now under section 7B of ITO 2001.

Part IV –EXEMPTION FROM SPECIFIC PROVISIONS

i. Exemption from minimum tax on Income derived by a zone enterprise as defined in the Special Economic Zones Act, 2012 (XX of 2012) has been withdrawn.
ii. Finance Act has provided exemption from the minimum tax provision u/s 113 of ITO 2001 to Mobile phone manufacturers engaged in the local manufacturing of mobile phone devices.
iii. Retrospective extension of exemption has been provided from the provisions of section 148 to the **import of goods (Covid related)** mentioned in clause 12B from 30th June, 2021 to **31st December, 2021.**

iv. The **provisions of section 148 shall not apply on import of**:
- Thirty million adult 3xPly Knit face masks received as humanitarian assistance for distribution in Lahore Division.
- Drones donated by Ministry of Agriculture and Rural Affairs (MARA), Government of China
- Cinematographic equipment as notified by the Federal Government;

v. Exemption from provisions of Section 111 which was available to following **Green field industrial undertaking** as well as other ventures detailed in Clause 86 has been withdrawn:

- construction industry as well as low-cost housing construction in the corporate sector

- livestock development projects in the corporate sector
- new captive power plants and
- mining and quarrying in Thar coal, Balochistan and Khyber Pakhtunkhwa.

vi. Finance Act has extended the exemption from the provisions of sections 147, 151, 152, 236A and 236K to **The Pakistan Global Sukuk Program Company Limited.**

vii. Exemption has been provided exhibitor, distributor of a feature film as a payer to payments made to distributor, producer or importer of a feature film.

viii. Exemption has been provided to Not for Profit organisations mention in Table 1 of Clause 66 of Part I of the second schedule from the withholding provisions and advance tax under different provision as recipient of payment. However, it has been clarified that the said organisations shall continue to perform function as with holding and collecting agents.

TENTH SCHEDULE

Rate of withholding under section 231B and 236K i.e., advance tax on motor vehicles and advance tax on purchase or transfer of immovable property shall be increased by two hundred percent and two hundred and fifty percent respectively for persons not appearing in active taxpayers list. However, this provision shall not apply to Non-resident Pakistanis holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP)

SALES TAX ACT

GOODS & SUPPLY

Definition of goods and supply under sections 2(12) and 2(33) of the Act is amended to include production, transmission and distribution of electricity. An explanation is added in clause (46)(i)

SALES TAX

Definition of sales tax is amended to exclude fee and service charges imposed and collected under section 76 of the Act.

TIER-1 RETAILER

Definition of Tier-1 retailer is amended to include person engaged in supply of articles of jewelry, or parts thereof, of precious metal or of metal clad with precious metal in its ambit. However jewelry shops measuring upto 300 square feet are excluded from Tier-1.

FURTHER TAX

Currently further tax at the rate of 3% is applicable on person liable to be registered but who has not obtained registration number. Now its applicability is proposed to extend on person who is not an active taxpayer under the Act.

WITHHOLDING OF SALES TAX

Person running the online marketplace shall be liable to pay / withhold sales tax under the provisions of the Act.

SALES TAX THROUGH ELECTRICITY BILLS FOR RETAILERS

Retailers other than Tier-1 are currently liable to pay sales tax through electricity bills at five percent where bill amount does not exceed rupees twenty thousand and seven and half percent in other cases. Now this is substituted with fixed amount in the following manner.

Bill Amount	Sales Tax
0-30,000	Rs.3,000
30,001 to 50,000	Rs.5,000
50,001 and above	Rs.10,000

Further the Board has prescribed the persons or class of person who shall pay rupees fifty thousand per month through monthly electricity bill. Provided that the above rates of tax shall be increased by 100% if the name is not appearing in Active Taxpayers List (ATL) on the date of issuance on monthly electricity bill. Further the Board may through a general order prescribe or class of persons who shall pay upto Rs 200,000/= through monthly electricity bill.

INTEGRATION OF SALES INVOICES

The Board is empowered to require any person or class of person for integration of invoice issuance machines with Board's Computerized System for real time reporting of sales. This provision will be effective from such date as may be prescribed by the Board.

INSTALLMENT OF SALES TAX

A new provision is introduced to empower the Federal Government to allow Federal/Provincial or any public sector organization to pay sales tax at import or supply of goods or class of goods on installments basis. Such concession can be allowed from any previous date as mentioned in the enabling notification to be issued by the Federal Government in the official gazette.

TAX CREDIT NOT ALLOWED

Currently, non-mentioning of CNIC or NTN on sale invoice results in disallowance of input tax on pro-rata basis under section 8 of the Act. This provision is proposed to be omitted.

ADJUSTABLE INPUT TAX

Compulsory payment of 10% of output tax has been restored for listed public limited companies under section 8B of the Act.

DISCONTINUANCE OF GAS & ELECTRICITY

The Board is proposed to be empowered to direct gas and electricity companies to suspend supply of the relevant utility to any person be so specified by the Board. Main target of this provision appears to be Tier-1 retailer whether not registered or not integrated with Board's Computerized System. Restoration of utilities after registration or integration will also be governed by the General Order to be issued by the Board.

INVOICE

Condition of mentioning CNIC/NTN of the buyer on the invoices for claiming input tax has now been restricted to unregistered distributor. If supply is made to unregistered distributor without CNIC/NTN; the input tax shall be allowed on pro-rata basis.

INLAND REVENUE SERVICES ACADEMY

Name of Directorate General of Training and Research is proposed to be 'Inland Revenue Services Academy'.

SCOPE OF PENALTIES EXTENDED

- Scope of penalty for the offenses mentioned in serial number 24 of the table extended to QR code.
- Any retailer of Tier-1, who is required to integrate his business with the Board or its computerized system u/s 3(9A) and fails to get himself registered under the Ordinance, and if registered, fails to integrate in the manner as required under law; huge penalties ranging from half million rupees to three million rupees shall be imposed.

PROCEDURE – ALTERNATE DISPUTE RESOLUTION

The identical provisions are substituted in Income Tax Law/Sales Tax Law/Federal Excise Duty

CONDONATION RELAXED

The Board may any time before or after the expiry of period permit application for condonation.

SCHEDULES

THIRD SCHEDULE

- HS code for detergent i.e., 3402.2000 is proposed to be replaced with 'Respective Heading'.

FIFTH SCHEDULE

Following items added in 5th Schedule for zero rating:

- Fat filed milk
- Local supplies of raw materials, component, parts and plant & machinery to registered exporters authorized under Export Facilitation Scheme 2021

SIXTH SCHEDULE

Amendments in Table-1

Additions in Table-1

Imports and supply of following are exempted from Sales Tax by adding these goods in 6th Schedule

Sr. No.	Description	HS Code
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 made thereunder; and agreements by the Federal Government: Provided that such goods are charged to zero-rate of customs duty under the Customs Act, 1969 (IV of 1969), and the conditions laid therein. Provided further that exemption under this serial shall be available with effect from the 15th day of January,2022.	99.01, 99.02, 99.03 and 99.06
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	99.19, 99.20 and 99.21

Sr. No.	Description	HS Code
	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).	
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, 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.	Respective Headings
173	Goods produced or manufactured in and exported from Pakistan which subsequently imported into Pakistan within one year of their exportation. 174: Machinery and equipment as listed at serial No.32of 5th Schedule to Custom Act	Respective Headings

Amendments in Table-2 **Local supply of following entries is proposed to be exempt from levy of sales tax.**

Sr. No.	Description
52	Supply of Raw hides and skins
53	Prepared food or foodstuff supplied by restaurants and caterers
54	**All types of breads, nans and chapattis**

TABLE 3

Following new entry is made.

Sr. No.	Description
22	Sales Tax is proposed to be exempted on the following with certain conditions specified against these entries. 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 energy sources including under construction projects entered into an implementation agreement with the Government of Pakistan prior to 15th day of January 2022. 2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.

EIGHTH SCHEDULE

Earlier the following goods were charged to tax at reduced rate which is omitted and will be charge at standard rate of Sales Tax

Sr. No.	Description	Existing Rates of Sales Tax
47	Locally produced coal	Rs.425 per metric ton or 17% whichever is higher
75	Import of electric vehicle in CBU conditions	12.5%

Amendments Rate of sales tax are enhanced or reduced for the following entries

Sr. No.	Description	Before	After
43	Natural gas (if supplied to fertilizer plants for use as feed stock)	5%	10%
44	Phosphoric acid (If imported by fertilizer company for manufacturing of DAP)	5%	10%
52	Fertilizers (all types)	2%	10%
	Potassium Chlorate (KCLO3)	17% along with rupees 90 per kilogram	17% along with rupees 60 per kilogram

Following goods are proposed to be charged at reduced rate of tax with certain conditions ***(entries added in 8th Schedule)***

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)	Rates of Sales Tax	Condition
78	Supply of articles of jewelry, 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 jewelry, or parts thereof, of precious metal or of metal clad with precious metal	71.13	4%	No input tax shall be adjusted

ELEVENTH SCHEDULE

- HS codes 8548.1010 and 8548.1090 related to lead replaced with "Respective Heading".
- Companies were obliged to withhold Sales tax to the extent of 5% from their unregistered purchases. **Now the companies exporting surgical instruments have been excluded from this obligation.**
- Online market place; the sales tax withholding rate shall be 1% instead of 2%.

TWELFTH SCHEDULE

Value addition tax at the rate of 3% is proposed to be levied on import of compressor scrap (PCT heading 7204.4940), motor scrap (PCT heading 7204.4990) and copper cable cutting scrap (PCT heading 7404.0090 even by the manufacturer as raw material or intermediary goods for in house consumption

FEDERAL EXCISE DUTY ACT

DUTY

Definition of Duty now exclude fee and service charges imposed and collected under section 49 of the Act.

INLAND REVENUE SERVICES ACADEMY

Name of Directorate General of Training and Research is proposed to be "Inland Revenue Services Academy".

AMENDMENT IN DUTIES- FIRST SCHEDULE

The rate of FED against following entries are amended in the following manner.

TABLE II (Excisable Services)

Sr. No.	Description	Before	After
3	Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan-**Club, business and first class on tickets issued with effect from 1st July 2022**	Rs.10,000	Rs.50,000
9	Telecommunication services, excluding such services in the area of a Province where such Province has imposed Provincial sales tax and has started collecting the same through its own Board or Authority, as the case may be.	16%	19.5%

CAPITAL VALUE TAX 2022

A new tax to be levied on the value of specified assets has been introduced along with its complete codal formalities which are discussed as under.

SPECIFIED ASSETS:

1. Motor vehicle held in Pakistan where engine capacity exceeds 1300 cc or in case of electric vehicles, the battery power capacity exceeds 50 kwh.
2. Movable and immovable foreign assets held abroad by a resident individual where the value of such assets on last day of the tax year in aggregate exceeds Rs 100 million. Foreign assets include real estate, mortgaged assets, stocks & shares, bank accounts, bullion, cash, jewels, jewelry, paintings, accounts, loan receivables, assets held in dependents" name, beneficial ownership, or beneficial interest or contribution in off shore entities or trusts.
3. Assets or class of assets to be specified by the Federal Government through notification in the official gazette at rate not exceeding 5% of the value.

VALUE OF ASSETS AND ITS DETERMINATION

Value of specified assets shall be determined in the following manner.

Type of assets	Value
Motor Vehicle **With effect from 1st July 2022**	Following is the mechanism of determination of the value of vehicle: **Imported vehicle** Import value assessed as increased by custom duties **Local Purchase-direct from Manufacturer/Assembler** Invoice price of the vehicle **Local Purchase- in auction** Auction price **Local Purchase-except as above** Total consideration paid to acquire, alter or improve the vehicle
Assets held abroad	Higher of the total consideration paid to acquire, alter or improve the asset or fair market value of asset applicable for tax year 2022 and onward
Any other asset	Value of such assets will be determined by the mechanism provided in enabling notification to be issued by the Federal Government.

COLLECTION & PAYMENT OF TAX

Tax shall be collected and paid in the following manner.

Responsibility of collection	Time of collection	Time of deposit
Collector of Custom	At the time of import clearance	As provided in Customs Act, 1969
Local Manufacturer/Assembler	At the time of sale, or Along with first installment, if sale made in such manner	Within seven days of collection
Person making auction	At the time of sale, or Along with first installment, if sale made in such manner	Within seven days of collection and in case of Federal Government, Provincial Government or a Local Government, on the same day of collection
Excise & Taxation Department	At the time of collection of motor vehicle tax	Same day of receipt
Taxpayer-for assets held in abroad	At the time of filing of income tax return	As provided in the Income Tax Ordinance, 2001

CONCESSIONS & EXEMPTIONS

- Value of motor vehicle will be reduced by ten percent for each year from the end of financial year in which the motor vehicle is acquired.
- Value shall be treated at rupee zero after FIVE years from the end of financial year in which the motor vehicle is imported, sold by local manufacturer or auctioned.
- No tax shall be collected by Excise department in respect of same vehicle if the tax under this section has been collected at the time of import or purchase from local manufacturer or auction.
- The Federal Government may exempt any asset or class of assets from tax subject to conditions specified in the enabling notification.

OFFENSES

Where person fails to collect tax or pay tax to the credit of the Federal Government, the person responsible shall be personally liable to pay such amount of tax and shall also be liable to pay default surcharge at the rate of twelve percent per annum on tax unpaid computed for the period commencing on the date on which tax was due and ending on the date when it was paid. Order in this regard shall be passed after giving opportunity of being heard.

REVISION OF ORDER & APPEALS

The Commissioner can revise order passed under this law on application by the person against whom an order has been passed.

Dissatisfied person is also equipped with filing of an appeal before the Commissioner Appeals as envisaged in section 127 of the Income Tax Ordinance, 2001.

APPLICABILITY OF THE INCOME TAX ORDINANE, 2001 & RULES MADE THEREUNDER

Provisions of the Income Tax Ordinance, 2001 and rules made thereunder as far as relevant shall apply for collection and recovery of tax under this law.

POWER OF FEDERAL GOVERNMENT

The Federal Government can prescribe the manner and procedure relating the collection and recovery of tax or any other matter rating to the capital value tax.

RATES OF TAX

Following rates are prescribed in the First Schedule to be levied on the value of specified assets

Type of assets	Tax Rate
Motor Vehicle	1% of the value
Assets held abroad	1% of the value
Any other asset	Rate as provided in enabling notification to be issued by the Federal Government not exceeding 5% of the value.

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