Grant Thornton

Tax memorandum 2023

Comments on changes in Fiscal Laws

Grant Thornton Anjum Rahman
Chartered Accountants

THE FINANCE BILL 2023

This Memorandum summarizes an overview of economy for the year 2022-2023 and the important changes proposed through the Finance Bill 2023. It contains comments on the budget and the Finance Bill 2023, including highlights of the changes in the Income Tax Ordinance, 2001, the Sales Tax Act, 1990, the Federal Excise Act, 2005, the Customs Act, 1969 and other laws. The amendments proposed through the Income Tax Ordinance, 2001 and through other laws are intended to be effective once the parliament and the President of Pakistan have accorded their assent and thereafter, would be effective from July 01, 2023 i.e. the tax year 2024 unless otherwise indicated.

This Memorandum is intended to provide general guidance to the readers on the important changes proposed through the bill and should not be considered as a substitute for specific advice relating to a particular enactment. For considering the precise effect of a proposed change, reference should be made to the appropriate wordings in the relevant statutes and the notifications issued where relevant.

The Memorandum has been prepared exclusively for the use of our clients and staff, based on information available with us till the time of release. Printing of this Memorandum, in any manner, is strictly prohibited without seeking a written permission from the firm.

Grant Thornton Anjum Rahman
Chartered Accountants

June 10, 2023

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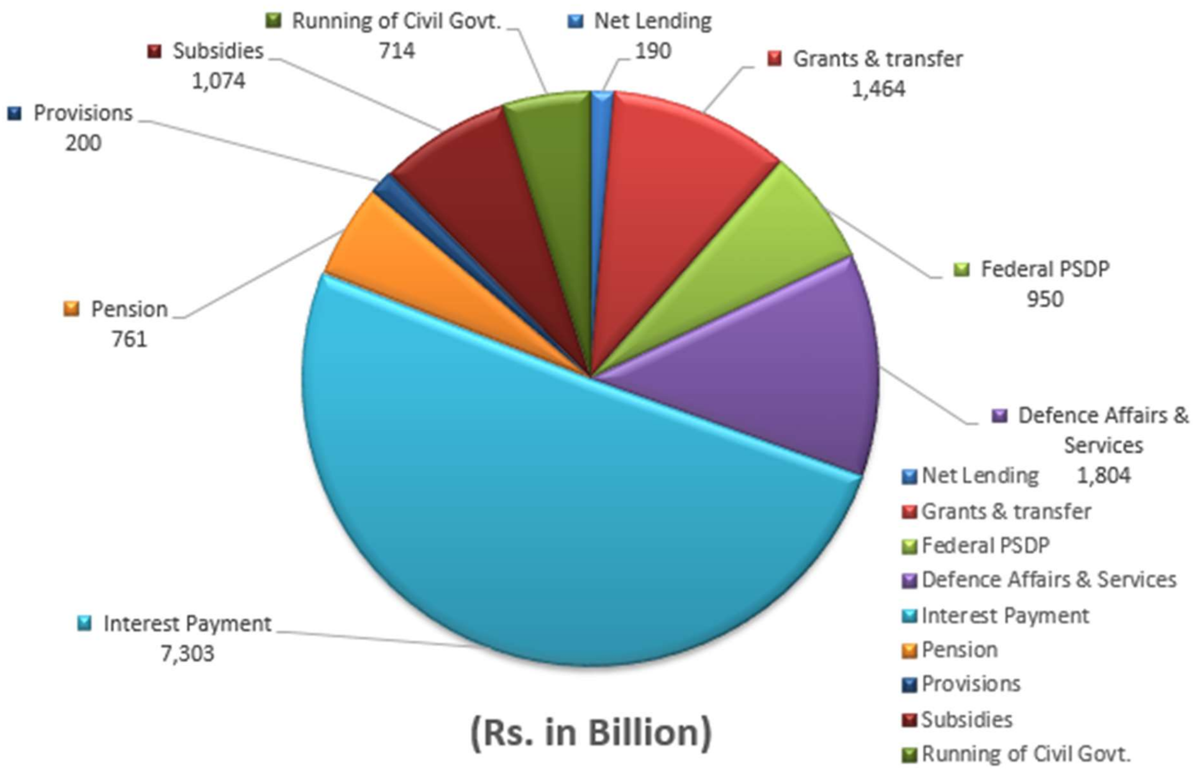
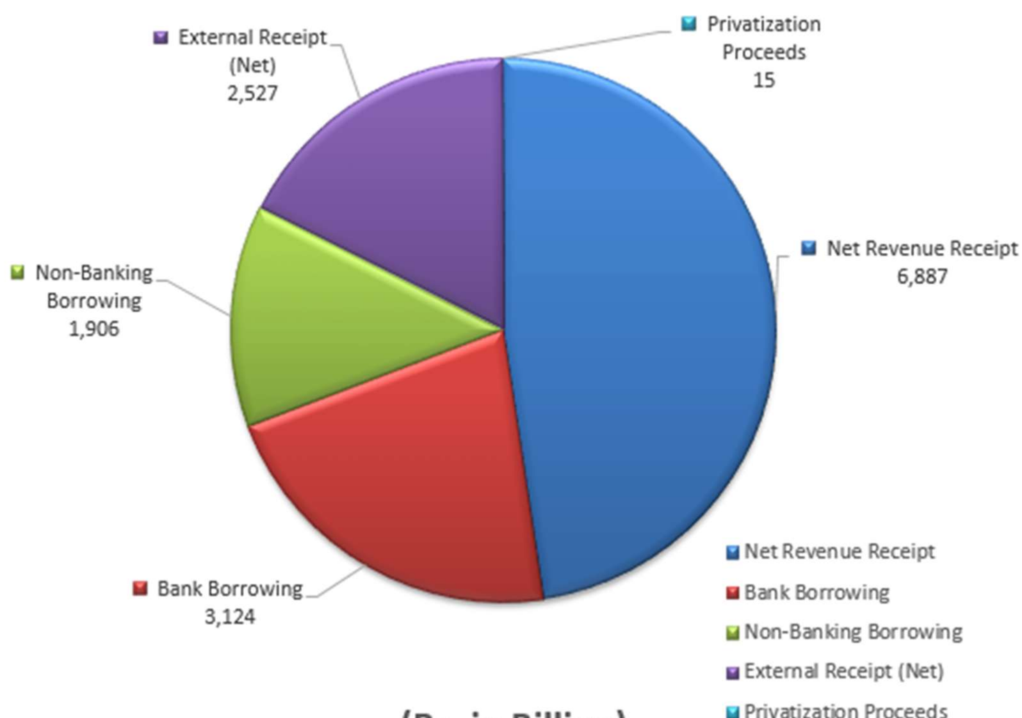
BUDGET AT A GLANCE

	2022 - 2023		2023- 2024	
	Rupees. In Billion	%	**Rupees. In Billion**	%
Sources (A+B+C+D+E)	**9,579**	**100.00**	**14,460**	100.00
A – Net Revenue Receipts (a-b)	**5,032**	**52.53**	**6,887**	47.63
(FBR) – Federal Consolidated Fund	7,470	77.98	9,200	63.62
Non-Tax Revenue	1,935	20.20	2,963	20.49
a) Gross Revenue Receipts	9,405	98.18	12,163	84.11
b) Less Provincial Share	4,373	45.65	5,276	-36.49
B – External Receipt	**1,611**	16.82	**2,527**	17.48
C – Privatization Proceeds	**96**	1.00	**15**	0.10
D – Bank Borrowings	**843**	8.80	**3,124**	21.60
E – Non-Bank Borrowing	**1,996**	20.84	**1906**	13.18
Expenditures (F+G)	**9,579**	100.00	**14,460**	100.00
F – Current Expenditures	**8,709**	90.92	**13,320**	92.12
Interest payment	3,950	41.24	7,303	50.50
Pension	609	6.36	761	5.26
Defense Affairs and Services	1,563	16.32	1,804	12.48
Grants and Transfers	1,174	12.26	1,464	10.12
Subsidies	664	6.93	1,074	7.43
Provisions	195	2.04	200	1.38
Running of Civil Government	553	5.77	714	4.94
G - Development Expenditures	**871**	9.09	**1,140**	7.88
Federal PSDP	727	7.59	950	6.57
Net Lending	144	1.50	190	1.31



(Rs. in Billion)



(Rs. in Billion)

ECONOMY OVEREVIEW

The country's economy in FY23 has experienced a significant weakening with a growth of only 0.29% which is significantly low as compared to the previous two years (5.7% in FY21 and 6.1% in FY22). Inflation has been documented at 29%, which is also significantly higher compared to the previous two years (11% in FY22 and 8.8% in FY21). Several factors, including policy tightening, the impacts of floods, import restrictions, high borrowing, fuel costs and political uncertainty, have had a detrimental effect on economic activities throughout the fiscal year 2023. However, the economic growth is expected to show a slight recovery in 2024 and the government is targeting to achieve a GDP of 3.5% for FY24.

Economic Review at a glance				
	Period	**FY23**	**FY22**	**% change from FY22**
GDP (USD in billions)	**Jul-Jun**	**392**	**383**	**↑ 2%**
GDP growth (%)	**Jul-Jun**	**0.29**	**6.1**	**↓ 95%**
CPI (%)	**Jul-May**	**29.01**	**11.3**	**↑ 157%**
Exports (USD in billions)	**Jul-Apr**	**23.2**	**26.2**	**↓ 11%**
Imports (USD in billions)	**Jul-Apr**	**46.9**	**65.5**	**↓ 28%**
Current Account Deficit (USD in billions)	**Jul-Apr**	**3.3**	**13.7**	**↓ 76%**
Foreign Exchange Reserves (USD in billions)	**Jul-Apr**	**4.5**	**10**	**↓ 55%**
Foreign Exchange Remittances (USD in billions)	**Jul-May**	**22.7**	**26.1**	**↓ 13%**

The key highlights of Pakistan's economy during FY23 include the following:

- During FY23, tax collection experienced a growth of 16%, reaching Rs. 6,210 billion, as compared to Rs. 5,348 billion in the previous year from July-May. However, in order to reach the tax collection target of Rs. 7,640 billion for the remaining period of FY23, the FBR still needs to collect an additional Rs. 1,430 billion which appears to be unlikely.

- The current account recorded a deficit of $3.2 billion, compared to a deficit of $13.6 billion in the corresponding period of the previous year.

- Foreign exchange remittances recorded a decline of $3.4 billion in the ten months in comparison to last year.

- Foreign exchange reserves held by the SBP stood at $4.1 billion in May 2023, a decrease from $10 billion during the same period last year.

- Net foreign direct investment (FDI) inflows amounted to $1.2 billion, representing a decline of 23.2% compared to the previous year's figure of $1.5 billion.

- The policy rate underwent a substantial increase, rising to 21% from 13.7% compared to the previous year, in response to ongoing inflationary pressures during FY23.

- The PSX KSE 100 index saw a modest increase of 0.52%, specifically from 41,924.48 points to 42,142.71 points during the current fiscal year.

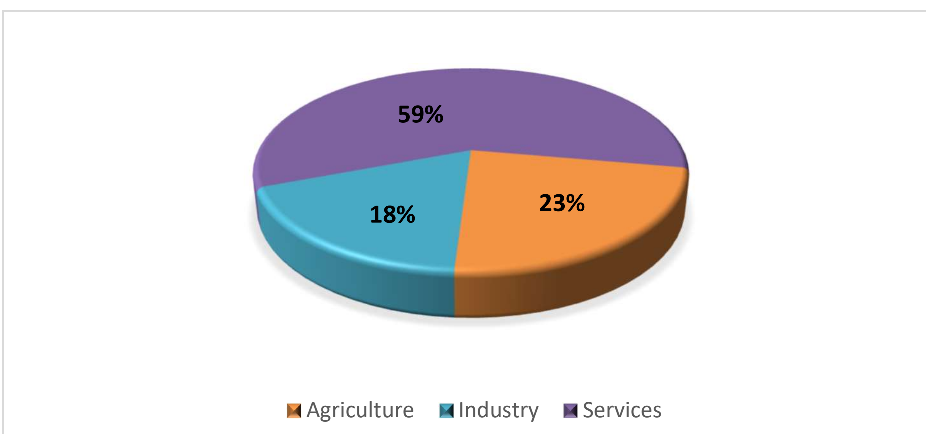
- Large scale manufacturing (LSM) experienced a contraction of 8.1% compared to a growth to 10.4% recorded in the same period last year.

The above indicators clearly show that the fiscal year 2023 was very challenging for the government to maintain a steadfast economy. However, the government tried to improve the fiscal accounts by implementing prudent expenditure management and domestic resource mobilization strategies. Prioritizing the reduction of untargeted subsidies was also emphasized to create sufficient fiscal room for protecting vulnerable populations from the impacts of inflation.

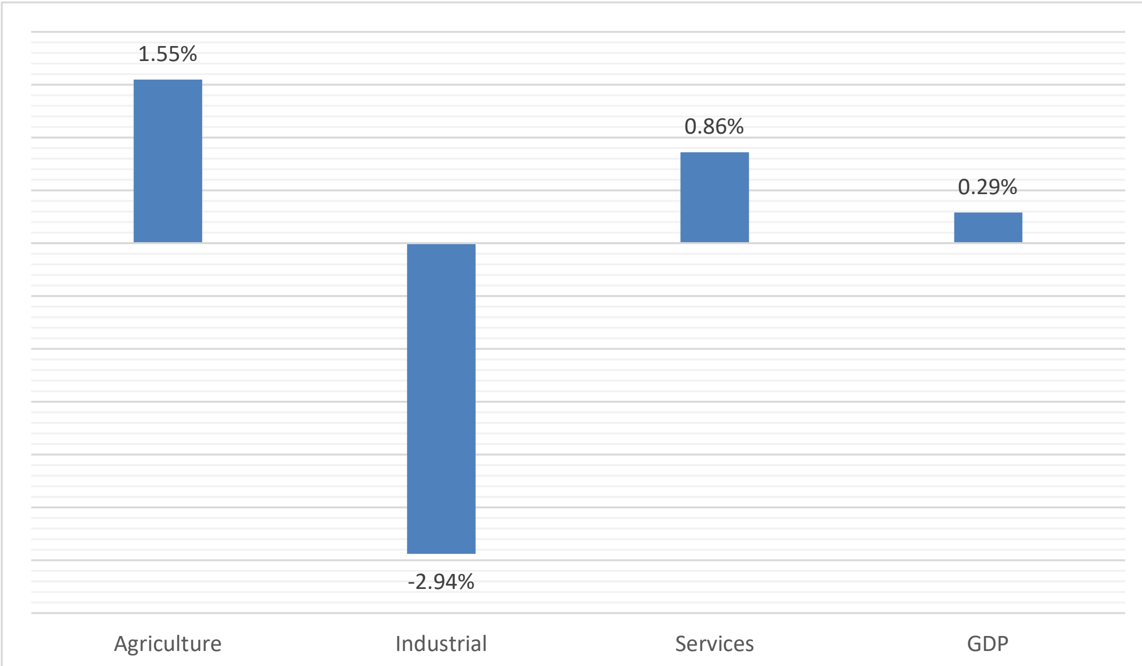
Key Economic Parameters					
	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Provisional
GDP (USD in billions)	283	288	349	383	392
GDP growth (%)	3.3	-0.94	5.77	6.10	0.29
CPI (%)	6.8	10.7	9.66	11.3	29.01
Exports (USD in billions)	24	20	25	27	23.2
Imports (USD in billions)	52	37	52	60	46.9

Growth

Pakistan, like numerous other economies, possesses a varied economic structure comprising three principal sectors, namely agriculture, industry, and services, which contribute to the GDP in the following proportions:



The primary drivers behind the overall GDP growth of 0.29% are agriculture sector that contributes to 23%, industrial sector contributes to 18% and services sector with the largest contribution of 59% in GDP. The trend during FY23 in these sectors is shown below:

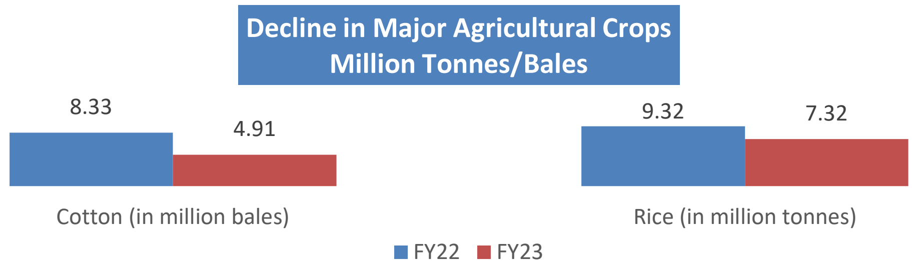


GDP

The provisional GDP growth rate for FY23 is posted at 0.29%, against the GDP for FY22 6.1%. The economy experienced a loss of momentum during the first quarter of FY23. This was primarily caused by the substantial downturn in the global economy and a domestic supply shock resulting from floods that affected a significant portion of agricultural land. These challenges posed a threat to the government's efforts in fiscal consolidation.

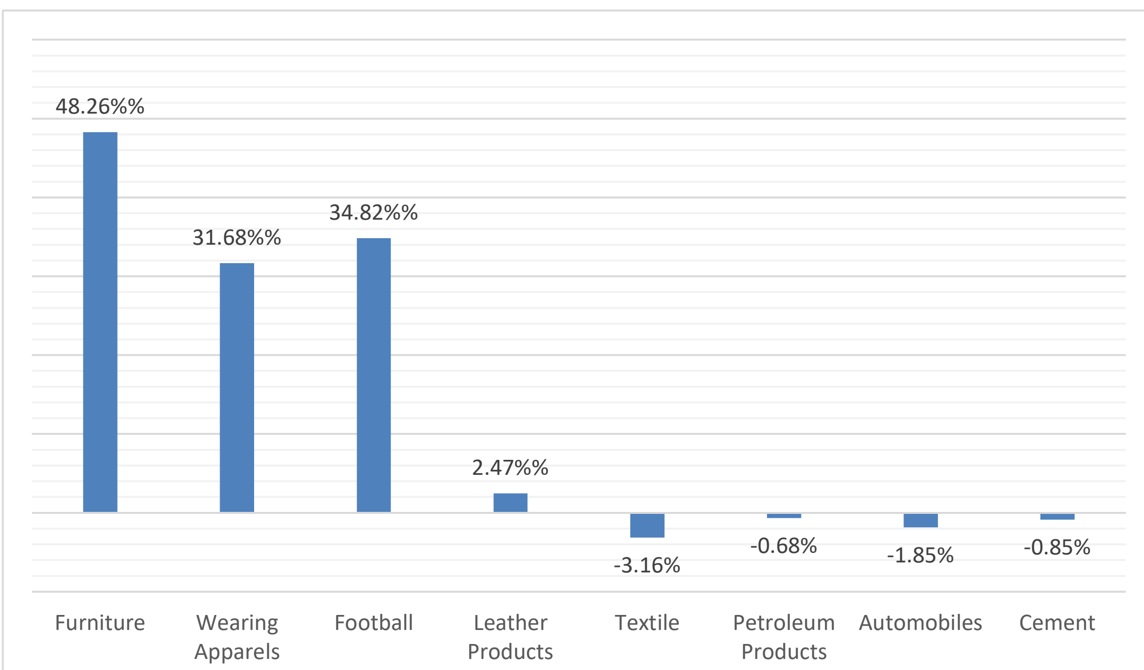
Agriculture

The adverse effect of Russian-Ukraine conflict continued to decelerate the global economic growth and consequently agriculture faced a massive decline in the growth of major crops like cotton and rice (41% and 21.5%) respectively. However, the sector is projected to experience a growth rate of 1.5% in FY23. This growth was primarily driven by the increased production of wheat, sugarcane and maize by 5.4%, 2.8% and 6.9% respectively. The decline in the growth of major crops compared to previous year can be seen below:



Industry

The industrial sector of Pakistan is predominantly led by the manufacturing sector. Despite holding a strong position and displaying a growth trend in the past, the LSM sector experienced a decline of 8.1% in FY23 against the growth of 10.6% in the previous year. This was mainly due to the measures implemented to mitigate the risks associated with an overheated economy and potential default on external liabilities. The performance of industries like automobile, petroleum products and cement remained subdued due to supply disruptions, inflationary pressures, synchronized policies. These factors are expected to continue impacting LSM output in the upcoming months. However, amid this contraction, a few sectors namely wearing apparels, leather products, furniture, and sports showed an upward trend. The trend during FY23 in the industrial sector is shown below:



Services

This sector mainly depends on performance of other sectors in the economy. The share of services sector in the GDP stood at 58.61% in FY23 with a meager growth of 0.86%. Based on the provisional data from the Pakistan Bureau of Statistics for FY23, the wholesale and retail trade sector, which is the largest segment of the service sector and heavily reliant on agricultural output, manufacturing, and imports, experienced a contraction of 4.5%. On the other hand, the transport, storage, and communication sector witnessed growth of 4.7% primarily by increased utilization of railways, air transport, and communication services. The finance and insurance sector recorded an overall decrease of 3.8% attributed to declines in deposits, loans, and insurance activities. The provisional growth in the information and communication sector surged by 6.9% due to a significant increase in IT exports.

Trade and payments

The global economy is still recovering from the pandemic and negative implications of the Russia-Ukraine war. The World Trade Organization (WTO) has projected trade growth to reach 1.7% in 2023, which is an increase from the earlier forecast of 1% in October 2022. This improvement can be attributed to China's reopening in January 2023, marked by the end of its zero COVID policy.

During FY23, Pakistan's balance of payments position faced considerable pressure primarily as a result of adverse global shocks, stabilization measures, and the devastating floods. These factors further exacerbated the already challenging economic conditions, contributing to a gloomy outlook.

During the period of July to April of FY23, exports experienced a decline of 11.7%, totaling $23.2 billion compared to $26.2 billion in the corresponding period of the previous year. Similarly, imports for the same period in FY23 amounted to $46.9 billion, reflected a decrease of 28.4% compared to $65.5 billion in the previous year. This decline in trade can be attributed to policy tightening and other administrative measures that have been implemented.

On the external front, the current account witnessed a significant narrowing down by 76.1%, resulting in a deficit of $3.3 billion. In comparison, during the same period last year, there was a deficit of $13.7 billion.

On the other hand, the financial account recorded a net outflow totaling $1.9 billion in Jul-Apr, in contrast to an inflow of $8.1 billion during the previous year.

Despite facing numerous economic challenges both domestically and globally, tax revenues (federal and provincial) experienced a growth of 16.5%. In the period from July to March of FY23, total tax collection reached Rs. 5,617.7 billion, marking a significant increase from Rs. 4,821.9 billion collected in the corresponding period of the previous year.

Inflation

Average inflation rate in Pakistan for the period July-May FY23 was recorded at 29.2% against 11.3% during the same period last year, mainly due to the following factors:

- devaluation of currency
- high costs of non-perishable food items and fuel prices
- flood damages
- political uncertainty
- surging global commodity prices mainly attributed to Russia-Ukraine conflict as both countries are major exporters of energy and agricultural products

Capital markets

During July-May FY23, the benchmark KSE 100 index saw a modest increase of 0.52%, specifically from 41,924.48 points to 42,142.71 points. Market capitalization of PSX recorded at Rs. 6,956 billion on 30 June 2022, and closed at Rs 6,108 billion on 31 March 2023, reflecting a decline of 12.2% during the period. As of March 31, 2023, the number of listed companies at PSX stood at 526 with market capitalization of Rs. 6,108 billion. During Jul-Mar FY23, two new companies were listed at PSX.

Currency

During the current fiscal year, in the Inter-bank market, the local currency value stood at a level of Rs. 286.88/USD as of 9 June 2023. After reaching the historic level of 298.93/USD on 11 May 2023, the Rupee has been stabled against the USD in the ongoing month.

Population and Employment

Pakistan is the 5th most populous country in the world with a population approximately to 229 million in 2022. According to Labour Force Survey employed labour force increased to 67.25 million in the year 2021 as compared to 64.03 million in 2019. The unemployment rate slightly decreased from 6.9% in 2019 to 6.3% in 2021. The government is cognizant to create an enabling environment for businesses and industries to enhance the employability of youth through various initiatives. Over the medium term, it is expected employment opportunities will increase in line with higher GDP growth and improvements in global economic environment.

Future Outlook

Pakistan is currently confronted with multiple serious issues, including rising inflation, large external deficits, exchange rate depreciation, declining foreign exchange reserves and rising uncertainty. Economic growth on the other hand is still relatively low but nonetheless, a modest rebound in economic growth is anticipated in 2024 due to the reopening of the Chinese economy following the containment of COVID-19.

Pakistan has been trying to implement policies to continue increasing the economic growth that has drastically affected the country and continued to bring it towards a default. The resumption of domestic economic activities and the recent removal of import restrictions are likely to contribute to an increase in the imports bill for FY24. Additionally, remittances are expected to significantly rise due to the improved economic situation in host countries. These factors are anticipated to have an impact on the current account balance for FY24.

Way Forward

Both IMF and the World Bank have expressed apprehensions regarding a prolonged period of stagnation in the global economy. However, IMF has forecasted a 3.5% growth in the Pakistan's economy for FY24 and the government targets the same to be achieved. The achievement of this goal seems feasible as it is supported by fiscal consolidation efforts and the ongoing growth of domestic consumption, as well as the resilience of the manufacturing and construction sectors. Nevertheless, the government should exercise caution and take appropriate measures to ensure the desired outcomes. Some recommended measures may include:

- Ensuring uninterrupted inflow of foreign currency by providing targeted benefits to exporters and overseas Pakistanis that should result in an exchange rate regime that aligns with economic fundamentals to stabilize the value of the Pakistani Rupee.
- Ensuring a smooth and uninterrupted supply of essential commodities to manage and control inflation through encouragement of local production of goods and services, thereby reducing reliance on imports.
- Introducing online investment facilitation services to streamline processes including the issuance of work visas, security clearances, and entry passes to furnish potential investors with information and assistance.
- Lowering interest rates to stimulate economic activity and mitigate the burden of debt servicing.
- Automation of tax structure and exploring new avenues for taxation particularly untaxed sources.
- Undertaking reforms in the energy sector, such as promotion and development of Fast Track Solar Initiatives 2022 with the aim of advancing affordable local renewable energy sources and by reducing reliance on the global market and lessen the demand for foreign exchange.
- Enhancing the E-commerce sector to fully utilize the benefits of Pakistan's inclusion in the Amazon marketplace.
- Phase wise reduction of grant/subsidies in loss making State Owned Entities.

THE FINANCE BILL 2023-HIGHLIGHTS

INCOME TAX ORDINANCE, 2001

The bill proposes the following measures:

Revenue measures:

- Tax on bonus shares issued by the company re-inserted at the rate of 10% as a final discharge of tax liability of the shareholders which was abolished in tax year 2019.
- Federal Government is empowered to levy additional tax up to the rate not exceeding fifty percent on un-expected income, profit or gains arising due to economic factors, whether disclosed or undisclosed in the financial statements.
- Slabs rates revised for super tax and accelerated rates stipulated at 6%, 8% and 10% for income exceeding Rs. 350 million, 400 million and Rs. 500 million respectively.
- Super Tax to be payable along with quarterly advance tax liability.
- Rates of tax increased in respect of:
    - Import to 6% from 5.5%
    - Supply of goods, increased to 5% from 4% for companies and to 5.5% from 4.5% in all other cases.
    - Rate of tax on services increased to 9% from 8% for companies and to 11% from 10% in all other cases. The special reduced rate of tax on specified services also increased to 4% from 3%.
    - Rate of tax on execution of contract increased to 7.5% from 6.5% in case of a company and to 8% from 7% in all other cases.
- The rate of withholding tax on amounts remitted abroad through credit, debit or prepaid card increased to 5% from 1%.
- Scope of permanent establishment enhanced by omitting the word “fixed base” as an anti-avoidance measure.
- Scope of associates enhanced to cover the transactions directly or indirectly with the residents of zero taxation regime.
- The Commissioner empowered to recover the liability outstanding against the person under any statute or law.
- Cash withdrawal by non-filers exceeding Rs. 50,000 in a day is subjected to tax of 0.6% of total amount of cash withdrawals.

Relief measures:

- Amnesty threshold from probe of source of income enhanced to USD 100,000 from existing limit of Rs. 5 million in foreign currency remitted through the banking channel.

- Minimum tax rate on declared turnover on the listed companies reduced to 1% from 1.25%.

- Automatic issuance of exemption certificate by IRIS within thirty days on payment to non-residents.

- Waiver of 2% final tax on purchase of immovable property by non-resident individual holding POC/NICOP/CNIC acquiring the property through foreign remittance through Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA).

- No monthly sales tax returns are to be filed by IT services and IT enabled services and average rate of tax @ 0.25% extended till June 30, 2026.

- IT services and IT enabled services given status of Small and Medium Enterprise to be taxed at reduced rate of taxation i.e. 20% under normal law or under fixed tax regime @ 0.75% entirely at their option.

- Tax credit allowed to individuals on the construction of a new residential house up to 10% of tax liability or Rs. 1 million whichever is lower.

- Maximum turnover enhanced to Rs. 800 million to qualify for Small and Medium Enterprise.

- Exemption granted to Reko Diq project and all investors and shareholders thereof and their associates, the companies hired as well as third-party lenders.

- Incentive granted to builders till tax year 2026 by way of reduction of tax by 10% or Rs. 5 million whichever is lower.

FINANCE BILL 2023-HIGHLIGHTS

THE SALES TAX ACT, 1990

The bill proposes the following incentives and reliefs:

- Zero-rating tax status to supplies or imports made to the Reko Diq project in Balochistan proposed for 30 years.
- Certain "commodities" fall under as zero-rated supplies for registered exporters.
- Import of certain IT equipment by software exporters proposed to be exempted from sales tax.
- Exemption proposed on contraceptive, bovine semen, saplings, etc.
- Extension of exemption on import of plant and machinery to tribal areas extended till June 30, 2024, from June 30, 2023.
- Drugs and Medicaments covered under Chapter 30 of the Customs Act, 1969 only proposed to be covered under reduced rate regime from July 1, 2022.
- Raw material including excipients for manufacture of active pharmaceutical ingredients and pharmaceutical products proposed to be covered under reduced rate regime from July 1, 2022 with certain conditions.

The bill imposes the following burden of tax/duty:

- Red chillies, ginger, yoghurt, butter etc sold under brand name made taxable irrespective of whether it is sold in retail packing or not.
- Sales tax enhanced to 15% from 12 % on supplies of textiles and leathers from POS integrated retail outlets.

The bill proposes the following streamlining measures:

- The production, transmission and distribution of electricity excluded from the definition of goods and supply after the decision by National Tax Council regarding electricity transmission as the service under provincial domain.
- Certain retailers including those dealing in furniture and articles of jewelry of precious metals etc with specified shop areas excluded from the definition of Tier-I retailer.

- Substitution of Authority “Directorate General of Digital Invoicing and Analysis” with “Directorate General of Digital Initiatives”.

- Zero rating to "Geometry boxes" substituted with a more inclusive description involving mathematical instruments etc

THE FEDERAL EXCISE ACT, 2005

- FED imposed on energy inefficient fans, incandescent bulbs, royalty and fee for technical services

- Exemption from FED is provided to import or supplies/ services made/ rendered by or to a qualified investment as specified in serial No. 1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022.

THE CUSTOMS ACT, 1969

The bill proposes the following streamlining measures:

- Definition of smuggling proposed to be amended to enable the Pakistan Customs to carry out anti-smuggling operations within Pakistan's territorial jurisdiction.

- Provincial Levies, Khasadar Force to assist the custom officers in discharge of their duties under the Custom Act, 1969.

- Federal Government empowered to provide exemption from customs duty on imports and exports to help implement agreements of the Government of Pakistan with an entity.

- Continuity given to the notifications issued under section 19 till June 30, 2024.

- Director of Customs Valuation to consult and not incorporate straightaway internationally acclaimed publications, periodicals, bulletins etc. to determine truth, and accuracy of the declared values.

- Owner of goods to file GDs within three days after arrival of goods at Land Custom Stations at border.

- Warehousing holding period for non-perishable goods proposed to be increased to three months.

- Penal provisions for offence of smuggling of essential commodities, banned and contra-banned goods made more stringent.
- Penal provisions for any attempt to evade duty and taxes in breach of laws and procedures made more stringent.
- Penalty leviable on documents not found inside the consignment is abolished.
- Penalty on documents not uploaded electronically with the goods rationalized.
- Option provided to the respondent to go for adjudication through the Customs Computerized System.
- Board empowered to authorize officers to use confiscated conveyances and other useful equipments for their operational purposes.
- Board authorized to transfer, at any stage, the investigation of criminal cases from one field formation to another.
- Advance ruling cannot be sought in respect of on the applicability of notifications related to duties under the Customs Act or any other taxes and duties.
- Appellate order or a quasi-judicial order passed by the Chief Collector of Customs appealable before the Tribunal which to be heard by a special bench.
- Board to establish rules determining the eligibility of individuals for self-filing goods declarations to facilitate compliant taxpayers.
- Elimination of fixed duties and taxes cap on Asian Used Vehicles above 1300 CC.

The bill proposes the following incentives and reliefs

- Exemption of customs duty (CD) on import of the following goods/raw materials:
    - Specific papers and Art card and board for printing of the Holy Quran.
    - Raw materials of Diapers, Sanitary Napkins and Adhesive Tape.

- Organic Composite Solvent and Thinners for manufacturers of Butyl Acetate and Dibutyl Orthophthalates.
- Raw materials for manufacturing of Moulds and Dies.
- Raw materials/ inputs for Mining machinery.
- Raw materials/ inputs for Rice mill machinery.
- Raw materials/ inputs for Machine tools.
- Shrimps/prawns/juvenile for breeding in commercial fish farms and hatcheries.
- Roasted peanuts for manufacturing of ready to use to use supplementary foods (RUSF) by World Food Program certified manufacturers.
- Certain active pharmaceutical ingredient to incentivizing pharmaceutical manufacturers.
- Specified raw materials for manufacturing of LED lights.
- Seeds for sowing to promote growth in agricultural sector.
- Machinery /capital goods for farming as well as for irrigation, drainage etc.
- Machinery, equipment and inputs for manufacturing of solar panels, inverters and batteries.

- Incentive for Pharma sector by including one more Active Pharmaceutical Ingredient and 03 drugs in the existing duty free regime.
- Extended exemption on machinery and equipment for erstwhile FATA areas till June 30, 2024.
- Duty-free import of IT equipment for IT exporters equivalent to 1% value of their export proceeds.
- Concession of CD on raw materials / inputs for manufacturers of capacitors.
- Extended concession of CD on flavoring powder for snack manufacturers till June 30, 2024.
- Reduction of CD on non-localized (CKD) of Heavy Commercial Vehicles (HCVs) to 5%.

- Reduction of CD on pet scrap for polyester filament yarn manufacturing.
- Reduction of CD on specified woven fabrics and artificial flowers.
- Integration of the Fifth Schedule Part(V) with AIDEP 2021-26 for auto industry.
- CD on carbides of calcium increased to 11%.
- Conversion of caustic soda rate to ad-valorem.
- Exemption of Additional Customs Duty (ACD) for paper sizing industry, aluminum conductor composite cores, certain animal parts.
- Reduction of ACD on dyes and flavoring powders used in food preparation for snack manufacturers.
- CD and ACD Reduction on intermediary/ industrial inputs falling under 10 PCT codes.

THE ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

- Freelance exporters of IT and IT Enabled services qualifying as Cottage Industry to be given relief from registrations and charge of sales tax.
- Services provided by restaurants, to be taxed @ 5% if payment is made through cards or other electronic means.
- Electric power transmission services are to be taxed @ 15%.

PETROLEUM PRODUCTS (PETROLEUM LEVY) ORDINANCE, 1961

- The bill seeks to provide enabling power to the Federal Government in section 7 of Petroleum Products [Petroleum Levy] Ordinance, 1961 to modify the rates of petroleum levy and consequently, alter the price of petroleum products at their discretion by publishing a notification in the official gazette.

SUMMARY OF CHANGES IN
THE INCOME TAX ORDINANCE, 2001

Section

2(41) **Permanent Establishment (PE)**

The existing definition of PE includes fixed place of business through which it is established that the entity is to be taxed in Pakistan. The bill proposes to omit the word 'fixed' from its ambit. The existence of PE grants taxation rights to the source state with respect to a foreign enterprise performing substantive business function in the source state and deriving profits therefrom. Due to globalization and rapid changes in the mode of doing business whereby businesses are also carried out virtually. Through the proposed amendment, an effort has been made to bring such entities into the taxing jurisdiction of Pakistan. Thus, the proposed omission would enhance the scope of definition of PE of non-resident persons. By removing the requirement of the place of business to be fixed it widens the possibility to bring even temporary businesses located in Pakistan as a PE.

The bill further proposes to insert the word "entity" in sub-clause (d) to bring within the ambit of PE, services rendered by non-resident through an entity in Pakistan.

This is being enacted as an anti-avoidance measure, however, countries with which avoidance of double taxations treaties are in force, will not be affected by this amendment.

2(59A), 100E & 14th Schedule Rule (3)&(4) **Small and Medium Enterprises (SME)**

For an entity to be classified as an SME, the present maximum monetary turnover threshold is of Rs. 250 million. The bill proposes to enhance the limit of turnover to Rs. 800 million to embed large number of entities into its ambit to avail tax benefits available to SMEs.

The bill proposes to enlarge the scope of small and medium enterprises to include 'IT services' and 'IT enabled services', registered with and certified by Pakistan Software Export Board in addition to registration on SME registration portal.

The bill proposes to insert a new category in the 14th Schedule in Rules 3 and 4 which provides options for payment of tax as follows:

Category	Criteria	Normal Tax Regime (NTR)	Final Tax Regime (FTR)
Category-3	Where annual turnover exceeds Rupees 250 million but does not exceed Rupees 800 million	20% of taxable income	0.75% of gross turnover

4C (5A), 147 & Div. IIB, Part I, 1st Sch.

Super Tax on high earning persons

The provisions of section 4C were inserted through the Finance Act, 2022 imposing tax on high earning persons at the rates specified in the Division IIB of Part I of the First Schedule to the Ordinance as follows:

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

The bill proposes to insert three new income slabs i.e. above Rs. 350 million with higher rate of tax as follows:

Income under section 4C	Rate of tax
Where income exceeds Rs. 350 million but does not exceed Rs. 400 million	6% of the income
Where income exceeds Rs. 400 million but does not exceed Rs. 500 million	8% of the income
Where income exceeds Rs. 500 million	10% of the income

The bill also proposes to insert a new sub-section (5A) whereby for the quarterly advance tax calculation purposes under section 147 of the Ordinance, liability pertaining to 4C shall also be included. Before the proposed insertion, super tax was required to be paid at the time of filing of the return of income.

2(29), 39, 168, 169, 236Z **Tax on income from bonus shares issued by the companies**

A new section is proposed to be inserted to re-impose tax on companies issuing bonus shares.

Previously, sections 236M and 236N dealt with the issuance of bonus shares of public listed companies as well as private limited companies. These sections were removed from the statute book through the Finance Act, 2018.

The bill proposes to tax bonus shares issued by a company by amending definition of income whereby bonus shares are now part of the definition of income. Consequential amendment is also proposed in section 39(1) under the head "income from other sources" to specifically include income arising to shareholders from the issuance of bonus shares.

At the time of promulgation of the Income Tax Ordinance, 2001 bonus shares were treated as dividend income. However, in the subsequent years, bonus shares were excluded from the definition of income through the Finance Act, 2003.

The tax rate is proposed at 10% on the amount of bonus shares issued on the value determined on the first day of closure of books. This tax is final discharge of tax liability in the hand of the recipient shareholders of the company.

The responsibility for collection of this tax is on the company i.e. that prior to the issuance of bonus shares, the company will first collect this tax from the shareholders and deposit the same into the Government treasury. If the shareholder doesn't make the payment, the company is empowered to dispose off bonus shares equivalent to the tax payable under this section. Thereafter bonus shares shall be issued by the company. Non-compliant companies shall be liable for consequential actions under the tax laws.

44A **Exemption under Foreign Investment (Promotion and Protection) Act, 2022**

The bill seeks to insert new section for the Exemption under Foreign Investment (Promotion and Protection) Act 2022 (the Act). The said Act was promulgated on December 13, 2022. The section 4 of the Act provides various incentives and exemptions to the investors or in respect of stipulated investments – Reko Diq project. The proposed amendment is harmonious in nature to provide tax exemptions under the income tax laws in line with the tax exemptions stipulated in the Second and the Third Schedule of the above Act.

The bill proposes to exempt the taxes on income (including capital gains), withholding taxes, minimum and final taxes, and other provisions of the Ordinance provided in the Second and Third Schedules to the Act with regard to stipulated investments. The following sectors are the beneficiaries of the Act:

- Road network
- Pipelines
- Power generation facilities
- Transmission lines
- Processing facilities
- Any other infrastructure used in or in connection with Reko Diq project operations.

The bill also proposes to exempt application of tax laws related to Anti-Avoidance provisions i.e. 106, 106A, 108, 109 and 109A. Rates of depreciation, initial allowance and pre-commencement expenditure u/s 22, 23 and 25 as on March 20th 2022 shall continue to be applicable for 30 years as provided in the Third Schedule to the said Act in respect of aforesaid persons.

65l Tax credit for construction of house

The bill proposes to provide a tax credit to individuals for the construction of a new residential house. The bill proposes following conditions for admissibility of the tax credit:

- layout plan is approved by the concerned authority on or after July 1, 2023;

- house is constructed in the period from tax year 2024 to tax year 2026; and

- construction of house is completed during the aforesaid tax years and completion certificate furnished along with the return.

The tax credit is proposed to be lesser of:

- Ten percent of tax assessed for the tax year; or

- Rupees one million.

85 Associates

The provision of section 85 provides the definition of associates. The bill proposes to substitute the sub-section (1) of section 85 as follows:

- the relationship between the two is such that one may reasonably be expected to act in accordance with the intentions of the other, or both persons may reasonably be expected to act in accordance with the intentions of a third person;
- one person sufficiently influences, either alone or together with an associate or associates, the other person;

The bill seeks to insert an explanation that for the purpose of this section, two persons shall be treated as sufficiently influencing each other, where one or both persons, directly or indirectly, are economically and financially dependent on each other and, decisions are made in accordance with the directions, instructions or wishes of each other for common economic goal; or one person enters into a transaction, directly or indirectly, with the other who is a resident of jurisdiction with zero taxation regime."

As a consequence of the proposed change, persons who are economically and financially dependent on each other and further decision making for common economic growth would be considered as associates.

The proposed amendment provides the tax authorities wide powers to declare persons having direct or in-direct relationship as associates which could be highly subjective and would trigger long drawn litigation.

A new term is introduced as "zero taxation regime" which will be described subsequently by the Federal Government.

Once enacted, a broader range of transactions shall be subject to the arms-length principle and may be subject to transfer-pricing audits.

99D Additional tax on certain income, profits and gains

The bill proposes to insert a new charging section wherein it is intended that every person who has any income, profit or gain arising due to economic factors arising from unexpected income, profits or gains whether they are disclosed or undisclosed in the financial statements. The tax is proposed to be levied for any of the preceding five tax years from the tax year 2023 onwards.

It is proposed that the Federal Government, through notification in the Official Gazette:

a) determine economic factor or factors including but not limited to international price fluctuations having bearing on any commodity price in Pakistan or any sector of the economy or difference in income, profit or gains on account of foreign currency fluctuation;

b) provide the rate of tax not exceeding fifty percent of such income, profits or gains;

c) provide for the scope, time and payment of tax payable under this section in such manner and with such conditions as may be specified; and

d) exempt any person or classes of persons, any income or classes of income from the application of this section, subject to any condition as may be specified."

Through the bill, enabling powers have been obtained by the Federal Government to impose tax but will only be applicable upon notifying the nature of entities or businesses upon which the law will apply without the prior approval by the Parliament.

111(4) **Unexplained income or asset - exemption threshold of foreign remittances enhanced**

The bill proposes to enhance the existing threshold from Rs. 5 million to USD 100,000 for immunity from probe as regards the source of investment provided that the foreign exchange is brought into Pakistan from banking channels and foreign currency is surrendered to the Government.

For the first time the threshold limit of Rs. 10 million was introduced in the tax year 2019 which was subsequently reduced to Rs. 5 million through the Finance Act 2020.

Through the proposed amendment, the Government seeks to boost up its depleting foreign currency resources and reserves but at the cost of documentation of economy.

113, Div. IX, Part I, 1st Sch. **Minimum tax on turnover**

The bill proposes to reduce the minimum tax rate to 1% from 1.25% for the listed companies other than those companies who are already enjoying the special reduced tax rates.

An explanation is also being inserted in section 113(2)(c) whereby the carry forward of minimum tax can only be set-off against the liability arising on the basis of taxable income.

The proposed change is clarificatory in nature and may apply retrospectively.

146D Recovery of liability outstanding under other laws

The bill proposes to enhance the powers of the Commissioner to recover the liability outstanding in or under any other statute or law in respect of any defaulter provided that the liability is:

a) treated as Income Tax arrears in that law;
b) required to be recovered or collected by Commissioner (Inland Revenue); or
c) is referred to Commissioner (Inland Revenue) for the recovery.

152 Payment to non-resident – exemption certificate

The bill proposes to add a proviso which provides for automatic issuance of an exemption certificate by IRIS, if the Commissioner has not passed an order accepting or rejecting the application filed under section 152 (5) of the Ordinance within thirty days of the application.

At the same time the proposed amendment provides power to the Commissioner to modify or cancel the said automatically issued exemption order after providing the taxpayer the opportunity to be heard before any modification or cancellation. Such a power is contradictory and will create hardship for the taxpayers as after the 30 days period the tax payer has already remitted the amount abroad in absence of the intervention of the Commissioner.

154A Export of services

The bill proposes to abolish the requirement of filing monthly sales tax returns for the exporters of IT and IT-enabled services to take benefit of the reduced tax rate of 0.25% as the said services are exempt from sales tax under the Provincial Sales tax laws.

230J International Centre of Tax Excellence

A new section is proposed to be inserted in the statute book to create a separate and designated center of excellence for the following purposes:

- development of tax policy;

- preparation of model national tax policy;
- delivering interdisciplinary research in tax administration and policy;
- international tax cooperation;
- revenue forecasting;
- conducting international seminars, workshops and conferences on the current issues faced by tax authorities in the field of international taxation;
- capacity building of Inland Revenue Officers;
- tax analysis; and
- improving the design and delivery of tax administration for maximizing revenue.

This is a step in the right direction towards changing the country's tax culture. In order to overhaul Pakistan's tax administrative structure and put its current system in line with internationally best practices.

231AB Advance tax on cash withdrawals

The bill proposes to re-introduce the provisions relating to deduction of advance tax from persons not on Active Taxpayers List (ATL) at the rate of 0.6% of total amount of cash withdrawals exceeding Rs. 50,000 in aggregate in a day.

This was earlier introduced through the Finance Act, 2005 which was later-on withdrawn through the Finance Act 2021.

231C Advance tax on foreign domestic workers

The bill proposes to insert a new section for collection of advance tax of Rs.200,000 by the visa issuing authority from the agency, sponsor or the person, as the case may be, employing the services of foreign nationals as a domestic worker at the time of issuance, renewal of domestic aide visa.

236K Advance tax on purchase or transfer of immovable property – non-residents

The proposed amendment seeks to provide relief of 2% final tax on purchase of immovable property by non-resident individual holding POC/NICOP/CNIC where immovable property is acquired through foreign remittances remitted from abroad through Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan.

Through the Finance Act 2021, this tax was introduced as final discharge of tax liability for non-resident Pakistanis which had discouraged investment from non-resident Pakistanis as tax was an additional burden on assets acquired which may not yield any income in the hands of non-residents.

The objective is to provide incentive for inflow of foreign currency. The proposed change is positive in nature as it will also reduce hardships for overseas non-resident Pakistanis.

FIRST SCHEDULE	**Super tax on higher earning persons**
Division-IIB Section 4C	The bill proposes to insert three new tax slabs for threshold of income from Rs.300 million to Rs. 500 million.

S. No	Income under section 4C	Rate of tax	
		Existing	**Proposed**
1.	Where income does not exceed Rs. 150 million	0% of the income	0% of the income
2.	Where income exceeds Rs. 150 million but does not exceeds Rs. 200 million.	1% of the income	1% of the income
3.	Where income exceeds Rs. 200 million but does not exceeds Rs. 250 million.	2% of the income	2% of the income
4.	Where income exceeds Rs. 250 million but does not exceeds Rs. 300 million	3% of the income	3% of the income
5.	Where income exceeds Rs. 300 million but does not exceeds 350 million	4% of the income	4% of the income
6.	Where income exceeds Rs. 350 million but does not exceeds 400 million		6% of the income
7.	Where income exceeds Rs. 400 million but does not exceeds 500 million.		8% of the income
8.	Where income exceeds Rs. 500 million		10% of the income

Division-IX Section 113 **Minimum tax**

The bill proposes to substitute serial no. 4 and added serial no. 5.

S.No.	Person(s)	Minimum Tax as percentage of the person's turnover for the year (Existing)	Proposed
1.	(a) Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion. (b) Pakistani International Airlines Corporation; and (c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production;	0.75%	
2.	(a) Oil refineries (b) Motorcycle dealers registered under the Sales Tax Act, 1990 (c) Oil marketing companies	0.5%	
3.	(a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes; (b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990;	0.25%	

	(c) Rice mills and dealers; (d) Tier-1 retailers of fast moving consumer goods who are integrated with Board or its computerized system for real time reporting of sales and receipts; (e) Person's turnover from supplies through e-commerce including from running an online marketplace as defined in clause (38B) of section 2. (f) Persons engaged in the sale and purchase of used vehicles; and (g) Flour mills		
4.	Company listed on Pakistan Stock Exchange, if not covered in S.No.1,2 and 3 above.	1.25%	1%
5.	In all other cases.	1.25%	

Part II Section 148(7) **Rate of advance tax on imports**

The bill proposes to increase the rate of tax to 6% from 5.5% of the import value as increased by custom duty sales tax and federal excise duty in the case of commercial imports. The tax so deducted shall not be refundable and will be treated as a minimum tax.

Part-III Division-II Section 152(2A)(a) **Payments to non-residents**

The bill proposes to increase the rate of tax on payments for the sale of goods:

(i) in case of a company from 4% to 5% and

(ii) in any other case from 4.5% to 5.5%.

152(2A)(b) The bill proposes to increase the rate of tax on payments:

(i) for the rendering of or providing services the existing rate of tax of 3% to 4% of the gross amount payable in the prescribed sectors.

(ii) in case other than sub-paragraph (i):

	Existing rate of tax	Proposed rate of tax
(a) in case of a company	8%	9%
(b) in any other case	10%	11%

152(2A)(c) (ii) The bill proposes to increase the rate of tax to 8% from existing 7% on given amount of payments on the execution of contracts other than a contract for sale of goods or the rendering of or providing services.

Part-III Division-III Section **Payments for goods or services**

153(1)(a) The bill proposes to increase rate of withholding tax in case of sale of goods including toll manufacturing

	Existing rate of tax	Proposed rate of tax
(a) in case of a company	4%	5%
(b) in any other case	4.5%	5.5%

153(1)(b) The bill proposes to increase the rate of tax on payments:

(i) for the rendering of or providing services to 4% from 3% of the gross amount payable in the prescribed sectors.

(ii) in case other than sub-paragraph (i)

	Existing rate of tax	Proposed rate of tax
(a) in case of a company	8%	9%
(b) in any other case	10%	11%

153(1)(c) The bill proposes to increase the rate of tax on payments on the execution of contracts including contract signed by a sports person but not including a contract for sale of goods or the rendering of or providing services

	Existing rate of tax	Proposed rate of tax
(a) in case of a company	6.5%	7.5%
(b) in any other case	7%	8%

Part-III Division-IVA Section 154A **Export of services**

The bill proposes to restrict the deduction of tax on export proceeds of computer software or IT services or IT enabled services by persons registered with the Pakistan Software Exports Board at 0.25% up to the tax year 2026.

Part-IV Division-XXVII Section 236Y **Advance tax on amount remitted abroad through credit, debit or prepaid cards**

The bill proposes to increase rate of deduction of tax to 5% from 1% of the gross amount remitted abroad on credit, debit or prepaid card. This increase is extremely harsh as payments through credit cards help improve documentation.

Second Schedule Part-I Clause	Exemption from total income

66 **Income of certain charitable and other institutions (NPOs)**

The bill proposes to introduce the following five entries after S. No. (lxii) in Table-1 granting exemption from taxation without any condition:

S. No.	Name
(lxiii)	The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the August 05, 2022
(lxiv)	Film and Drama Finance Fund
(lxv)	Export-Import Bank of Pakistan
(lxvi)	Shaheed Mohtarma Benazir Bhutto Institute of Trauma, Karachi
(lxvii)	Shaheed Zulfikar Ali Bhutto Institute of Science and Technology

99A **Profits and gains derived from sale of immovable property or shares of special purpose vehicle to REIT Scheme**

The bill seeks to extend the period of tax exemption expiring on June 30, 2023 to June 30, 2024.

145A **Income of residents of tribal areas**

The bill seeks to extend the period of tax exemption expiring on June 30, 2023 to June 30, 2024.

150 **Income derived by Alteraz Engineering Consultant**

The bill seeks to extend tax exemption to Alteraz Engineering Consultant in respect of contract dated May 23, 2017 with Earthquake Reconstruction and Rehabilitation Authority, financed by Saudi Fund for Development.

154 **Profit and gains derived from agro based industry**

To encourage setting-up of agro based small and medium enterprises in notified rural areas, the bill by way of insertion of a new clause seeks to grant exemption for a period of five years till the tax year 2028 those enterprises set-up after July 01, 2023 and not formed by transfer or reconstitution or reconstruction or splitting up of an existing business, shall be entitled to avail the benefit.

Second Schedule Part-III Clause **Reduction in tax liability**

21 **Income from construction business**

The bill seeks to incentivise construction of new building projects from tax year 2024 to 2026 by granting reduction of 10 percent or Rs. 5 million, whichever is lower, in the tax liability of a builder. The conditions imposed for eligibility of this reduction are as under:

- Builder should be registered with the Directorate General of Designated Non- Financial Business and Professions

- Builder furnishes completion certificate issued by the concerned regulatory authority with the return.

New building project has been defined as construction of building, the layout plan of which is approved by the concerned authority on or after July 01, 2023. Land development projects are not entitled to avail the benefits proposed insertion.

22 **Income of youth entrepreneurship**

In order to motivate the youth upto the age of thirty years, tax credit to a new start-up established on or after July 01, 2023, for the tax year 2024 to 2026 is proposed, subject to lower of the following limitations:

- In case of individual and association of person, 50% of tax liability or Rs. 2 million

- In case of a company, 50% of tax liability or Rs. 5 million.

A Youth enterprise has been defined to mean a sole proprietorship owned by youth individual, an AOP where all the members are youth or a company whose 100% shareholding is held or owned by youth individual.

The concession provided under this clause will not be available to such enterprises that are formed by the transfer or reconstitution or reconstruction or splitting up of an existing business and women enterprises covered in Clause (19) of Part-III to the Second Schedule.

Second Schedule Part-IV Clause	**Exemption from specific provisions**
100, 11A & 123	**Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities**
	The bill proposes to provide tax exemption from application of minimum tax u/s 113, application of tax withholding u/s 151 and collection of advance tax on amount donated through SMS to the Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from August 05, 2022.
100	**Non-application of Section 236U**
	Section 236U dealing with advance tax on insurance premium was omitted by the Finance Act 2020, as a result the redundant clause is proposed to be omitted.
123	**Non-application of section 148 – import of goods for flood affectees**
	The S.R.O. 1634(I)/2022 dated 2022, provides exemption to goods duly certified by the National Disaster Management Authority or the Provincial Disaster Management Authority, imported for relief of flood affectees from application of section 148 for a period of three months commencing December 1, 2022. The bill now proposed to validate the said amendment through enactment.
124	**Non-application of section 148 – Import of tomato and onion**
	The S.R.O. 1639(I)/2022 dated 31-08-2022 provided that the provisions of section 148 shall not apply till December 31, 2022 on imported tomato and onion. The bill now proposes to validate the said amendment through an enactment.

100A **Special provisions relating to the banking business**

Seventh Schedule

7CA The bill proposes to amend the Rule 7CA of the Seventh Schedule to harmonise it with the proviso to the section 4C which presently exclude banking companies from the levy of super tax on high earning persons for the tax year 2022. The rate of super tax under section 4C is also proposed to be increased to 10% for income exceeding Rs. 500 million from the tax year 2023 onwards.

7CB The bill proposes to extend the provisions of the proposed section 99D to the banking companies as well which provides for imposing additional tax on unexpected (high) incomes, profits or gains due to any economic factor. This may have implications on the foreign exchange gains earned by the banking companies due to un-precedented increase in the rate of Pakistani currency against the US Dollar.

7D, 7E & 7F The bill proposes to extend the provisions of the Rules 7D, 7E and 7F relating to 20% reduced rate of tax on taxable income arising from additional advances for micro, small and medium enterprises, low cost housing and farm credit for two more years till tax year 2025.

7G The bill also proposes to insert the Rule 7G which provides for 20% reduced rate of tax on the taxable income arising from additional advances for IT and IT Enabled Services in Pakistan for the tax years 2024 to 2025.

8(4) The bill proposes to insert sub-rule (4) in the Rule 8 of the Schedule as introduced by SRO 213(I)/2023 dated February 22, 2023 which provides for exemption from tax on profit on debt and capital gains from the Federal Government's sovereign debt or a sovereign debt instrument derived by any non-resident banking company approved by the Federal Government under a sovereign agreement for the purpose of this sub-rule.

8(5) The bill proposes to insert sub-rule (5) in the Rule 8 of the Schedule as introduced by SRO 226(I)/2023 dated February 27, 2023 which provides that provisions of sub-rule (6A) of Rule 6C, relating to higher rate of tax on the taxable income attributable to investment in the Federal Government securities, shall not apply for tax year 2024 only.

Eight Schedule **Rules for the computation of capital gains on listed securities**

Rule 4C The bill proposes to insert a new rule whereby NCCPL is obligated to compute and collect super tax u/s 4C on the capital gains computed in accordance with Eight Schedule and related rules at the rates specified in Division-IIB of Part-I of the First Schedule.

Thirteen Schedule **Tax Credit on Donations/Subscriptions/Voluntary Contribution (Section 61)**

The bill proposes to allow tax credit u/s 61 to charitable donations paid to following funds:

Table-I	
S. No.	**Name**
64.	The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5th August, 2022
65.	Film and Drama Finance Fund

Fourteenth Schedule **Special provisions relating to Small and Medium Enterprises**

Rule 2 The bill seeks to substitute the Rule 2 and proposes to enlarge the scope of small and medium enterprises to include ‘IT services’ and ‘IT enabled services’, registered with and certified by Pakistan Software Export Board in addition to registration on SME registration portal.

SUMMARY OF CHANGES IN THE SALES TAX ACT, 1990

Section

2(12)
2(33) **Production, transmission and distribution of electricity specified as goods and supply**

The bill seeks to undo the changes made through the Finance Act, 2022 by omitting the expression "production, transmission and distribution of electricity" by amending the definition of goods and supply.

The above is part of rationalisation measure as the power transmission has been considered as a service and duly covered under the provincial domain based on the decision of the National Tax Council.

2(43A) **Omission of certain retailers from the definition of "Tier-1 retailer"**

The bill seeks to omit the following retailers from the definition of Tier-1 retailers:

i) Retailers having shop comprising area of one thousand square feet or more;

ii) Retailers dealing in furniture, comprising area of two thousand square feet or more; and

iii) Retailers engaged in supply of articles of jewelry of precious metals or its derivatives.

30CA **Directorate General of Digital Initiatives**

The bill proposes to substitute Directorate General of Digital Invoicing and Analysis with the Directorate General of Digital Initiatives with the similar formation.

33(23)(1) **Alignment with Section 40(C)**

The bill proposes to align the clause with the section 40(C) of the Act by substituting cigarettes with the goods or class of goods as specified by the Board under sub-section (1) of section 40C and thus enhancing the scope for penalties.

Fifth Schedule – Zero-rated supplies

The bill proposes to amend the Fifth Schedule to the Sales Tax Act, 1990 as follows:

Proposed new addition in the schedule

Serial No.	List of items with broad detail
8A.	The proposed amendment seeks to provide tax benefits by granting zero-rated tax status to supplies or imports made by/for/to the Reko Diq project in the Province of Balochistan with the scope as specified under the First Schedule of the Foreign Investment Act, 2022 for the period of 30 years from the mineral agreement effective date.

Serial No.	List of items with broad detail
21.	The proposed amendment seeks to expand the scope of zero-rated local supplies for registered exporters by covering "commodities" therein.

Proposed substitution in existing headings

Serial No.	List of items with broad detail
12.	The proposed amendment intends to broaden the category of instruments by substituting "Geometry boxes (PCT heading 9017.2000)" with "other drawing, marking out, or mathematical calculating instruments (geometry box) (PCT heading 9017.2000)." This modification enables a wider variety of instruments to be encompassed within this category.

Sixth Schedule – Table-1: exemption on local supply or import of goods

The bill proposes to amend the sales tax exemption on import or supply of the following goods:

Proposed substitution in existing headings

Serial No.	List of items with broad detail
16,17 & 18	The proposed bill seeks to replace the word "in retail packing bearing" with "under" for certain retail items i.e. red chilies, Ginger, and turmeric. By virtue of the proposed amendment these items sold under brand names and trademarks shall not be exempted from the chargeability of sales tax irrespective of the facts whether it is sold in retail packing or not.
121	The proposed bill intends to insert the explanation for the exemption to Blood Bag CPAD-1 with blood transfusion set pack in aluminium foil with set, wherein, it is clarified that the blood transfusion sets not packed in aluminum foil imported with blood bags CPDA-1, in corresponding quantity in same consignment are also exempt;"

151 & 152	The proposed bill seeks to extend the exemption related to "imports of plant, machinery, and equipment" and "supplies of electricity to all residential, commercial, and industrial consumers" in tribal areas from 30th June 2023 to 30th June 2024.

Exemptions proposed to be withdrawn

Serial No.	List of items with broad detail
159 & 160.	The bill proposed to delete the entry relating to the exemption of disable Syringes and the raw material thereof for manufacturing of these syringes which is already made taxable with effect from Jan 1st, 2022.

Proposed new additions in the Schedule

Serial No.	List of items with broad detail
175	Contraceptive and accessories thereof (PCT headings: 3926.9020 and 4014.1000)
176	Bovine semen (PCT heading: 0511.1000)
177	Saplings Respective heading
178	Combined Harvester – Thresher (PCT heading: 8433.5100)
179	Dryer for agricultural products (PCT heading: 8419.3400)
180	No-till-direct seeder, planters, trans-planters and other planters. (PCT headings: 8432.3100 and 8432.3900)
181	Import of goods (i.e. Laptop, Personal Computers, Keyboards, Scanner, Servers, Hard disk, Servers & Routers etc.) as mentioned under S. No. 159 of Part III of Fifth Schedule to the Customs Act, 1969 (IV of 1969) proposed to be chargeable to customs duty at the rate of zero percent, subject to the conditions that Software exporters registered with Pakistan Software Export Board will have a concession on the assessed value of the imported goods equivalent to 1% of their export proceeds of the previous financial year (PCT headings: 7471.3010, 8471.3020, 8471.3090, 8471.4110, 8471.6010, 8471.6020, 8471.6090, 8471.7040, 8471.9020, 8471.7020, 8471.5000 and 8517.6270.)

SUMMARY OF CHANGES IN THE FEDERAL EXCISE ACT, 2005

Section

3(1) Duties Specified in the First Schedule to be levied

The bill proposes to insert a new clause (e) “any item specified in the First Schedule”.

Section 3 of the Federal Excise Act, 2005 (FED Act) is basic charging provision titled as “Duties specified in the First Schedule to be levied” however, the First Schedule was not mentioned in the list of dutiable items contained in sub-section (1). The insertion appears to be an attempt of strengthen the charging provision by expressly mentioning charge of duty on items specified in First Schedule.

29(2) Appointment of Federal Excise Officers and Delegation of Powers

The bill proposes to insert a new Clause (d) “the Directorate General of Digital Initiatives shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint”.

The content of section 29 of the FED Act deals with appointment of different officers of federal excise and delegation of powers thereto. The proposed insertion intends to introduce a new directorate general of digital initiatives allowing with a structure of its subordinate hierarchy. Similar provisions have also been introduced in the Sales Tax Act, 1990.

This new directorate shall be in addition to the currently existing three directorates namely, Directorate General Intelligence and Investigation, Directorate General Internal Audit and Directorate General of Training and Research.

40 Powers of Board to make rules

The bill proposes to include a new sub-section (4) “All rules made under sub-section (1) or any other provisions of this FED Act, shall be collected, arranged and published along with general orders and departmental instructions and rulings, if any, at appropriate intervals and sold to the public at reasonable price or may be placed regularly on the official website maintained by the Board”.

Section 40 of the FED Act, empowers FBR to make rules for carrying out the purpose of the FED Act. The proposed insertion entrusts FBR with the function of collecting, arranging and publishing such rules along with ancillary instructions etc. Such provision introduced in Sales Tax Act, 1990 through Finance Act, 1990 is operational as Section 50(2).

Schedule

First Schedule – Table I: Excisable Goods

The bill proposes to include the entries in the following manner:

Serial No.	List of goods	Proposed rate of duty
60	Energy inefficient fans both locally manufactured and imported which do not comply with the MEPS, notified by PSQCA.	Rupees two thousand per fan
61	Incandescent Bulbs both locally manufactured and imported.	Twenty Percent Ad Valorem.

First Schedule – Table II: Excisable Services

The bill proposes to amend the entry in the following manner:

Serial No.	List of Services	Proposed rate of duty
11	Franchise Services, Royalty and Fee for Technical Services.	Ten percent of the charges

Third Schedule – Table I: Conditional Exemptions (Goods)

The bill proposes to include the entry in the following manner:

Serial No.	List of Services	Heading/ Sub-Heading Number
26	Imports or supplies made by, for or to a qualified investment as specified at serial No. 1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act.	Respective Heading

Third Schedule – Table II: Conditional Exemptions (Services)

The bill proposes to include the entry in the following manner:

Serial No.	List of Services	Heading/ Sub-Heading Number
15	Services provided or rendered by, for or to a qualified investment as specified at serial No. 1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act.	Respective Heading

SUMMARY OF CHANGES IN THE CUSTOMS ACT, 1969

Section

2 **Definitions**

2(s) **Smuggle**

The bill proposes to enable the Pakistan Customs to carry out anti-smuggling operations within Pakistan's territorial jurisdiction.

3C **Custom Academy of Pakistan**

The bill seeks to replace the name "Pakistan Customs Academy (PCA)" with "Customs Academy of Pakistan (CAP)" to avoid duplication in nomenclature and provide a unique designation for the Academy.

7 **Assistance to the officers of customs**

Currently, all officers of the Federal and the Provincial governments, including Inland Revenue, Police, the National Highways and the Pakistan Motorway Police, Civil Armed Forces, Border Military Police and officers engaged in the collection of land-revenue are obligated to assist the officers of customs in the discharge of their functions under this Act.

The bill now seeks to add the Provincial Levies, Khasadar Force in the above list to assist the custom officers in discharge of their duties under the Act.

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

The Federal Government is empowered to grant exemption, vide Gazette Notification, from whole or part of customs duties including fine, penalty and any other charge on import or export of goods, in certain exceptional circumstances. This power was pertaining to the implementation of bilateral/multilateral agreements and agreements with international financial institutions or foreign government-owned financial institutions operating under memorandum of understanding or other arrangements with the Government of Pakistan.

Proposed amendment seeks to enlarge the scope by enabling the aforesaid implementation even in the case of any agreement of the Government of Pakistan with an entity also.

Further, the bill proposes to extend the deadline to place all notifications issued on or after the first day of July, 2016 before the National Assembly from the end of financial year 2023 to the end of financial year 2024 otherwise the same would stand rescinded.

25A Power to determine the customs value

Earlier, to discourage under invoicing, the Director was empowered through the proviso to the section 25A to use the values from internationally acclaimed publications, periodicals, bulletins, and official websites of manufacturers or indenters for the purposes of determining custom value of such goods.

The bill seeks to amend the said proviso to establish a requirement for consulting internationally recognized publications, periodicals, bulletins, and similar sources rather than directly incorporating them. This consultation process will be used to verify the truth and accuracy of declared values. The purpose of this amendment is to ensure that the proviso to section 25-A aligns harmoniously with section 25, section 25-A, and the WTO Valuation Agreement, thereby promoting consistency and conformity among these legal provisions.

79(1) Declaration for home consumption

A new proviso is proposed to be inserted making it obligatory on owners of imported goods to submit Goods Declarations (GDs) for home consumption, warehousing, transshipment, or any other approved use within three days of the goods' arrival at land custom stations at Border.

98(1) Period for which goods may remain warehoused

The bill seeks to enhance the time period for the holding of perishable goods in the warehouse from one to three months.

139(1) Declaration of baggage by crew or passenger

The owner of a baggage either a passenger or crew member is required to declare the contents of his baggage. The bill proposes to permit a representative to make the baggage declaration on behalf of all the members in a group to alleviate the burden on passengers by allowing a designated representative to fulfill the declaration requirement on their behalf.

156 Offences & Penalties

Proposed amendments in fines and penalties are listed below:

Sr No.	Description	Penalty		
		Existing		Proposed
1(ii)	If any person, as specified in the rules contravenes the requirement of placement of invoice and packing list inside the import container or consignment.	Such person shall be liable to a penalty as under:- 1st time 2nd time 3rd time and onward	 Rs 50,000/- Rs 250,000/- Rs 500,000/-	Omitted
1(iii)	If any person fails to attach or electronically upload mandatory documents required under section 79 or 131 of the Customs Act, 1969-,	Such person shall be liable to a penalty as under:- 1st time 2nd time 3rd time 4th time 5th time and onwards	 Rs 50,000/- Rs 100,000/- Rs 150,000/- Rs.200,000/- Rs.250,000/-	Such person shall be liable to a penalty not Exceeding Rs.50,000/-
8(i)	where any goods including essential commodities as notified by the Board be smuggled into or out of Pakistan,-	such goods shall be liable to confiscation and any person concerned in the offence shall be liable to-		such goods shall be liable to confiscation and any person concerned in the offence shall be liable to-
	(a) if the value of the goods is from PKR 500,001 to 3,000,000 (both inclusive)	a penalty not exceeding the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding two years;		a penalty not exceeding the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding two years;
	(b) if the value of the goods is from PKR 3,000,001 to 5,000,000 (both inclusive)	a penalty not exceeding two times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding three years: Provided that the sentence of the imprisonment shall not be less than two years.		a penalty not exceeding two times **but not less than** the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding three years: Provided that the sentence of the imprisonment shall not be

			less than two years.
	(c) if the value of the goods is from PKR 5,000,001 to 7,500,000 (both inclusive)	a penalty not exceeding three times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding five years: Provided that the sentence of the imprisonment shall not be less than two and half years.	a penalty not exceeding three times **<u>but not less than</u>** the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding five years: Provided that the sentence of the imprisonment shall not be less than two and half years.
	(d) if the value of the goods is from PKR 7,500,001 to 10,000,000 (both inclusive)	a penalty not exceeding four times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding ten years: Provided that the sentence of the imprisonment shall not be less than three years.	a penalty not exceeding four times **<u>but not less than</u>** the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding ten years: Provided that the sentence of the imprisonment shall not be less than three years.
	(e) if the value of the goods exceeds PKR 10,000,000	a penalty not exceeding five times the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding fourteen years: Provided that the sentence of the imprisonment shall not be less than five years and the whole or any part of his moveable and immoveable assets and property shall also be liable to forfeiture in accordance with section 187 of the Customs Act, 1969: Provided further that, in the case of such goods as may be notified by the Federal Government in the official	a penalty not exceeding five times **<u>but not less than</u>** the value of the goods; and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding fourteen years: Provided that the sentence of the imprisonment shall not be less than five years and the whole or any part of his moveable and immoveable assets and property shall also be liable to forfeiture in accordance with section 187 of the Customs Act, 1969:

		Gazette, the sentence of imprisonment shall not be less than five years and the whole or any part of his property shall also be liable to forfeiture.	Provided further that, in the case of such goods as may be notified by the Federal Government in the official Gazette, the sentence of imprisonment shall not be less than five years and the whole or any part of his property shall also be liable to forfeiture.
9	(i) If any goods, not being goods referred to in clause 8, are imported into or exported from Pakistan evading payment of leviable customs-duties or in violation of any prohibition or restriction on the importation or exportation of such goods imposed by or under this Act or any other law; or (ii) If any attempt be made so to import or export any such goods; or (iii) If any such goods be found in any package produced before any officer of customs as containing no such goods; or (iv) If any such goods be found either before or after landing or shipment to have been concealed in any manner on board any conveyance within the limits of any seaport, airport, railway station or	Such goods shall be liable to confiscation; and any person concerned in the offence shall also be liable to a penalty not exceeding two times the value of the goods.	Such goods shall be liable to confiscation; and any person concerned in the offence shall also be liable to a penalty not exceeding two times **<u>but not less than</u>** the value of the goods.

	other place where conveyances are ordinarily loaded or unloaded; or (v) If any such goods, the exportation of which is prohibited or restricted as aforesaid be brought within a customs area or to a wharf, with the intention of loading them on a conveyance for exportation in violation of such prohibition or restriction,		
89(i)	If any person without lawful excuse, the proof of which shall be on such person, acquires possession of, or is in any way concerned in carrying, removing, depositing, harbouring, keeping or concealing, retailing, or in any manner dealing with smuggled goods or any goods in respect to which there may be reasonable suspicion that they are smuggled goods;	such goods shall be liable to confiscation and any person concerned in the offence shall be liable to a penalty not exceeding ten times the value of the goods; and, where the value of such goods exceeds three hundred thousand rupees, he shall further be liable, upon conviction by a Special Judge, to imprisonment for a term not exceeding six years and to a fine not exceeding ten times the value of such goods	such goods shall be liable to confiscation and any person concerned in the offence shall be liable to a penalty not exceeding ten times the value of the goods; and, where the value of such goods exceeds three hundred thousand rupees, he shall further be liable, upon conviction by a Special Judge, to imprisonment for a term not exceeding six years and to a fine not exceeding ten times **<u>but not less than</u>** the value of such goods
90	If any person, without lawful excuse the proof of which shall be on such person, acquires possession of, or is in any way concerned in carrying, removing, depositing, harbouring, keeping or concealing or in any manner dealing	such goods shall be liable to confiscation, and any person concerned shall also be liable to a penalty not exceeding ten times the value of the goods.	such goods shall be liable to confiscation, and any person concerned shall also be liable to a penalty not exceeding ten times **<u>but not less than</u>** the value of the goods.

	with any goods, not being goods referred to in clause 89, which have been unlawfully removed from a warehouse, or which are chargeable with a duty which has not been paid, or with respect to the importation or exportation of which there is a reasonable suspicion that any prohibition or restriction for the time being in force under or by virtue of this Act has been contravened, or if any person is in relation to any such goods in any way, without lawful excuse, the proof of which shall be on such person, concerned in any fraudulent evasion or attempt at evasion of any duty chargeable thereon, or of any such prohibition or restriction as aforesaid or of any provision of this Act applicable to those goods,		

179 Power of adjudication

A new proviso is proposed to be inserted to expedite the clearance process and minimize human interaction by empowering the Board to notify such goods or offences in respect of which the respondent can opt to choose adjudication through the Customs Computerized System.

182 Vesting of confiscated property in the Federal Government

The bill seeks to enlarge the scope by allowing the Board to authorize the use of confiscated conveyances and other useful equipments for operational purposes by Pakistan Customs to enhance anti-smuggling operations by providing them with a wider range of resources.

185D Transfer of cases

The bill seeks to provide the Board with the authority to transfer at any stage of investigation of criminal cases from one field formation to another.

194A Appeals to the Appellate Tribunal

The bill proposes to enhance the scope by providing that an appellate order or a quasi-judicial order passed by the Chief Collector of Customs would be appealable before the Tribunal which shall be heard by a special bench consisting of one technical and one judicial member to bring the Customs Act, 1969 in line with Chapter 10 of the revised Kyoto Convention of the World Customs Organization (WCO).

208 Person to produce authority if required

Licensed Customs-house agents, or authorized employees/representatives acting on behalf of the principal having the authority to represent, as well as principals themselves, can conduct specified business with Customs officers.

The bill seeks to empower the Board to establish rules determining the eligibility of individuals for self-filing goods declarations in order to enable compliant taxpayers to independently file their goods declarations.

212B Advance Ruling abolished

The existing provision allowed an applicant to seek advance ruling on the applicability of notifications related to duties under the Customs Act or any other taxes and duties. The bill seeks to withdraw the said right of the applicant restricting the scope of the section.

Schedule

First Schedule

Rationalization of duty structure

The bill proposes to rationalize the custom tariff by amending the existing entries in the First Schedule.

Fifth Schedule

Exemptions Through Amendments in Fifth Schedule

The bill proposes to amend the entries in the Fifth Schedule which prescribes special rates of duties upon fulfillment of certain conditions prescribed therein to incorporate the relief measures in line with the Government policy to incentivize certain sectors.

Summary of Key Proposed Amendments in Respect of First and Fifth schedule

Sr No.	Description
1	Exemption of Customs duties on specific papers and Art card and board for Printing of Holy Quran.
2	Incentive for Pharma sector by including one more Active Pharmaceutical Ingredients and 03 drugs in the existing duty free regime.
3	Incentive for manufacturing of Solar Panels and allied equipment by exempting customs duties on import of machinery, equipment and inputs for manufacturing of solar panels, inverters and batteries.
4	Incentive for exporters of Information Technology (IT) and IT enabled services by allowing duty free import of IT related equipment equivalent to 1% value of their export proceeds.
5	Reduction of Customs duties and additional Customs duties on import of intermediary/ industrial inputs falling under 10 PCT codes.
6	Exemption of Customs duties on raw materials of Diapers, Sanitary Napkins and Adhesive Tape.
7	Concession of Customs duty on raw materials / inputs for manufacturers of Capacitors.
8	Reduction of Customs duty from 10% to 5% on non-localized (CKD) of Heavy Commercial Vehicles (HCVs).
9	Exemption of Additional Custom Duty on import of raw materials of Hemodialyzers fluid / powder.
10	Extension in exemption on machinery and equipment imported by erstwhile FATA areas till June, 2024.
11	Continuation of concession on import of Flavouring powders for food preparation for manufacturers of snacks till June, 2024.
12	Exemption of Customs duty on Organic Composite Solvent and Thinners for manufacturers of Butyl Acetate and Dibutyl Orthophthalates.

13	Reduction of Customs duty on import of pet scrap for manufactures of polyester filament yarn.
14	Exemption of Customs duties on Raw Materials for manufacturing of Moulds and Dies.
15	Exemption of Customs duties on raw materials/ inputs for Mining , Rice mill machinery and Machine tools.
16	Alignment of Part(V) of Fifth Schedule to the Customs Act with Auto Industry Development and Export Policy (AIDEP) 2021-26.
17	Exemption of Customs duties on import of seeds for sowing.
18	Exemption of Customs duties on import of shrimps/prawns/juvenile for breeding in commercial fish farms and hatcheries.
19	Exemption of Customs duties on roasted peanuts for manufacturing of ready to use supplementary foods (RUSF) by World Food Program certified manufacturers.
20	Increase of Customs duty on Carbides of Calcium from 3% to 11%.

Regulatory Duty

Proposed changes in Regulatory Duty

The following amendments regulatory structure are proposed through the bill in respect of which the Notifications are to be issued:

Increase/Levy of RD

Regulatorty duty in respect of the following is announced to be increased/levied:

Sr No.	Description
1	Articles of glass
2	20% RD imposed on Tungsten Filament Incandescent Bulbs and their parts
3	RD on the export of Molasses increased from 10% to 15%

Reduction of RD

Regulatorty duty in respect of 151 PCT codes pertaining to second hand clothing, fish, tiles, sports goods.

Exemption of RD

Regulatory duty on special steel round bars and rods of non-alloy steel exceeding diameter 50 mm are proposed to be exempted.

Removal of RD

Regulatory duty is proposed to be removed on the following:

Sr No.	Description
1	Second hand clothing
2	IT related equipment
3	Synthetic Filament Yarn of Polyester not manufactured locally
4	Parts for flat panels, monitors, projectors
5	Silicon Steel Sheets

SRO 577(I)2005

Revoking import limits for Asian used vehicles

It is proposed that the prescribed limit of fixed duties and taxes applicable to the import of Asian Makes used vehicles with engine capacities exceeding 1300 CC, as specified under S.R.O No. 577(I)/2005 dated 06-06-2005, has been revoked through omission of the following serial number 4,5 and 6 from the said S.R.O:

Sr No.	Automotive vehicles of Asian makes meant for transport of persons.	Duty and taxes in US$ or equivalent amount in Pak rupees.
4	From 1301cc to 1500CC	US$ 16,900
5	From 1501cc to 1600CC	US$ 20,500
6	From 1601 cc to 1800 CC (excluding jeeps)	US$ 25,400

This implementation will enhance the duties and taxes in respect of the aforesaid vehicles.

SUMMARY OF CHANGES IN
THE ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

Section

3(2A) **Scope of tax**

The bill proposes to substitute clause (a) as "sub-clause (d) of clause (5AB) of section 2 to the extent of freelance exporter exclusively dealing in export of IT and IT enabled services" along with the following explanation:

The bill defines, freelance exporter to mean a person who works on per job and on self-employed basis without being attached to or under employment of any other person, having the liberty to work on various tasks simultaneously;

The insertion proposes extension of the relaxations available for cottage industry under the Sales Tax Act, 1990 (the ST Act) to the freelance exporters of IT and IT enabled services.

By means of this proposed insertion, freelance exporters of IT and IT enabled services, qualifying the provisions of section 2(5AB) of Sales Tax Act, 1990, shall not be required to obtain registration and their services shall remain exempt from charge of sales tax.

The bill proposes to insert the expression "and serial number 8A" after the expression "serial number 2"

The Fifth Schedule of the Sales Tax Act contain items subject to tax at the rate of zero percent. Currently, zero rate is applicable only to the rendering or provisioning of services to the Diplomatic missions and privileged persons/organizations. The insertions propose to pronounce such zero-rated tax for services rendered or provided to a qualified investment as specified at Serial No. 1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022.

TABLE

Table 1: The bill proposes to substitute the entries in the following manner:

Serial No.	List of Services	PCT Heading, if applicable	Existing rate of tax	Proposed rate of tax
1	(i) Services provided or rendered by hotels, motels, guest houses, farmhouses, restaurants, marriage halls, lawns, clubs and caterers (ii) Services provided by restaurants including cafes, food (including ice-cream), parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc	98.01	Fifteen Percent Fifteen Percent	(i) Fifteen Percent (ii) (a) Five Percent where payment against service is received through debit or credit cards, mobile wallets or QR scanning subject to the condition that no input tax adjustment or refund shall be admissible; and (b) Fifteen Percent where payment received in cash."
11	Services provided by software or IT-based system development consultants.		Sixteen Percent	Fifteen Percent
60	Electric Power Transmission Services			Fifteen Percent

Table 2: The bill proposes to substitute the entry in the following manner:

Serial No.	List of Services	PCT Heading, if applicable	Existing rate of tax	Proposed rate of tax
11	(a) IT services and IT-enabled services Explanation: - for the purpose of this entry- "IT services" include but not limited to software development, software maintenance, system integration, web design, web development, web hosting and network design; and (b) " IT enabled services" include but not limited to inbound or outbound call centres, medical transcription,	Respective headings		Five Percent subject to the condition that no input tax adjustment or refund shall be admissible."

	remote monitoring, graphics design, accounting services, human resources (HR) services, telemedicine centres, data entry operations, cloud computing services, data storage services, locally television programs and insurance claims processing.			