



EY Ford Rhodes  
**Comments on Finance  
(Supplementary) Bill,  
2021**



Building a better  
working world

---

# COMMENTS ON FINANCE (SUPPLEMENTARY) BILL, 2021

This Memorandum is correct to the best of our knowledge and belief at the time of going to the press. It is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. The Firm and Ernst & Young do not accept any responsibility for any loss arising from any action taken or not taken by anyone using this publication.

This Memorandum may be accessed on our website  
<http://www.ey.com/pk>

## Budget Briefing

---

This Memorandum has been prepared as a general guide for the benefit of our clients and is available to other interested persons upon request. This should not be published in any manner without the Firm's consent. This is not an exhaustive treatise as it sets out interpretation of only the significant amendments proposed by the Finance (Supplementary) Bill, 2021 (the Bill) in the Income Tax Ordinance, 2001 (the Ordinance), the Sales Tax Act, 1990 (the ST Act), the Customs Act, 1969 (the Customs Act), the Federal Excise Act, 2005 (the FE Act) and the Islamabad Capital Territory (Tax on Services) Ordinance, 2001 (The ICT Ordinance) in a concise form sufficient enough to amplify the important aspects of the changes proposed to be made. FBR means the Federal Board of Revenue, Government of Pakistan.

It is suggested that the text of the Bill and the relevant laws and notifications, where applicable, be referred to in considering the interpretation of any provision. Since these are only general comments, no decision on any issue be taken without further consideration and specific professional advice should be sought before any action is taken.

Contents	Page
Highlights	I - iii
Income Tax	1 - 5
Sales Tax	6 - 38
Islamabad Capital Territory (Tax on Services) Ordinance, 2001	39 - 42
Federal Excise	43 - 44
Customs	45 - 46

KARACHI: 31 December 2021

**Highlights**

---

**Income Tax**

- Applicability of the provisions of Section 21(la) has been proposed to be restricted till the time it may be notified by the Board.
- Scope of Section 165A of the Ordinance has been proposed to be expanded to include particulars of business accounts opened or re-designated during each preceding calendar month
- Explanations are proposed to be inserted in Sections 153, 233 and 236Q of the Ordinance to clarify the term “income” for the purpose of charging tax thereon
- Advance tax has been proposed to be collected on foreign TV drama serial or play dubbed in Urdu and advertisements starring foreign actors
- Exemption of income available to Real Estate Investment Trust (RIETs) is proposed to be extended to income of Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015. Consequent relaxation is also proposed in respect of withholding of tax
- It is proposed to increase rate of collection of tax on subscribers of internet, mobile telephone and pre-paid internet or telephone cards to 15%
- Rate of collection of advance tax from the buyers of locally manufactured vehicles who subsequently sell such vehicles within ninety days of delivery are proposed to be enhanced

### Sales Tax

- Threshold for annual turnover to qualify as cottage industry reduced from PKR 10 Million to PKR 8 Million
- Definition of 'Tier-1 retailer' expanded to include retailers whose deductible withholding tax under Sections 236G or 236H of the IT Ordinance during the preceding twelve consecutive months exceeds the threshold as specified by the Board
- The bill proposes to exclude condition of providing NIC on an invoice made to an unregistered person in case the payments are made through debit or credit card or digital mode
- Scope of goods covered in Serial No. 23 of Section 33 enhanced for attracting penalty including power to seize business premises.
- Sugar now liable to normal Sales Tax at 17%
- Zero rating on supply of various items proposed to be withdrawn including following-
  - (a) Supplies of locally manufactured plant and machinery to manufacturers in the Export Processing Zone.
  - (b) Goods exempted under Section 13, if exported by a manufacturer
  - (c) Local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021.
  - (d) Specified ships and equipment for salvage or towage services and handing of ship.
- Pharmaceutical products and petroleum crude proposed to be zero rated
- Plant and machinery, dairy products, gold, silver, remeltable scrap and other various products proposed to be taxed at 17%.
- Hybrid Electric Vehicles and supplies by Teir-I retailers now taxable at 17%.
- Imported computer and laptop to be taxed at 5% whereas, locally manufactured computer and laptop continue to be exempt.
- Applicability of reduced rate on locally manufactured or assembled motorcars restricted to 850cc.
- The Bill seeks to withdraw reduced rate on import of specified plant and machinery.
- The Bill seeks to replace specific tax rate on import of cellular mobile phones or satellite phones with standard Sales tax at 17%
- Exemptions available on import and supply of various goods are now proposed to be withdrawn e.g good imported by or supplied to hospitals, import of sample or replacement goods, machineries for Export Processing Zones etc.
- Exemption on import of edible vegetables and fruits withdrawn except imported from Afghanistan.
- Exemption on local supply of various foods items, cotton seeds etc withdrawn.

**Highlights**

---

- Exemption on import by various sectors of plant, machinery, equipment and apparatus including capital goods withdrawn.

**Islamabad Capital Territory (Sales Tax on Services) Ordinance, 2001**

- The existing Schedule of taxable services is proposed to be renamed as Table-1 and the Bill also proposes to insert Table-2. The services listed in the proposed Table-2 shall be subject to Sales Tax at the rates provided therein subject to the conditions mentioned corresponding to each category of service. The services to be added in the proposed Table-2 are the same as provided in the SRO 495(I)/2016 dated 04 July 2016.

**Federal Excise Duty**

- The Bill proposes to enhance the applicable rate of FED on import or supply of certain vehicles.

**Table of Contents****Income Tax**

Sr.No.			Page
1.	Payment through digital means	<i>Section 21(la),</i>	2
2.	Furnishing of information by Banks	<i>Section 165A</i>	2
3.	Minimum tax on certain transactions	<i>Sections 153, 233 and 236Q</i>	2
4.	Disclosure of information by a public servant	<i>Section 216</i>	3
5.	Advance tax on TV plays and advertisements	<i>Section 236CA</i>	3
6.	Special provisions for Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015	<i>Clauses (99), (99A) - Part I Clause (47B), Part IV First Schedule</i>	3
7.	Profits and gains of independent power producers	<i>Clause (132)</i>	4
8.	Collection of tax on telephone users	<i>Section 236, Division V, Part IV, First Schedule</i>	4
9.	Advance tax on purchase, registration and transfer of motor vehicles	<i>Section 231B, Division VII, Part IV, First Schedule</i>	5

### 1. Payment through digital means

#### *Section 21(la),*

It would be recalled that through the Tax Laws (Third Amendment) Ordinance, 2021, a new Clause (la) was introduced in Section 21 (ratified through the Finance Act, 2021) which requires every company to make payment for a transaction under a single account head exceeding PKR 250,000 through 'digital means' from their notified business bank account, subject to certain exceptions; otherwise the expense would become inadmissible.

The term 'digital means' has not been defined under the Ordinance. Various forums raised this concern with the Board to clarify as to what would be construed as 'digital means' of payment. To clear this ambiguity, a new Clause namely (17B) is proposed to be inserted in Section 2 of the Ordinance which defines the term 'digital means' as "*electronic or digital payments as defined by the State Bank of Pakistan*".

To the best of our knowledge, the State Bank of Pakistan (the SBP) has not provided any clarification or issued any Circular in connection therewith. Accordingly, it appears that the ambiguity on digital means of payment would remain unaddressed until further clarified by the SBP.

In addition to the above, various business forums raised concerns over challenges and difficulties faced by corporate taxpayers on implementation of the provisions of Section 21(la) vis-à-vis digital mode of payments. The Board accordingly issued Circular No.10 of 2021 dated 01 December 2021 relaxing the timeline for the applicability of Section 21(la) till 31 December 2021. Keeping in view the hardship being faced by the corporate taxpayers, the Bill has now proposed to insert a new proviso in the above Clause restricting its applicability till the time it is notified by the Board.

### 2. Furnishing of information by banks

#### *Section 165A*

Section 165A of the Ordinance deals with furnishing of information by banking companies to the Board in the prescribed form and manner.

The Bill has proposed to introduce a new Clause (f) in the aforesaid Section which requires the bank to provide a list of persons containing particulars of their business accounts opened or re-designated during each preceding calendar month.

The above change is in line with the intent of the Government to widen the tax base and document the economy in the country. However, this requirement would over burden the banking companies to compile and submit such record with the Board.

### 3. Minimum tax on certain transactions

#### *Sections 153, 233 and 236Q*

You would recall that tax deductions under Sections 153 (payment for goods, services, and contracts), 233 (brokerage and commission) and 236Q (payments to residents for use of machinery and equipment) were made minimum tax on income of the resident person in prior years. However, the manner in which the provisions relating to minimum tax were drafted in the respective sections, it seemed that such withholding would be minimum tax on entire income of the resident person from all sources. To remove this ambiguity, the Bill has now proposed to include an explanation in each of the respective sections which provides that withholding tax under respective sections would be minimum tax only on related income which is subject to withholding of tax in that particular section.



#### 4. Disclosure of information by a public servant

##### Section 216

As per Section 216(1) of the Ordinance, a public servant shall not disclose the prescribed confidential information to any person. However, Sub-section (3) of the aforesaid section identifies a list of persons/instances where such information may be shared. The Bill proposes to insert a new clause in Sub-section (3) whereby particulars in respect of high-level public officials and public servants in BPS-17 and above, their spouses, children or benamidars, or any person in relation to whom the afore-mentioned persons are beneficial owner can also be disclosed. To this extent, however, individuals as captured under clause (iv) of Sub-section (m) of Section 5 of the National Accountability Bureau Ordinance, 1999 (Ordinance No. XVIII of 1999) have been excluded from being high-level public officials.

The Bill also proposes to insert an explanation whereby the term "High-level public officials" has been defined as 'politically exposed persons as defined by a rule, regulation, executive order or instrument; or under any law for the time being in force'.

#### 5. Advance tax on TV plays and advertisements

##### Section 236CA

The Bill proposes to insert a new Section 236CA providing for collection of advance tax on foreign TV drama serials, plays dubbed in Urdu or any other language or any commercial for advertisements featuring foreign actor for screening and viewing on any landing rights channel at the following rates -

S.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.500,000 per second

The licensing authority certifying the foreign TV drama serial, play dubbed in Urdu or other language or certifying the advertisement, as the case may be, is prescribed to be a collecting agent.

The tax required to be collected under the aforesaid section shall be a minimum tax on the income arising from such drama serial, play or advertisement.

#### 6. Special provisions for Special Purpose Vehicle as defined under the Real Estate Investment Trust

##### Regulations, 2015

##### First Schedule

##### Clauses (99), (99A) - Part I, Second Schedule

##### Clause (47B), Part IV, Second Schedule

Currently, under Clause (99) of Part I of the Second Schedule to the Ordinance, income derived by a Collective Investment Scheme or a Real Estate Investment Trust (REIT) Scheme is exempt from tax where it has distributed at least 90 percent of its accounting profit exclusive of capital gains (whether realized or unrealized).

The Bill proposes to extend the said exemption to Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015.

## Income Tax

Similarly, under Clause (99A) of Part I of the Second Schedule to the Ordinance, profits and gains accruing to a person on the sale of immovable property to any type of REIT scheme is exempt from tax upto 30 June 2023.

The Bill proposes to extend the above exemption on income arising on disposal of shares of Special Purpose Vehicle to any type of REIT Scheme upto 30 June 2023.

In line with exemption of income proposed for Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015 under Clauses (99) and (99A) of Part I of the Second Schedule to the Ordinance, exemption from application of withholding tax provisions under Sections 150, 151, 233 and 37A is proposed on payments made to Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015.

The Bill also seeks to provide following rates of tax in respect of dividend income earned from Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015:

Recipient of dividend	Rate of tax
REIT scheme	0%
Others	35%

Similar rates have been prescribed for withholding of tax on payment of dividend under Section 150 of the Ordinance.

### 7. Profits and gains of independent power producers

*Clause (132)*

*Part I, Second Schedule*

Profits and gains derived by a taxpayer from an electric power generation project set up in Pakistan was exempt from tax. Through the Finance Act, 2021, the said exemption was restricted to persons who either entered into an agreement with the Federal or Provincial Government or to whom letter of intent was issued by the Federal or Provincial Government for setting electric power generation project in Pakistan up to 30 June 2021.

The Bill now proposes to amend the restriction for persons to whom letter of support is issued instead of persons to whom letter of intent is issued. The amendment is proposed to be applicable retrospectively.

## PART IV

### 8. Collection of tax on telephone users

*Section 236,*

*Division V, Part IV,*

*First Schedule*

The Bill seeks to increase rate of collection of tax on subscribers of internet, mobile telephone and pre-paid internet or telephone cards. These comparative rates are as under:

Description	Existing Rate (%)	Proposed Rate (%)
Telephone subscriber where the amount of monthly bill exceeds PKR 1,000	10% of exceeding amount	Unchanged

**Income Tax**

Subscriber of internet, mobile telephone and pre-paid internet or telephone card	10% of the amount of bill or sales price for the TY 2022 and 8% for succeeding TYs	15% of the amount of bill or sales price
--	--	--

**9. Advance tax on purchase, registration and transfer of motor vehicles**

*Section 231B,  
Division VII,  
Part IV, First Schedule*

In terms of Sub-section (2A) of Section 231B of the Ordinance, every motor vehicle registration authority of Excise and Taxation Department is required to collect advance tax from the buyers of locally manufactured vehicles who subsequently sell such vehicles within ninety days of delivery, prior to or after registration.

The Bill proposes to enhance rates of collection of tax under the aforesaid Sub-section which are as under-

Engine Capacity	Existing Tax (Rs.)	Proposed Tax (Rs.)
Upto 1000cc	50,000	100,000
1001cc to 2000cc	100,000	200,000
2001cc and above	200,000	400,000

**Table of Contents**

## SALES TAX

		Section	Page
1.	Cottage Industry	Section 2 (5AB)	7
2.	Tier- 1 Retailer	Section 2 (43A)	7
3.	Scope of Tax- Sales Tax on Retail Price	Section 3(2Xa)	7
4.	Tax invoice	Section 23(1Xb) &(g)	7
5.	Directorate General of Digital Invoicing and Analysis	Section 30CA	8
6.	Offences and Penalties	Section 33 (23), (24) and (25A)	8
7.	Third Schedule	Section 3(2Xa)	8
8.	Fifth Schedule	Section 4	9
9.	Sixth Schedule	Section 13	10
10.	Eighth Schedule	Section 3(2Xaa)	34
11.	Ninth Schedule	Section 3(3B)	37

**1. Cottage Industry**  
*Section 2 (5AB)*

Small manufacturing concerns which have been defined as “cottage industry” are exempt from the levy of sales tax under serial No. 3 of Table-2 of the Sixth Schedule of the ST Act. One of the conditions inter alia includes that the annual turnover of such a manufacturer does not exceed PKR 3 million. Through the Finance Act, 2021 the threshold of PKR 3 million was enhanced to PKR 10 million in order to further incentivize cottage industry in the country.

The Bill now proposes to reduce the threshold from PKR 10 million to PKR 8 million.

**2. Tier- 1 Retailer**  
*Section 2 (43A)*

Section 2(43A) defines the term Tier- 1 retailer whereby a retailer falling under any one or more specified categories would be treated as Tier- 1 retailer. The Bill now seeks to categorize retailers falling under the newly introduced Clause (g) :

- (g) a retailer whose deductible withholding tax under Sections 236G or 236H of the Income Tax Ordinance, 2001(XLIX of 2001) during the immediately preceding twelve consecutive months has exceeded the threshold as may be specified by the Board through notification in the official Gazette; and”

Apparently the Board may issue a notification prescribing a minimum threshold for the amount of deductible withholding tax under Section 236G or H of the Ordinance for the preceding twelve months. The retailers of pharmaceuticals, poultry and animal feed, edible oil and ghee, auto-parts, tyres, varnishes, chemicals, cosmetics, IT equipment, electronics, sugar, cement, iron & steel products, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint and foam sector which are covered under Section 236G and 236H would meet the minimum threshold may be categorized as Tier- 1 retailers.

**3. Scope of Tax- Sales Tax on Retail Price**  
*Section 3(2)(a)*

Section 3(2)(a) provides that imports or supplies of goods specified in the Third Schedule of the ST Act would be subject to sales tax on retail price. The proviso to the above Section 3(2)(a) empowers the Federal Government to exclude or include any goods, through a notification, from the Third Schedule of the ST Act. Now the Bill seeks to transfer such powers from the Federal Government to the Board.

**4. Tax invoice**  
*Section 23(1)(b) &(g)*

Clause (b) of Sub-section (1) of Section 23 of the Act requires every registered person to provide name, registration number of the recipient and NIC or NTN of the un-registered person, as the case may be, excluding supplies made by a retailer where the transaction value inclusive of sales tax amount does not exceed PKR 100,000

The Bill now seeks to add a new proviso to Clause (b) of Section 23(1), whereby the condition of providing NIC on an invoice against taxable supplies made to an unregistered person would not apply in case the payments are made through debit or credit card or digital mode.

The Bill has further omitted the third proviso to Section 23(1) which stated that if it is subsequently proved that CNIC provided by purchaser was not correct, liability of tax or penalty would not arise against the seller in case of sale made

in good faith. This seems to be a harsh step which would again target penalizing registered persons for not declaring the correct CNIC given by the unregistered person.

**5. Directorate General of Digital Invoicing and Analysis**  
*Section 30CA*

The Bill seeks to introduce a Directorate General of Digital Invoicing and Analysis (the Directorate) which shall consist of a Director General and as many directors, additional directors, deputy directors, assistant directors and such other officers as may be notified in the official gazette.

The functions, jurisdictions and powers of the Directorate and its officers will be specified by the FBR through separate notification.

**6. Offences and Penalties**  
*Section 33(23), (24) and (25A)*

Section 33 of the ST Act lists out various offences against which penalties have been prescribed. Serial No. 23 provides penalty, confiscation, destruction on cigarette packs and stocks by any person who manufactures, possesses, transports, distributes, stores or sells cigarette packs with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes.

The Bill seeks to substitute the words cigarette packs, cigarette stock and cigarettes with the term specified goods in Serial No. 23 thereby enhancing the scope of goods covered for this offence and penalty.

Serial No. 24 provides the penalty against the offence where any person, who is integrated for monitoring, tracking, reporting or recording of sales, production 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 or barcode or bears duplicate invoice number or counterfeit barcode, or any person who abets commissioning of such offence.

Now the Bill also seeks to authorize the officer of Inland Revenue to seal the business premises of such person.

Serial No. 25A provides the penalty against the retailers who fail to get themselves registered or fail to integrate their business as required under the ST Act to be liable to increasing monetary penalties up to four defaults. The said Serial's first proviso provides that after the imposition of the fourth default if a person fails to integrate the business premises they would be liable to be sealed.

The Bill seeks to amend the first proviso whereby notwithstanding the number of defaults of monetary penalties as provided under Serial No. 25A the officer of Inland Revenue is now being authorized to seal the business premises of a person.

**7. Third Schedule**  
*Section 3(2Xa)*

The Third Schedule specifies the goods that are subject to sales tax at retail price. Through the Finance Act, 2021 Serial No. 50 was inserted in the Third Schedule whereby Sugar was subject to sales tax on retail price except in the case where it is supplied as an industrial raw material to pharmaceutical, beverage and confectionary industries.

Now, the Bill seeks to omit Serial No. 50 with effect from 01 December 2021. As a result, supply of sugar would be liable to sales tax on trade price.

## 8. Fifth Schedule

### Section 4

The Fifth Schedule of the ST Act deals with levy of zero rate of sales tax.

The Bills proposes to withdraw zero rating on the supply of following goods:

S. No.	Description
3	Supplies to duty free shops
6A	Supplies of locally manufactured plant and machinery of the following specifications, to manufacturers in the Export Processing Zone, subject to the conditions, restrictions and procedure given below, namely:-  (i) Plant and machinery, operated by power of any description, as is used for the manufacture or production of goods by that manufacturer;  (ii) Apparatus, appliances and equipment specifically meant or adapted for use in conjunction with the machinery specified in clause (i);  (iii) Mechanical and electrical control and transmission gear, meant or adapted for use in conjunction with machinery specified in clause (i); and  (iv) Parts of machinery as specified in clauses (i), (ii) and (iii), identifiable for use in or with such machinery.
9	Goods exempted under Section 13, if exported by a manufacturer
12	The following goods and the raw materials, packing materials, sub-components, components, sub-assemblies and assemblies imported or purchased locally for the manufacture of the said goods, subject to the conditions, limitations and restrictions as prescribed by the Board:  (a) Food preparations suitable for infants, put up for retail sale (PCT Heading 1901.1000) (b) Bicycles (PCT heading 87.12)
15	Local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions.
18	(i) Supply, repair or maintenance of any ship which is neither; a) a ship of gross tonnage of less than 15 LDT; nor b) a ship designed or adapted for use for recreation or pleasure.  (ii) Supply of spare parts and equipment for ships falling under (i) above.  (iii) Supply of equipment and machinery for salvage or towage services.  (iv) Supply of equipment and machinery for other services provided for the handling of ships in a port.

## Sales Tax

Apparently, purpose of omission of Serial No.9 is to disallow the benefit of getting refund of input tax by manufacturer-cum-exporter of exempted goods. Effectively, cost of doing business will increase since any sales tax incurred at manufacturing stage albeit for export will also no more be available for refund.. Prior to insertion of Serial No. 9 in the Fifth Schedule, there was a controversy regarding application of zero-rate on export on exempted goods, now, this proposed omission may perhaps again lead to litigations.

Serial No. 12 of the Fifth Schedule provides zero rating on raw material, packing material, components and assemblies for manufacturing of certain goods which inter-alia includes food preparations suitable for infants and bicycles. Exemption on bicycles had already been withdrawn through the Finance Act, 2021 whereas, the Bill now also proposes to withdraw exemption applicable on food preparations suitable for infant product available in Sixth Schedule.

The Bill seeks to insert the following new Serial numbers in the Fifth Schedule whereby the import and local supply of such goods would be subject to zero rate of sales tax.

S. No.	Description
19.	Drugs registered under the Drugs Act, 1976 (XXXI of 1976), or medicaments as classified under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except PCT heading 3005.0000.
20.	Petroleum Crude Oil (PCT heading 2709.0000).

Supply of pharmaceutical products and medicaments, with certain exception, are exempt for sales tax along with the corresponding raw materials used for manufacturing of pharmaceutical products in terms of Serial No. 104 and 105 of the Sixth Schedule of the ST Act. Now, the Bill seeks to withdraw both the exemptions.

The Bill proposes to provide zero rating on the import and local supply of pharmaceutical products and medicaments, with certain exception. Resultantly, pharmaceutical manufacturers would be required to pay sales tax on purchase/import of raw material however, they would be entitled to adjustment or refund of input tax paid on such purchases/ imports. This may affect the cash flow of pharmaceutical manufacturers whose finished products will be subject to zero rating of sales tax whilst the raw material would be subject to sales tax. Apparently the pharmaceutical manufacturers will be required to claim and obtain refund of sales tax which is a challenging process.

The Finance Act, 2021 withdrew zero rating on petroleum crude oil thereby making it subject to sales tax . However, the Bill now seeks to restore zero rating on petroleum crude by means of insertion of Serial No. 20 in the Fifth Schedule to the ST Act.

## 9. Sixth Schedule

### Section 13

The Sixth Schedule deals with exemptions of goods from levy of sales tax.

#### Table-1

Table-1 of the Sixth Schedule exempts import as well as local supplies of goods from sales tax. The Bill now proposes withdrawal of exemption on following products. Effectively, following goods will be subject to sales tax at 17%.

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
16.	Red chillies excluding those sold in retail packing bearing brand names and trademarks.	0904.2110 and 0904.2210



## Sales Tax

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
20.	Seeds, fruit and spores of a kind used for sowing	1006.1010, 1209.2100, 1209.2200, 1209.2300, 1209.2400, 1209.2500, 1209.2900, 1209.3000, 1209.9110, 1209.9120, 1209.9130, 1209.9190 and 1209.9900
21.	Cinchona bark	1211.9000
46.	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 Customs Act, 1969 (IV of 1969), and the conditions laid therein	99.01, 99.02, 99.03 and 99.06
49.	Import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments, including goods imported for the President's Fund for Afghan Refugees, relief goods donated for Afghan Refugees, gifts for President's Fund for Assistance of Palestine and gifts received by Pakistani organizations from Church World Services or the Catholic Relief Services subject to the similar conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Custom Act, 1969.	99.07, 99.08 and 99.11
50.	Articles imported through post as unsolicited gifts, subject to the same conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969. (IV of 1969)	99.09
51.	Imported samples, subject to the same conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969. (IV of 1969)	99.10
52.	Goods imported by or donated to hospitals run by the Federal Government or a Provincial Government; and non-profit making educational and research 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, 99.14, and 99.15
52A.	Goods excluding electricity and natural gas supplied to hospitals run by the Federal or Provincial Governments or charitable operating hospitals of fifty beds or more or the teaching hospitals of statutory universities of two hundred or more beds	Respective headings
53.	Import of all such gifts as are received, and such equipment for fighting tuberculosis, leprosy, AIDS and cancer and such	99.12, 99.13 and 99.14

## Sales Tax

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
	equipment and apparatus for the rehabilitation of the deaf, the blind, crippled or mentally retarded as are purchased or otherwise secured by a charitable non-profit making institution solely for the purpose of advancing declared objectives of such institution, subject to the similar conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969 (IV of 1969)	
54.	Educational, scientific and cultural material imported from a country signatory to UNESCO Agreement or a country signatory to bilateral commodity exchange agreement with Pakistan, subject to the same conditions as are envisaged for the purposes of exemption under the Customs Act, 1969 (IV of 1969)	99.15
55.	Import of replacement goods supplied free of cost in lieu of defective goods imported, subject to similar conditions as are envisaged for the purposes of applying zero-rate of customs duty under the Customs Act, 1969	99.16
57.	Goods (including dry fruits imported from Afghanistan) temporarily imported into Pakistan, meant for subsequent exportation charged to zero-rate of customs duty subject to the similar restrictions, limitations, conditions and procedures as are envisaged for the purpose of applying zero-rate of customs duty on such goods under the Customs Act, 1969 (IV of 1969)	99.19, 99.20 and 99.21
58.	Import of ship stores, subject to the procedures, conditions and restrictions as may be specified by the Collector of Customs in this behalf including those consignments of such stores that have been released without charging sales tax since the 1 <sup>st</sup> July, 1998, but excluding such consignments of ship stores as have been cleared on payment of sales tax	99.22
60.	Contraceptives and accessories thereof.	3926.9020 and 4014.1000
61.	Goods produced or manufactured in and exported from Pakistan which are subsequently imported in Pakistan within one year of their exportation, provided conditions of Section 22 of the Customs Act, 1969 (IV of 1969), are complied with	Respective headings
63.	Personal wearing apparel and bona fide baggage imported by overseas Pakistanis and tourists, if imported under various baggage rules and is exempt from Customs duties.	Respective headings
71.	Goods and services purchased by non-resident entrepreneurs and in trade fairs and exhibitions subject to reciprocity and such conditions and restrictions as may be specified by the Board	Respective headings

## Sales Tax

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
72.	Uncooked poultry meat whether or not fresh, frozen or otherwise, preserved or packed	02.07
81.	Cotton seed	1207.1000
84.	Preparations suitable for infants, put up for retail sale	1901.1000
92.	Sewing machines of the household type	8452.1010 and 8452.1090
102.	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 Heading
104.	Substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976) and medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except the following, even if medicated or medicinal in nature, namely:-  (a) filled infusion solution bags imported with or without infusion given sets; (b) scrubs, detergents and washing preparations; (c) soft soap or no soap; (d) adhesive plaster; (e) surgical tapes; (f) liquid paraffin; (g) disinfectants, and (h) cosmetics and toilet Preparations	Respective headings
105.	Raw materials for the basic manufacture of pharmaceutical active ingredients and for manufacture of pharmaceutical products, provided that in case of import, only such raw materials shall be entitled to exemption which are liable to customs duty not exceeding eleven per cent ad valorem, either under the First Schedule or Fifth Schedule to the Customs Act, 1969 (IV of 1969) or under a notification issued under Section 19 thereof.	Respective headings
107.	Import and supply of iodized salt bearing brand names and trademarks whether or not sold in retail packing.	2501.0010

## Sales Tax

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
109.	Goods imported temporarily with a view to subsequent, exportation as concurred by the Board, including passenger service item, provision and stores of Pakistani Airlines	Respective Headings
110.	<p>The following items with dedicated use of renewable source of energy like solar and wind, subject to certification by the Alternative Energy Development Board (AEDB), Islamabad for the period ending on the 30th June, 2023:-</p> <p>(a) Solar PV panels;</p> <p>(b) LVD induction lamps;</p> <p>(c) SMD, LEDs, with or without ballast, with fittings and fixtures;</p> <p>(d) Wind turbines including alternators and mast;</p> <p>(e) Solar Torches;</p> <p>(f) Lanterns and related instruments;</p> <p>(g) PV modules along with related components, including invertors, charge controllers and batteries.</p> <p>(h) Tubular day lighting device.</p> <p>(i) Energy saver lamps and tube lights of varying voltages (operating on AC or DC).</p> <p>(j) Invertors (off-grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT)</p>	8541.5000 8539.3290, 8539.3290, 8539.5010, 8539.5020, 9405.4090, 8502.3100, 8513.1040, 8513.1090, 8541.4000, 8504.4090, 9032.8990 and 8507.0000
113.	<p>High Efficiency Irrigation Equipment (If used for agriculture sector)</p> <p>(1) Submersible pumps (up to 75 lbs and head 150 meters)</p> <p>(2) Sprinklers including high and low pressure (centre pivotal) system, conventional sprinkler equipment, water reel travelling sprinkler, drip or trickle irrigation equipment, mint irrigation sprinkler system</p> <p>(3) Air release valves, pressures gauges, water meters, back flow preventers, and automatic controllers.</p>	8413.7010, 8424.4100, 8424.2010, 8481.1000, 8481.3000, 9026.2000, 9032.8990
114.	<p>Green House Framing and Other Green House Equipment (If used for Agriculture Sector)</p> <p>(1) Tunnel farming equipment consisting of plastic covering and mulch film, anti-insect net and shade net</p>	3920.1000, 3926.9099, 5608.1900, 5608.9000, 9406.1010 and 9406.9010

## Sales Tax

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
	(2) Green houses (prefabricated)	
116.	Plant, machinery and equipment imported for setting up industries in FATA upto 30 <sup>th</sup> June 2019 subject to the same conditions and procedure as are applicable for import of such plant, machinery and equipment under the Customs Act, 1969 (IV of 1969)	Respective headings
117.	Appliances and items required for ostomy procedures as specified in the Chapter 99 of the First Schedule to the Customs Act, 1969, subject to same conditions as specified therein	99.25
126.	Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO company recognized by Aviation Division	Respective headings
127.	Operational tools, machinery, equipment and furniture and fixtures on one-time basis for setting up Greenfield airports by a company authorized by Aviation Division	Respective headings
129.	Import of plant, machinery and production line equipment used for the manufacturing of mobile phones by the local manufacturers of mobile phones duly certified by the Pakistan Telecommunication Authority.	Respective headings
130.	Sodium Iron (Na Fe EDTA), and other premixes of vitamins, minerals and micro-nutrients (food grade) and subject to conditions imposed for importation under the Customs Act, 1969	Respective Headings, and subject to conditions imposed for importation under the Customs Act, 1969
131.	Laptop computers, notebooks whether or not incorporating multimedia kit	8471.3010
132.	Personal computers	8471.3020
134.	Goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization subject to recommendations of the Cabinet Division and concurrence by the Federal Board of Revenue.	9908
135.	Sunflower and canola hybrid seeds meant for sowing	Respective heading
136.	Combined harvesters upto five years old	8433.5100
138.	Fish Feed	Respective heading
139.	Fans for dairy farms	8414.5990
140.	Bovine semen	0511.1000
141.	Preparations for making animal Feed	2309.9000

## Sales Tax

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
142.	Promotional and advertising material including technical literature, pamphlets, brochures and other give-aways of no commercial value, distributed free of cost by the exhibitors	9920(3)
146.	Equipment imported by M/s China Railway Corporation to be furnished and installed in Lahore Orange Line Metro Train Project subject to the following conditions:  (a) that the equipment imported under this serial number shall only be used in the aforesaid Project;  (b) that the importer shall furnish an indemnity bond, in the prescribed manner and format as set out in Annex-C to this serial number, at the time of import to the extent of sales tax exempted under this serial number on consignment to consignment basis	Respective heading
149.	Micro feeder equipment	8437.8000
150.	Plant and machinery excluding consumer durable goods and office equipment as imported	Chapters 84 and 85
155.	Oil cake and other solid residues, whether or not ground or in the form of pellets	2306.1000
158.	Goods temporarily imported into Pakistan by International Athletes which shall be subsequently taken by them within 120 days of temporary import	Respective headings

Description of the following serial numbers are proposed to be substituted in Table-1;

S.No.	Existing Description	Proposed Description
13.	Edible vegetables including roots and tubers, except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned.	Edible vegetables imported from Afghanistan including roots and tubers, except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned.
15.	Edible fruits excluding imported fruits whether fresh, frozen or otherwise preserved but excluding those bottled or canned	Fruit imported from Afghanistan excluding apples PCT 0808.1000
19.	Cereals and products of milling industry	Rice, wheat, wheat and meslin flour.
32.	Newsprint, newspapers, journals, periodicals, books but excluding directories.	Newsprint and educational tax books but excluding brochures, leaflets and directories.

## Sales Tax

Currently, Serial No.13 exempts import or local supply of “edible vegetables including roots and tubers, except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned”. Now, the bill has proposed to restrict such exemption on import from Afghanistan only. Effectively, import of these goods from countries other than Afghanistan is proposed to be chargeable to sales tax at 17%. Furthermore, a new entry has been inserted at Serial No. 45 of Table - 2 of the Sixth Schedule, thereby, excluding sales tax on local supply of these goods.

Currently, Serial No.15 exempts import or local supply of “edible fruits excluding imported fruits whether fresh, frozen or otherwise preserved but excluding those bottled or canned”. Now, the Bill proposes to restrict this exemption to “Fruit imported from Afghanistan excluding apples”. Furthermore, a new entry “edible fruits” has been inserted at serial number 46 of Table -2, thereby, excluding sales tax on local supply of edible fruits.

These changes would effectively increase the cost of edible vegetables and fruits imported from any country other than Afghanistan.

Currently, Serial No.19 exempts the import and supply of “cereals and the products of milling industry”. Now, the Bill proposes to restrict this exemption to import and local supply of rice, wheat, wheat and meslin flour only. Further, exemption available to “cereals other than rice, wheat, wheat and meslin flour” is now proposed to be restricted only on local supply by inserting a new entry in Table - 2.

Currently, Serial No.32 exempts the import and supply of “newsprint, newspapers, journals, periodicals, books excluding directories”. Now, the Bill proposes to restrict the this exemption to “newsprint and educational text books excluding brochures, leaflets and directories” only. Further, exemption available to “newspaper” is proposed to be restricted only to local supply by inserting a new entry in Table -2.

Currently, exemption on import of CKD kits by local manufacturers of below Electric Vehicles is restricted to certain specified sub-tariff headings. Now, the Bill proposes exemption on import of CKD kits by local manufacturers on the below Electric Vehicles irrespective of the specified sub- tariff headings--

- (i) Road Tractors for semi-trailers (Electric Prime Movers)
- (ii) Electric Busses.
- (iii) Three Wheeler Electric Rickshaw.
- (iv) Three Wheeler Electric Loader.
- (v) Electric Motorcycle.

### Table - 2

Table-2 of the Sixth Schedule to the ST Act deals with exemption on local supply of goods. The Bill proposes to omit exemption available on local supply of the following goods. Effectively, the said goods will now be subject to sales tax at 17%.

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969(IV of 1969)
1.	Supply of cotton seed exclusively meant for sowing purposes, subject to such conditions as the Board may specify.	1207.2000.
2.	Supply of locally produced crude vegetable oil obtained from the locally produced seeds other than cotton seed, except cooking oil, without having undergone any process except the process of washing.	Respective headings.

## Sales Tax

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969(IV of 1969)
4.	Raw material and intermediary goods manufactured or produced, and services provided or rendered, by a registered person, consumed in-house for the manufacture of goods subject to sales tax.	Respective headings.
9.	Foodstuff and other eatables prepared in the flight kitchens and supplied for consumption on-board in local flights.	Respective headings.
15.	(a) Sprinkler Equipment (b) Drip Equipment (c) Spray Pumps and nozzles	Respective headings
16.	Raw cotton	Respective headings
22.	Single cylinder agriculture diesel engines (compression-ignition internal combustion piston engines) of 3 to 36 HP.	8408.9000
23.	Match boxes	Respective headings.
33.	Whey, excluding that sold in retail packing under a brand name	04.04
38.	Sausages and similar products of poultry meat or meat offal excluding sold in retail packing under a brand name or trademark	1601.0000

Local supply of breads prepared in tandoors and bakeries, vermicillies, nans, chapattis, sheer mal, bun and rusk were exempt. Now, the Bill proposes to exempt local supply of bread, Nan, Chapatti, sheer mal prepared in tandoors but sales tax is proposed to be levied on these products if prepared in bakeries, restaurants, food chains and sweet shops. Existing and proposed description is tabulated hereunder;

S. No. (Table-2)	Existing	Proposed
7	Breads prepared in tandoors and bakeries, vermicillies, nans, chapattis, sheer mal, bun, rusk.	Bread, Nan, Chapatti, Sheer mal prepared in tandoors excluding those prepared in bakeries, restaurants, food chains and sweet shops.

Most of the following goods are currently exempt from sales tax on import and local supply under Table-1. Now, the Bill proposes to insert following entries in Table-2. The combined effect of amendments in Table-1 and 2 is that exemption available to import of following goods is proposed to be withdrawn, however, local supply of these imported or locally produced goods would continue to be exempt from sales tax.

S. No. (Table-2)	Description
40	Live Animals and live poultry
41	Meat of bovine animals, sheep, goat and uncooked poultry meat excluding those sold in retail packing under a brand name
42	Fish and crustaceans excluding those sold in retail packaging under a brand name



## Sales Tax

S. No. (Table-2)	Description
43	Live plants including bulbs, roots and the like
44	Cereals other than rice, wheat, wheat and meslin flour
45	Edible vegetables including roots and tubers, except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned.
46	Edible fruits
47	Sugar cane
48	Eggs including eggs for hatching
49	Compost (non-commercial fertilizer)
50	Locally manufactured laptops, computers, notebooks whether or not incorporating multimedia kit and personal computers
51	Newspaper

Table - 3

Table-3 of the Sixth Schedule to the ST Act provides exemption from sales tax on import of specified plant, machinery, equipment and apparatus including capital goods subject to certain conditions. Following entries are proposed to be excluded from Table-3. Effectively, now such goods will be chargeable to sales tax at 17%.

S. No.	Description	PCT heading	Conditions
1.	Machinery and equipment for initial installation, balancing, modernization, replacement or expansion of desalination plants, coal firing system, gas processing plants and oil and gas field prospecting	Respective Headings	Nil
2.	Following machinery, equipment, apparatus, and medical, surgical, dental and veterinary furniture, materials, fixtures and fittings imported by hospitals and medical or diagnostic institutes: -		(a) The project requirement shall be approved by the Board of Investment (BOI). The authorized officer of BOI shall certify the item wise requirement of the project in the prescribed format and manner as per Annex-B and shall furnish all relevant information online to Pakistan Customs Computerized System against a specific user ID and password obtained under Section 155D of the

## Sales Tax

S. No.	Description	PCT heading	Conditions
			Customs Act, 1969 (IV of 1969);  (b) the goods shall not be sold or otherwise disposed of without prior approval of the Board and the payment of customs duties and taxes at statutory rates leviable at the time of import. Breach of this condition shall be construed as a criminal offence under the Customs Act, 1969 (IV of 1969)
	A. Medical Equipment.		
	(1) Dentist chairs	9402.1010	
	(2) Medical surgical dental or veterinary furniture	9402.9090	
	(3) Operating Table	9402.9010	
	(4) Emergency Operating Lights	9405.4090	
	(5) Hospital Beds with mechanical fittings	9402.9020	
	(6) Gymnasium equipment	9506.9100	
	(7) Cooling Cabinet.	8418.5000	
	(8) Refrigerated Liquid Bath	3824.9999	
	(9) Contrast Media Injections (for use in Angiography & MRI etc.)	3822.0000	
	B. Cardiology / Cardiac Surgery Equipment		
	(1) Cannulas.	9018.3940	
	(2) Manifolds.	8481.8090	
	(3) Intravenous cannula i.e. catheter.	9018.3940	
	C. Disposable Medical Devices		
	(1) Self-disabling safety sterile syringes.	9018.3110	
	(2) Insulin syringes.	9018.3110	
	D. Other Related Equipment's		
	(1) Fire extinguisher.	8424.1000	

## Sales Tax

S. No.	Description	PCT heading	Conditions
	(2) Fixtures & fittings for hospitals	Respective Headings	
2A	The following raw materials imported by registered manufacturer of auto disabled syringes: (1) Printing paper (2) Polypropylene (3) Propylene copolymers (4) Plasticized (5) Epoxide Resins (6) Biaxially Oriented Polypropylene (BOPP film, laminated)	4802.5510, 3902.1000, 3902.3000, 3904.2200 3907.3000, 3920.2040	This concession is available to registered manufacturers of auto disabled syringes with quota determination by IOCO and subject to NOC from Ministry of National Health Services Regulation and Coordination.
3.	1. Machinery, equipment, materials, capital goods, specialized vehicles (4x4non-luxury) i.e. single or double cabin pickups, accessories, spares, chemicals and consumables meant for mine construction phase or extraction phase	Respective Headings	1. This concession shall be available to those mineral explorations and extraction companies or their authorized operators or contractors who hold permits, licenses, lease and who enter into agreements with the Government of Pakistan or a Provincial Government.
	2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for mine construction or extraction phase	Respective Headings	2. Temporarily imported goods shall be cleared against a security in the form of a post-dated cheque for the amount of sales tax, along with an under-taking to pay the sales tax at the statutory rate in case such goods are not re-exported on conclusion of the project. 3. The goods shall not be sold or otherwise disposed of without prior approval of the Board and the payment of sales tax leviable at the time of import. These shall, however, be allowed to be transferred to other entitled mining companies with prior approval of the Board

## Sales Tax

S. No.	Description	PCT heading	Conditions
4.	Coal mining machinery, equipment, spares, including vehicles for site use i.e., single or double cabin pick-ups and dump trucks, imported for Thar Coal Field.	Respective Headings	<p>(a) This concession shall be available to those mining companies or their authorized operators or contractors who hold permits, licenses, leases and who enter into agreements with the Government of Pakistan or a Provincial Government.</p> <p>(b) The goods shall not be sold or otherwise disposed of without prior approval of the Board and the payment of customs duties and taxes leviable at the time of import. These shall, however, be allowed to be transferred to other entitled mining companies with prior approval of the Board.</p>
5.	<p>1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through oil, gas, coal, wind and wave energy including under construction projects, which entered into an implementation agreement with the Government of Pakistan.</p> <p>2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.</p>	Respective Headings	<p>(i) This concession shall also be available to primary contractors of the project upon fulfilment of the following conditions, namely: -</p> <p>(a) the contractor shall submit a copy of the contract or agreement under which he intends to import the goods for the project.</p> <p>(b) the Chief Executive or head of the contracting company shall certify in the prescribed manner and format as per Annex-A that the imported goods are the projects bona fide requirement; and</p> <p>(c) the goods shall not be sold or otherwise</p>

## Sales Tax

S. No.	Description	PCT heading	Conditions
			<p>disposed of without prior approval of the FBR on payment of sales tax leviable at the time of import.</p> <p>(ii) temporarily imported goods shall be cleared against a security in the form of a post-dated cheque for the differential amount between the statutory rate of sales tax and the amount payable along with an undertaking to pay the sales tax at the statutory rates in case such goods are not re-exported on conclusion of the project.</p>
6.	<p>1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through gas, coal, hydel, and oil including under construction projects.</p> <p>2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.</p>	Respective Headings	-do-
7.	<p>1. Machinery, equipment and spares meant for initial installation, balancing, modernization, replacement or expansion of projects for power generation through nuclear and renewable energy sources like solar, wind, micro-hydel bioenergy, ocean, waste-to energy and hydrogen cell. This exemption in relation to renewable energy shall remain in force up to the 30<sup>th</sup> June 2023.</p> <p>2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.</p>	Respective Headings	-do-

## Sales Tax

S. No.	Description	PCT heading	Conditions
	<p><b>Explanation.</b> - The expression "projects for power generation" means any project for generation of electricity whether small, medium or large and whether for supply to the national grid or to any other user or for in house consumption.</p>		
8.	<p>1. Machinery and equipment meant for power transmission and grid stations including under construction projects.</p> <p>Explanation. For the purpose of this serial number, "machinery and equipment" shall mean, --</p> <p>(a) machinery and equipment operated by power of any description, such as is used in the generation of power.</p> <p>(b) apparatus, appliances, metering and testing apparatus, mechanical and electrical control, transmission gear and transmission tower, power transmission and distribution cables and conductors, insulators, damper spacer and hardware and parts thereof adapted to be used in conjunction with the machinery and equipment as specified in clause (a) above; and</p> <p>(c) component parts of machinery and equipment, as specified in clause (a) and (b) above, identifiable for use in or with machinery imported for the project and equipment including spares for purposes of the project.</p> <p>2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.</p>	Respective Headings	-do-

## Sales Tax

S. No.	Description	PCT heading	Conditions
9.	Following machinery, equipment and other education and research related items imported by technical, training institutes, research institutes, schools, colleges and universities:		Nil
(1)	Quartz reactor tubes and holders designed for insertion into diffusion and oxidation furnaces for production of semiconductor wafers.	7017.1010	
(2)	Other dryers	8419.3900	
(3)	Filtering or purifying machinery and apparatus for water	8421.2100	
(4)	Other filtering or purifying machinery and apparatus for liquids	8421.2900	
(5)	Personal weighing machines, including baby scales; household scales	8423.1000	
(6)	Scales for continuous weighing of goods on conveyors	8423.2000	
(7)	Constant weight scales and scales for discharging a predetermined weight of material into a bag or container, including hopper scales	8423.3000	
(8)	Other weighing machinery having a maximum weighing capacity not exceeding 30 kg	8423.8100	
(9)	Other weighing machinery having a maximum weighing capacity exceeding 30 kg but not exceeding 5,000kg	8423.8200	
(10)	Other weighing machinery	8423.8900	
(11)	Weighing machine weights of all kinds; parts of weighing machinery of machines of heading 8423.2000 & 8423.3000	8423.9000	
(12)	Other weighing machine weights of all kinds; parts of weighing machinery of machines of heading 8423.2000 & 8423.3000	8423.9000	
(13)	Networking equipment's like routers, LAN bridges, hubs excluding switches and repeaters.	8517.6970	
(14)	Other furnaces and ovens	8514.3000	

## Sales Tax

S. No.	Description	PCT heading	Conditions
	(15) Electronic balances of a sensitivity of 5 cg or better, with or without weights.	9016.0010	
	(16) Other balances of a sensitivity of 5 cg or better, with or without weights.	9016.0090	
	(17) Thermostats of a kind used in refrigerators and air conditioners	9032.1010	
	(18) Other thermostats	9032.1090	
	(19) Manostats	9032.2000	
	(20) Other instruments and apparatus Hydraulic or pneumatic	9032.8100	
	(21) Other instruments and Apparatus	9032.8990	
	(22) Parts and accessories of automatic regulating or controlling instruments and apparatus	9032.9000	
	(23) Spares, accessories, and reagents for scientific equipment's.	Respective Headings	
11.	Following machinery and equipment for marble, granite and gemstone extraction and processing industries:		<ol style="list-style-type: none"> <li>1. For the projects of Gem Stone &amp; Jewellery Industry, CEO/COO, Pakistan Gem and Jewellery Company shall certify in the prescribed format and manner as per Annex-B that the imported goods are bona fide project requirement. The authorized person of the Company shall furnish all relevant information online to Pakistan Customs Computerized System against a specific user ID and password obtained under Section 155D of the Customs Act, 1969.</li> <li>2. For the projects of Marble &amp; Granite Industry, CEO/COO, Pakistan Stone Development Company shall certify in the prescribed format and manner as per Annex-B that the imported goods are bona fide project</li> </ol>



## Sales Tax

S. No.	Description	PCT heading	Conditions
			<p>requirement. The authorized persons of the Company shall furnish all relevant information online to Pakistan Customs Computerized System against a specific user ID and password obtained under Section 155D of the Customs Act, 1969.</p> <p>3. The goods shall not be sold or otherwise disposed of within a period of five years of their import except with the prior approval of the FBR and payment of customs duties and taxes leviable at the time of import.</p>
	(1) Polishing cream or material	3405.4000, 3405.9000	
	(2) Fiber glass mesh	7019.5190	
	(3) Chain saw/diamond wire saw in all sizes and dimensions and spares thereof, diamond wire joints all types and dimensions, chain for chain saw and diamond wires for wire saw and spare widia.	8202.4000, 8202.9100	
	(4) Gin saw blades.	8202.9910	
	(5) Gang saw blades/diamond saw blades/multiple blades of all types and dimensions.	8202.9990	
	(6) Air compressor (27 cft and above)	8414.8010	
	(7) Machine and tool for stonework; sand blasting machines; tungsten carbide tools; diamond tools & segments (all type & dimensions), hydraulic jacking machines, hydraulic manual press machines, air/hydro pillows, compressed air rubber pipes, hydraulic drilling machines, manual and power drilling machines, steel drill rods and spring (all sizes and dimensions), whole finding system with accessories, manual portable	8464.9000 & Respective heading	

## Sales Tax

S. No.	Description	PCT heading	Conditions
	rock drills, cross cutter and bridge cutters.		
	(8) Integral drilling steel for horizontal and vertical drilling, extension thread rods for pneumatic super long drills, tools and accessories for rock drills	8466.9100	
13.	Effluent treatment plants	Respective headings	Nil
14.	Following items for use with solar energy:-		
	Solar Power Systems	8501.3110 8501.3210	
	(1) Off-grid/On-grid solar power system (with or without provision for USB/charging port) comprising of :		
	i. PV Module	8541.4000	
	ii. Charge controller	9032.8990	
	iii. Batteries for specific utilization with the system (not exceeding 50 Ah in case of portable system).	8507.2090 8507.3000 8507.6000	
	iv. Essential connecting wires (with or without switches).	8544.4990	
	v. Inverters (off-grid/ on-grid/ hybrid with provision for direct connection/ input renewable energy source and with Maximum Power Point Tracking (MPPT).	8504.4090	
	vi. Bulb holder	8536.6100	
	(2) Water purification plants operating on solar energy.	8421.2100	
14A.	Following systems and items for dedicated use with renewable source of energy like solar, wind, geothermal as imported on or before the 30th June, 2023.		
	1. (a) Solar Parabolic Trough Power Plants.	8502.3900	
	(b) Parts for Solar Parabolic Power Plants.		
	(i) Parabolic Trough collectors modules	8503.0010	

## Sales Tax

S. No.	Description	PCT heading	Conditions
	(ii) Absorbers/Receivers tubes.	8503.0090	
	(iii) Steam turbine of an output exceeding 40MW	8406.8100	
	(iv) Steam turbine of an output not exceeding 40MW.	8406.8200	
	(v) Sun tracking control system	8543.7090	
	(vi) Control panel with other accessories.	8537.1090	
2.	(a) Solar Dish Stirling Engine		
	(b) Parts for Solar Dish Stirling Engine.		
	(i) Solar concentrating dish.	8543.7000	
	(ii) Sterling engine.	8543.7000	
	(iii) Sun tracking control system.	8543.7090	
	(iv) Control panel with accessories.	8406.8200	
	(v) Stirling Engine Generator	8501.6100	
3.	(a) Solar Air Conditioning Plant	8415.1090	
	(b) Parts for Solar Air Conditioning Plant		
	(i) Absorption chillers.	8418.6990	
	(ii) Cooling towers.	8419.8910	
	(iii) Pumps.	8413.3090	
	(iv) Air handling units.	8415.8200	
	(v) Fan coils units.	8415.9099	
	(vi) Charging & testing equipment.	9031.8000	
4.	(a) Solar Desalination System	8421.2100	
	(b) Parts for Solar Desalination System		

## Sales Tax

S. No.	Description	PCT heading	Conditions
	(i) Solar photo voltaic panels.	8541.4000	
	(ii) Solar water pumps.	8413.3090	
	(iii) Deep Cycle Solar Storage batteries.	8507.2090	
	(iv) Charge controllers	9032.8990	
	(v) Inverters (off grid/on grid/ hybrid) with provision for Direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT)	8504.4090	
5.	Solar Thermal Power Plants with accessories.	8502.3900	
6.	(a) Solar Water Heaters with accessories.	8419.1900	
	(b) Parts for Solar Water Heaters		
	(i) Insulated tank	7309.0000 7310.0000	
	(ii) Vacuum tubes (Glass)	7020.0090	
	(iii) Mounting stand	Respective headings	
	(v) Copper and Aluminum tubes	Respective heading	
	(c) Accessories:		
	(i) Electronic controller		
	(ii) Assistant/ Feeding Tank		
	(iii) Circulation Pump		
	(iv) Electric Heater/ Immersion Rod (one piece with one solar water heater)		
	(v) Solenoid valve (one piece with one solar water heater)		
	(vi) Selective coating for absorber plates		

## Sales Tax

S. No.	Description	PCT heading	Conditions
7.	(a) PV Modules.	8541.4000	
	(b) Parts for PV Modules		
	(i) Solar cells.	8541.4000	
	(ii) Tempered Glass.	7007.2900	
	(iii) Aluminum frames.	7610.9000	
	(iv) O-Ring	4016.9990	
	(v) Flux.	3810.1000	
	(vi) Adhesive labels.	3919.9090	
	(vii) Junction box & Cover.	8538.9090	
	(viii) Sheet mixture of Paper and plastic	3920.9900	
	(ix) Ribbon for PV Modules (made of silver & Lead).	Respective Headings	
(x) Bypass diodes.	8541.1000		
(xi) EVA (Ethyl Vinyl Acetate) Sheet (Chemical).	3920.9900		
8.	Solar Cell Manufacturing Equipment.		
	(i) Crystal (Grower) Puller (if machine).	8479.8990	
	(ii) Diffusion furnace	8514.3000	
	(iii) Oven.	8514.3000	
	(iv) Wafering machine	8486.1000	
	(v) Cutting and shaping machines for silicon ingot.	8461.9000	
	(vi) Solar grade polysilicon material.	3824.9999	
	(vii) Phosphene Gas	2853.9000	
	(viii) Aluminum and silver paste.	Respective Headings	
9.	Pyranometers and accessories for solar data collection	9030.8900	
10.	Solar chargers for charging electronic devices	8504.4020	
11.	Remote control for solar charge controller.	8543.7010	

## Sales Tax

S. No.	Description	PCT heading	Conditions
12.	Wind Turbines.		
(a)	Wind Turbines for grid connected solution above 200 KW (complete system).	8412.8090	
(b)	Wind Turbines up to 200 KW for off-grid solutions comprising of:	8412.8090	
(i)	Turbine with Generator/ Alternator	Respective headings	
(ii)	Nacelle with rotor with or without tail		
(iii)	Blades		
(iv)	Pole/ Tower.		
(v)	Inverter for use with Wind Turbine.		
(vi)	Deep Cycle Cell/ Battery (for use with wind turbine).	8507.2090	
13.	Wind water pump	8413.8100	
14.	Geothermal energy Equipment's		
(i)	Geothermal Heat Pumps.	8418.6100	
(ii)	Geothermal Reversible Chillers	8418.6990	
(iii)	Air handlers for indoor quality control equipment's.	8418.6990	
(iv)	Hydronic heat pumps	8415.8300	
(v)	Slim Jim heat exchangers.	8418.6100	
(vi)	HDPE fusion tools.	8419.5000	
(vii)	Geothermal energy Installation tools and Equipment.	8515.8000 8419.8990	
(viii)	Dehumidification equipment	8479.6000	
(ix)	Thermostats and IntelliZone.	9032.1090	
15.	Any other item approved by the Alternative Energy Development Board (AEDB) and concurred to by the FBR.	Respective headings	
15.	Following items for promotion of renewable energy technologies or for conservation of energy:-		

## Sales Tax

S. No.	Description	PCT heading	Conditions
(i).	SMD/LED/LVD lights with or without ballast, fittings and fixtures.	9405.1090, 8539.3290, 8539.5010, 8539.5020	
(ii)	SMD/LED/LVD lights, with or without ballast, PV module, fitting and fixtures	9405.4090, 8539.3290, 8539.5010, 8539.5020	
(iii)	Tubular Day lighting Device.	9405.5010	
(iv)	Wind turbines including alternators and mast.	8502.3100	
(v)	Solar torches.	8513.1040	
(vi)	Lanterns and related instruments	8513.1090	
(vii)	LVD induction lamps.	8539.3290	
(viii)	LED Bulb/Tube lights.	8539.5010 8539.5020	
(ix)	PV module, with or without, the related components including invertors (off-grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT), charge controllers and solar batteries.	8541.4000 8504.4090 9032.8990 8507.0000	
(x)	Light emitting diodes (light emitting in different colors).	8541.5000	
(xi)	Water pumps operating on solar energy along with solar pump controllers	8413.7010 8413.7090 8504.4090	
(xii)	Energy saver lamps of varying voltages	8539.3110 8539.3210	
(xiii)	Energy Saving Tube Lights	8539.3120 8539.3220	
(xiv)	Sun Tracking Control System	8543.7090	
(xv)	Invertors (off-grid/on grid/hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT).	8504.4090	
(xvi)	Charge controller/ Current controller. Provided that exemption under this	9032.8990	

## Sales Tax

S. No.	Description	PCT heading	Conditions
	serial shall be available with effect from 01.07.2016.		
15A.	Parts and Components for manufacturing LED lights:-		
	(i) Housing /shell. Shell cover and base cap for all kinds of LED lights and bulbs	Respective Heading	If imported by LED light manufacturers registered under the Sales Tax Act, 1990 subject to annual quota determination by the Input Output Co-efficient Organization (IOCO)
	(ii) Bare and stuffed Metal Clad Printed Circuit Boards (MCPCB) for LED	8534.0000	
	(iii) Constant Current Power Supply for of ED Lights and Bulbs (1-300W)	8504.4090	
	(iv) Lenses for LED lights and bulbs	9001.9000	
15B.	CKD kits for single cylinder agriculture diesel engines (compression-ignition internal combustion piston engines) of 3 to 36 HP.	8408.9000	Subject to same conditions and limitations as are applicable for availing concession in customs duty on import of such CKD kits.
17.	Machinery, equipment, raw materials, components and other capital goods for use in building, fittings, repairing or refitting of ships, boats or floating structures imported by Karachi Shipyard and Engineering Works Limited.	Respective heading	Nil
21.	Import of POS machines	8470.2900, 8470.9000	import of POS machines including credit/debit cards terminals and retailer cash registers

10. **Eighth Schedule**  
Section 3(2)(aa)

The Eighth Schedule deals with goods subject to specific rates of sales tax.

The Bill proposes to omit various entries from Table-1 of the Eighth Schedule, resultantly, the said goods would now be subject to the standard rate of sales tax i.e. 17%.

S.No.	Description	Existing Rate of Sales Tax
4	Oilseeds meant for sowing	5%
6	Plant and machinery not manufactured locally and having no compatible local substitutes	10%
7	Flavoured milk sold in retail packing under a brand name	10%
8	Yogurt sold in retail packing under a brand name	10%
9	Cheese sold in retail packing under a brand name	10%



## Sales Tax

S.No.	Description	Existing Rate of Sales Tax
10	Butter sold in retail packing under a brand name	10%
11	Cream sold in retail packing under a brand name	10%
12	Desi ghee sold in retail packing under a brand name	10%
13	Whey sold in retail packing under a brand name	10%
14	Milk and cream sold in retail packing under a brand name	10%
15	Ingredients of poultry feed, cattle feed, except soya bean meal	10%
16	Incinerators of disposal of waste management, motorized sweepers and snow ploughs	5%
17	Re-importation of foreign origin goods which were temporarily exported out of Pakistan	5%
20	Plant, machinery, and equipment used in production of bio Diesel	5%
26	Tillage and seed bed preparation equipment	5%
27	Seeding or planting equipment	5%
28	Irrigation, drainage and agro-chemical application equipment	5%
29	Harvesting, threshing and storage equipment	5%
30	Post-harvest handling and processing & miscellaneous machinery	5%
34	1. Set top boxes for gaining access to internet 2. TV broadcast transmitter 3. Reception apparatus for receiving satellite signals of a kind used with TV (satellite dish receivers) 4. Other set top boxes	5%
45	Following machinery for poultry sector : (i) Machinery for preparing feeding stuff (ii) Incubators, brooders and other poultry equipment (iii) Insulated sandwich panels (iv) Poultry sheds (v) Evaporative air cooling system (vi) Evaporative cooling pad	7%
46	Multimedia projectors	10%
54	lithium iron phosphate battery (Li-Fe PO4)	12%
55	Fish babies / seedlings	5%
59	Products of milling industry except wheat and meslin flour sold in retail packing under a brand name	10%

## Sales Tax

S.No.	Description	Existing Rate of Sales Tax
61	Silver, in unworked condition	1%
62	Gold, in unworked condition	1%
63	Articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal	1.5% of value of gold, plus 2% of value of diamond, used therein, plus 3% of making charges
64	Prepared foodstuff and sweetmeats supplied by restaurants, bakeries, caterers and sweetmeat shops	7.5%
66A	Supplies excluding those as made from retail outlets integrated with Board's Computerized System for real time reporting of sales	16%
66B	Import of remeltable scrap	14%
68	Frozen prepared or preserved sausages and similar products of poultry meat or meat offal sold in retail packing under a brand name	8%
69	Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish sold in retail packing under a brand name	8%
75	Import of electric vehicle in CBU conditions	5%
76	Business to business transactions specified by the Board if payment is made through digital mode	16.9%

Further, on the following goods, reduced rate of sales tax is applicable, as provided in Table-1 of the Eighth Schedule to the ST Act. The Bill proposes to increase the rate of sales tax on such goods.

S.No.	Description	Existing Rate of Tax	Proposed Rate of Tax
66	Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales	10%	12%
73	Import and local supply of Hybrid Electric Vehicles:		
	(a) Upto 1800 cc	8.5%	12.5%
	(b) From 1801 cc to 2500 cc	12.75%	17%

The Bill seeks to insert the following new entry in Table-1 of the Eighth Schedule to the ST Act.

S.No.	Description	Rate of Tax	Condition
77	Personal computers and laptop computers. Notebooks whether or not incorporating multimedia kit	5%	If imported in CBU condition

Currently, import and local supply of personal computer, laptop and Notebooks are exempt from sales tax under the Sixth Schedule. The Bill has proposed that such exemption be withdrawn and now the exemption has only been

## Sales Tax

restricted on the supply of locally manufactured personal computers, laptops and Notebooks. Whereas personal computers, laptops and Notebooks imported in CBU condition would be subject to sales tax at the rate of 5% on import and local supply.

Moreover, through Serial No. 72 of the Eighth Schedule locally manufactured or assembled motorcars of cylinder capacity upto 1000cc is chargeable to sales tax at the rate of 12.5%. Now, the bill proposes to restrict this benefit of reduced rate on vehicles having cylinder capacity upto 850cc only.

**Table-2**

The Bill also seeks to omit the whole Table-2 of the Eighth Schedule to the ST Act. Resultantly, the specific rates provided on following entries relating to import of plant, machinery, equipment and apparatus, including capital goods which is not manufactured locally are now subject to the standard rate of sales tax i.e. 17%.

S.No.	Description	Rate of Tax
1	Machinery and equipment for development of grain handling and storage facilities including silos	10%
2	Cool chain machinery and equipment	5%
4	1. Machinery, equipment, materials, capital goods, specialized vehicles (4x4 non luxury) i.e. single or double cabin pickups, accessories, spares, chemicals and consumables meant for mineral exploration phase. 2. Construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the exploration phase	5%
5	Complete plants for relocated industries	10%
6	Machinery, equipment and other capital goods meant for initial installation, balancing, modernization, replacement or expansion of oil refining (mineral oil, hydro-cracking and other value added petroleum products), petrochemical and petrochemical downstream products including fibers and heavy chemical industry, cryogenic facility for ethylene storage and handling.	10%
8	1. Milk chillers. 2. Tubular heat exchanger (for pasteurization). 3. Milk processing plant, milk spray drying plant, Milk UHT plant. 4. Milk filters 5. Any other machinery and equipment for manufacturing of dairy products.	5%
9	Capital goods otherwise not exempted, for Transmission Line Projects.	5%

### 11. Ninth Schedule Section 3(3B)

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

The Bill seeks to amend the sales tax rate on the import of cellular mobile phones or satellite phones whereby seventeen percent sales tax will be levied against the following categories

## Sales Tax

S.No.	Description / Specification of Goods	Sales tax on CBU's at the time of import or registration (IMEI number by CMOs).	
		Existing Rate	Proposed Rate
1.	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:--		
	E. Exceeding US\$ 200 but not exceeding US\$ 350	Rs. 1,740	17% ad valorem
	F. Exceeding US\$ 350 but not exceeding US\$ 500	Rs. 5,400	17% ad valorem
	G. Exceeding US\$ 500	Rs. 9,270	17% ad valorem

## ISLAMABAD CAPITAL TERRITORY

S.No.		Section	Page
1.	Scope of Tax	<i>Section 3 and Schedule</i>	40

**Islamabad Capital Territory (Tax on Services) Ordinance, 2001**
**1. Scope of Tax**
*Section 3 and Schedule*

The Sales Tax under the ICT Ordinance is applicable on the services listed in the Schedule to the ICT 2001 at the rates specified therein, which are rendered or provided in the Islamabad Capital Territory. The Federal Government has issued S.R.O 495(I)/2016 dated 04 July 2016, wherein twelve services are listed on which sales tax is applicable at the rates specified therein subject to certain conditions as mentioned therein.

The Bill proposes to amend Sub-section (1) of Section 3 to rename the existing Schedule of taxable services as Table-1 and introduce new table named as Table-2. Under the proposed amendment, the services listed in the Table-1 shall continue to be taxed in the same manner as it is applicable in the existing Schedule of taxable services, however, sales tax on the services listed in the proposed Table-2 shall be applicable at the rates specified therein but subject to the conditions laid down corresponding to each service category. The services listed in the proposed Table-2 are the same as mentioned in the Table of the S.R.O 495(I)/2016.

Listing of services of the proposed Table-2 is given below:-

S.No.	Description	PCT Heading, if applicable	Rate of Tax
(1)	(2)	(3)	(4)
1.	Construction services, excluding (i) Construction projects (industrial and commercial) of the value (excluding actual and documented cost of land) not exceeding Rs.50 million per annum. (ii) The cases where sales tax is otherwise paid as property developers or promoters. (iii) Government civil works including cantonment boards. (iv) Construction of industrial zones, consular building and other organizations exempt from income tax. (v) Residential construction projects where the covered area does not exceed 10,000 square feet for houses and 20,000 square feet for apartments	9814.2000 and 9824.0000	Zero per cent subject to the condition that no input tax adjustment or refund shall be admissible
2.	Services provided for personal care by beauty parlours, clinics and slimming clinics, body massage centres, pedicure centres, including cosmetic and plastic surgery by such parlours / clinics, but excluding cases where - (i) annual turnover does not exceed Rs.3.6 million; or	9810.0000, 9821.4000 and 9821.5000	Five per cent subject to the condition that no input tax adjustment or refund shall be admissible.

## Islamabad Capital Territory (Tax on Services) Ordinance, 2001

S.No.	Description	PCT Heading, if applicable	Rate of Tax
	(ii) the facility of air-conditioning is not installed or available in the premises		
3.	Services provided by freight forwarding agents, and packers and movers.	9805.3000 and 9819.1400	Five percent or Rs. 1000 per bill of lading, whichever is higher subject to the condition that no input tax adjustment or refund shall be admissible.
4.	Services provided by tour operators and travel agents including all their allied services or facilities (other than Hajj and Umrah).	9803.9000, 9805.5000 and 9805.5100	Five per cent subject to the condition that no input tax adjustment or refund shall be admissible.
5.	Services provided by specialized workshops or undertakings (auto workshops; workshops for industrial machinery, construction and earthmoving machinery or other special purpose machinery etc; workshops for electric or electronic equipment or appliances etc. Including computer hardware; car washing or similar service stations and other workshops)	98.20	Five per cent subject to the condition that no input tax adjustment or refund shall be admissible.
6.	Services provided by health clubs, gyms, physical fitness centres, indoor sports and games centres and body or sauna massage centres.	9821.1000, 9821.2000 and 9821.4000	Five per cent subject to the condition that no input tax adjustment or refund shall be admissible.
7.	Services provided by laundries and dry cleaners.	9811.0000	Five per cent subject to the condition that no input tax adjustment or refund shall be admissible
8.	Services provided by property dealers and realtors.	Respective headings	Zero per cent subject to the condition that no input tax adjustment or refund shall be admissible.
9.	Services provided by car / automobile dealers.	Respective headings	Five per cent subject to the condition that no input tax adjustment or refund shall be admissible.
10.	Services provided or rendered by marriage halls and lawns, by whatever name called, including "pandal" and "shamiana" services and caterers.	Respective headings	Five per cent subject to the condition that no input tax adjustment or refund shall be admissible.
11.	IT services and IT-enabled services. Explanation.- For the purpose of this entry - (a) "IT services" include software development, software maintenance, system integration, web	Respective headings	Five Percent

S.No.	Description	PCT Heading, if applicable	Rate of Tax
	design, web development, web hosting and network design; and  (b) "IT enabled services" include inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, HR services, telemedicine centers, data entry operations, locally produced television programs and insurance claims processing		
12.	Services provided by property developers and promoters (including allied services) relating to low cost housing schemes sponsored or approved by Naya Pakistan Housing and Development Authority or under Government's Ehsaas programme.	9807.0000 and respective sub-headings of heading 98.14	Zero per cent subject to the condition that no input tax adjustment or refund shall be admissible

Existing rates of all the services to be listed in the proposed Table-2 is "Sixteen percent" except "Services provided by freight forwarding agents, and packers and movers" which are subject to sales tax at rate of "Sixteen per cent or Rs. 400 per bill of lading, whichever is higher" and "Services provided by property developers and promoters" which are subject to sales tax at the rate of "Rs.100 per square yard for land development, and Rs.50 per square feet for building construction".

Similar to SRO 495(I)/2016, no condition is provided in case of "IT services and IT-enabled services". Under the proposed amendments in the structure of Schedule of taxable services, the aforesaid services will be subject to sales tax at the rate of "five percent" in pursuance of Table-2, however, "Services provided by software or IT-based system development consultants" having PCT Code 9815.6000 shall be subject to sales tax at the rate of "Sixteen percent" in pursuance of Table-1.



---

FEDERAL EXCISE DUTY

		Section	Page
1.	First Schedule	<i>Section 3, First Schedule, Table I (Excisable goods)</i>	44

## Federal Excise Duty

### Federal Excise Duty

#### 1. First Schedule

Section 3, First Schedule, Table I (Excisable goods)

The Bill proposes to enhance the applicable rate of FED as applicable on import or supply of following vehicles as specified in Table I of the First Schedule to the FE Act

S.No.	Description	Tariff Heading	Existing Rate of Duty	Proposed Rate of Duty
55	Imported motor cars, SUVs and other motor vehicles, excluding auto rickshaws, principally designed for the transport of persons including station wagons and racing cars  (b) of cylinder capacity from 1001cc to 1799 cc  (c) of cylinder capacity 1800 cc to 3000 cc  (d) of cylinder capacity exceeding 3001cc	87.03	5% ad valorem  25% ad valorem  30% ad valorem	10% ad valorem  30% ad valorem  40% ad valorem
55B	Locally manufactured or assembled motor cars, SUVs and other motor vehicles, excluding auto rickshaws principally designed for the transport of persons (other than those of headings 87.02), [and till the 30th day of June, 2026 electric vehicles wheelers)] including station wagons and racing cars:  (b) of cylinder capacity from 1001cc to 2000cc  (c) of cylinder capacity 2001cc and above	87.03	2.5% ad valorem 5% ad valorem	5% ad valorem 10% ad valorem
55C	Imported double cabin (4x4) pick-up vehicles	8704.2190 8704.3190	25% ad valorem	30% ad valorem
55D	Locally manufactured double cabin (4x4) pick-up vehicles except the vehicles booked on or before the 30th June, 2020 subject to the restriction or conditions specified by the Board.	8704.2190 8704.3190	7.5% ad valorem	10% ad valorem

## CUSTOMS

		Section	Page
1.	Power to determine the customs value	<i>Section 25A</i>	46
2.	Review of the value determined	<i>Section 25D, 194A, 196</i>	46
3.	Checking of Goods Declaration by the Customs	<i>Section 80</i>	46
4.	Provisional determination of liability	<i>Section 81</i>	46

---

## Customs

### 1. Power to determine the customs value

#### *Section 25A*

This section deals with the power of Director of Customs Valuations, who may determine the customs value of goods on his own or on a reference made to him by any person or officer of the Customs. The Director shall determine the value by following the methods prescribed under Section 25 of the Customs Act.

Through an enactment vide Finance Act, 2021, these powers were extended to the Collector of Customs as well. The Bill now seeks to withdraw the amendment made through the Finance Act, 2021.

### 2. Review of the value determined

#### *Section 25D, 194A, 196*

Against the valuation determined by the Director of Customs Valuations under Section 25A of the Customs Act, a review petition may be filed before the Director General of Valuation within a period of 30 days. Through an enactment vide Finance Act, 2021, the Director General of Valuation was also vested with the power to review the valuation determined by the Director of Customs Valuation on his own.

Further, through the amendments made in Section 25D and 196 of the Customs Act vide Tax Laws (Third Amendment) Ordinance, 2021, a right of appeal before the Member Customs (Policy) was granted to the person aggrieved by the order of the Director General Valuation, which may further be contested before the High Court.

Now, the Bill seeks to withdraw the amendments made through the Tax Laws (Third Amendment) Ordinance, 2021 along with appropriate addition in Section 194A of the Customs Act. Resultantly, the aggrieved person from the order of the Director General Valuation is allowed to file an appeal before the special bench of the Customs Appellate Tribunal comprising of one Technical Member and one Judicial Member.

### 3. Checking of Goods Declaration by the Customs

#### *Section 80*

According to this section, if any information declared in the Goods Declaration (GD) is found incorrect during the checking, the customs duty on such declaration shall be reassessed along with any other appropriate action.

Through the Tax Laws (Third Amendment) Ordinance, 2021, such powers of reassessment had been limited to post clearance period of three years for home consumption goods. Now, the Bill seeks to withdraw the amendment made through the Tax Laws (Third Amendment) Ordinance, 2021, resultantly there will be no time limitation for checking of GDs for home consumption.

### 4. Provisional determination of liability

#### *Section 81*

This section deals with the provisional assessment of GD by the customs officer. The provisional assessment shall only be made if the additional amount is paid through the prescribed modes of payments i.e., bank guarantee or pay order of scheduled bank along with indemnity bond.

Through the Tax Laws (Third Amendment) Ordinance, 2021, corporate guarantee was also included in the list of prescribed modes of payments.

Now, the Bills proposes to omit 'corporate guarantee' from the list of prescribed modes of payments.

## EY | Assurance | Tax | Sat | Consulting

### About EY

EY is a global leader in assurance, tax, strategy and transactions consulting services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

©2021 EYGM Limited.  
All Rights Reserved

This Memorandum is correct to the best of our knowledge and belief at the time of going to the press. It is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. The Firm and Ernst & Young do not accept any responsibility for any loss arising from any action taken or not taken by anyone using this publication.

[ey.com/pk](http://ey.com/pk)

### KARACHI

Progressive Plaza  
Beaumont Road  
Karachi - 75530  
Tel: 92 21 111 11 39 37  
Fax: 92 21 35681965  
Email: [ey.khi@pk.ey.com](mailto:ey.khi@pk.ey.com)  
URL: [www.ey.com](http://www.ey.com)

### LAHORE

96-B/1, Pace Mall Building  
4th Floor, M. M. Alam Road  
Gulberg II, Lahore-54660  
Tel: 92 42 35778402-11  
Fax: 92 42 35778412-13  
Email: [ey.lhr@pk.ey.com](mailto:ey.lhr@pk.ey.com)  
URL: [www.ey.com](http://www.ey.com)

### ISLAMABAD

Eagle Plaza, T5-West  
Fazalul-Haq Road  
Blue Area, Islamabad-44000  
Tel: 92 51 2344160-2  
Fax: 92 51 2344163  
Email: [ey.isb@pk.ey.com](mailto:ey.isb@pk.ey.com)  
URL: [www.ey.com](http://www.ey.com)