

SAIDUDDIN & CO.

ADVOCATES, TAXATION, MANAGEMENT & LEGAL CONSULTANTS SINCE 1956

AMENDMENTS THROUGH FINANCE ACT, 2023



+92 21 35313584-6



saiduddin.com.pk



Jami Commercial, Phase 7, 73-C 8th Commercial St, Phase 2
Commercial Area Defence Housing Authority, Karachi, Karachi City,
Sindh 75500

HIGHLIGHTS OF AMENDMENTS MADE VIS A VIS FINANCE BILL, 2023 AND FINANCE ACT, 2023

INCOME TAX ORDINANCE, 2001

Section 2, (41) Definitions	By the this amendment the definition of permanent establishment has been expanded by way of insertion of a new clause. Through this insertion virtual businesses who have presence in Pakistan, where transactions are conducted through internet or any other electronic medium with or without having any physical presence have also been included within the definition of permanent establishment.
Section 7E – Tax on deemed income	Through the amendment, a proviso has been added to exclude the persons whose name is not appearing in Active Taxpayer List from the following benefits provided under section 7E i.e. tax on deemed income will also be applicable on the following : <ul style="list-style-type: none">- one capital asset owned by the resident person;- any property from which income is chargeable to tax under the Ordinance and tax leviable is paid thereon;- capital asset in the first tax year of acquisition where tax under section 236K has been paid; and- where the fair market value of the capital assets in aggregate excluding the certain capital assets does not exceed Rs. 25 million.
Section 21- Deductions not allowed	Through this insertion, the limit of salary payment in cash has been increased from Rs. 25,000 per month to Rs 32,000 per month.
Section 99D – Additional tax on certain income, profits and gains	The legislature has finally paid attention to the comments made by different segments of society. We also expressed our opinion that this legislation is highly unreasonable primarily due to its retrospective applicability for a period of five years, as well as the absence of a specific definition of economic factors. With this amendment, it has now been clarified that this section only applies to companies, and the retrospective timeline is reduced to three years. Furthermore, going forward, the government will notify the sector(s) to which this section applies.

<p>Section 134A Alternative Dispute Resolution</p>	<p>Through this amendment the provisions of Alternate Dispute Resolution have been substituted and its scope has been revamped and broaden. The highlights of the new section are as under:</p> <ul style="list-style-type: none"> -The liability of tax of Rs. 100 million and above against the aggrieved person or admissibility of refund, as the case may be. - A person can now opt for ADRC without withdrawing its appeal. - Time limit to constitute ADRC within 15 days of receipt of application. - The condition for the offer by the applicant for payment of tax which was non-retractable is waived, hence the offer for payment of tax is not binding on the applicant. - The ADR committee shall include a retired judge, not below the rank of a judge of a High Court, who shall also be the Chairperson of the Committee. The retired judge would be nominated by FBR from the panel notified by the Law and Justice Division. The other two members of the Committee shall be the concerned Chief Commissioner Inland Revenue and a person to be nominated by the taxpayer from the panel notified by FBR. - The decision of the Committee shall only be binding upon the Commissioner if the taxpayer has withdrawn the appeal and has communicated the same to the Commissioner within 60 days of service of decision of the Committee. In such circumstances, Commissioner is also required to withdraw his appeal within 30 days of appeal withdrawal notice from the taxpayer. <p><i>Similar amendments have been made in the Sales Tax Act, 1990 and the Federal Excise Act, 2005.</i></p>
<p>Section 147 (5C) Advance tax paid by the taxpayer</p>	<p>Through this amendment a new sub-section 5C is inserted under section 147 which requires payment of advance tax in four equal instalments by persons deriving income from business from the following on project-by-project basis:</p> <ul style="list-style-type: none"> i) Construction and disposal of residential, commercial and other buildings ii) Development and sale of residential, commercial and other plots. <p>It means that the projects which are not registered / covered under the Eleventh Schedule, the advance tax liability under section 147 will be discharged as per the tax rates applicable on builders and developers who opted to be taxed under section 100D(Eleventh Schedule). However, their taxability will be calculated under normal provisions of the law.</p>

Section 236C Advance Tax on sale or transfer of immovable Property	Through the Amendment, a new sub section is inserted in section 236C, wherein If the tax liability under section 7E is not discharged, then the registrar or the person registering the transfer is required not to register the transfer of the subject property
---------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

..*.*.*.*.*.*

AMENDMENTS MADE IN THE FIRST SCHEDULE

DIVISION I
RATE OF TAX FOR INDIVIDUALS/AOP

S. No.	Income Slabs	Previous Rates	New Rates
1	Where taxable income does not exceed Rs. 600,000	0%	0%
2	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 800,000	5% of the amount exceeding Rs. 600,000.	7.5% of the amount exceeding Rs. 600,000.
3	Where taxable income exceeds Rs. 800,000 but does not exceed Rs. 1,200,000	Rs. 10,000 plus 12.5% of the amount exceeding Rs. 800,000	Rs. 15,000 plus 15% of the amount exceeding Rs. 800,000
4	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,400,000	Rs. 60,000 plus 17.5% of the amount exceeding Rs. 1,200,000	Rs. 75,000 plus 20% of the amount exceeding Rs. 1,200,000
5	Where taxable income exceeds Rs. 2,400,000 but does not exceed Rs. 3,000,000	Rs. 270,000 plus 22.5% of the amount exceeding Rs. 2,400,000	Rs. 315,000 plus 25% of the amount exceeding Rs. 2,400,000
6	Where taxable income exceeds Rs. 3,000,000 but does not exceed Rs. 4,000,000	Rs. 270,000 plus 22.5% of the amount exceeding Rs. 2,400,000	Rs. 465,000 plus 30% of the amount exceeding Rs. 3,000,000
7	Where taxable income exceeds Rs. 4,000,000 but does not exceed Rs. 6,000,000	Rs. 680,000 plus 32.5% of the amount exceeding Rs. 4,000,000	Rs. 765,000 plus 35% of the amount exceeding Rs. 4,000,000
8	Where taxable income exceeds Rs. 6,000,000	Rs. 1,330,000 plus 35% of the amount exceeding Rs. 6,000,000	

Below is the comparison of tax liability between different amounts of taxable income taxed currently and as per the amendments for non-salaried persons and AOPs:

S. No.	Annual Taxable Income (Rs)	Annual Tax Liability (Rs)	
		Previous Rates	New Rates
1	1,000,000	35,000	45,000
2	2,800,000	360,000	415,000
3	3,200,000	460,000	525,000
4	4,200,000	745,000	835,000
5	6,300,000	1,435,000	1,570,000

RATE OF TAX FOR SALARY INDIVIDUALS

S No.	Income Slabs	Previous Rates	Newly enacted Rates
1	Where the taxable income does not exceed Rs. 600,000/-	0%	No Change
2	Where the taxable income exceeds Rs. 600,000/- but does not exceed Rs. 1,200,000/-	2.5% of the amount exceeding Rs. 600,000/-	No Change
3	Where the taxable income exceeds Rs. 1,200,000/- but does not exceed Rs. 2,400,000/-	Rs. 15,000/- + 12.5% of the amount exceeding Rs. 1,200,000/-	No Change
4	Where the taxable income exceeds Rs. 2,400,000/- but does not exceed Rs. 3,600,000/-	Rs. 165,000 plus 20% of the amount exceeding Rs. 2,400,000	Rs. 165,000 plus 22.5% of the amount exceeding Rs. 2,400,000
5	Where the taxable income exceeds Rs. 3,600,000/- but does not exceed Rs. 6,000,000/-	Rs. 405,000 plus 25% of the amount exceeding Rs. 3,600,000	Rs. 435,000 plus 27.5% of the amount exceeding Rs. 3,600,000
6	Where taxable income exceeds Rs. 6,000,000 but does not exceed Rs. 12,000,000	Rs. 1,005,000 plus 32.5% of the amount exceeding Rs. 6,000,000	Rs. 1,095,000 plus 35% of the amount exceeding Rs. 6,000,000
7	Where taxable income exceeds Rs. 12,000,000	Rs. 2,955,000 plus 35% of the amount exceeding Rs. 12,000,000	

Below is the comparison of tax liability between different amounts of taxable income taxed currently and as per the amendments

S. No.	Annual Taxable Income (Rs)	Annual Tax Liability (Rs)	
		Existing Rates	New Rates
1	2,700,000	225,000	232,500
2	4,200,000	555,000	600,000
4	6,600,000	1,200,000	1,305,000
5	9,000,000	1,980,000	2,145,000
6	10,400,000	2,435,000	2,635,000
7	12,500,000	3,130,000	3,370,000

PART-I

DIVISION VII

Rates of Tax for Capital gain on Disposal of Securities.

The Act has amended following provision to the tax rates on capital gain on disposal of securities:

S. No.	Previous Rates	New Rates
1	The rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or before the 30 th day of June 2022 irrespective of holding period of such securities.	The rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the first day of July 2013 but on or before the 30 th day of June 2022 and The rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the first day of July 2013.

Part-IV

Division VII

Advance Tax on Purchase, Registration and Transfer of Motor Vehicles:

The Act has amended advance tax rates for the Motor Vehicle having engine capacity from 2000cc, as under:

S.No.	Engine Capacity	Existing Rates	Approved Rates
1	2001cc to 2500cc	Rs.300,000	6% of the value
2	2501cc to 3000cc	Rs.400,000	8% of the value
3	Above 3000cc	Rs.500,000	10% of the value

Part-IV

Division X

Advance tax on sale or transfer of Immovable property

The rate of tax to be collected under section 236C shall be [3%] of the gross amount of the consideration received.

Part-IV

Division XVIII

Advance tax on purchase of immovable property

The rate of tax to be collected under section 236K shall be [3%] of the fair market value.

* . * . * . * . * . * . * . *

FOLLOWING PROPOSED AMENDMENT HAVE NOT BEEN ENACTED THROUGH FINANCE ACT, 2023

- Limit of foreign remittance brought into Pakistan through normal banking channel was proposed to be increased from Rs. 5 million to USD 100,000.
- Reduction of minimum turnover tax from 1.25% to 1% for listed companies.
- Tax credit for an individual on construction of a new residential house.
- Reduction in tax liability on income from business of a youth enterprise.
- Reduction in tax liability of a banking company on income arising from additional advances to certain specified sectors.
- Non-applicability of advance tax on purchase of immovable property by overseas Pakistanis through Roshan Digital Account.

SALES TAX ACT, 1990

HIGHLIGHTS

AMENDMENTS IN THE SALES TAX ACT, 1990

Section 3(1A) Further Tax The rate of further tax has been enhanced from 3% to 4%, on taxable supplies made to unregistered and inactive persons.

The Following goods shall remain taxable at applicable rates as exemption proposed have not been enacted.

- Contraceptive and accessories thereof
- Bovine semen
- Saplings
- Combined Harvester –Thresher
- Dryer for agricultural products
- No-till-direct seeder, planters, trans-planters and other planters
- Import of goods as mentioned under S. No. 159 of Part III of Fifth Schedule to the Customs Act, 1969 (IV of 1969) chargeable to customs duty at the rate of zero percent, subject to the conditions, restrictions and limitations mentioned therein, by the software exporters registered with the Pakistan Software Export Board

..*.*.*.*.*.*

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE 2001

HIGHLIGHTS

- IT AND IT ENABLED SERVICES TO BE TAXED AT THE RATE OF 15%

..*.*.*.*.*.*