Budget
2023

Authors Note

"We are pleased to bring to you this explicit explanation of the Finance Bill, 2023 **['Bill']**. This document will enlighten the readers about the aspects of this budget in its entirety. It will scrutinize the salient features of the said Bill and its implications on the macro as well as micro economy of Pakistan. The following document is an explanation of the measures proposed in the Bill in the light of interpretation of relevant laws and the provisions therein. The proposed measures would take effect once bill gets passed by the National Assembly and gets its assent from the President of Pakistan.

This document will elaborate on the effects of the changes in laws and the new policies enforced by the Federal Government. It will illuminate the effects of the changes in laws on the overall business environment. It will apprise you of the particular changes in laws in comparison to the previous laws."

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Overview

Overview of the Economy

During the outgoing fiscal year 2022-23 Pakistan has faced unprecedented challenges due to poor demand-driven policies of the previous government, devastating floods, and political uncertainty. In addition, the Russia-Ukraine war severely disrupted the global demand-supply balance which led to a commodity super-cycle resulting in slow down of the global economic growth to 2.8 percent in the current year from 6.2 percent in 2021

Growth and Investment

Growth and Investment The real GDP posted a growth of 0.29% in FY2023. Economy faced tremendous challenges of macroeconomic imbalances, supply shocks, and international economic slowdown which has dampened the economic growth. In first quarter of FY2023, floods engulfed the large part of agriculture land and disrupted the domestic supply. Flood damages, GDP loss, and rehabilitation expenditures are Rs. 3.2 trillion (US$ 14.9 billion), Rs. 3.3 trillion (US$ 15.2 billion), and Rs. 3.5 trillion (US$16.3 billion), respectively. The increase in international prices and currency depreciation which led to increase in domestic commodity prices has reduced the aggregate demand in FY2023.

Tax Expenditure

Tax expenditure is revenue foregone because of selective provisions in the tax code.

Key Findings

The total Federal Taxes' expenditure based on the data relating to FY2021-22 is estimated at Rs. 2,239.63 billion with a tax-wise breakdown as follows:

Tax Head	Amount
Income Tax	Rs. 423.89
Sales Tax	Rs. 1,294.04
Customs Duty	Rs. 521.70

The total expenditures are 36.43 % of total FBR tax collection in FY 2021-22. The tax revenue foregone constitutes approximately 3.36% of total GDP in FY2021-22 as against 2.69% in FY2020-21.

Income Tax Ordinance, 2001
['Ordinance']

Section 2 (41) – Permanent Establishment

The scope of definition of Permanent Establishment in Pakistan of a non - resident person has been broadened by removing the condition of fixed place of business.

Section 2 (59A) (read with Schedule 14) – Small & Medium Enterprises

The limit on turnover for qualifying as a small and medium enterprise **['SME']** has been increased to 800 million rupees from 250 million rupees. Further, the scope of small and medium enterprises has been enhanced to include persons engaged in provision of IT and IT Enabled Services.

Now, with enhanced limit of 800 million rupees, two new slabs have been introduced whereby SME's can offer their profits for taxation at the rate of 20% of taxable income or opt for final tax at the rate of 0.75% of turnover.

Section 4C (read with Schedule 1) – Super Tax

Rates of Super Tax have been rationalized. Super Tax under section 4C to apply on all persons across the board on income above Rs. 150 (m). Three new rate slabs have been inserted as below:

Sr.	Income Slab	Tax Rate
1	Rs. 350 million to Rs. 400 million	6%
2	Rs. 400 million to Rs. 500 million	8%
3	Above Rs. 500 million	10%

The 10% rate imposed on specific sectors for tax year 2022 has been abolished retrospectively.

New Section 236Z (read with section 39) – Bonus Shares Issued by Companies

Tax on bonus shares have been re-imposed after omission vide Finance Act, 2018 with a 10% final withholding tax on issuance of bonus shares by a company (20% for persons not appearing on ATL, however the additional 10% would be adjustable upon becoming filer). Also, the issuance of bonus shares has been made part of the respective head of income by insertion of clause (lb) under section 39 of the Income Tax Ordinance, 2001.

New Section 65I – Tax Credits for Construction of House

In order to support the Construction Sector, a tax credit equivalent to lower of 10% of the tax assessed for the tax year or 1 million rupees would be allowed to individuals constructing a new house subject to the following conditions;

- Layout plan of which is approved by the concerned authorities after 1st July 2023; and;
- Construction is completed during the said tax year and completion certificate is filed along with return.

The said tax credit would be available for tax years 2024 – 2026

Section 85 (1) - Associates

The definition of Associates is streamlined to provide more clarity on the subject. Now, such persons would also be held to be associates where one person sufficiently influences, either along or together with other associates the other person. Sufficient influence would arise where one or both persons are directly or indirectly, are economically and financially dependent on each other and, decisions are made in accordance with the directions, instructions or wishes of each other for common economic goal.

It has further been laid down that two persons would be held as associates where one person enters into a transaction, directly or indirectly, with the other who is a resident of jurisdiction with zero taxation regime. The expression zero taxation regime is not defined anywhere in the Ordinance and it is anticipated that such expression would be assigned a meaning in the rules by issuance of an SRO / Notification.

New Section 99D – Additional Tax on certain income, profits & gains

An additional tax is to be levied ranging from 0% to 50% on certain incomes, profits and gains that would incidentally arise due to certain economic factor or factors. Such tax would be levied on all businesses including Insurance Businesses, E & P Sectors and Banking Companies.

Such tax would be levied, for any of the preceding five years, starting from tax year 2023 and onwards.

The identification of economic factors along with the scope, timing, exemption, and payment of tax would be determined by Federal Government through notification in the official gazette.

Section 111 (4) – Unexplained Income and Assets

In a good move to stabilize the depleting foreign reserves, the legislature has enhanced monetary limit of foreign remittance remitted from outside Pakistan from five million rupees to rupee equivalent of USD 100,000 (PKR 28 million approx.) for the purpose of section 111(4) which places bar on asking nature and source of unexplained income/assets.

New Section (146D) – Recovery of Liability Outstanding under Other Laws

This section has been inserted in the Ordinance, which states that, if there is any outstanding liability under any other statute or law, which is treated as Income Tax arrears or required to be recovered by the Commissioner (Inland Revenue) or referred to the Commissioner (Inland Revenue) for recovery, the Commissioner (Inland Revenue) is responsible for recovering the liability and depositing the received amounts into the specified account mentioned in that particular law.

Section 147 – Advance Tax

During the last tax year, a controversy surrounded the application of advance tax collection on tax liability under Section 4C. Now, vide insertion of enabling provisions for computation, collection and payment of super tax under section 4C in the corresponding provisions of Section 147, such inconsistency would be laid to rest.

Section 152 – Payments to Non-Residents

In a good move, a similar automation mechanism as is already available for local payments has been introduced for non – residents. The issuance of exemption certificate has been automated for payment to a non-resident person upon expiry of 30 days of the application.

However, the Commissioner may modify or cancel the said certificate on the basis of reasons to be recorded in writing after providing an opportunity of being heard to the payer.

Section 154A – Export of Services

In a favorable move to the IT Service Exporters opting final tax regime, the condition of mandatory filing of sales tax returns by exporters of IT and IT Enabled Services have been withdrawn. The concessionary fixed tax rate of 0.25% for IT & IT enabled services exports have been held to be available till tax year 2026.

New Section 231AB – Advance Tax on Cash Withdrawal

Advance adjustable withholding tax on non-ATL persons on cash withdrawal has been re-imposed at the rate of 0.6%. Such tax would be levied on withdrawals exceeding Rs.50,000 in aggregate from all accounts maintained by the person.

Section 231C – Advance Tax on Foreign Domestic Workers

An adjustable advance tax is imposed at the rate of Rs. 200,000 at the time of issuance of work permit/visa on employment of a foreign domestic helper.

Section 236K – Advance Tax on Purchase or Transfer of Immoveable Property

In a bid to encourage the overseas Pakistanis to invest in the stagnant real estate sector, the 2% final withholding tax on purchase of immovable property for non-resident individual holding CNIC / POC / NICOP where immovable property is acquired through a Foreign currency value account (FCVA) or NRP Rupee Value Account maintained with authorized banks in Pakistan under the Foreign Exchange Regulations issued by the State Bank of Pakistan upon submission of certificate as may be prescribed.

First Schedule

Minimum Tax under Section 113

Reduced rate of 1% introduced for listed companies subject to tax rate of 1.25%. Listed companies subject to tax at the rate less than 1% would continue to pay at such reduced rate.

Minimum Tax on Imports – Section 148

Previously, the highest slab of tax in respect of imports was 5.5% percent of the specified value in respect of imports made by manufacturers and commercial importers. Now, the rate of tax for commercial importers would be 6% of the specified value.

Increase in withholding tax on goods, services and contracts (Non – Residents) – Section 152

- 1% increase in withholding tax rates on supply of goods;
- 1% increase on rendering of services including services subject to concessionary tax rate of 3%.
- 1% increase on execution of contracts excluding sportsperson.

Increase in Withholding Tax on Goods, Services and contracts (Residents) – Section 153

- 1% increase in withholding tax rates on supply of goods other than sale of rice, cotton seed or edible oils;
- 1% increase on rendering of services including services subject to concessionary tax rate of 3% but excluding electronic and print media advertising services
- 1% increase on execution of contracts excluding sportsperson.

Payment through Debit / Credit Cards – Section 236Y

- Increase in advance tax rate from 1% to 5% on payment to non-resident through debit/credit or prepaid cards. (2% to 10% for Non-ATL person).

Second Schedule

PART I - Exemption from Total Income

The incomes of following institutions have been exempted after incorporation of their names under Table 1 of Clause 66;

- The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5th August, 2022.
- Film and Drama Finance Fund
- Export-Import Bank of Pakistan
- Shaheed Mohtarma Benazir Bhutto Institute of Trauma, Karachi
- Shaheed Zulfikar Ali Bhutto Institute of Science and Technology

Extension in the exemption of following incomes

The exemption granted in respect of the following incomes have been extended for another year. Earlier, exemption was available for tax year 2023, now the same is extended for tax year 2024 as well;

- Profits and gains on the sale of immoveable property or shares of Special Purpose Vehicle to any type of REIT scheme.
- Any income of individual, company and association of persons resident in the Tribal Area forming part of the Provinces of Khyber Pakhtunkhwa and Baluchistan which was not chargeable to tax prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018)

Relief Granted to Agro based Industry

Clause 154 has been inserted in the Second Schedule vide which tax relief has been granted to small and medium enterprise operating Agro based setup in a rural area for a period of five years commencing from tax year 2024.

Moreover, only such enterprise will be eligible for tax that is setup on or after 1st day of July, 2023 and is not formed by the transfer or reconstitution or reconstruction or splitting up of an existing business.

PART III - Reduction in Tax Liability

Income from Business earned by Builders

The legislature has provided a great relief to the construction sector by reducing tax chargeable under the head income from business earned by builders. Tax shall be reduced by ten percent or Rs. Five million whichever is lower, subject to the following conditions;

- Builder is registered with Directorate General of Designated Non-Financial Business and Professions;
- Exemption will be available only for the tax year in which the builder furnishes along with return the completion certificate issued by the concerned regulatory authority.

For the purpose of this clause, new building project has been defined as "a project for the construction of building excluding a land development project, layout plan of which is approved by the authority concerned on or after the 1st day of July, 2023".

Income from Business earned by Youth Enterprises

In order to encourage startups by Youth, significant reduction in tax liability is being introduced by the legislature for youth enterprises.

For the purpose of this clause –

(i) ***Youth enterprise*** means a startup established on or after first day of July, 2023 as sole proprietorship concern owned by a youth individual or an AOP all of whose members are youth or a company whose hundred percent shareholding is held or owned by youth individual;

(ii) “Youth individual means a natural person up to the age of thirty years as on first day of the commencement of the relevant tax year”

The reduction in tax liability would be availed as per the following;

In case of an individual or an association of person by fifty percent or rupees two million whichever is lower; and

In case of a company, by fifty percent or rupees five million whichever is lower;

However, this clause shall not apply where the startup is formed by transfer, reconstitution, reconstruction or splitting of existing business and startups already established by women enterprises covered under clause (19) of Part III of the Second Schedule.

PART IV - Exemption from Specific Provisions

The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities will be exempt from following provisions with effect on and from the 5th August, 2022;

- Section 113 - Minimum tax on the income of certain persons.
- Section 151 - Profit on debt
- Section 236 - Telephone and internet users

Seventh Schedule – Banking Companies

- A time extension has been given for two years for the purpose of concessionary tax rate of 20% for banking company’s income from additional advances to low cost housing, agri based entities and SME’s.

- Concessionary tax rate of 20% on income of banking company would be levied on income arising out of additional advances to IT & IT Enabled sector instead of standard rate of 39%.

The term additional advance along with the mode and manner of calculation of income have been specified.

Eight Schedule – Computation of Capital Gain

NCCPL would now also collect super tax under Section 4C in addition to capital gains tax on the amount of capital gains computed under the Eighth Schedule.

Sales Tax Act, 1990 ['ST Act']

Production, Transmission and Distribution of Electricity – Section 2 (12 & 33)

Through the Bill, the production, transmission and distribution of electricity is proposed to be excluded from the definition of Goods and Supply.

Tier-1 Retailer Scope Restriction – Section 2(43A)

Through the Bill, legislature restricts the scope of Tier-1 Retailer by omitting the Shop Area criterion from the definition. Moreover, it is also proposed to exclude the persons engaged in the supply of Articles of Jewellery and Precious Metals from the scope of Tier-1 Retailers which was included through Finance Act, 2022. However, if such person still meets any other criteria for qualification, he would be classified as Tier-1 Retailer.

Offences and Penalties – Section 33(23)

Vide Finance Bill, the penalty under clause 23 of section 33 is levied, where any person who manufactures, possesses, transports, distributes, stores or sells sugar, cement, fertilizer and beverages with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes. Currently, this clause is applicable only to the tobacco industry.

Amendments in Fifth Schedule

Following addition in the Fifth Schedule through this Finance Bill.

Sr No.	Description
8A.	Imports or supplies made by, for or to a qualified investment as specified at Serial No.1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act."

Updates in the following clauses of the Fifth Schedule through this Finance Bill.

Sr No.	Description
12(xxv).	Previously only geometry boxes were included under this schedule. Now, other drawing, marking out or mathematical calculating instruments (geometry box) are also included.

21.	The scope of local supplies to exporters under Export Facilitation Scheme, 2021, is proposed to enlarge by including Commodities.

Amendment in Sixth Schedule

Updates in the following clauses of Table-1 of Sixth Schedule through this Finance Bill.

Sr No.	Description	HS Code
16, 17, 18.	Red chilies, Ginger and Turmeric shall be exempt excluding that sold under a brand name or trade mark.	0904.2110, 0904.2210, 09.10, 0910.3000
151, 152.	Exemption period is extended from June 30, 2023 to June 30, 2024 in case of supplies mentioned in the said serials in the Tribal Areas.	Respective headings

Following serials are omitted from Table-1 of the Sixth Schedule through this Finance Bill.

Sr No.	Description	HS Code
159.	Import of auto disable Syringes till 31st December, 2021 (i) with needles (ii) without needles	9018.3110, 9018.3120
160.	Import of following raw materials for the manufacturers of auto disable syringes till 31st December, 2021 (i) Tubular metal needles (ii) Rubber Gaskets	9018.3200, 4016.9310

Following additions are made in the Table-1 of Sixth Schedule inserted via this Finance Bill.

Sr No.	Description	HS Code
175.	Contraceptive and accessories thereof	3926.9020 and 4014.1000
176.	Bovine semen	0511.1000
177.	Saplings	Respective heading
178.	Combined Harvester – Thresher	8433.5100
179.	Dryer for agricultural products	8419.3400
180.	No-till-direct seeder, planters, trans-planters and other planters	8432.3100 and 8432.3900
181.	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 (assessed value of the imported goods equivalent to 1% of their export proceeds), by the software exporters registered with the Pakistan Software Export Board.	7471.3010*, 8471.3020, 8471.3090, 8471.4110, 8471.6010, 8471.6020, 8471.6090, 8471.7040, 8471.9020, 8471.7020, 8471.5000 and 8517.6270."

*HS Code 7471.3010 does not exist, so apparently seems a typo error, as meant to include 8471.3010.

Following amendments are made in Table-II of the Sixth Schedule through this Finance Bill.

Sr No.	Description	HS Code
32, 34, 35, 36, 37, 39, 41, 42.	Yogurt, Butter, Desi Ghee, Processed Cheese, Products of meat and meat offal, meat of bovine animals, sheep, goat and uncooked poultry, fish and crustaceans shall be exempt excluding that sold under a brand name or trade mark.	Respective Headings

Amendment in Eighth Schedule

Following amendments are made in the Eighth Schedule through this Finance Bill.

Sr No.	Description	HS Code
66.	Finished fabric and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales are proposed to be charged at the rate of 15% as against the current rate of 12%.	Respective Headings

Following serials are substituted in Eighth Schedule through this Finance Bill.

Sr No.	Description	HS Code	Rate	Condition
81.	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	Respective Headings	1%	Subject to the conditions that: (i) Tax charged and deposited by the manufacturer or importer, as the

	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. This substitution shall be deemed to have been made from the 1st day of July, 2022.			case may be, shall be final discharge of tax in the supply chain (ii) No input tax shall be adjusted by the manufacturer or importer
82.	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	Respective Headings	1%	Subject to the conditions that: (i) DRAP shall certify item-wise requirement of manufacturers of drugs and APIs and in case of import shall furnish all relevant information to Pakistan Customs

	Schedule or Fifth Schedule to the Customs Act, 1969 (IV of 1969) or under a notification issued under section 19 thereof. This substitution shall be deemed to have been made from the 1st day of July, 2022.			Computerized System; and (ii) No input tax shall be adjusted by the manufacturer or importer.”.

Islamabad Capital Territory (Tax on Services) Ordinance, 2001 ['ICT Ordinance']

Section 3 – Scope of Tax

In a good move to boost IT Exports, Status of cottage industry has been granted to the freelance exporter of IT and IT enabled services. Such freelance exporters will not be required to file sales tax return.

Additions & Changes in Tax Rates

Electric Power Transmission Services

Post promulgation of Provision of Service Rules, 2023 in line with the recommendations of the National Tax Council, electric power transmission services are now covered under the definition of services and taxable at respective rates.

Restaurant Services

In line with the provincial model, the federal government has also introduced reduced rate of services for customers paying through credit / debit cards.

Table-1

Sr no.	Description	PCT Heading	Previous Rate	New Rate
1	(i) Services provided or rendered by hotels, motels, guest houses, farmhouses, marriage halls, lawns, clubs and caterers.	98.01	16%	15%
	(ii) Services provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc.		16%	(a) 5% where payment against services is received through debit or credit cards, mobile wallets or QR scanning subject to the condition that no input tax adjustment or

				refund shall be admissible; and (b) 15% where Payment received in cash.
11	Services provided by software or IT-based system development consultants.	9815.6000	16%	15%

Table-1 – New insertion (Post Issuance of Place of Provision of Service Rules 2023)

Sr no.	Description	PCT Heading	Previous Rate	New Rate
60	Electric Power transmission Services	-	-	15%

Table-2 – Changes

Scope of IT Enabled Services has been increased by including cloud computing services in the definition.

Sr no.	Description	PCT Heading	Previous Rate	New Rate
11	IT services and IT-enabled services. Explanation: For the purpose of this entry (a) "IT services" include **but not limited** to software development, software maintenance, system integration, web design, web development, web	Respective Headings	5%	5% subject to the conditions that no input tax adjustment or refund shall be admissible

	hosting and network design; and (b) “IT enabled services” include **but not limited** to inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, human resources (HR) services, telemedicine centres, data entry operations, **cloud computing services,** data storage services, locally television programs and insurance claims processing.			

Customs Act, 1969 ['CT Act']

Measures to Prevent Smuggling (Section 2, clause (s) & Section 7)

Government has empowered Customs to conduct anti-smuggling operations within territorial limits of Pakistan and Provincial Levies and Khasadar Force have been added in the list of Government agencies mandated to assist Customs in anti-smuggling operations in Khyber Pakhtunkhwa and Balochistan.

These measures will help Government to control the smuggling of essential items and demand push inflation by making available adequate supply of essential commodities and leakages of revenue. Penal provisions for the offence of smuggling of banned and contra-banned goods are also being made more stringent.

Facilitation Measures

Government has introduced following facilitative measures;

- Warehousing period for perishable items has been proposed to be enhanced from one month to three months. **(Reference to Section 98)**
- Penalty on documents not found inside the consignment abolished. **(Reference to Section 156)**
- To reduce the clearance time and eliminate human interaction, option is being provided to the respondent to go for adjudication through Customs Computerized System. **(Reference to Section 179)**
- To facilitate the passengers travelling as a group who cannot file their own baggage declarations, the representative of the group of passengers is being allowed to file baggage declaration on behalf of the group members. **(Reference to Section 139)**
- Concessionary rate of 1% Custom duty is imposed on import of Hybrid Electric Vehicles (HEV) (CBU) for manufactures only subject to certification and quota determined by EDB. **(Fifth Schedule Part-V(B) Table-I)**
- Concessionary rate of 15% of custom duty is imposed on Agricultural Tractors, having an engine capacity exceeding 26kW but not exceeding 75kW and 10% for others. **(Fifth Schedule Part-V(C))**

Zero Rated Customs Duty

The rate of Customs Duty (CD) leviable on the import of many categories of items / sectors is made zero rated to incentivize the respective sectors. Some of the most significant ones are enlisted as below;

- Manufacturing of Solar Panels and related equipment are encouraged by zero rating customs duties on import of machinery, equipment and inputs for manufacturing of solar panels, inverters and batteries.

- Incentive for exporters of Information Technology (IT) and IT enabled services by allowing duty free import of IT related equipment equivalent to 1% value of their export proceeds.

- Zero rate of Customs duty on import of seeds for sowing to promote growth in agricultural sector.

- Withdrawal of capping of the fixed duties and taxes on the import of old and used vehicles of Asian Makes above 1300 CC under SRO 577(I)/2005 by omitting serial number 4,5 and 6 of the said SRO.

Reduction / Concessions In Customs Duty

Customs Duty (CD) leviable on the import of many categories of items / sectors is reduced for incentivizing the respective sectors. Some of the most significant ones are enlisted as below;

- Reduction of Customs duty from 10% to 5% on non-localized (CKD) of Heavy Commercial Vehicles (HCVs).

- Continuation of concession to 3% on import of Flavorings powders for food preparation for manufacturers of snacks till June, 2024.

Reduction / Concessions In Regulatory Duty

Regulatory Duty (RD) leviable on the import of many categories of items / sectors is reduced or exempted to incentivize the respective sectors. Some of the most significant ones are enlisted as below;

- Removal of regulatory duty on second hand clothing to provide relief to the poor segment of the society.

- Removal of regulatory duty on IT related equipment to encourage Information Technology sector.

Federal Excise Duty Act, 2005
['FED Act']

Energy Conservative Initiative

In order to discourage use of energy inefficient fans, duty @ Rs. 2000 per fan and incandescent bulbs @ 20% ad valorem is proposed in line with energy conservation policy approved by the Federal Cabinet in Case No. 01/01/23, dated 03.01.2023.

Enhance Scope of Excisable Services

Now the royalty and fee for technical services are also taxable in Federal territory in addition to franchise fee.

Caveat

This Budget Brief provides an overview of the proposed amendments intended to be introduced vide the Bill. Through the Bill, various amendments have been introduced in the Income Tax Ordinance, 2001, Sales Tax Act, 1990, Federal Excise Duty Act, 2005, Islamabad Capital Territory (Tax on Services) Ordinance, 2001, and Customs Act, 1969.

While we have endeavored to summarize the amendments in the most comprehensive manner, we strongly advise readers to refer to the actual text of the respective Ordinances/Acts for interpreting specific provisions. For clear guidance on specific matters, we recommend consulting our tax team. It is important to note that Zulfiqar Ahmad & Co. assumes no responsibility for any entity or individual making decisions based solely on this briefing document.

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