

4M'S BUDGET SNAP – 2021-22

Income Tax

1. Bill proposes to introduce definition of business bank account, requiring to declare in the registration form. Non – declaration thereof will result in penal action.
 2. The bill has proposed to include Telecommunication Companies operating under the license of Pakistan Telecommunication Authority (PTA) in the definition of Industrial Undertaking.
 3. Income from profit on debt exceeding Rs. 5 million in a tax year is proposed to be subject to normal tax regime.
 4. The bill now proposes to withdraw option available to Individuals and AOPs to charge tax on income from property under separate block of Income, and allow to set off of losses from income from property with other heads of income.
 5. The bill proposes to introduce new tax regime for SME person being a manufacturer as defined in section 153 and having business turnover not exceeding 250 million. SMEs are required to get registered on Iris web portal or SMEDA. The taxation will be based on following two categories:
 - Annual turnover not exceeding 100 million – 7.5% of taxable income
 - Annual turnover exceeds Rs. 100 million but does not exceed 250 million – 15% of taxable income
- Option to be taxed on the following final tax regimes are proposed that can be elected at the time of filing of return and is revocable for three years:
- Annual turnover not exceeding 100 million – 0.25% of gross turnover
 - Annual turnover exceeds Rs. 100 million but does not exceed 250 million – 0.5% of gross turnover
- SMEs opted for final tax regime will not be subject to audit.
6. The bill proposes to tax the income derived by co-operative societies from the sale of goods, immoveable property or provision of services to its members.
 7. Threshold of applicability of minimum tax has been proposed to be increased from Rs. 10 million to Rs. 100 million, and rate of turnover tax has been reduced to 1.25%.
 8. The bill proposed to withdraw requirement for filing of taxpayer profile.
 9. Timeline for finalization of assessment under section 122 is proposed within 120 days of issuance of show cause and may be extended by the Commissioner for the maximum of 90 days.
 10. The bill proposes to empower Commissioner to waive the requirement for filing revised account for the purpose of filing revised return if he is satisfied that such filing is not necessary.

11. The bill proposes to withdraw power of the Commissioner to reject estimation filed by the taxpayer of advance tax under section 147.
12. The bill proposes to introduce final tax at the rate of 1% on proceeds incase of export of services – IT, technical, royalty, construction contract, and other services as notified by the Board, provided that:
 - Income tax return has been filed;
 - WHT statement for the relevant year has been filed;
 - Sales tax return has been filed; and
 - Credit of foreign tax will not be allowed
13. The bill proposes to file annual withholding statement under section 165 within 30 days of the end of the tax year and reconciliation statement reconciled with the return, audited accounts and withholding statements along with the return of income.
14. The bill proposes that the Board may process and issue refund to the taxpayer who has filed the return of income without requiring refund application by the taxpayer to the extent of verifiable tax credit.
15. The bill proposes to empower the Board design and prescribe e-hearing module for the purpose of conducting hearings and electronically receiving any information.
16. The bill proposes to extend the scope of withholding agents by adding Individual and AOP having turnover of Rs. 100 million or more as withholding agent for the purpose of brokerage and commissioner payment
17. Withholding income taxes under following section have been proposed to be omitted:

Sections	Descriptions
153B	Payment of royalty to residents.
231A	Cash withdrawals by those not appearing on ATL.
231AA	Banking instruments sold / cancelled against cash by those not appearing on ATL
233A	Commission earned by member of stock exchange.
233AA	Margin financing by NCCPL
234A	Advance Tax collected from CNG Stations
235A	Advance tax on domestic electricity consumption
236B	Advance tax on purchase of air ticket
236HA	Tax on sale of certain petroleum products
236L	Advance tax on purchase of international air ticket
236P	Advance tax on banking transactions other than cash
236S	Dividend in specie (merged with section 150)
236V	Advance tax on extraction of minerals
236Y	Advance tax on persons remitting amount abroad

18. The bill now proposes to make domestic consumers, not appearing in active tax payers’ list, liable for advance tax collection through electricity bills having monthly bill of Rs. 25,000 or more
19. The bill proposes to reduce capital gain tax on disposal of securities from 15% to 12.5% for tax years 2022 and onwards.
20. Specified services which are subject to withholding income tax deduction at reduced rate of 3%, the bill proposes to include oilfield services, telecommunication services, warehousing services, collateral

management services and travel and tour services in the above list of reduced rates.

21. The bill proposes to grant benefit of reduce rate of withholding income tax to specified services at the rate of 3% who have not agitated taxation of gross receipts before any court of law.
22. Rate of collection of tax on subscriber of internet, mobile telephone and prepaid internet or telephone is proposed to be reduced to 10% for the tax year 2022 and 8% onwards
23. Advance tax on sale to distributors, dealers, wholesalers and retailers under section 236G and 236H has been extended to include pharmaceuticals, poultry and animal feed, edible oil and ghee, battery, tyers, varnishes, chemicals, cosmetics, and IT equipment
24. The bill proposed to extend the scope of the Commissioner to issue exemption certificate to all companies, on the basis of advance tax payment for the year, within fifteen days of filing of application, failing which the certificate will be automatically issued through the system
25. The bill proposes to amend 60A and 60B to allow WWF and WPPF paid to the provincial authorities as deductible allowance.
26. The Bill proposes to tax capital gain on immovable property gain at normal rates as applicable on the taxpayer based on defined holding period benefit rate, if the amount of gain exceeds 5 million. Further, the gains upto 5 million is proposed to be taxed at 5%
27. The Bill proposes to tax the difference between the consideration received and the cost of the of immovable property
- under the head ‘capital gain’, if consideration received exceed cost of the asset.
28. Exemption to Special Economic Zone Enterprises from payment of minimum tax is proposed.
29. The Bill proposes that if the gift property is disposed-off within two years of acquisition from the relative and the Commissioner is satisfied that such gift arrangement is a part of tax avoidance scheme, then the original cost in the hands of the transferor will be taken to be the cost base for the transferee as well.
30. It is proposed that no gain or loss shall arise in the hands of transferor where the transferee is a non-resident person to whom an asset is being transferred the agreement to live apart between spouses, transmission of asset on death and gift to a relative.
31. Exemption in connection to special allowance and medical benefits provided to an employee by an employer are proposed to be withdrawn
32. The Bill proposes withholding of tax on rental income from sub-lease of an immovable property at the rates prescribed in section 155.
33. Taxpayers are entitled to 100% tax credit under any provision of the Ordinance are now allowed to be issued an exemption certificate.
34. Tax credit is proposed for Tier 1 retailers who integrated with FBR real time against the lower of amount actually invested in purchase of POS machine and Rs 150,000 per machine

35. Reduced rate of 0.25% of 113 & 153 has been extended to distributors under clause 24C and 24D, Part II, Second Schedule. Moreover, the scope of goods / sectors covered has been extended to include electronics excluding mobile phones. Furthermore, applicability of reduced rate has been restricted to Tier-1 retailers who are integrated with the FBR.
36. Reduction in tax liability by 25% for women entrepreneurs, provided startup is established after July 1, 2021 and sole proprietorship, AOP or company is wholly owned by women.
37. Non applicability of withholding income tax on payment against services in addition to goods is proposed to be extended to goods transporters and oil tanker contractors provided the rate of tax payable is 3.5% of the services so provided by the transporters and contractors.
38. It is proposed that the withholding tax under section 153 shall not be applicable on purchase of used motor vehicles from general public.
39. The bill proposes withdrawal of exemption from tax on distribution received by a taxpayer from a collective investment scheme registered by the Securities and Exchange Commission of Pakistan under the Non-Banking Finance Companies and Notified Entities Regulations, 2007, including National Investment (Unit) Trust or REIT Scheme or a Private Equity and Venture Capital Fund out of the capital gains of the said Schemes or Trust or Fund.
40. The bill proposes to exempt manufacturer-cum-exporter to withhold income tax from payments made in respect of which special rates of tax deduction have been specified under the provisions of the repealed Ordinance.
41. The bill proposes to extend exemption from withholding income tax on the following items:
- live animals by any person engaged in cattle farming;
 - unpackaged meat
 - raw hides
42. The bill proposes to exempt application of section 148 and 154 on import and export, respectively of specified goods which takes place within the jurisdiction of Border sustenance Markets

Sales Tax

1. The threshold of turnover in order to qualify as a cottage industry is proposed to be enhanced from Rs 3 million to Rs 10 million.
2. Online marketplace – e-commerce platform that facilitates sale of goods, including third party sales has been made subject to sales tax.
3. Tier 1 retailer definition has been proposed to be expanded to include retailers operating online marketplace and accepting payment vide debit and credit cards and other digital mediums. For retailers of furniture, a beneficial amendment is proposed whereby the minimum shop size is proposed to be increased from of 1,000 sq ft to 2,000 sq ft.
4. Cash back benefit of 5% for Tier 1 retailers' customers are withdrawn
5. It is proposed to amend time of supply such that sales tax will be charge only on delivery on goods
6. Restriction of adjustment of input tax has been relaxed for public limited companies
7. It is proposed to amend the start of 5 years limitation for initiation of proceedings from the end of the financial year in which the relevant tax period falls.
8. It is proposed that that CNIC in case of individuals and NTN for artificial persons will be Common Identifier Number.
9. For transaction between associates, it is proposed to empower Board to make rules in connection with determination of transfer pricing on transactions between associates to reflect the fair market value.
10. It is proposed to empower tax authorities to allow time in filing of tax returns subject to certain restrictions.
11. It is proposed that for specified goods, manufacturers will be required to obtain license for respective brand or SKU, and any specified brand and SKU found to be sold without obtaining license would be deemed to be counterfeited goods.
12. Concept of constructive payment is proposed to be introduced in case of adjustment of receivable and payable from same party.
13. Sugar has been made subject to retail price tax except supplies as raw material to pharmaceuticals, beverage and confectionary industries.
14. Zero rating of the following items are proposed to be withdrawn:
 - Supply, repair or maintenance of any ship
 - Supply, repair or maintenance of any aircraft
 - Supply of equipment and machinery for pilotage, salvage or towage services.
 - Supply of equipment and machinery for air navigation services.

- Supply of equipment and machinery for other services provided for the handling of ships or aircraft in a port or Customs Airport.
 - Petroleum Crude Oil
 - Supplies of such locally manufactured plant and machinery to petroleum and gas sector Exploration and Production companies
 - Raw materials, components, sub-components and parts, if imported or purchased locally for use in the manufacturing of such plants and machinery as is chargeable to sales tax at the rate of zero percent.
15. It is proposed to extend zero rating to Local supplies of raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021
16. Exemption from sales tax on import or supply of following has been proposed to be withdrawn:
- Edible oils and vegetable ghee, including cooking oil, on which Federal Excise Duty is charged
 - Ice and waters
 - Table salt including iodized salt
 - Glass bangles
 - Energy saver lamps
 - Bicycles
 - Steel billets, ingots, ship plates, bars and other long re-rolled profiles, on such imports and supplies by the manufacturer on which federal excise duty is payable in sales tax mode
17. Exemption from sales tax on the import of following has been proposed to be withdrawn:
- Eggs
 - Cereals
- Sugar beet
 - Fruit juices
 - Milk and cream, fat milk
 - Flavored milk
 - Yogurt
 - Whey
 - Butter, cheese, processed cheese
 - Sausages and products of meats
18. Exemption is proposed from sales tax on the import or supply of art paper and printing paper for printing of Holy Quran imported by Federal or Provincial Governments and Nashiran-e-Quran
19. Following items have been proposed at standard rate of sales tax previously such was part of reduce rate:
- Soyabean meal
 - Raw cotton and ginned cotton
 - Plant and machinery not manufactured locally and having no compatible local substitutes
 - Flavoured milk
 - Yogurt
 - Cheese
 - Butter
 - Cream
 - Milk and cream, concentrated or containing added sugar or other
 - Ingredients of poultry feed, cattle feed
 - Waste pa per
 - Plant, machinery, and equipment used in production of biodiesel
 - Soya bean seed
 - LNG/RLNG
 - Fat filled milk
 - Silver, in unworked condition
 - Gold, in unworked condition
 - Articles of jewellery, or parts thereof, of precious metal or of metal clad with precious metal.
 - Ginned cotton
 - LNG imported for servicing CNG sector and local supplies thereof

20. Registered persons manufacturing lead batteries are proposed to withhold entire amount of Sales Tax from person supplying reclaimed lead or used lead batteries.
21. Sales tax of Rs 250 on supply of SIM cards by Cellular Mobile Operators is proposed to be discontinued with effect from July 1, 2020
22. Import of motor cars of cylinder capacity upto 850cc is proposed to be excluded from value addition tax

Federal Excise Duty

1. Exemptions from duty are proposed in respect of the following:
 - imported vegetable and animal fats and their oils and fractions, if consumed within the limits of Border Sustenance Markets
 - Import and supply of raw material, components, parts and plant and machinery by persons registered under Export Facilitation Scheme, 2021
 - Edible oils, vegetable ghee, cooking oil, fruit juices, syrups and steel billets etc.
 - Locally manufactured/assembled vehicles up to 850 cc
 - The MDR portion of digital payment transactions
2. Charge of telecommunication services is reduced to 16%. It is also proposed to levy additional FED on mobile phone calls of duration exceeding 3 minutes, internet services and SMS services.
3. It is proposed to waive the requirement to obtain the approval of the CIR for the revision of a return, subject to certain conditions, in line with the Act.
4. It is proposed to levy FED of Rs. Rs 5,200 per KG on electrically heated tobacco products using non-combustive tobacco heating systems