Memorandum on the Finance (Supplementary) Bill, 2021

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FINANCE (SUPPLEMENTARY) BILL, 2021

This Memorandum gives a brief overview of significant amendments proposed through the Finance (Supplementary) Bill, 2021 which has been laid before the Parliament on December 30, 2021.

Through the Bill, certain amendments have been made in the Income Tax Ordinance, 2001; Sales Tax Act, 1990; Federal Excise Act, 2005; Customs Act, 1969 and the Islamabad Capital Territory (Tax on Services) Ordinance, 2001.

The Bill with or without further modification approved by the Parliament will come into force on the next day of assent given by the President of Pakistan.

This memorandum can also be accessed from https://www.pwc.com.pk/en

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BACKGROUND AND HIGHLIGHTS OF THE FINANCE (SUPPLEMENTARY) BILL, 2021

The Government claims to have presented the Finance (Supplementary) Bill, 2021 as part of prior actions to ensure Pakistan's sixth review of the $6 billion Extended Fund Facility (EFF) cleared by the IMF's Executive Board, which is scheduled to meet on January 12, 2022 to decide about the disbursement of a nearly $1bn tranche.

The Government estimates to collect revenues of Rs 375 billion through the amendments proposed in the Bill, out of which Rs 343 billion are expected to be collected from the withdrawal of sales tax concessions. The Finance Minister has emphasized that most of the sales tax exemptions proposed to be withdrawn are intended to fix the distortions in existing sales tax laws w.r.t. exemption and zero-rating. He has further claimed that substantial part of the sales tax so collected would not be passed on to the end consumers / common man especially the sales tax of Rs 160 billion expected to be collected from the pharma sector which will be refundable to pharmaceutical companies when claims for zero rating will be filed. This claim, however, raises question on the basis of additional tax collections of Rs 375 billion envisaged through the Bill if substantial amount of sums so collected are expected to be refunded / adjusted.

While removal of distortions in the sales tax regime was essential to streamline the process of collection of sales tax under the VAT mode across the board, however Government's over reliance on indirect taxes which has been seen over a period of time, and also witnessed in higher tax collections recently, needs to be rationalised. This over emphasis on indirect taxation is perhaps due to structural imbalance of taxation system of Pakistan which does not allow optimal tax collection and promotes undocumented economy. A substantial and incremental shift is required to decrease disparity in income and reduce the burden of indirect taxes on common man.

Major sales tax concessions / exemptions withdrawn are as under:

- Zero rating of sales tax has been proposed to be withdrawn on various items including
  - (i) exempt goods if exported by a manufacturer;
  - (ii) supplies of locally manufactured plant and machinery to manufacturers in the Export Processing Zone;
  - (iii) supplies to duty free shops.
- The reduced rate of 12.5% on locally manufactured or assembled motorcars has been restricted to the motorcars having engine capacity up to 850 cc only.
- Reduced rate of tax on import of specified plant and machinery is proposed to be withdrawn.
- Fixed tax on import of certain cellular mobile phones has been proposed to be replaced by the standard rate of 17% tax.
- Exemptions from sales tax on import and supplies of various goods (including capital goods) is proposed to be withdrawn including plant and machinery for export processing zones, goods imported by or supplied to hospitals, machinery and parts for renewable energy, sample or replacement goods.

Apart from the above, some other major amendments proposed through the Bill are as under:

- A clause introduced by the Tax Laws (Third Amendment) Ordinance, 2021 (through which companies were made liable to make their payments through digital modes) has been suspended until it will be notified by FBR. Since its introduction, the implementation of the clause was otherwise being kept in abeyance by FBR through circulars.

- Banks are required to provide particulars of bank accounts opened or redesignated during preceding month.

- Advance income tax on bills of internet and mobile, and on own money of locally manufactured cars has been increased. FED on import or local supply of certain vehicles has also been increased.

- Concept of SPV introduced in the REIT regulations has also been accounted for in the income tax provisions.

- Threshold of small manufacturers (not liable to sales tax) reduced from Rs 10 million to Rs 8 million.

- Condition of providing CNIC on sale to unregistered persons waived in case payments are made through debit or credit card or digital mode.

- Scope of Tier 1 retailers has been expanded to include those subject to income tax withholding under sections 236G or 236H, beyond a threshold.

INCOME TAX

PAYMENTS THROUGH DIGITAL MEANS

Through the Tax Laws (Third Amendment) Ordinance, 2021, a new Clause (la) was introduced under section 21 which requires every company to make payment for a transaction under a single account head exceeding Rs 250,000 through 'digital means' from their notified business bank account, subject to certain exclusions. Otherwise, the expense would become inadmissible.

Due to challenges and practical difficulties in the implementation of Clause (la), the Board deferred its implementation from time to time till December 31, 2021.

The Bill now proposes to defer its implementation indefinitely till the time it is notified by the Board.

While introducing Clause (la), the term 'digital means' was not defined. It was, although, ought to mean all sort of paperless mode of payments; however, due to lack of proper definition confusion persisted. The State Bank of Pakistan (**SBP**) in its instructions issued to banks vide PSP & OD Circular Letter No. 5 of 2021 dated October 15, 2021 listed down following digital modes of payments, which were also considered to be relevant for the purposes of Clause (la):

(a) Online portals/platforms for digital payments/receipts

(b) Online Interbank Fund Transfer services

(c) Online bill/invoice presentment and payments services

(d) Over the Counter (OTC) digital payments services/facilities

(e) Card payments using Point of Sale (POS) terminals, QR codes, mobile devices, ATMs, Kiosk and/or any other digital payments enabled devices

(f) Any other digital/online payment modes

To address this ambiguity, the Bill has proposed to define the term 'digital means' as "electronic or digital payments as defined by the State Bank of Pakistan". It, therefore, appears that the above instructions of SBP or any other instructions which may be issued by SBP from time to time would be relevant for the purposes of defining 'digital means' whenever clause (la) would be implemented.

The introduction of clause (la) apparently disrupted the currently prevailing credit market practices where besides cheques (being a regular mode of payment), post-dated cheques are also used as instrument of security between buyers and sellers. The Government may, therefore, consider bringing innovation in the cheque clearing system as Pakistan's credit market prefers this mode of payment. SBP has also been working on introducing QR code system in cheques for seamless same day clearing. This could be integrated with the electronic system of banks for electronic clearing of cheques; thereby, providing the same utility to the customer taxpayers and information to the revenue as any other digital means of payment.

SPECIAL PURPOSE VEHICLE UNDER THE REAL ESTATE INVESTMENT TRUST (REIT)

Prior to amendment in REIT Regulations vide SRO 724(I)/2021 dated June 7, 2021, it was mandatory that the property being developed under the REIT structure, whether developmental or rental REIT, is to be owned by the REIT, being a specific trust formed under these regulations. This inter alia required transfer of property from existing owners to the REIT.

Under the amendments in REIT Regulations (through SRO 724), REIT Scheme can own REIT Assets through Special Purpose Vehicle (SPV), which has to be a Limited Liability Company with at least 75% ownership by the REIT Scheme.

REIT Funds are considered as pass through entity since they are regulatorily obliged to pay 90% of their profits to unitholders to avail corporate tax exemption. The same concept is applied to SPVs since they are undertaking similar operations to that of a REIT scheme under direct ownership structure and are regulatorily obliged to pay 90% of their income as dividend to the REIT Scheme and other investor.

Income Tax Ordinance provides for corporate tax exemption to REIT scheme upon 90% distribution of its profits. Through the Finance (Supplementary) Bill, 2021; the said exemption is also being extended to SPV. Under the amended REIT regulations, SPV would actually earn the income from REIT assets and distribute the same to investors. In line with corporate tax exemption, SPV has also been exempted from application of tax withholding / collection under Sections 150 (Dividend), 151 (Profit on Debt), 233 (Brokerage and Commission) and Capital Gains on disposal of securities.

Distribution of income by SPV to REIT would not be taxable, as income of REIT is otherwise exempt from tax whereas distribution of income by SPV to investor other than REIT would be taxed @ 35%. The tax incidence at higher rate of 35% appears to have been kept to rationalise the overall tax incidence on income from REIT assets earned by other than REIT investors through SPV.

The existing provisions of the Income Tax Ordinance provide for exemption to the profits and gains accruing to a person on the sale of immoveable property to any type of REIT scheme up to June 30, 2023. Under the amended REIT regulations (since the REIT assets can be retained under SPV and the REIT assets is owned by REIT by acquiring the shares of SPV), it was necessary that capital gains on transfer of shares of SPV be exempted to bring the same at par with exemption provided for transfer of immovable property to REIT. The Bill, therefore, proposes to provide the exemption on income from disposal of shares of SPV to any type of REIT scheme up to June 30,2023.

MINIMUM TAX ON CERTAIN TRANSACTIONS

Under the existing provisions of the following sections, the tax deductions on certain specified transactions are considered as 'minimum tax' on the income of a resident person:

(i) Section 153 (payment for goods, services, and contracts);
(ii) Section 233 (brokerage and commission); and
(iii) Section 236Q (payments to residents for use of machinery and equipment).

Due to the manner in which the law relating to minimum tax is worded in the respective sections, there was a view that such withholding would be minimum tax on the entire income of such 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. The courts would interpret whether the proposed amendment although being introduced as explanation would actually be applied retrospectively or the amendments would be considered as prospectively applicable.

FURNISHING OF INFORMATION BY BANKS

Under the provisions of section 165A of the Ordinance, every banking company is required to make arrangements to furnish certain information to the Board in the prescribed form and manner.

The Bill proposed to introduce a new Clause 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.

It appears that the above change is in-line with the requirement for declaration of the business bank account under the provisions of section 114A introduced through the Finance Act, 2021 and is a step towards documentation of the economy.

DISCLOSURE OF INFORMATION BY A PUBLIC SERVANT

Under the provisions of Section 216 of the Ordinance, a public servant shall not disclose the prescribed confidential information to any person except for the specified instances / list of persons where such information can be disclosed.

A new clause in sub-section (3) is proposed to be added whereby particulars in respect of high-level public officials (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) and public servants in BPS-17 and above, their spouses, children or benamidars, or any person in relation to whom the aforementioned persons are beneficial owner can also be disclosed.

It is also proposed that the said amendment is always deemed to have been added.

The proposed clause shall, however, be not applicable to those who are expressly excepted under clause (iv) of sub-section (m) of Section 5 of the National Accountability Bureau Ordinance, 1999.

ADVANCE TAX ON TV PLAYS AND ADVERTISEMENTS

The Bill proposes to introduce a new Section 236CA for the 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 aforesaid 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.

Tax withholding on foreign produced TV drama or serial was earlier introduced through Finance Act, 2013 and was later withdrawn through Finance Act, 2016.

ADVANCE TAX ON TELEPHONE AND INTERNET USERS

The Bill proposes to increase advance tax collected from mobile telephone and internet users as under:

Description	Existing Rate	Proposed Rate
Subscriber of internet, mobile telephone and pre-paid internet or telephone card	10% of the amount of bill or sales price for the tax year 2022 and 8% for onwards	15% of the amount of bill or sales price

ADVANCE TAX ON PURCHASE, REGISTRATION AND TRANSFER OF MOTOR VEHICLES

Every motor vehicle registration authority of Excise and Taxation Department is required to collect advance tax at the time of registration if the locally manufactured motor vehicle has been sold prior to registration by the person who originally purchased it from the local manufacturer.

The Bill proposes to enhance rates of tax under this head as under:

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

PROFITS AND GAINS OF INDEPENDENT POWER PRODUCERS

Profits and gains derived by a taxpayer from an electric power generation project set up in Pakistan were exempt from tax subject to certain conditions. Through the Finance Act, 2021 [earlier inserted through the Tax Laws (Second Amendment) Ordinance, 2021 dated March 22, 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 upto June 30, 2021.

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

SALES TAX

PHARMACEUTICAL SECTOR

At present, pharmaceutical sector is exempt from sales tax at import as well as supply stage. The sales tax is applicable only on their packing materials as well as on certain indirect costs under provincial laws.

The Bills seeks to impose sales tax on its raw material / purchases while its sale side is being zero rated. As a result, sales tax suffered on raw and packing materials would become refundable. For that purpose, sales tax returns and refund claims would be filed. The Government has promised to process their refunds on fast-track basis like exporters. Based on that, the Government claims that this measure would not only reduce the prices of pharmaceutical products but would also document the entire supply chain, from imports till retailers.

COTTAGE INDUSTRY

Cottage industry is exempt from sales tax. The term "cottage industry" has been defined to mean a manufacturing concern, which fulfils each of the following conditions, namely:

(a) does not have an industrial gas or electricity connection;

(b) is located in a residential area;

(c) does not have a total labour force of more than ten workers; and

(d) annual turnover from all supplies does not exceed Rs 10 million rupees

Though the Bill, the limit of annual turnover, specified in (d) above, has been reduced from Rs 10 million to Rs 8 million.

TIER 1 RETAILER

The Sales Tax law requires Tier 1 retailers to be registered and to discharge their sales liability under conventional VAT mode whereas retailers other than Tier 1 are not required to be registered as they discharge their sales tax liability through electricity bills.

Presently, a retailer falling in any one or more of the following categories, is treated as Tier 1 retailer:

(a) a retailer operating as a unit of a national or international chain of stores;

(b) a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;

(c) a retailer whose cumulative electricity bill during the immediately preceding 12 consecutive months exceeds Rs 1,200,000;

(d) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers;

(e) a retailer, whose shop measures 1,000 square feet in area or more or 2,000 square feet in area or more in the case of retailer of furniture;

(f) a retailer who has acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan; and

(g) any other person or class of persons as prescribed by the Board.

The Bill proposes an additional criteria to be added by inserting clause (g) which states:

> *(g) A retailer whose deductible withholding tax under sections 236G or 236H of the Income Tax Ordinance, 2001 during the immediately preceding 12 consecutive months has exceeded the threshold as may be specified by the Board through notification in the official Gazette.*

Under sections 236G and 236H, retailers of specified sectors (including pharmaceuticals, poultry and animal feed, edible oil and ghee, auto-parts, tyres, varnishes, chemicals, cosmetics, IT equipment, electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint and foam sector) are subject to income tax withholding on their purchases from importers, manufacturers, wholesalers etc.

Henceforth, retailers subject to tax withholding under sections 236G or 236H, in excess of threshold (to be notified by FBR) would be considered as Tier 1 retailer for the purposes of sales tax.

SALES TAX ON RETAIL PRICE

Goods specified in the Third Schedule are subject to sales tax on their retail price. At present, the Government is empowered to include or exclude any goods from the Third Schedule through a notification. The Bill proposes to vest such power to the Board.

Through the Finance, 2021 Sugar was included in the Third Schedule whereby sugar supplied other than as industrial raw material to pharmaceutical, beverage and confectionary industries was subject to sales tax at retail price.

Through SRO 989(I)/2021 dated August 5, 2021, sugar was taken out of Third Schedule for the period from July 1, 2021 till November 30, 2021. The Bill proposes to exclude sugar from Third Schedule w.e.f. December 1, 2021; thus, making it liable to sales tax at its value of supply across the board.

SALE TO UNREGISTERED PERSONS - CNIC

Sales tax law requires every registered person while making sales to unregistered person to provide CNIC or NTN of unregistered buyer except where supplies are made by a retailer involving transaction value not exceeding Rs 100,000.

The Bill proposes to waive the condition of providing CNIC in such cases where payment is made through debit or credit card or digital mode.

It is presently provided that where CNIC provided by buyer is not correct, liability of tax or penalty would not arise against the seller in case of sale made in good faith. The Bill proposes to withdraw the said provision, which may result in unwarranted action against the seller and litigation (as sellers are generally unable to verify the CNIC provided by buyer).

OFFENCES AND PENALTIES

The Bills seeks to amend the following three provisions relating to certain offences and penalties:

(i) Penalty provided in S. No 23 presently applicable to cigarettes, is proposed to be applicable on specified goods. (S. No. 23 provides for penalty, confiscation, destruction by any person who manufactures, possesses, transports, distributes, stores or sells the goods with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes.)

(ii) For offence specified in S. No. 24, business premise would also be sealed in addition to imposition of 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).

(iii) S. No. 25A provides for increasing monetary penalties up to four defaults against the retailers who fail to get themselves registered or fail to integrate their business as required under the Sales Tax Act. At present, business promises is sealed after the fourth default if a person fails to integrate the business premises. The Bill seeks to provide that business premises would be sealed notwithstanding the number of defaults of monetary penalties as provided under S. No. 25A

ZERO RATING - FIFTH SCHEDULE

- Goods specified in the Fifth Schedule are subject to sales tax at the rate of zero percent. The proposed Bill seeks to withdraw zero rating on the supply of following goods:

S. No.	Description
3	Supplies to duty free shops, provided that in case of clearance from duty free shops against various baggage rules issued under the Customs Act, 1969, (IV of 1969), the supplies from duty free shops shall be treated as import for purpose of levy of sales tax.
6A	Supplies of locally manufactured plant and machinery of the following specifications, to manufacturers in the Export Processing Zone (subject to the prescribed conditions / restrictions and procedure) 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 equipments 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

S. No.	Description
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: - Preparations suitable for infants, put up for retail sale (PCT Heading 1901.1000) - 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.

- The Bill seeks to insert the below new entries 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).

EXEMPTION - SIXTH SCHEDULE

Through the supplementary bill, it has been proposed to withdraw sales tax exemptions from the following items through omission of the corresponding entries in 'Table – I (i.e., import and supply)', 'Table – II (i.e., local supply only)', and 'Table – III' (i.e., capital goods and plant and machinery) of Sixth schedule to the Act:

S. No.	Description
	Table I – Import and supply
1	Live Animals and live poultry.
2	Meat of bovine animals, sheep and goat, excluding poultry and offal, whether or not fresh, frozen or otherwise, preserved or packed.
3	Fish and crustaceans excluding live fish whether or not fresh, frozen or otherwise preserved or packed
11	Eggs including eggs for hatching
12	Live plants including bulbs, roots and the like.
16	Red chillies excluding those sold in retail packing bearing brand names and trademarks
20	Seeds, fruit and spores of a kind used for sowing.
21	Cinchona bark.
23	Sugar cane.
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.
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 (IV of 1969).
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).
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).
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).
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.
53	Import of all such gifts as are received, and such equipment for fighting tuberculosis, leprosy, AIDS and cancer and such 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).

S. No.	Description
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).
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 (IV of 1969).
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).
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 1st July 1998, but excluding such consignments of ship stores as have been cleared on payment of sales tax.
60	Contraceptives and accessories thereof.
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.
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.
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.
72	Uncooked poultry Meat whether or not fresh, frozen or otherwise, preserved or packed
81	Cotton seed
84	Preparation suitable for infants, put up for retail sale
92	Sewing machines of the household type
99	Compost (non- chemical fertilizer) produced and supplied locally
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.
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.

S. No.	Description
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 11 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.
107	Import and supply of iodized salt bearing brand names and trademarks whether or not sold in retail packing.
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.
110	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:- a) Solar PV panels; b) LVD induction lamps; c) SMD, LEDs, with or without ballast, with fittings and fixtures; d) Wind turbines including alternators and mast; e) Solar Torches; f) Lanterns and related instruments; g) PV modules along with related components, including invertors, charge controllers and batteries. h) Tubular day lighting device. i) Energy saver lamp and tube lights of varying voltages (operating on AC or DC). j) Invertors (off-grid/on grid/ hybrid) with provision for direct connection/input from renewable energy source and with Maximum Power Point Tracking (MPPT).
113	High Efficiency Irrigation Equipment (If used for agriculture sector)
114	Green House Framing and Other Green House Equipment (If used for Agriculture Sector)
116	Plant, machinery and equipment imported for setting up industries in FATA up to 30th 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).
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
126	Machinery, equipment and tools for setting up maintenance, repair and overhaul (MRO) workshop by MRO company recognized by Aviation Division.
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.
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.
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
131	Laptop computers, notebooks whether or not incorporating multimedia kit
132	Personal computers
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.
135	Sunflower and canola hybrid seeds meant for sowing
136	Combined harvesters up to five years old
138	Fish Feed
139	Fans for dairy farms

S. No.	***Description***
140	Bovine semen
141	Preparations for making animal feed
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
146	Equipment imported by M/s China Railway Corporation to be furnished and installed in Lahore Orange Line Metro Train Project subject specified conditions.
149	Micro feeder equipment
150	Plant and machinery excluding consumer durable goods and office equipment as imported by greenfield industries, intending to manufacture taxable goods, during their construction and installation period.
155	Oil cake and other solid residues, whether or not ground or in the form of pellets
158	Goods temporarily imported into Pakistan by International Athletes which shall be subsequently taken by them within 120 days of temporary import.

Exemption presently available on import as well as on local supplies of goods mentioned under S. Nos. 1, 2, 3, 11, 12, 23, 72, 99, 131, and 132 above has been proposed to be restricted to local supplies only with certain modifications.

S. No.	**Description**
	Table II – Local supplies
1	Supply of cotton seed exclusively meant for sowing purposes, subject to such conditions as the Board may specify.
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.
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
9	Foodstuff and other eatables prepared in the flight kitchens and supplied for consumption on-board in local flights
15	a) Sprinkler Equipment b) Drip Equipment. c) Spray Pumps and nozzles
16	Raw cotton
22	Single cylinder agriculture diesel engines (compression-ignition internal combustion piston engines) of 3 to 36 HP.
23	Match boxes
33	Whey, excluding that sold in retail packing under a brand name
38	Sausages and similar products of poultry meat or meat offal excluding sold in retail packing under a brand name or trademark

S. No.	Description
	Table III – Capital goods and Plant and Machinery
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.
2	Machinery, equipment, apparatus, and medical, surgical, dental and Veterinary furniture, materials, fixtures and fittings imported by hospitals and medical or diagnostic institutes, broadly categorized as: - A. Medical Equipment. B. Cardiology / Cardiac Surgery Equipment C. Disposable Medical Devices D. Other Related Equipment
2A	Specified raw materials imported by registered manufacturer of auto disabled syringes.
3	Machinery, equipment, materials, capital goods, specialized vehicles (4x4 non-luxury) i.e., single or double cabin pickups, accessories, spares, chemicals and consumables meant for mine construction phase or extraction phase and construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for such projects.
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
5	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 and construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.
6	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 and construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.
7	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 bio- energy, ocean, waste-to- energy and hydrogen cell and construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.
8	Machinery and equipment meant for power transmission and grid stations including under construction projects and construction machinery, equipment and specialized vehicles, excluding passenger vehicles, imported on temporary basis as required for the construction of project.
9	Machinery, equipment and other education and research related items imported by technical, training institutes, research institutes, schools, colleges and universities.
11	Machinery and equipment for marble, granite and gemstone extraction and processing industries
13	Effluent treatment plants

S. No.	Description
14	Items for use with solar power systems and water purification plants operating on solar energy.
14A	Specified systems and items for dedicated use with renewable source of energy like solar, wind, geothermal as imported on or before the 30th June, 2023.
15	Items for promotion of renewable energy technologies or for conservation of energy.
15A	Parts and Components for manufacturing LED lights.
15B	CKD kits for single cylinder agriculture diesel engines (compression-ignition internal combustion piston engines) of 3 to 36 HP.
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
21	Import of POS machines

Exemption restricted to local supplies only

Import as well as local supplies of following goods were exempt from sales tax. It is now proposed to restrict exemption thereof to local supplies only, with certain modifications as under:

S. No.	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
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

Modification in the scope of existing entries

The following entries are proposed to be substituted in Table I and Table II of the Sixth schedule to the Act:

S. No.	Existing entry	Proposed entry
	Table I – Import and supply	
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 textbooks but excluding brochures, leaflets and directories
	Table – II – local supply	
7	Breads prepared in tandoors and bakeries, vermicllies, 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.

REDUCED RATES OF SALES TAX - EIGHTH SCHEDULE

The Bill proposes to omit the below entries from the Eighth Schedule whereby the said goods are now proposed to be subjected to sales tax at the standard rate of 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	10%
8	Yogurt	10%
9	Cheese	10%
10	Butter	10%
11	Cream	10%
12	Desi ghee	10%
13	Whey	10%
14	Milk and cream, concentrated or containing added sugar or other sweetening matter	10%

S. No.	Description	Existing rate of sales tax
15	Ingredients of poultry feed, cattle feed, except soya bean meal of PCT heading 2304.0000 and oil-cake of cotton-seed falling under PCT heading 2306.1000	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%

S. No.	Description	Existing rate of sales tax
54	lithium iron phosphate battery (LiFe-PO4)	12%
55	Fish babies / seedlings	5%
59	Products of milling industry except wheat and meslin flour	10%
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 Food, foodstuff and sweetmeats supplied by restaurants, bakeries, caterers and sweetmeat shops	7.5%
66A	Supplies excluding those specified in S. No. 66, 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	8%
69	Meat and similar products of prepared frozen or preserved meat or meat offal of all types including poultry, meat and fish.	8%
75	Import of electric vehicle in CBU conditions	5%
76	Business to business transactions specified by the Board through a notification in official Gazette subject to such conditions and restrictions as specified therein.	16.9%

The reduced rate of sales tax as applicable on the following goods is proposed to be increased as under:

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 (subject to prescribed conditions)	10%	12%
73	Import and local supply of Hybrid Electric Vehicles: (a) Upto 1800 cc (b) From 1801 cc to 2500 cc	 8.5% 12.75%	 12.5% 17%

- Presently locally manufactured or assembled motorcars of cylinder capacity up to 1000 cc are chargeable to a reduced rate of 12.5%. It has been proposed that the said benefit of reduced rate be restricted only to motorcars having a cylinder capacity up to 850 cc.

- Presently, local supply and import of personal computers, laptops and notebooks are exempt from sales tax under the Sixth Schedule of the Act. The Bill has proposed to withdraw this exemption, however, supply of locally manufactured personal computers, laptops and notebooks would continue to enjoy the said exemption. On the other hand, the import of personal computers, laptops and notebooks has been proposed to be subjected to a reduced rate of 5% by way of the below new entry in the Eighth Schedule:

S. No.	Description	Heading Nos.	Rate of tax	Condition
77	Personal computers and laptop computers, notebooks whether or not incorporating multimedia kit	8471.3020 and 8471.3010	5%	If imported in CBU condition

- Table-2 of the Eighth Schedule to the Act specifies plant, machinery, equipment and apparatus including capital goods that are subject to reduced rates of tax subject to meeting the prescribed conditions. The Bill has proposed to omit Table-2 of the Eighth Schedule and resultantly, goods specified below are proposed to be subjected to the standard rate of tax at 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%

CELLULAR MOBILE PHONES - NINTH SCHEDULE

The Bill seeks to amend the sales tax on the import of cellular mobile phones whereby in place of fixed amounts of tax for each category, a standard rate of 17% sales tax is proposed to be levied as tabulated below.

Description / specification of goods	Sales Tax on CBUs at the time of import or registration (IMEI number by CMOs) Rate of tax	
	Existing rate	Proposed rate
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	
G. Exceeding US$ 500	Rs 9,270	

FEDERAL EXCISE DUTY

The Bill proposes to increase the rate of FED as applicable on import or local manufactured / assembled vehicles as under:

S.No.	Description of Goods	Tarif Heading	Rate of Federal Excise Duty	
			Existing	Proposed
55	Imported motor cars, SUVs and other motor vehicles, excluding auto rickshaws, principally designed for the transport of persons (other than those of headings 87.02), including station wagons and racing cars:	87.03		
	(a) of cylinder capacity up to 1000cc		2.5%	2.5%
	(b) of cylinder capacity from 1001cc to 1799cc		5%	10%
	(c) of cylinder capacity 1800cc to 3000cc		25%	30%
	(d) of cylinder capacity exceeding 3001cc		30%	40%
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), including station wagons and racing cars:	87.03		
	(a) of cylinder capacity up to 1000cc		0%	0%
	(b) of cylinder capacity from 1001cc to 2000cc		2.5%	5%
	(c) of cylinder capacity 2001cc and above		5%	10%
55C	Imported double cabin (4x4)pick-up vehicles	8704.2190 8704.3190	25%	30%
55D	Locally manufactured double cabin (4x4) pick-up vehicles except the vehicles booked onor before the 30th June, 2020 subject to the restriction or conditions specified by the Board.	8704.2190 8704.3190	7.5%	10%

CUSTOMS DUTY

CHECKING OF GOODS DECLARATION BY THE CUSTOMS

Section 80 provides for reassessment of goods to duty, taxes and other charges levied thereon (besides any other actions) if during the checking of goods declaration it is found that any statement in such declaration or document or any information so furnished is not correct.

An amendment was made vide Third Amendment Ordinance, 2021 providing for specific time period of three years (from the clearance of goods) for reassessment of goods in such circumstances. The Bill has proposed to reverse the said amendment.

PROVISIONAL DETERMINATION OF LIABILITY

For provisional determination of liability in certain circumstances, the importer is inter alia required to furnish bank guarantee for the additional amount of duty determined.

The Tax Laws (Third Amendment) Ordinance, 2021 had allowed acceptance of corporate guarantee, instead of bank guarantee or pay order, for the purposes of clearance of goods on the basis of provisional assessment of duty, taxes and other charges.

It is now proposed to withdraw acceptance of corporate guarantee to avoid complications in securing government revenues.

POWER TO DETERMINE CUSTOMS VALUE

The Finance Act, 2021 had extended the powers of valuation of goods to the Collector of Customs, in addition to the Director of Valuation.

It is now proposed to withdraw the power granted to the Collector of Customs in order to bring uniformity in the process of fixation of value of goods.

RIGHT OF APPEAL AGAINST THE ORDER OF DIRECTOR GENERAL VALUATION

The Finance Act, 2021 empowered the Director General Valuation to rescind or determine the value of any goods imported or exported. The appeal against such order could have been filed before the Appellate Tribunal.

Through Tax Laws (Third Amendment) Ordinance, 2021, valuation order was made appealable before the Member Customs (Policy), against which reference could be filed before the High court. The Bill proposes to reverse the said amendment (introduced vide Third Amendment Ordinance); resultantly an appeal against a revisionary order (issued by the Director General Valuation) would be contestable before the special bench of the Appellate Tribunal.

ISLAMABAD CAPITAL TERRITORY - SALES TAX ON SERVICES

SCOPE OF TAX

Sales tax on services rendered or provided in the Provinces is governed by provincial laws whereas sales tax on services in the Islamabad Capital Territory (ICT) is governed under the Islamabad Capital Territory Ordinance (Sales Tax on Services) Ordinance, 2001.

At present, the Ordinance lists down 59 taxable services under its Schedule for taxation at standard rate of 16%, except for services provided by property developers and promoters (taxed at Rs 100 per square yard for land development and Rs 50 per square feet for building construction) and freight forwarding agents etc. (taxed at 16% or Rs 400 per bill of lading, whichever is higher).

Through SRO 495(I)/2016, 12 (out of 59) services have been notified which are subject to tax at concessionary rates subject to conditions and restrictions provided therein.

Through Finance (Supplementary) Bill, 2021; the list of these 12 services has been transposed into the Ordinance, with no change in tax rates / incidence. For that purpose, the existing Schedule has been divided into Table 1 and Table 2 whereby Table 1 includes all the existing taxable services whereas services subject to reduced rate are now listed in Table 2.

The list of 12 services subject to reduced rate of sales tax, as listed in Table 2 is given below:

S. No.	Description	PCT Heading	Rate of Tax
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	0% 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 (ii) the facility of air-conditioning is not installed or available in the premises	9810.0000, 9821.4000 and 9821.5000	5% subject to the condition that no input tax adjustment or refund shall be admissible
3	Services provided by freight forwarding agents, and packers and movers	9805.3000 and 9819.1400	5% or Rs 1,000 per bill of lading, whichever is higher subject to the condition that no input tax adjustment or refund shall be admissible

S. No.	Description	PCT Heading	Rate of Tax
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	5% 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	5% 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	5% subject to the condition that no input tax adjustment or refund shall be admissible
7	Services provided by laundries and dry cleaners	9811.0000	5% subject to the condition that no input tax adjustment or refund shall be admissible
8	Services provided by property dealers and realtors	Respective headings	0% subject to the condition that no input tax adjustment or refund shall be admissible
9	Services provided by car / automobile dealers	Respective headings	5% 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	5% 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 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	Respective headings	5%
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 subheadings of heading 98.14	0% subject to the condition that no input tax adjustment or refund shall be admissible

It is suggested that definition of services taxable under the ICT Ordinance be introduced. At present, these services are not defined. Furthermore, the tariff headings and description of these services should also be aligned across the provinces and ICT.