

Sales tax

1. General rate of tax

The rate of sales tax on supply and import of taxable goods is proposed to be enhanced from 17% to 18%. The Federal Government has already notified the said increase in the sales tax rate vide SRO No. 179(I)/2023 dated 14 February 2023.

2. Rate of tax for the goods listed in the Third Schedule

The goods subjected to sales tax at the rate 17% on retail price of the goods listed in the Third Schedule to the Sales Tax Act, 1990 have been proposed to be taxed at 18%.

Further, it has been proposed that the Federal Government shall be empowered to enhance or reduce the rate of sales tax on the goods listed in the Third Schedule to the Sales Tax Act, 1990 through a notification subject to conditions and restriction specified therein.

3. Rate of extra tax

The limit of extra tax that the Federal Government can impose on notified goods or class of goods or persons or class of persons is proposed to be enhanced from 17% to 18%..

4. Sales tax on locally produced coal

The supply of locally produced coal is subject so sales tax at the rate of Rs. 700 per metric-tonne or 17% ad valorem, whichever is higher. The Bill has proposed this rate to be enhanced to 18% ad valorem or Rs. 700 per metric tonne, whichever is higher.

5. Sales tax on cellular phones

Cellular mobile phones or satellite phones are subject to sales tax on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rates prescribed in the Ninth Schedule to the Sales Tax Act, 1990.

The rate of sales tax on the CBUs at the time of import or registration (IMEI number by CMOs) is proposed to be enhanced:

- From 17% to 18% for CBUs of value of exceeding US\$ 200 but not exceeding US\$ 500, and
- From 17% to 25% ad valorem for the CBUs exceeding US\$ 500

6. Sales tax on potassium Chloride

The supply of Potassium Chloride is subject so sales tax at the rate of 17% along with Rs 60 per kilogram. The Bill has proposed this rate to be at 18% along with Rs. 60 per kilogram.

Income Tax

1. Advance tax on sale of shares of a company (other than listed company)

Advance tax has been proposed to be deducted from the fair market value of the shares of a company by the person acquiring the shares. This deduction of tax is for shares other than shares of a listed company in Pakistan.

The Bill has proposed that the value of the shares for the purpose of this withholding tax shall be the fair market value as prescribed under sub-section (4) of section 101A of the Ordinance, without reduction of liabilities. The clause (c) of sub-rule (2) of Rule 19H of the Income Tax Rules, 2002 provides the mechanism for the determination of the fair market value for share of unlisted company, based on the net book value of the shares.

Such advance tax will be required to be deposited within 15 days of the payment of consideration for the acquisition of shares. The seller will be required to furnish the prescribed information to the Commissioner within 30 days of the disposal of share.

The seller of the shares may apply to the Commissioner to allow non-deduction of the aforesaid tax.

2. Taxation of securities not transacted through Stock Exchange and NCCPL

Taxation of securities is provided under section 37A of the Income Tax Ordinance, 2001. The Finance Supplementary Bill has proposed that the taxation of the capital gain on disposal of securities made otherwise than through the registered stock exchange and which are not settled through National Clearing Company of Pakistan to be governed by section 37 (taxable at normal rate of tax as applicable to the seller) instead of section 37A of the Ordinance.

3. Withholding tax from the person arranging or holding a function in a marriage hall etc.

The owner, a lease-holder, an operator or a manager of a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose are required to collect advance tax at the rate of 10% on the total amount of the bill including the value of food, service or facility.

This tax will be collected from the person arranging or holding a function in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose, subject to such conditions or limitations as may be prescribed.

This rate shall be 20% in case the person arranging or holding a function is non-filer. This tax will be an adjustable tax.

Federal Excise Duty

1. FED on aerated waters

The rate of Federal Excise Duty has been proposed to be enhanced from thirteen percent to twenty percent of the retail price of:

- o Aerated waters,
- o Aerated waters, containing added sugar or other sweetening matter or flavored,
- o Aerated waters if manufactured wholly from juices or pulp of vegetables, food grains or fruits and which do not contain any other ingredient, indigenous or imported, other than sugar, coloring materials, preservatives or additives in quantities prescribed under the West Pakistan Pure Food Rules, 1965.

2. FED on locally produced cigarettes

Federal Excise Duty on locally produced cigarettes has been enhanced to:

- o Rs. 16,500 per thousand cigarettes if their on-pack printed retail price exceeds Rs. 9,000 per thousand cigarettes. The minimum retail price (excluding sales tax) of the brand of cigarettes under this category has been proposed to be enhanced from forty-five percent of the retail price to sixty percent of the retail price.
- o Rs. 5,050 per thousand cigarettes if their on-pack printed retail price does not exceed Rs. 9,000 per thousand cigarettes

3. FED on cement

Federal Excise Duty on Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers has been proposed to be increased from Rs. 1.5 per kilogram to Rs. 2 per kilogram.

4. FED on fruit juices etc.

FED has been proposed to be levied at 10% of retail price of "Sugary Fruit juices, syrups and squashes, waters whether or not containing added sugar or artificial sweeteners, excluding mineral and aerated waters".

5. FED on foreign air travel

FED on travel by air of passengers embarking on international journey from Pakistan in the club, business and first class has been proposed to be enhanced from Rs. 50,000 to 20% of the gross amount of ticket or Rs.50,000 per ticket, whichever is higher..