



**PrimeGlobal**

*The Association of  
Advisory and Accounting Firms*

**HANDBOOK ON TAX LAWS  
(SECOND AMENDMENT)  
ORDINANCE, 2022**

**ZAHID JAMIL  
& CO.**

Chartered Accountants

An Independent Member Firm  
of PrimeGlobal

Audit | Tax | Advisory | Risk

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## AMMENMENTS IN INCOME TAX ORDINANCE, 2001

SECTION / CLAUSE	BEFORE AMENDMENT	AFTER AMENDMENT
Section 99A	<p><b>Simplified Tax Regime for Retailers and Specified Service Providers</b></p> <p>For other than Tier – 1 retailers and specified service providers, a ‘final tax’ has been levied on the basis of gross amount billed for commercial electricity connections at the following rates:</p> <p>(1) Notwithstanding anything contained in the Ordinance, a tax shall be charged and collected from retailers other than Tier-I retailers as defined in Sales Tax Act, 1990 (VII of 1990) and specified service providers on commercial electricity connections at the rates provided in clause (2A) of Division IV, Part IV of the First Schedule.</p> <p>(2) A retailer who has paid sales tax under sub-section (9) of section 3 of Sales Tax Act, 1990 (VII of 1990), shall not be required to pay tax under this section and the sales tax so paid shall constitute discharge of tax liability under this section.</p> <p>(3) The tax collected or paid under this section shall be final tax on the income of persons covered under this section in respect of business being carried out from the premises where the electricity connection is installed.</p> <p>(4) For the purposes of this section, Board with the approval of the Minister in-charge may issue an income tax general order to-</p>	<p><b>99A. Special provisions relating to payment of tax through electricity connections.</b></p> <p>Now, the Ordinance has omitted the rates and has provided that the rates shall be notified through an Income Tax General Order by Federal Government or the Board through approval of Economic Coordination Committee.</p> <p>This amendment has been given retrospective effect (from 1st July 2022), which means the additional tax levied vide FA 2022 shall not be collected for the time being, with effect from July 01, 2022, from the electricity bills of small retailers and specified service providers until the Income Tax General Order is issued.</p> <p>The following shall be substituted and shall be deemed to have been so substituted from the 1st day of July, 2022, namely: -</p> <p>(1) Notwithstanding anything contained in the Ordinance, a tax shall be charged and collected from retailers other than Tier-I retailers as defined in the Sales Tax Act, 1990 (VII of 1990) and specified service providers on commercial electricity connections at the rates specified in the income tax general order issued in terms of sub-section (2).</p> <p>(2) For the purposes of this section, the Federal Government or the Board with the approval of the Minister in-charge pursuant to the approval of the Economic Coordination Committee of the Cabinet may, issue an income tax general order to-</p>

<p>(a) provide the scope, time, payment, recovery, penalty, default surcharge, adjustment or refund of tax payable under this section in such manner and with such conditions as may be specified.</p> <p>(b) provide record keeping, filing of return, statement and assessment in such manner and with such conditions as may be specified;</p> <p>(c) provide mechanism of collection, deduction and payment of tax in respect of any person; or</p> <p>(d) include or exempt any person or classes of persons, any income or classes of income from the application of this section, in such manner and with such conditions as may be specified.]</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Gross Amount of Monthly Bill</th> <th style="text-align: left;">Tax (Rupees)</th> </tr> </thead> <tbody> <tr> <td>Where the amount does not exceed Rs. 30,000</td> <td>3,000</td> </tr> <tr> <td>Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000</td> <td>5,000</td> </tr> <tr> <td>Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000</td> <td>10,000</td> </tr> <tr> <td>Specified retailers and service providers through Income Tax General Order</td> <td>Up to 200,000</td> </tr> </tbody> </table>	Gross Amount of Monthly Bill	Tax (Rupees)	Where the amount does not exceed Rs. 30,000	3,000	Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	5,000	Where the amount exceeds Rs. 50,000 but does not exceed Rs. 100,000	10,000	Specified retailers and service providers through Income Tax General Order	Up to 200,000	<p>a) to provide the scope, time, payment, recovery, penalty, default surcharge, adjustment or refund of tax payable under this section in such manner and with such conditions as may be specified;</p> <p>b) provide the collection of tax on the amount of bill or on any basis of consumption, in addition to or in lieu of advance tax collectible under sub-section (1) of section 235, at such rates or amounts, from such date and with such conditions as may be specified;</p> <p>c) provide record keeping, filing of return, statement and assessment in such manner and with such conditions as may be specified;</p> <p>d) provide mechanism of collection, deduction and payment of tax in respect of any person;</p> <p>e) include or exempt any person or classes of persons, any income or classes of income from the application of this section, in such manner and with such conditions as may be specified; and</p> <p>f) provide that tax collected under this section shall in respect of such persons or classes of persons be adjustable, final or minimum, in respect of any income to such extent and with such conditions as may be specified.</p> <p>(3) The provisions of sub-section (1) of section 235 shall apply to the persons as specified therein unless specifically exempted under the income tax general order issued under sub-section (2).</p> <p>(4) The provisions of section 100BA and rule 1 of the Tenth Schedule shall not apply to the tax collectible under this section unless specifically provided in respect of the person or class of persons mentioned in the income tax general order issued under sub-section (2).</p>
Gross Amount of Monthly Bill	Tax (Rupees)										
Where the amount does not exceed Rs. 30,000	3,000										
Where the amount exceeds Rs. 30,000 but does not exceed Rs. 50,000	5,000										
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Specified retailers and service providers through Income Tax General Order	Up to 200,000										

**FIRST SCHEDULE**

**Advance Tax on Passenger Transport Vehicles (Change in Rates)**

S.No	Capacity	Rs. per seat per annum Non-Air Conditioned	Rs. per seat per annum Air Conditioned
1.	4 or more persons but less than 10 persons	200	375
2.	10 or more persons but less than 20 persons	500	750
3.	20 persons or more	1000	1500

**SECOND SCHEDULE**

**INTRODUCE NEW TAX EXEMPTIONS - Clauses (5A)**

(5A) Any allowance or perquisite paid or allowed as such outside Pakistan by the Government to a citizen of Pakistan for rendering service outside Pakistan.

**INTRODUCE NEW TAX EXEMPTIONS - Clauses (105B)**

(105C) Any income derived by Kuwait Foreign Trading Contracting and Investment Company or Kuwait Investment Authority being dividend of the Pak-Kuwait Investment Company in Pakistan from the year of incorporation of Pale Kuwait Investment Company.

**TENTH SCHEDULE**

**New clause inserted (ha):**

(ha) tax collected under section 234 during the period starting from the date of commencement of the Tax Laws (Second Amendment) Ordinance, 2022 and ending on the 30th day of June, 2023 in respect of goods transport and passenger transport vehicle.

## AMMENMENTS IN SALES TAX ACT, 1990

SECTION / CLAUSE	BEFORE AMENDMENT	AFTER AMENDMENT
<b>Sec 2 (46)</b>	<p><b>Definition of “Value of Supply”</b></p> <p><b>Explanation</b></p> <p>It has been clarified that value of supply will not include the amount of subsidy provided by the Federal Government or Provincial Government to the electricity consumer and has never been chargeable to tax under the Sales Tax Act, 1990. The amendment appears to refute the department’s position on the chargeability of sales tax on government subsidy to the electricity consumers.</p>	<p>In section 2, in clause (46), in sub-clause (i), in the explanation, after the word "electricity", the expression "or natural gas including re-gasified liquefied natural gas" shall be inserted;</p>
<b>Sec 3 (9)</b>	<p><b>Fixed Tax on other than Tier -1 Retailers</b></p> <p>Earlier, collection of sales tax by the electricity supplier from such retailers is provided as under:</p> <ul style="list-style-type: none"> <li>• Rs 3,000 per month where the monthly bill amount does not exceed Rs 30,000;</li> <li>• Rs 5,000 per month where the monthly bill amount exceeds Rs 30,000 but does not exceed Rs 50,000; and</li> <li>• Rs 10,000 per month where the monthly bill amount exceeds Rs 50,000.</li> </ul> <p>It has been further provided that above rates of tax shall be increased by 100% if the name of the person is not appearing, on the date of issuance of monthly electricity bill, in the Active Taxpayers List issued under the Income Tax Ordinance, 2001.</p>	<p>Now, collection of sales tax by the electricity supplier from such retailers is provided as under:</p> <ul style="list-style-type: none"> <li>• Sales tax @ 5% where the monthly bill amount does not exceed Rs 20,000;</li> <li>• Sales tax @ 7.5% where the monthly bill amount exceeds Rs 20,000.</li> </ul> <p>Provided that the tax under this sub-section shall be in addition to the tax payable on supply of electricity under sub-sections (1), (1A) and (5):</p> <p>Provided further that the Commissioner of Inland Revenue having jurisdiction shall issue order to the electricity supplier regarding exclusion of a person who is either a Tier-I retailer or not a retailer.</p>

	<p>Sales tax so collected would represent final discharge of income tax of such retailers. For that purpose, corresponding amendment has been made in the Income Tax Ordinance, 2001.</p> <p>FBR has been empowered to prescribe, through a general order, persons or class of persons to pay Rs 200,000 per month through their monthly electricity bill.</p>	
<p><b>Sec 3 (12)</b></p>	<p><b>New sub-section inserted:</b></p> <p>Notwithstanding anything contained in this Act, the Federal Government may, in lieu of or in addition to the tax under sub-section (9), by notification in the official Gazette, levy and collect such amount of tax at such rates and from such date as it may deem fit, from retailers, other than those falling in Tier-1, through their monthly electricity bill, and may also specify the mode, manner or time of payment of such tax:</p> <p>Provided that different rates or amounts of tax may be specified for different persons or class of persons.</p>	

## SIXTH SCHEDULE – EXEMPTIONS

### Table-2 (local supply only)

Exemption from levy of sales tax on Single cylinder agriculture diesel engines (compression ignition internal combustion piston engines) of 3 to 36 HP.





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