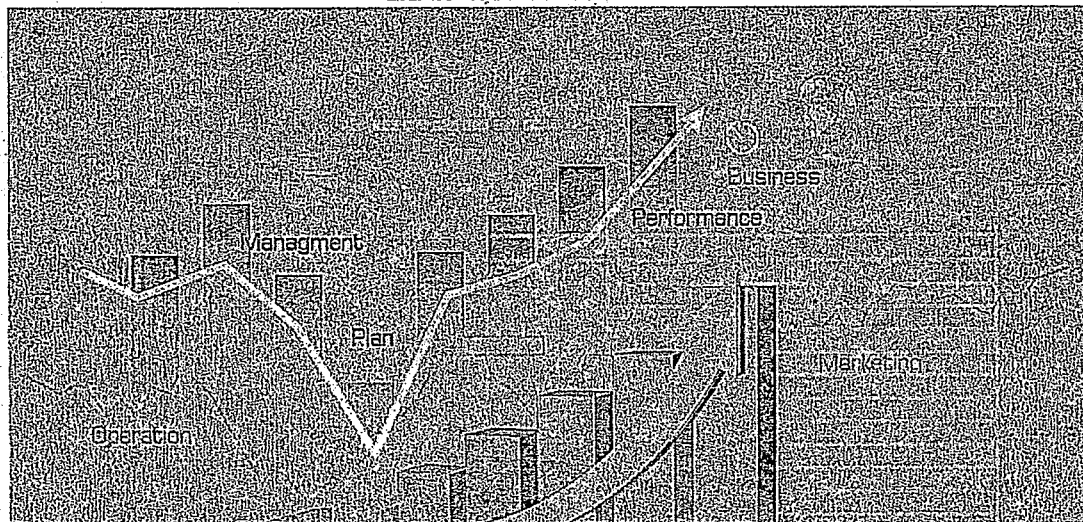


SENATE OF PAKISTAN



REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE



**REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE
AND REVENUE ON "THE TAX LAWS (SECOND AMENDMENT)
ORDINANCE, 2022", REFERRED BY THE HOUSE IN ITS SITTING
HELD ON 15TH DECEMBER, 2022**

**PRESENTED BY
SENATOR SALEEM MANDVIWALLA
CHAIRMAN**

SENATE SECRETARIAT

REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE AND REVENUE ON "THE TAX LAWS (SECOND AMENDMENT) ORDINANCE, 2022", REFERRED BY THE HOUSE IN ITS SITTING HELD ON 15TH DECEMBER, 2022

I, Senator Saleem Mandviwalla, Chairman of the Senate Standing Committee on Finance and Revenue have the honour to present, on behalf of the Committee, this report on the Money Bill titled "The Tax Laws (Second Amendment) Ordinance, 2022", referred by the Senate in its sitting held on 15th December, 2022 to the Committee for consideration and report.

2. The composition of the Committee is as under:

1. Senator Saleem Mandviwalla	Chairman
2. Senator Sherry Rehman	Member
3. Senator Farooq Hamid Naek	Member
4. Senator Musadiq Masood Malik	Member
5. Senator Saadia Abbasi	Member
6. Senator Shaukat Fayaz Ahmed Tarin	Member
7. Senator Mohsin Aziz	Member
8. Senator Faisal Saleem Rehman	Member
9. Senator Syed Shibli Faraz	Member
10. Senator Kamil Ali Agha	Member
11. Senator Syed Faisal Ali Subzwari	Member
12. Senator Muhammad Talha Mahmood	Member
13. Senator Anwar ul Haq Kakar	Member
14. Senator Dilawar Khan	Member
15. Minister for Finance and Revenue	Ex-Officio Member

3. The following members attended the meeting on 22nd December, 2022:-

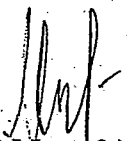
1. Senator Saleem Mandviwalla	Chairman
2. Senator Farooq Hamid Naek	Member
3. Senator Saadia Abbasi	Member
4. Senator Mohsin Aziz	Member
5. Senator Faisal Saleem Rehman	Member
6. Senator Kamil Ali Agha	Member
7. Senator Dilawar Khan	Member

4. The Chairman Committee welcomed the members and participants of the Committee. The officials from FBR briefed the Committee about the overall purpose of the money bill.

5. After thorough discussion on the Tax Laws (Second Amendment) Ordinance, 2022, the Committee unanimously recommends the following amendments in the said Ordinance:-

- I. In clause 2, in paragraph (b), sub-para (ii) shall be omitted.
- II. In clause 3;
 - a. in sub-clause (1), in the proposed section 99A, in the proposed sub-section (2), the words "or the Board with the approval of the Minister in charge pursuant to the approval of the Economic Coordination Committee of the Cabinet" shall be omitted; and
 - b. in sub-clause (4), paragraph (b) shall be omitted.
- III. In clause 4, paragraph (a) shall be omitted and the paragraphs occurring thereafter shall be renumbered accordingly.

6. The Bill laid in the Senate is placed at Annex-"A".


(Iffat Mustafa)
Secretary Committee


(Senator Saleem Mandviwalla)
Chairman Committee

[AS LAID BEFORE THE NATIONAL ASSEMBLY]

ORDINANCE No. VI OF 2022

AN

ORDINANCE

further to amend certain tax laws

WHEREAS, it is expedient further to amend certain tax laws for the purposes hereinafter appearing;

AND WHEREAS, the Senate and the National Assembly are not in session and the President of the Islamic Republic of Pakistan is satisfied that circumstances exist which render it necessary to take immediate action;

NOW, THEREFORE ^{exercise} IN ^{exercise} of the powers conferred by clause (1) Article 89 of the Constitution of the Islamic Republic of Pakistan, the President of the Islamic Republic of Pakistan is pleased to make and promulgate the following Ordinance:—

1. **Short title and commencement.**—(1) This Ordinance shall be called the Tax Laws (Second Amendment) Ordinance, 2022.

(2) It shall, unless specified otherwise, come into force at once.

2. **Amendments of the Sales Tax Act, 1990.**— In the Sales Tax Act, 1990, the following further amendments shall be made, namely:—

(a) 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;

(b) in section 3,—

(i) for sub-section (9), the following shall be substituted and shall be deemed to have been so substituted from the 1st day of July, 2022, namely:—

“(9) Notwithstanding anything contained in sub-section (1), tax shall be charged from retailers, other than those falling in Tier-1, through their monthly electricity bills, at the rate of five percent where the monthly bill amount does not exceed rupees twenty thousand and at the rate of seven and half percent where the monthly bill amount exceeds the aforesaid amount and the electricity supplier shall deposit the amount so collected directly without adjusting against his input tax.

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).

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-1 retailer or not a retailer.”; and

(ii) after sub-section (11), the following new sub-section shall be added, namely:—

NOW, THEREFORE ^{exercise} IN ^{exercise} of the powers conferred by clause (1) Article 89 of the Constitution of the Islamic Republic of Pakistan, the President of the Islamic Republic of Pakistan is pleased to make and promulgate the following Ordinance:—

1. **Short title and commencement.**—(1) This Ordinance shall be called the Tax Laws (Second Amendment) Ordinance, 2022.

(2) It shall, unless specified otherwise, come into force at once.

2. **Amendments of the Sales Tax Act, 1990.**— In the Sales Tax Act, 1990, the following further amendments shall be made, namely:—

(a) 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;

(b) in section 3,—

(i) for sub-section (9), the following shall be substituted and shall be deemed to have been so substituted from the 1st day of July, 2022, namely:—

“(9) Notwithstanding anything contained in sub-section (1), tax shall be charged from retailers, other than those falling in Tier-1, through their monthly electricity bills, at the rate of five percent where the monthly bill amount does not exceed rupees twenty thousand and at the rate of seven and half percent where the monthly bill amount exceeds the aforesaid amount and the electricity supplier shall deposit the amount so collected directly without adjusting against his input tax.

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).

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-1 retailer or not a retailer.”; and

(ii) after sub-section (11), the following new sub-section shall be added, namely:—

- (12) 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-I, through their monthly electricity bill, and may also specify the mode, manner or time of payment of such tax:

Provided that different rates or amounts of tax may be specified for different persons or class of persons.”; and

- (c) in the Sixth Schedule, in Table-2, in column (1), after serial number 54, the following new serial number and entries relating thereto in columns (2) and (3) shall be added, namely:—

“55	Single cylinder agriculture diesel engines (compression ignition internal combustion piston engines) of 3 to 36 HP	Respective headings.”
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3. **Amendments of Income Tax Ordinance, 2001 (XLIX of 2001).**—In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely:—

- (1) for section 99A, the following shall be substituted and shall be deemed to have been so substituted from the 1st day of July, 2022, namely:—

“99A. **Special provisions relating to payment of tax through electricity connections.** (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).

- (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—

- (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;

- (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;
 - (c) provide record keeping, filing of return, statement and assessment in such manner and with such conditions as may be specified;
 - (d) provide mechanism of collection, deduction and payment of tax in respect of any person;
 - (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
 - (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.
- (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).
- (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)."
- (2) in section 235, the sub-section (1A) shall be omitted and deemed to have been so omitted from the 1st day of July, 2022;
- (3) in the First Schedule, in Part IV,—
- (a) in Division III, in clause (2), for the Table, the following shall be substituted, namely:—

"S.No	Capacity	Rs. per seat per annum Non-Air Conditioned	Rs. per seat per annum Air Conditioned
(1)	(2)	(3)	(4)
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"; and

(b) in Division IV, clause (3) shall be omitted;

(4) in the Second Schedule, in Part I,—

(a) after omitted clause (5), the following new clause shall be inserted and deemed to have been so inserted from the 1st day of July, 2022, namely:—

“(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.”; and

(b) after clause (105B), the following new clause shall be inserted, namely:—

“(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 Pak-Kuwait Investment Company.”; and

(5) in the Tenth Schedule, in Rule 10, after the omitted clause (h), the following new clause shall be inserted, namely:—

“(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.”

4. Amendments of the Federal Excise Act, 2005. — In the Federal Excise Act, 2005, in the First Schedule, in Table-I, in column (1), the following further amendments shall be made, namely:—

- (a) against serial number 7, in column (4), for the word "Ten rupee", the words "Three hundred and ninety rupees" shall be substituted;
- (b) against serial number 9, in column (4), for the words "five thousand nine hundred", the words "six thousand five hundred" shall be substituted; and
- (c) against serial number 10, in column (4), for the words "one thousand eight hundred and fifty", the words "two thousand and fifty" shall be substituted.

5. **Amendment of section 8 of the Finance Act, 2022.**—In the Finance Act, 2022, in section 8, the following further amendments shall be made, namely:—


- (a) in sub-section (13), after clause (c), the following new clause shall be inserted, namely:—
 - "(ca) "motor vehicle held in Pakistan" includes car, caravan automobiles, jeep, limousine, pickup, sports utility vehicle, trucks, vans, wagon and any other automobile excluding—
 - (i) a motor vehicle used for public transportation, carriage of goods and agriculture machinery; and
 - (ii) any motor vehicle held in Pakistan by a foreign diplomat or a foreign diplomatic mission."; and
- (b) in the First Schedule, for the expression "(See section 1)", the expression "[See sub-section (1)]" shall be substituted.

Statement of Objects and Reasons

The purpose of this bill is to lay the Tax Laws (Second Amendment) Ordinance, 2022 (VI of 2022) in the National Assembly under sub-paragraph (i) of Paragraph (a) of clause (2) of Article 73 of the Constitution of the Islamic Republic of Pakistan, 1973.

2. The amendments are being introduced with immediate effect through an ordinance in order to remove difficulties faced by the taxpayers in implementation of certain provisions. Additionally, few corrective measures have also been incorporated in this Ordinance to rationalize certain taxes and rates.

3. The Ordinance seeks to amend the Sales Tax Act, 1990, Income Tax Ordinance, 2001, Federal Excise Act, 2005 and section 8 of the Finance Act, 2022.


(Miftah Ismail)
Minister for Finance and Revenue

