



# **TAX LAWS (AMENDMENTS) ORDINANCE 2021**

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Business Services & Outsourcing**

<b>SECTION (CLAUSE)</b>	<b>THE INCOME TAX ORDINANCE, 2001</b>
<b>152</b>	<b>Payments to non-residents</b>
<b>(1DA)</b>	The Tax Amendment Ordinance, 2021 has approved insertion of new clause after clause “1D” as follows:
	Every banking company maintaining a Foreign Currency Value Account (FCVA) or a non-resident Pakistan Rupee Value Account (NRVA) of a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) shall deduct tax from capital gain arising on the disposal of debt Instruments and government securities and certificates (including Shariah compliant variant) invested through aforesaid accounts at the rate specified in Division II of Part III of the First Schedule.
	This amendment has streamlined the taxation of Capital gain on disposal of government securities at the rate of 10% for resident and non-resident individuals investing through Roshan Digital Account (RDA)
<b>231B</b>	<b>Advance tax on private motor vehicles</b>
<b>(2A)</b>	The Tax Amendment Ordinance, 2021 has inserted of new sub-section (2A) after sub-section (2) as follows:
	Every motor vehicle registering authority of Excise and Taxation Department shall collect advance tax from the buyers of locally manufactured motor vehicles who subsequently sell it within ninety days of delivery of such vehicle whether prior to or after registration, at the rates specified in Division VII of Part IV of the First Schedule
	Provided that no collection of advance tax under this sub-section shall be made after the 30th day of June 2021.
	The amendment is aim towards discouraging the own money earned on the trading of new motor vehicles.
<b>236C</b>	<b>Advance tax on sale or transfer of immovable property</b>
	The Tax Amendment Ordinance, 2021 has approved insertion of new proviso after the “end of colon” as follows:
	'Provided further that if the seller or transferor is a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) who had acquired the said immovable property through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan under the foreign exchange issued by the State Bank of Pakistan, the tax collected under is .section from such persons shall be final discharge of tax liability in lieu of capital gains taxable under section 37 earned by the seller or transferor from the property so disposed of”
	This amendment has further incentivized the taxation of non-resident individuals realizing capital gain on disposal of immovable property acquired through Roshan Digital Account (RDA)
<b>236K</b>	<b>Advance tax on purchase or transfer of immovable property</b>
	The Tax Amendment Ordinance, 2021 has approved insertion of new proviso after the “full stop at the end” as follows:
	Provided that if the buyer or transferee is a non-resident individual holding a Pakistan Origin Card (POC) or National- ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) who has acquired the said immovable property through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan under the foreign exchange

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	regulations issued by the State Bank of Pakistan, the tax collected under this section from such persons shall be final discharge of tax liability for such buyer or transferee.		
	This amendment has further incentivized the taxation of non-resident individuals purchasing immovable property through Roshan Digital Account (RDA)		
<b>FIRST SCHEDULE</b>	<b>Rates of tax</b>		
<b>Part I</b>	<b>Rates of Tax</b>		
<b>Division IIA</b>	The Tax Amendment Ordinance, 2021 approved insertion of word "Tax Year 2021" in the last column (6) proviso and the new expression shall be insert as "and onwards"		
<b>Part II</b>	<b>Rates of Advance Tax</b>		
	The Tax Amendment Ordinance, 2021 has approved insertion of new clause after clause "b" as follows:		
(c)	In case of importers of CKD, kits of electric vehicles for small cars or SUVs with 50 kwh battery or below and LCVs with 150 kwh battery or below shall be 1%.		
<b>Part III</b>	<b>Deduction of Tax at Source</b>		
	The Tax Amendment Ordinance, 2021 has approved substitution in clause from "sub-section (ID)", to "sub-sections (1D) and (IDA)".		
<b>Part IV</b>	<b>Deduction or Collection of Advance Tax on own money earned</b>		
3	The Tax Amendment Ordinance, 2021 has approved insertion of new clause after clause "2" as follows:		
	<b>S. No</b>	<b>Engine capacity</b>	<b>Tax</b>
	(1)	(2)	(3)
	1.	Up to 1000cc	Rs. 50,000
	2.	1000cc to 2000cc	Rs. 100,000
	3.	2000cc and above	Rs. 200,000
<b>XIV</b>	<b>Advance Tax on Sale to Distributors, Dealers or Wholesalers</b>		
<b>Part I</b>	The Tax Amendment Ordinance, 2021 has approved insertion of new proviso after the table as follows:		
	Provided, that the rate of advance tax on sale to distributors, dealers or wholesalers of fertilizer shall be 0.25%, if they already are or get themselves registered under the Sales Tax Act, 1990 within sixty days of the promulgation of the Tax Laws (Amendment) Ordinance, 2021.		
	This amendment aims to broadening of tax base by incentivizing the dealer and sub-dealers of sugar, cement and edible oils of reduce rate of withholding on the conditions of obtaining sales tax registration within 60 days of the promulgation of this Ordinance.		

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<b>SECOND SCHEDULE</b>	<b>Exemptions and Tax Concessions</b>
<b>Part I</b>	<b>Exemptions from Total Income</b>
Clause 78	<p>The Tax Amendment Ordinance, 2021 has approved substitution from the expression “citizens of Pakistan and foreign nationals residing abroad, foreign association of persons, companies registered and operating abroad and foreign nationals residing in Pakistan”, to “non-resident individuals, non-resident association of persons and non-resident companies”.</p> <p>Exemptions available under clause (78) Part I of the Second Schedule was previously restricted only to certain Foreign Currency Accounts and Pakistan Rupee Accounts of citizens of Pakistan residing abroad. Exemption after the amendment is broadly available to Foreign Currency accounts maintained by non-resident individuals, association of persons, and companies, and Rupee Accounts maintained by non-resident individuals.</p>
Clause 79	<p>The Tax Amendment Ordinance, 2021 has approved substitution from the expression “citizen of Pakistan residing abroad”, to “non-resident individual holding a Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC)”.</p> <p>Exemptions available under clause (79) Part I of the Second Schedule was previously restricted only to certain Foreign Currency Accounts and Pakistan Rupee Accounts of citizens of Pakistan residing abroad. Exemption after the amendment is broadly available to Foreign Currency accounts maintained by non-resident individuals, association of persons, and companies, and Rupee Accounts maintained by non-resident individuals.</p>
Clause 126M	<p>The Tax Amendment Ordinance, 2021 has approved substitution from the figure “2018”, to “2022”.</p> <p>The amendment aims to extend the deadline for investment in project of transmission line setup in Pakistan from June 30, 2018 to June 30, 2022.</p>
Clause 148	<p>The Tax Amendment Ordinance, 2021 has approved insertion of new clause after clause “147” as follows:</p> <p>Any income derived by Islamic Naya Pakistan Certificates Company Limited (INFCCCL)</p>
<b>Part II</b>	<b>Reduction in Tax Rates</b>
Clause 5A	<p>The Tax Amendment Ordinance, 2021 has approved substitution from the expression “Pakistan”, to “other than those covered under clauses (78) and (79) of Part I of the Second Schedule”. This is a consequential amendment resulting from amendment in Clause 78 &amp; 79 of Part I of the Second Schedule.</p>
5AB and 5AC	<p>The Tax Amendment Ordinance, 2021 has approved insertion of new clause after clause “5AA” as follows:</p>
5AB	<p>The rate of tax to be deducted under section 151 shall be ten percent from the profit on debt from a debt instrument, whether conventional or Shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 (XVIII of 1944) or its wholly owned special purpose company, purchased by a resident citizen of Pakistan who has already declared foreign assets to the Board through a Foreign Currency Value Account (FCVA) maintained with authorized banks in Pakistan under the foreign exchange regulation issued by the State Bank of Pakistan</p> <p>Provided that the tax so deducted shall be the final tax.</p>
5AC	<p>The rate of tax to be deducted under sub-section (2) of section 152 or under section 151, as the case may be shall be zero percent of the gross amount of profit on debt paid covered under clauses (78) and (79) of Part-1 of the Second Schedule.</p>

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24C	The Tax Amendment Ordinance, 2021 has approved substitution from the expression “sub-dealers” to “wholesalers and retailers of fast moving consumer goods, fertilizer ”.
	Provided that the benefit of reduced rate shall be available to those dealers, sub-dealers, wholesalers and retailers of above sectors who already are or get themselves registered under the Sales Tax Act, 1990 within sixty days of the promulgation of the Tax Laws (Amendment) Ordinance, 2021.
24D	The Tax Amendment Ordinance, 2021 has approved substitution from the expression “sub-dealers” to “wholesalers and retailers of fast moving consumer goods, fertilizer ”.
	Provided that the benefit of reduced rate shall be available to those dealers, sub-dealers, wholesalers and retailers of above sectors who already are or get themselves registered under the Sales Tax Act, 1990 within sixty days of the promulgation of the Tax Laws (Amendment) Ordinance, 2021.
<b>Part III</b>	<b>Reduction in Tax Liability</b>
<b>Clause 17</b>	The Tax Amendment Ordinance, 2021 has approved insertion of new clause after omitted clause “16” as follows:
	“The tax payable by cotton ginners on their income and profits shall not be more than sum of 1% of their turnover from cotton lint, cotton seed, cotton seed oil and cotton seed cake” and its applicable with effect from 1st July, 2019.
	Provided that the tax so payable shall be final tax in respect of their cotton ginning and oil milling activities only
<b>Part IV</b>	<b>Exemption from specific provisions</b>
<b>Clause 11A Sub-clause xxxix</b>	The Tax Amendment Ordinance, 2021 has approved insertion of new clause after clause “xxxviii” as follows:
	Islamic Naya Pakistan Certificates Company Limited (INPCCL)
<b>Clause 56 Sub-clause iiiia</b>	The Tax Amendment Ordinance, 2021 has approved insertion of new clause after clause “iii” as follows:
	The withholding provision of section 148 shall not apply on “Goods temporarily imported into Pakistan by international athletes which would be subsequently taken back by them within one hundred and twenty days of temporary import.”
<b>Clause 79A</b>	The Tax Amendment Ordinance, 2021 has approved insertion of new clause after omitted clause “79” as follows:
	The provisions of clause (b) of sub-section (1) of section 153 shall not apply to payments received by National Telecommunication Corporation against provision of telecommunication services including ancillary services specified in sub-section (3) of section 41 of the Pakistan Telecommunication (Re-organization) Act, 1996 (XVII of 1996)
<b>Clause 111AB</b>	The Tax Amendment Ordinance, 2021 has approved insertion of new clause after omitted clause “111A” as follows:
	The provisions of section 100BA and rule 1 of the Tenth Schedule shall not apply to non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) maintaining a Foreign Currency Value Account (FCVA) or Non-resident Pakistani

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	Rupee Value Account (LARVA) with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan.  This amendment is in line with the government’s intention to attract foreign investment in Pakistan from oversea non-resident Pakistani individuals investing through Roshan Digital Account (RDA).
<b>Clause 112A</b>	The Tax Amendment Ordinance, 2021 has approved substitution of clause “112A” as follows:
	The provisions of section 231A, 231AA and 236P shall not apply to the holders of Foreign Currency Value Account (FCVA) or Non-resident Pakistani Rupee Value Account (NRPRVA) in respect of these accounts only.
<b>Clause 114A</b>	The Tax Amendment Ordinance, 2021 has approved substitution of clause “114A” as follows:
	The provisions of clause (ae) of sub-section (1) of section 114 and section 181 shall not apply to a non-resident individual holding Pakistan Origin Card (FOC) or National ID Card for Overseas Pakistanis (NI OP) or Computerized National ID Card (CNIC) maintaining a Foreign Currency Value Account (FCVA) or a Non-resident Pakistani Rupee Value Account (NRVA) with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan
	Provided that this clause shall not apply if the person referred in this clause has Pakistan-source taxable income other than the following: namely
	a. profit on debt on FCVA or Non-resident Pakistani Rupee Value Account (NRVA)
	b. profit on debt earned on Government of Pakistan (GOP) securities either conventional or Shariah Compliant where investment has been made from proceeds of FCVA or NRVA
	c. capital gain on disposal of immovable property acquired from proceeds of FCVA or NRVA
	d. capital gain on disposal of securities traded on Pakistan Stock Exchange and units of mutual funds that are acquired from of FCVA or NRVA: or
	e. dividend income from securities Pakistan Stock Exchange and mutual fund that are acquired from proceeds of FCVA or NRVA
<b>118 and 119</b>	The Tax Amendment Ordinance, 2021 has approved insertion of new clause after clause “117” as follows:
<b>118</b>	The provisions of withholding taxes contained in the Income Tax Ordinance, 2001 (XLIX of 2001) shall not apply to Islamic Naya Pakistan Certificates Company Limited (INPCCL) as a recipient.
<b>119</b>	The provisions of section 153(1)(a) shall with effect from the 1st day of July, 2020 not apply to distributors, dealers, wholesalers and retailers of locally manufactured mobile phone devices as withholding agent.

SECTION	THE SALES TAX ACT, 1990				
56A	The Tax Amendment Ordinance, 2021 has approved insertion of new section (1A) after sub-section (1) as follows:				
(1A)	Notwithstanding anything contained in this Act, the Board shall have power to share data or information including real time data videos, images received under the provisions of this Act with any other Ministry or Division of the Federal Government or Provincial Government, subject to such limitations and conditions an may be specified by the Board.				
SIXTH SCHEDULE	In light of the Electric Vehicle policy 2020, the Tax Amendment Ordinance, 2021 has approved insertion of new serial "157 and 158" after serial no. "156" which enables importer of parts of Electric Vehicle in CBU or CKD form to avail exemption from sales tax as follows:				
	S. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)		
	157	Import of CKD kits for the following electric vehicles (4 wheelers) by local manufacturers till the 30thday of June, 2026-  (a) Small cars and SUVs with 50 kwh battery or below; and  (b) Light commercial vehicles (LCVs) with 150 kwh battery or below.	Respective headings		
	158	Goods temporarily imported into Pakistan by international athletes or sportsmen which would be subsequently taken back by them within 120 days of temporary import.	Respective headings		
EIGHT SCHEDULE	The Tax Amendment Ordinance, 2021 has approved insertion of new serial "71" after serial no. "70" as follows:				
	S. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)	Rate of Sales Tax	Condition
	71	Following locally manufactured or assembled electric vehicles (4 heading wheelers) till the 30th day of June, 2026  (a) Small cars or SUVs with 50 kwh battery or below; and  (b) Light commercial vehicles (LCVs) with 150 kwh battery or below	Respective headings	1%	If supplied locally and
TWELFTH SCHEDULE	In light of the Electric Vehicle policy 2020, the Tax Amendment Ordinance, 2021 has approved insertion of new clauses "xi, xii and xiii" after clause no. "x" in clause (2) which provides exclusion list of items from the minimum value addition tax at the import stage as follows:				
	xi	electric vehicles (4 wheelers) CKD kits for small cars or SUVs, with 50 kwh battery or below and Light Commercial Vehicles (LCVs) with 150 kwh battery or below till the 30th day of June, 2026			
	xii	electric vehicles (4 wheelers) small cars or SUVs with 50 kwh battery or below and Light Commercial Vehicles (LCVs) with 150 kwh battery or below in CBU condition till the 30th day of June, 2026			

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	xiii	electric vehicles (2-3 wheelers and heavy commercial vehicles) in CBU condition till the 30th day of June, 2025



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