

Government of Pakistan  
Ministry of Law and Justice

No. F. 2(1)/2020-Pub.

Islamabad, the 24<sup>th</sup> March, 2021

The following Ordinance promulgated on 22<sup>nd</sup> March, 2021 by the President is hereby published for general information:-

Ordinance No. VII of 2021

AN

ORDINANCE

*further to amend certain tax laws*

  
SAADAT IQTIDAR ALAM  
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Islamabad

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, in exercise of the powers conferred by clause (1) of 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, 2021.

(2) It shall come into force at once.

2. **Amendments in the Sales Tax Act, 1990.**– In the Sales Tax Act, 1990, the following further amendments shall be made, in the Sixth Schedule, in Table-1, in column (1), after Serial No. 158 and entries relating thereto in columns (2) and (3), the following new Serial Nos. 159 and 160 and corresponding entries relating thereto in columns (2) and (3) shall be added, namely:–

“159.	Import of auto disable Syringes till 30 <sup>th</sup> June, 2021 (i) with needles (ii) without needles	9018.3110 9018.3120
160.	Import of following raw materials for the manufacturers of auto disable syringes till 30 <sup>th</sup> June, 2021 (i) Tubular metal needles (ii) Rubber Gaskets	9018.3200 4016.9310

3. **Amendments in the Income Tax Ordinance, 2001 (Ordinance XLIX of 2001).** – In the Income Tax Ordinance, 2001 (XLIX of 2001), the following further amendments shall be made, namely: -

- (1) in section 2, in clause (29C), sub-clause (b) shall be omitted;
- (2) section 23A shall be omitted;
- (3) in section 57,–
  - (a) in sub-section (4), the expression “23A” shall be omitted; and
  - (b) in sub-section (5), the expression “23A” shall be omitted;
- (4) in section 61, in sub-section (1),–
  - (a) after the word “donation”, the expression “, voluntary contribution or subscription” shall be inserted;
  - (b) in clause (c), for the full stop at the end, the expression “or any person eligible for tax credit under section 100C of this Ordinance; or” shall be substituted; and
  - (c) after clause (c), amended as aforesaid, the following new clause (d) shall be added, namely:–

“(d) entities, organizations and funds mentioned in the Thirteenth Schedule to this Ordinance.”;
- (5) section 64C shall be omitted;
- (6) section 65C shall be omitted;
- (7) after section 65E, the following new sections shall be inserted, namely:–

**“65F Tax credit for certain persons.**– (1) Income of following taxpayers shall be allowed a tax credit equal to one hundred per cent of the tax payable under any provisions of this Ordinance including minimum and final taxes for the period, to the extent, upon fulfillment of conditions and subject to limitations detailed as under: -

- (a) persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects;
- (b) a startup as defined in clause (62A) of section 2 for the tax year in which the startup is certified by the Pakistan Software Export Board and the next following two tax years;

- (c) persons deriving income from exports of computer software or IT services or IT enabled services upto the period ending on the 30th day of June, 2025:

Provided that eighty per cent of the export proceeds is brought into Pakistan in foreign exchange remitted from outside Pakistan through normal banking channels.

*Explanation.-* For the purpose of this clause, –

- (i) "IT services" include software development, software maintenance, system integration, web design, web development, web hosting and network design; and
- (ii) "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.

(2) The tax credit under sub-section (1) shall be available subject to fulfillment of the following conditions, namely:-

- (a) return has been filed;
- (b) tax required to be deducted or collected has been deducted or collected and paid;
- (c) withholding tax statements for the immediately preceding tax year have been filed; and
- (d) sales tax returns for the tax periods corresponding to relevant tax year have been filed:

Provided that nothing contained in this section shall preclude the applicability of section 214C or section 177.

**65G Tax credit for specified industrial undertakings.-** (1) When making certain eligible capital investments as specified in sub-section (2), the eligible taxpayers defined in sub-section (3) shall be allowed to take an investment tax credit of twenty-five percent of the eligible investment amount, against tax payable under the provisions of this Ordinance

including minimum and final taxes. The tax credit not fully adjusted during the year of investment shall be carried forward to the subsequent tax year subject to the condition that it may be carried forward for a period not exceeding two years.

(2) For the purposes of this section, the eligible investment means investment made in purchase and installation of new machinery, buildings, equipment, hardware and software, except self-created software and used capital goods.

(3) For the purpose of this section, eligible person means –

(a) green field industrial undertaking as defined in clause (27A) of section 2 engaged in –

(i) the manufacture of goods or materials or the subjection of goods or materials to any process which substantially changes their original condition; or

(ii) ship building:

Provided that the person incorporated between the 30<sup>th</sup> day of June, 2019 and the 30<sup>th</sup> day of June, 2024 and the person is not formed by the splitting up or reconstitution of an undertaking already in existence or by transfer of machinery, plant or building from an undertaking established in Pakistan prior to commencement of the new business and is not part of an expansion project; and

(b) industrial undertaking set up by the 30<sup>th</sup> day of June 2023 and engaged in the manufacture of plant, machinery, equipment and items with dedicated use (no multiple uses) for generation of renewable energy from sources like solar and wind, for a period of five years beginning from the date such industrial undertaking is set up.”;

(8) for section 100C, the following shall be substituted, namely:–

**“100C. Tax credit for charitable organizations.–** (1) The persons mentioned in sub-section (2) shall be allowed a tax credit equal to one hundred percent of tax payable under any of the provisions of this Ordinance including minimum and final taxes in respect of incomes

mentioned in sub-section (3) subject to the conditions and limitations laid down in sub-section (4).

(2) The provisions of this section shall apply to the following persons, namely:—

- (a) persons specified in Table - II of clause (66) of Part I of the Second Schedule to this Ordinance;
- (b) a trust administered under a scheme approved by the Federal Government and established in Pakistan exclusively for the purposes of carrying out such activities as are for the welfare of ex-employees and serving personnel of the Federal Government or a Provincial Government or armed forces including civilian employees of armed forces and their dependents where the said trust is administered by a committee nominated by the Federal Government or a Provincial Government;
- (c) a trust;
- (d) a welfare institution registered with Provincial or Islamabad Capital Territory (ICT) social welfare department;
- (e) a not for profit company registered with the Securities and Exchange Commission of Pakistan under section 42 of the Companies Act, 2017;
- (f) a welfare society registered under the provincial or Islamabad Capital Territory (ICT) laws related to registration of co-operative societies;
- (g) a *waqf* registered under Mussalman Waqf Validating Act, 1913 (VI of 1913) or any other law for the time being in force or in the instrument relating to the trust or the institution;
- (h) a university or education institutions being run by non-profit organization existing solely for educational purposes and not for the purposes of profit;

- (i) a religious or charitable institution for the benefit of public registered under any law for the time being in force; and
- (j) international non-governmental organizations (INGOs) approved by the Federal Government.

(3) The following income is eligible for tax credit, namely:-

- (a) income from donations, voluntary contributions and subscriptions;
- (b) income from house property;
- (c) income from investments in the securities of the Federal Government;
- (d) profit on debt from scheduled banks and microfinance banks;
- (e) grant received from Federal, Provincial, Local or foreign Government;
- (f) so much of the income chargeable under the head "income from business" as is expended in Pakistan for the purposes of carrying out welfare activities:

Provided that in the case of income under the head "income from business", only so much of such income shall be eligible for tax credit under this section that bears the same proportion as the said amount of business income bears to the aggregate of income from all sources; and

- (g) any income of the persons mentioned in clauses (a), (b) and (h) of sub-section (2) of this section.

(4) Eligibility for tax credit shall be subject to the following conditions, namely:-

- (a) return has been filed;
- (b) tax required to be deducted or collected has been deducted or collected and paid;
- (c) withholding tax statements for the relevant tax year have been filed;

- (d) the administrative and management expenditure does not exceed 15% of the total receipts:

Provided that clause (d) shall not apply to a non-profit organization, if-

- (i) charitable and welfare activities of the non-profit organization have commenced for the first time within last three years; or
  - (ii) total receipts of the non-profit organization during the tax year are less than one hundred million Rupees;
- (e) approval of Commissioner has been obtained as per requirement of clause (36) of section 2:

Provided that the condition of approval in respect of persons mentioned in Table – II of clause (66) of Part I of the Second Schedule to this Ordinance, shall take effect from the first day of July, 2022 and the requirements of clause (36) of section 2, shall not be applicable for earlier years;

- (f) none of the assets of trusts or welfare institutions confers, or may confer, a private benefit to the donors or family, children or author of the trust or his descendants or the maker of the institution or to any other person:

Provided that where such private benefit is conferred, the amount of such benefit shall be added to the income of the donor; and

- (g) a statement of voluntary contributions and donations received in the immediately preceding tax year has been filed in the prescribed form and manner.

(5) Notwithstanding anything contained in sub-section (1), surplus funds of organizations to which this section applies shall be taxed at a rate of ten percent.

(6) For the purpose of sub-section (5), surplus funds mean funds or monies –

- (a) not spent on charitable and welfare activities during the tax year;
- (b) received during the tax year as donations, voluntary contributions, subscriptions and other incomes;
- (c) which are more than twenty-five percent of the total receipts of the non-profit organization received during the tax year; and
- (d) are not part of restricted funds.

*Explanation.-* For the purpose of this clause, "restricted funds" mean any fund received by the organization but could not be spent and treated as revenue during the year due to any obligation placed by the donor or funds received in kind.”;

(9) in section 152, in sub-section (1E), for the expression “on the income of the non-resident company arising out of such capital gain”, the expression “in respect of persons and income mentioned therein” shall be substituted;

(10) in section 182, in sub-section (1), in the Table, in column (1), \_

- (a) against S. No. 1, in column (3), in the proviso and before the explanation, for the full stop at the end, a colon shall be substituted and thereafter the following new provisos shall be added, namely:–

“Provided further that if taxable income is up-to eight hundred thousand Rupees, the minimum amount of penalty shall be five thousand Rupees:

Provided also that the amount of penalty shall be reduced by 75%, 50% and 25% if the return is filed within one, two and three

months respectively after the due date or extended due date of filing of return as prescribed under the law.”;

- (b) against S. No. 1A, in column (3), for the full stop at the end, a colon shall be substituted and thereafter the following proviso shall be added namely: -

“Provided that where it stands established that no tax was required to be deducted or collected during the relevant period, minimum amount of penalty shall be ten thousand Rupees.”;

- (c) against S. No. 6,—

- (i) in column (2),—

(I) after the word “tax”, occurring for the first time, the expression “paid is” shall be inserted; and

(II) the expression “is paid” shall be omitted; and

- (ii) in column (3), for the full stop at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely: -

“Provided that no penalty shall be imposed to the extent of the tax shortfall occurring as a result of the taxpayer taking a reasonably arguable position on the application of this Ordinance to the taxpayer’s position.”;

- (d) against S. No. 10,—

- (i) in column (3), for the figure “100%”, the figure “50%” shall be substituted; and

- (ii) in column (4), for the expression “and general”, the expression “114A, 118” shall be substituted;

- (e) against S. No. 11, in column (3), for the words “one hundred” the word “fifty” shall be substituted;

- (f) against S. No. 15, for the entries in column (4), the expression “Division II or Division III of Part V of Chapter X or Chapter XII” shall be substituted;

- (g) against S. No. 16,—

(i) in column (2), after the letters "NTN", the expression "or business licence" shall be inserted; and

(ii) in column (4), after the figure "181C", the expression "and 181D" shall be added;

(h) S. No. 19 and entries relating thereto shall be omitted;

(i) S. No. 20 and entries relating thereto shall be omitted;

(11) in the Second Schedule, –

(a) in Part I, –

(i) in clause (57), in sub-clause (1), paragraph (iii) shall be omitted;

(ii) clauses (61), (64A), (64B), (64C) and (65) shall be omitted;

(iii) in clause (66), in the Table 1, in column (1), after S. No. xxxvi and entries relating thereto in column (2), following new entry shall be added, namely:–

“(xxxvii)	Islamic Naya Pakistan Certificates Company Limited (INPCCL).”;
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(iv) clauses (72A) and (74) shall be omitted;

(v) for clause (75), the following shall be substituted, namely:–

“(75) Any profit on debt and capital gains derived by any agency of foreign Government or any non-resident person approved by the Federal Government for the purpose of this clause from debt and debt instruments approved by the Federal Government.”;

(vi) clauses (90), (90A), (91), (98), (100), (101), (103C), (104), (105), (105A), (110B), (110C) and (114) shall be omitted;

(vii) for clause (126B), the following shall be substituted, namely:–

“(126B) Profits and gains derived by a refinery -

- (a) from new deep conversion refinery of at least 100,000 barrels per day for which approval is given by the Federal Government before the 31<sup>st</sup> day of December, 2021; or
- (b) for the purpose of upgradation, modernization or expansion project of any refinery existing on the date of commencement of the Income Tax (Second Amendment) Ordinance, 2021 for which such refinery makes undertaking to the Federal Government in writing before the 31<sup>st</sup> day of December, 2021.”;
- (viii) clauses (126BA), (126G), (126I),(126O) and (131) shall be omitted;
- (ix) in clause (132), in sub-clause (c), in the fifth proviso, for the full stop at the end, a colon shall be substituted and thereafter the following new proviso shall be added, namely:-
- “Provided further that no exemption under this clause shall be available to persons, who enter into agreement or to whom letter of intent is issued by Federal or Provincial Government for setting up an electric power generation project in Pakistan after the 30<sup>th</sup> day of June, 2021.”; and
- (x) clauses (132A), (132B), (133), (135A), (136), (141), (143), (146) and (148) shall be omitted;
- (b) in Part II,—
- (i) clauses (2), (3), (3B), (5B), (18), (18B), (24AA) shall be omitted;
- (ii) in clause (24D), after the expression “retailers of” the expression “locally manufactured mobile phones,” shall be inserted; and
- (iii) clauses (28A) and (28B) shall be omitted;
- (c) in Part III,—

- (i) clauses (2), (7) and (8) shall be omitted;
- (ii) in clause (9), for the full stop at the end, a colon shall be substituted and thereafter the following new proviso shall be added, namely:-

“Provided that exemption under this clause shall continue to remain available to such projects which commence on or before the 30<sup>th</sup> day of June, 2024.” and

- (iii) in clause (9B), for the full stop at the end, a colon shall be substituted and thereafter the following new proviso shall be added, namely:-

“Provided that exemption under this clause shall continue to remain available to such projects which commence on or before the 30<sup>th</sup> day of June, 2024.”; and

- (d) in Part IV, clause (2) shall be omitted;

(12) in the Third Schedule,–

- (a) in Part I, in the Table, in the first column, against S, No. IV, entry (a) in the second column shall be omitted; and
- (b) in Part II,–
  - (I) in the heading, the expression “23A” shall be omitted; and
  - (II) in paragraph (2), the expression “section 23A and” shall be omitted;

(13) in the Fifth Schedule,–

- (a) in Part II, rule 4 shall be omitted;

(14) after the Twelfth Schedule, the following new Schedule shall be added, namely: -

**“THE THIRTEENTH SCHEDULE**

(See section 61)

S.No	Name
(1)	(2)
1.	any Sports Board or institution recognised by the Federal Government for the purposes of promoting, controlling or regulating any sport or game
2.	The Citizens Foundation.
3.	Fund for Promotion of Science and Technology in Pakistan.

4.	Fund for Retarded and Handicapped Children.
5.	National Trust Fund for the Disabled.
6.	Fund for Development of Mazaar of Hazarat Burri Imam.
7.	Rabita-e-Islami's Project for printing copies of the Holy Quran.
8.	Fatimid Foundation, Karachi.
9.	Al-Shifa Trust.
10.	Society for the Promotion of Engineering Sciences and Technology in Pakistan.
11.	Citizens-Police Liaison Committee, Central Reporting Cell, Sindh Governor House, Karachi.
12.	ICIC Foundation.
13.	National Management Foundation.
14.	Endowment Fund of the institutions of the Agha Khan Development Network (Pakistan listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network.
15.	Shaheed Zulfiqar Ali Bhutto Memorial Awards Society.
16.	Iqbal Memorial Fund.
17.	Cancer Research Foundation of Pakistan, Lahore.
18.	Shaukat Khanum Memorial Trust, Lahore.
19.	Christian Memorial Hospital, Sialkot.
20.	National Museums, National Libraries and Monuments or institutions declared to be National Heritage by the Federal Government.
21.	Mumtaz Bakhtawar Memorial Trust Hospital, Lahore.
22.	Kashmir Fund for Rehabilitation of Kashmir Refugees and Freedom Fighters.
23.	Institutions of the Agha Khan Development Network (Pakistan) listed in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and Agha Khan Development Network.
24.	Azad Kashmir President's Mujahid Fund, 1972.
25.	National Institute of Cardiovascular Diseases, (Pakistan) Karachi.
26.	Businessmen Hospital Trust, Lahore.
27.	Premier Trust Hospital, Mardan.
28.	Faisal Shaheed Memorial Hospital Trust, Gujranwala.
29.	Khair-un-Nisa Hospital Foundation, Lahore.
30.	Sind and Balochistan Advocates' Benevolent Fund.
31.	Rashid Minhas Memorial Hospital Fund.
32.	Any relief or welfare fund established by the Federal Government.
33.	Mohatta Palace Gallery Trust.
34.	Bagh-e-Quaid-e-Azam project, Karachi.
35.	Any amount donated for Tameer-e-Karachi Fund.
36.	Pakistan Red Crescent Society.
37.	Bank of Commerce and Credit International Foundation for Advancement of Science and Technology.
38.	Federal Board of Revenue Foundation.
39.	The Indus Hospital, Karachi.

  
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40.	Pakistan Sweet Homes Angels and Fairies Place.
41.	Al-Shifa Trust Eye Hospital.
42.	Aziz Tabba Foundation.
43.	Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT.
44.	Sharif Trust.
45.	The Kidney Centre Post Graduate Institute.
46.	Pakistan Disabled Foundation.
47.	Sardar Trust Eye Hospital, Lahore.
48.	Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams – Fund.
49.	Layton Rahmatullah Benevolent Trust (LRBT).
50.	Akhuwat.
51.	The Prime Minister's COVID-19 Pandemic Relief Fund-2020.
52.	Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI).
53.	Lahore University of Management Sciences.
54.	Dawat-e-Hadiya, Karachi.
55.	Baitussalam Welfare Trust.
56.	Patients' Aid Foundation.
57.	Alkhidmat Foundation.
58.	Alamgir Welfare Trust International.
59.	Prime Minister's Special Fund for victims of terrorism
60.	Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of KPK
61.	Prime Minister's Flood Relief Fund 2010 and Provincial Chief Minister's Relief Funds for victims of flood 2010
62.	Waqf for Research on Islamic History, Art and Culture, Istanbul

Provided that the Federal Government shall have the power to add, amend or omit any entry in this Schedule.”; and

(15) The following provisions of the Income Tax Ordinance, 2001 (XLIX of 2001) already expired or expiring on thirtieth day of June, 2021 are omitted, provided that the existing beneficiaries shall continue to enjoy benefits of the repealed provisions for the periods and subject to conditions and limitations specified in these repealed provisions, namely:-

- 1- Section 65D;
- 2- Following clauses of Part I of the Second Schedule:-  
(72), (126C), (126H), (126J), (126K), (126L) and (126N); and
- 3- Clause (18A) of Part II of the Second Schedule.

  
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**DR. ARIF ALVI**  
 PRESIDENT

**RAJA NAEEM AKBAR**  
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