

Government of Pakistan
Revenue Division
Federal Board of Revenue

C. No. 4(30) IT-Budget/2022

Islamabad, 16th January, 2022

Circular No. 12 of 2022
(Income Tax)

Subject: - Finance (Supplementary) Act, 2022 - Explanation of Amendments in the Income Tax Ordinance, 2001

The Finance (Supplementary) Act, 2022 has brought about certain amendments in the Income Tax Ordinance, 2001 (*“the Ordinance”*). Some significant amendments are explained hereunder:

1. Digital Mode of Payment

Through Tax Laws (Third Amendment) Ordinance, 2021 it has been made compulsory for corporate taxpayers to use digital mode of payment for certain expenditures. The Finance (Supplementary) Act, 2022, inclusively defines digital mode of payment as under: -

- (i) Online portals or platforms for digital payments/receipts
- (ii) Online interbank fund transfers services
- (iii) Online bill or invoice presentment and payment services
- (iv) Over the counter digital payment services or facilities
- (v) Card payments using Point of Sale terminals, QR codes, mobile devices, ATMs or Kiosk
- (vi) Any other digital or online payment modes

Furthermore, Board has also been empowered to notify the date for adoption of digital modes of payment.

2. Provision of Information by the Banks

Through this legislation, the scope of information shared by the banks under section 165A of the Ordinance has been enhanced. Banks shall now be liable to furnish information regarding newly opened or re-designated business bank accounts during each preceding calendar month.

3. Enhancement of Advance Tax on Cellular Services

Rate of advance tax on cellular services under section 236 of the Ordinance has been increased from 10% to 15%.

4. Advance Tax on Foreign TV Serials and Advertisements

In order to encourage domestic media industry, advance tax on foreign produced TV drama serials or plays dubbed in Urdu or any other language shown on local television channels has been introduced through insertion of section 236CA in the Ordinance. Additionally, advance tax shall also be applicable on advertisements starring foreign actors. Tax collected under this section shall be minimum tax. Rates have been introduced through Division XA of Part IV of First Schedule to the Ordinance as follows:-

Category	Rate of Tax
Foreign-produced TV drama serial or play	Rs. 1,000,000 per episode
Foreign-produced TV play (single episode)	Rs. 3,000,000
Advertisement starring foreign actor	Rs. 500,000 per second

5. Enhancement of Advance Tax on Vehicle Registration

Advance tax on vehicle registration under section 231B (2A) of the Ordinance has been increased for the persons who register such motor vehicles which have been sold prior to their first registration. The purpose is to discourage huge “on money” on such vehicles which are booked by investors as a result of which the vehicles remain unavailable to the genuine buyers. New rates under Division VII of Part IV of First Schedule to the Ordinance shall be as below:-

S.No.	Engine capacity	Tax
I.	Up to 1000cc	Rs. 100,000
II.	1001cc to 2000cc	Rs. 200,000
III.	2001cc and above	Rs. 400,000

6. Taxation of Special Purpose Vehicle under REIT

The concept of Special Purpose Vehicle (SPV) under the Real Estate Investment Trust (REIT) has been introduced by SECP through legislation. Through the Finance (Supplementary) Act, 2022, SPV being a pass-through entity, has been extended the same tax treatment as already given to REIT under the Ordinance. Dividend received by REIT from SPV shall be chargeable to tax at the rate of 0% while dividend paid to non-REIT investors shall be chargeable at the rate of 35%. These will be subject to advance tax deduction

at the same rates. Furthermore, SPV has been included in the exemptions granted to REIT under clause (99) and (99A) of Part I and clause (47B) of Part IV of Second Schedule to the Ordinance.

7. Explanation regarding Minimum Tax

Explanation has been added to sections 153, 233 and 236Q of the Ordinance to clarify that tax deducted under these provisions shall be minimum tax in respect of any income derived by taxpayers which is subject to deduction of tax under these sections.

8. Disclosure of Information in Respect of Public Officials

The legislation seeks to allow disclosure of information u/s 216 of the Ordinance in respect of any high-level public officials and public servants in BPS-17 and above, their spouses, children or benamidars, or any person in relation to whom the afore-mentioned persons are beneficial owner.

9. Restriction of Exemption to Power Generation Projects

Under clause (132) of Part I of the Second Schedule to the Ordinance, exemption from tax on profit and gains is available to a taxpayer who sets up an electric power generation project in Pakistan subject to conditions therein. The sixth proviso to the clause has been substituted with a new proviso to qualify that the exemption shall be available to persons, who enter into agreement or to whom letter of intent is issued by the Federal or Provincial Government for setting up an electric power generation project in Pakistan on or before the 30th day of June, 2021 and who obtain the letter of support on or before the 30th day of June, 2023.

2. The provisions go into force with effect from January 16, 2022.



Usman Ahmed
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