



Message from the desk of President

I am delighted to present the Monthly Technical Updates for the months of February and March, highlighting news from economy, Corporate Sector, Taxation; updates from the stock market and foreign exchange; and a glimpse of TSPD activities held during these months.

Moreover, worthy members are requested to share their valuable suggestions at tspd@icmap.com.pk for further improvement in the document and identify topics of technical interest, which the Committee may consider for arranging capacity building events for the practicing members and their firms.

I appreciate and look forward to receive your inputs and comments for the uplift of practicing profession. Together we can take our Institute to greater heights.

Shehzad Ahmed Malik, FCMA
President ICMA
Chairman TSPD Committee

INSIDE

- ✓ Committee Activities
- ✓ PSX KSE-100 Index Fluctuations
- ✓ Rupee-Dollar Parity
- ✓ Corporate Updates
- ✓ Taxation Updates
- ✓ Monetary Updates
- ✓ International Updates
- ✓ Commentary on Finance (Supplementary) Act, 2023

"Coming together is a beginning, staying together is progress, and working together is success."

Henry Ford

Commentary on Finance (Supplementary) Bill, 2023

The Finance (Supplementary) Bill, 2023 was introduced in the National Assembly on February 15, 2023, proposing additional taxes and duties of 170 billion rupees to meet the understanding reached with the International Monetary Fund for the Extended Fund Facility.

The newly introduced mini-budget, on Thursday 23rd February, became applicable as the President of Pakistan Dr. Arif Alvi signed the Finance Supplementary Bill 2023. It is worth mentioning that the IMF loan program under Extended Fund Facility (EFF) is still awaited after the approval of newly introduced taxation measures.

TSPD Committee prepared a detailed Commentary on the Finance (Supplementary) Bill, 2023, soon after its promulgation. The Commentary was uploaded on the website of Institute and circulated amongst the members at large.



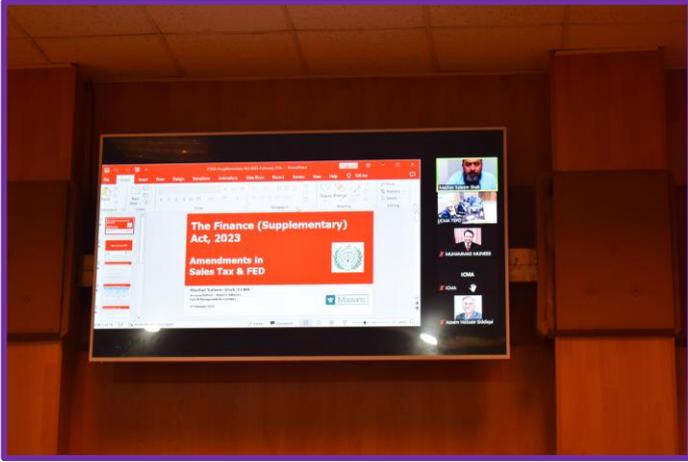
Committee Activities

Seminar on Finance (Supplementary) Bill, 2023

TSPD Committee, under the guidance of Mr. Shehzad Ahmed Malik, President ICMA & Chairman TSPD Committee, organized a Seminar on Finance (Supplementary) Bill, 2023, on February 27, 2023 at ICMA Islamabad. President ICMA graced the event as Guest of Honour. Amongst the distinguished speakers were Mr. Naeem-ud-Din, FCMA, Managing Partner, Naeem & Co. and Mr. Mazhar Saleem Shah, FCMA, Partner Mavvins Solutions. Mr. M. Yousuf Khan, FCMA, Partner M. Yousuf & Co; Mr. Zahid Farooq, FCMA, Managing Partner Zahid Farooq & Co; and Mr. M. Muneeb, FCMA, CEO Aaims Consultants were panelists at the event. The speakers enlightened the participants with the amendments brought in through the Supplementary Bill and the approved Act, 2023. The participants also had an interactive Questions and Answers session at the end. President ICMA thanked the speakers and panelists for sparing time and enlightening the participants with valuable information and knowledge.



MONTHLY TECHNICAL UPDATES ON ACCOUNTING, TAXATION & LAWS



MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

President's meetings with different dignitaries

**President Mr. Shehzad Ahmed Malik signed an MoU with Mr. Parvez Abbasi
Project Director, National Incubation Centre**



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President ICMA Mr. Shehzad Ahmed Malik met with
Mr. Joseph Opeyemi Owolabi, President ACCA



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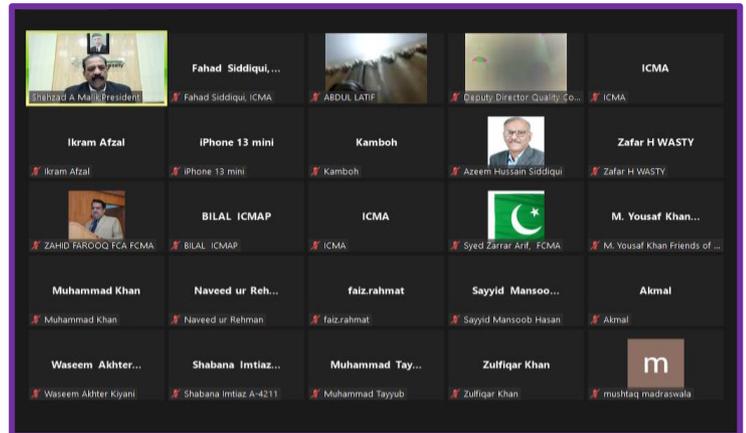
ON ACCOUNTING, TAXATION & LAWS

TSPD Meeting on the upcoming Federal Budget

Technical Support and Practice Development (TSPD) Committee organized a meeting on the upcoming Federal Budget, on February 03, 2023 (Friday) at 6 pm physically at Islamabad and through ZOOM for other cities. Members and students from all over Pakistan joined the session and different proposals were discussed at length.

Participants also discussed proposals for upcoming Mini Budget & Revenue Resource Mobilization Commission. Members also recommended different topics to the Committee for organizing training sessions in the upcoming months.

President Mr. Shehzad Ahmed Malik thanked the participants and suggested the members to share their detailed proposals for finalization in the next meeting on the topic.



Meeting of Practicing Members on Proposed Finance (Supplementary) Bill, 2023

TSPD Committee, organized a meeting of Practicing Members on Proposed Finance (Supplementary) Bill, 2023 on February 21, 2023 through ZOOM. Worthy Practicing Members joined the session and deliberated different changes brought in through the Bill.

The Commentary on the Proposed Finance (Supplementary) Bill, 2023 prepared by the Committee was also shared. The Participants appreciated the timely preparation of the commentary.



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Ms. Asmaa Resmouki, President IFAC visit to ICMA Islamabad

Ms. Asmaa Resmouki, President IFAC visited the ICMA Islamabad Campus on 20th March, 2023 accompanied by Mr. Ashfaq Yousuf Tola, Minister of State. Mr. Shehzad Ahmed Malik, President ICMA welcomed the Chief Guest. Ms. Asmaa Resmouki met the students and faculty members of ICMA & congratulated students for joining a great profession & offered advice about staying abreast with the latest technological changes. Ms. Asmaa appreciated the facilities at the Islamabad Campus. Informal discussions were also held with Islamabad Branch Council Member's Office bearers over current trends & the latest advancements in the accountancy profession. Ms. Asmaa Resmouki thanked President ICMA & management teams for successfully arranging the International Convention of Accountants 2023 in the picturesque resort of Bhurban.



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ON ACCOUNTING, TAXATION & LAWS

78th SAFA Board Meeting

The 78th SAFA Board Meeting was hosted by ICMA on March 18, 2023 at a local hotel in Bhurban, Murree, Islamabad. Mr. Shehzad Ahmed Malik, President ICMA welcomed all the participants. The meeting took place in a hybrid format, with representatives from the SAFA member bodies joining the event physically and virtually.

Ms. Asmaa Resmouki, President, International Federation of Accountants (IFAC), CA. Nihar N. Janibusaria, President SAFA and representatives from ICA India, ICA Sri Lanka, ICA Maldives, ICA Bangladesh attended the SAFA Board Meeting.



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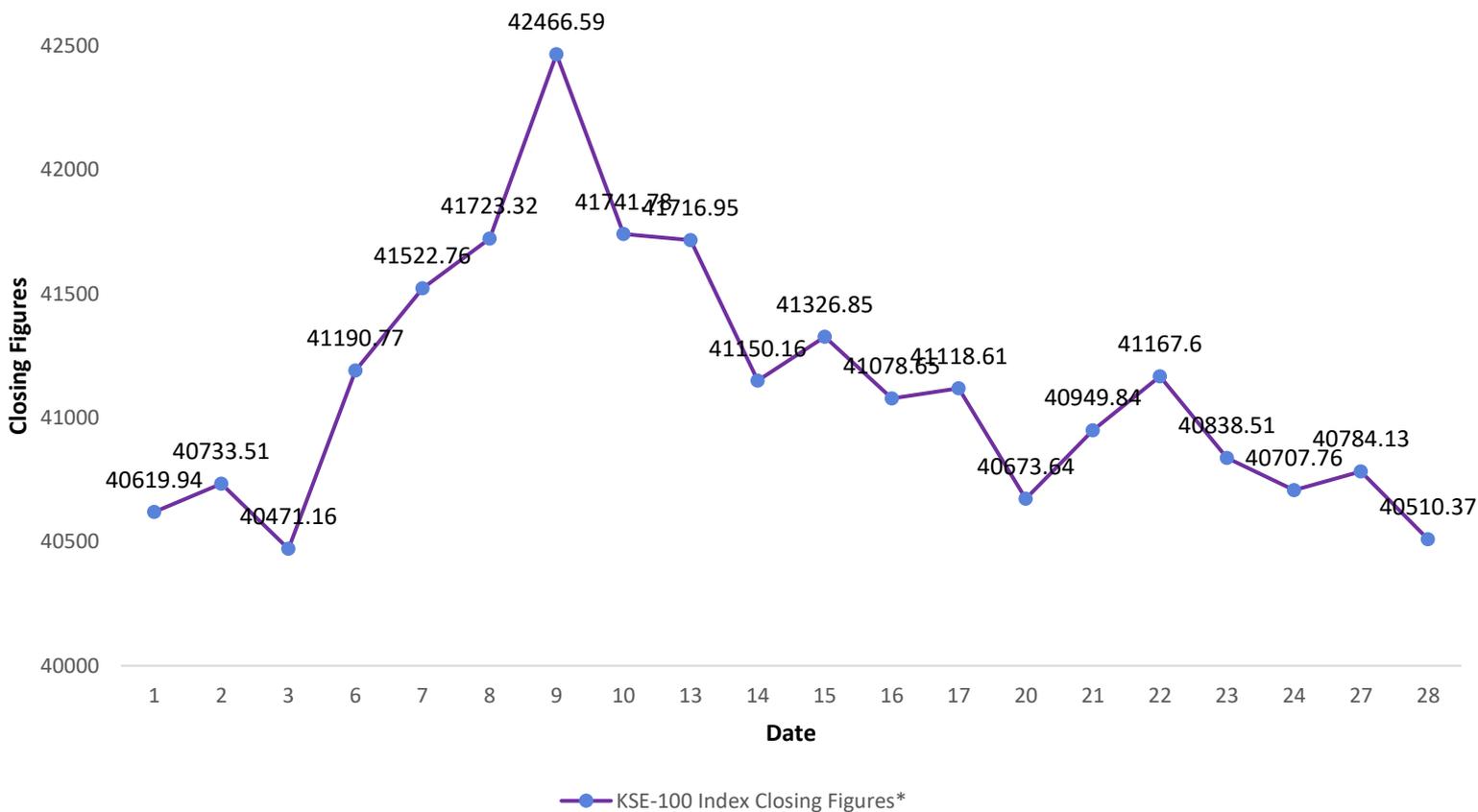
Pakistan Stock Market

Pakistan Stock Market - KSE-100 Index Fluctuations during February 2023

| Date | KSE-100 Index Closing Figures* | Date | KSE-100 Index Closing Figures* | Date | KSE-100 Index Closing Figures* |
|------|--------------------------------|------|--------------------------------|------|--------------------------------|
| 1 | 40619.94 | 10 | 41741.78 | 21 | 40949.84 |
| 2 | 40733.51 | 13 | 41716.95 | 22 | 41167.60 |
| 3 | 40471.16 | 14 | 41150.16 | 23 | 40838.51 |
| 6 | 41190.77 | 15 | 41326.85 | 24 | 40707.76 |
| 7 | 41522.76 | 16 | 41078.65 | 27 | 40784.13 |
| 8 | 41723.32 | 17 | 41118.61 | 28 | 40510.37 |
| 9 | 42466.59 | 20 | 40673.64 | | |

*As published in Daily Dawn

KSE-100 INDEX CLOSING FIGURES



MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

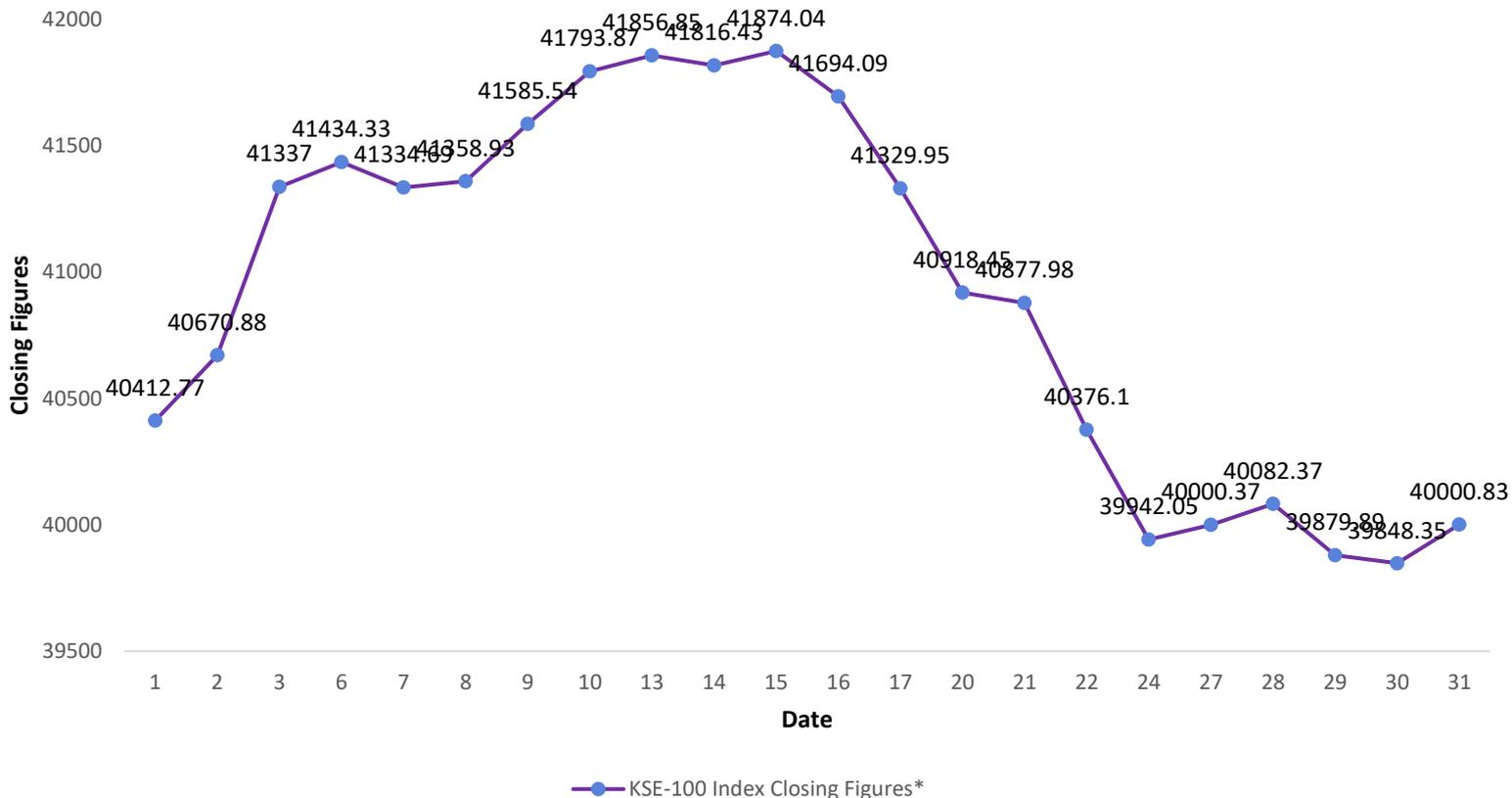
Pakistan Stock Market

Pakistan Stock Market - KSE-100 Index Fluctuations during March 2023

| Date | KSE-100 Index Closing Figures* | Date | KSE-100 Index Closing Figures* | Date | KSE-100 Index Closing Figures* |
|------|--------------------------------|------|--------------------------------|------|--------------------------------|
| 1 | 40412.77 | 10 | 41793.87 | 21 | 40877.98 |
| 2 | 40670.88 | 13 | 41856.85 | 22 | 40376.10 |
| 3 | 41337.00 | 14 | 41816.43 | 24 | 39942.05 |
| 6 | 41434.33 | 15 | 41874.04 | 27 | 40000.37 |
| 7 | 41334.69 | 16 | 41694.09 | 28 | 40082.37 |
| 8 | 41358.93 | 17 | 41329.95 | 29 | 39879.89 |
| 9 | 41585.54 | 20 | 40918.45 | 30 | 39848.35 |
| | | | | 31 | 40000.83 |

*As published in Daily Dawn

KSE-100 INDEX CLOSING FIGURES



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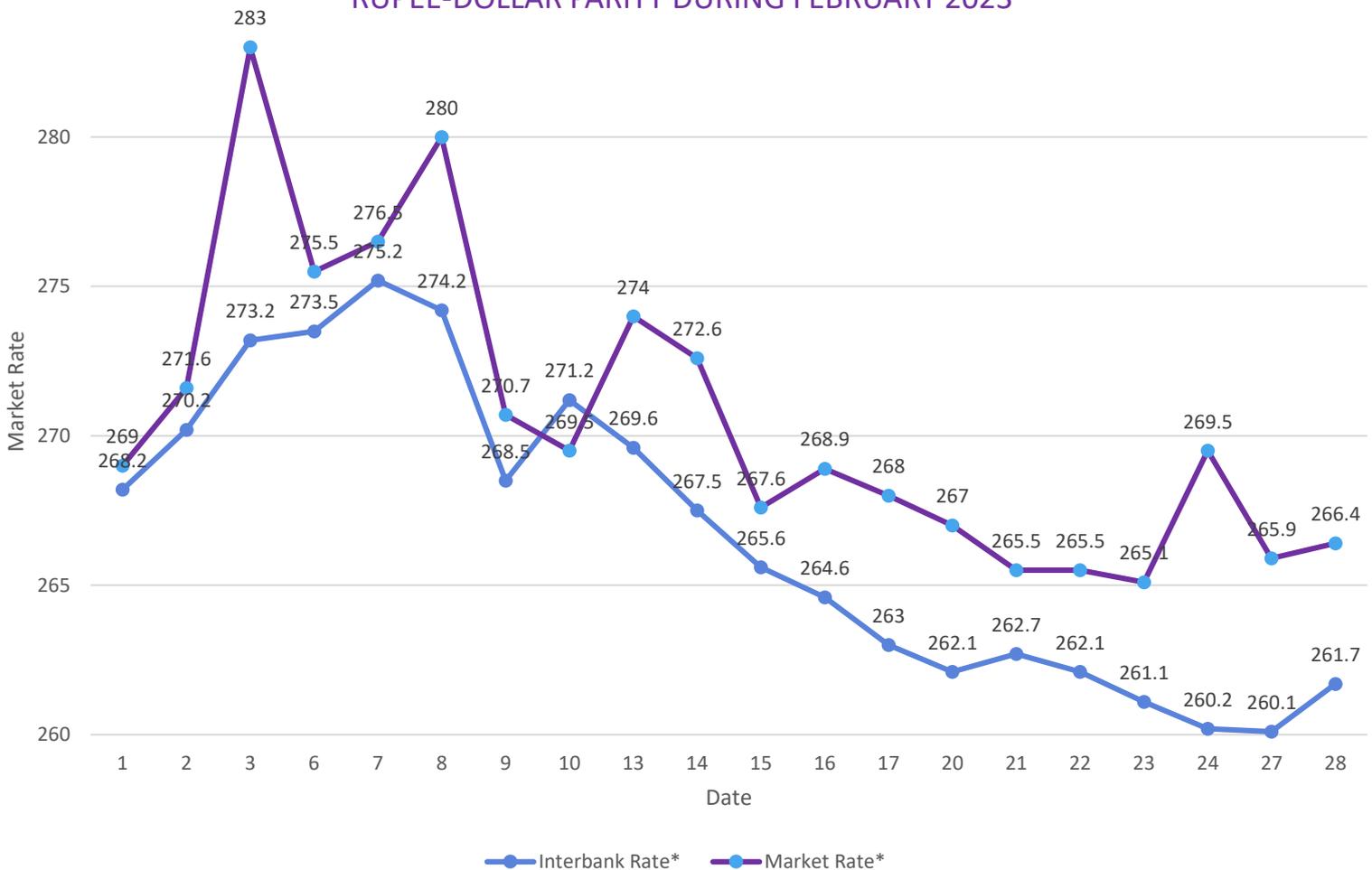
ON ACCOUNTING, TAXATION & LAWS

Rupee-Dollar Parity

| Date | Interbank Rate* | Market Rate* | Date | Interbank Rate* | Market Rate* | Date | Interbank Rate* | Market Rate* |
|------|-----------------|--------------|------|-----------------|--------------|------|-----------------|--------------|
| 1 | 268.2 | 269.0 | 10 | 271.2 | 269.5 | 21 | 262.7 | 265.5 |
| 2 | 270.2 | 271.6 | 13 | 269.6 | 274.0 | 22 | 262.1 | 265.5 |
| 3 | 273.2 | 283.0 | 14 | 267.5 | 272.6 | 23 | 261.1 | 265.1 |
| 6 | 273.5 | 275.5 | 15 | 265.6 | 267.6 | 24 | 260.2 | 269.5 |
| 7 | 275.2 | 276.5 | 16 | 264.6 | 268.9 | 27 | 260.1 | 265.9 |
| 8 | 274.2 | 280.0 | 17 | 263.0 | 268.0 | 28 | 261.7 | 266.4 |
| 9 | 268.5 | 270.7 | 20 | 262.1 | 267.0 | | | |

*forex.pk

RUPEE-DOLLAR PARITY DURING FEBRUARY 2023



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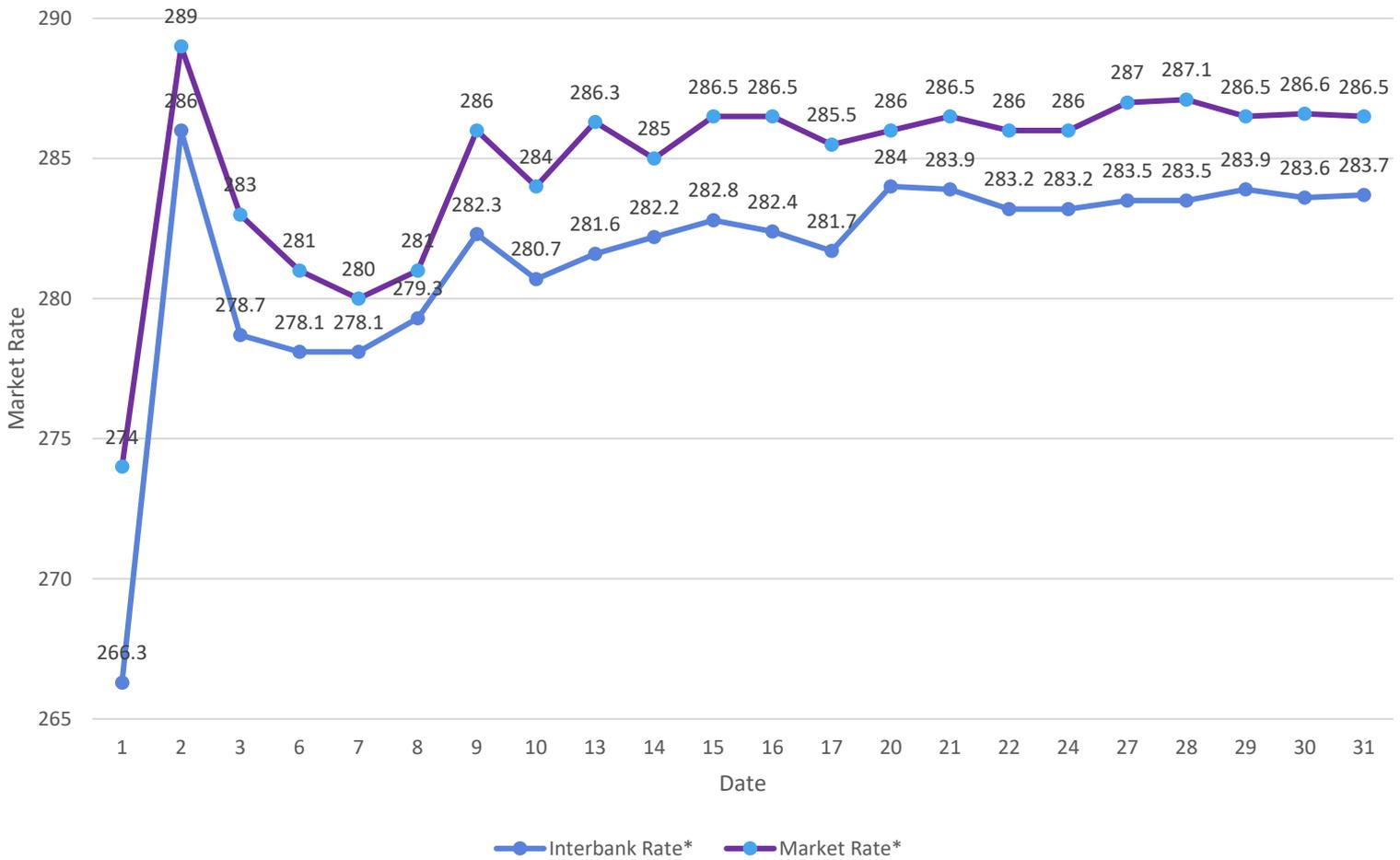
ON ACCOUNTING, TAXATION & LAWS

Rupee-Dollar Parity

| Date | Interbank Rate* | Market Rate* | Date | Interbank Rate* | Market Rate* | Date | Interbank Rate* | Market Rate* |
|------|-----------------|--------------|------|-----------------|--------------|------|-----------------|--------------|
| 1 | 266.3 | 274.0 | 10 | 280.7 | 284.0 | 21 | 283.9 | 286.5 |
| 2 | 286.0 | 289.0 | 13 | 281.6 | 286.3 | 22 | 283.2 | 286.0 |
| 3 | 278.7 | 283.0 | 14 | 282.2 | 285.0 | 24 | 283.2 | 286.0 |
| 6 | 278.1 | 281.0 | 15 | 282.8 | 286.5 | 27 | 283.5 | 287.0 |
| 7 | 278.1 | 280.0 | 16 | 282.4 | 286.5 | 28 | 283.5 | 287.1 |
| 8 | 279.3 | 281.0 | 17 | 281.7 | 285.5 | 29 | 283.9 | 286.5 |
| 9 | 282.3 | 286.0 | 20 | 284.0 | 286.0 | 30 | 283.6 | 286.6 |
| | | | | | | 31 | 283.7 | 286.5 |

*forex.pk

RUPEE-DOLLAR PARITY DURING MARCH 2023



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Corporate Updates

1. SECP EXEMPTS CERTAIN COMPANIES FROM THE REQUIREMENT OF SUBMISSION OF 'IFRS 9'

Securities and Exchange Commission of Pakistan (SECP) vide their S.R.O. 67(I)/2023 exempted certain companies holding financial assets from requirement of submission of the "IFRS 9" (Financial Instruments).

According to the notification, the requirements contained in "IFRS 9 (Financial Instruments) with respect to application of Expected Credit Losses Method" shall not be applicable on such financial assets for the financial years ending on or before December 31, 2024, in respect of companies holding financial assets, due or ultimately due from the Government of Pakistan in respect of circular debt.

Provided that such companies shall follow relevant requirements of IAS 39-Financial Instruments: Recognition and Measurement, in respect of above referred financial assets during the exemption period.

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/notification-exemption-of-ifs-9/?wpdmdl=46782>

2. APPROVAL FOR DIGITAL LENDING APPS

Securities and Exchange Commission of Pakistan (SECP) vide their S.R.O. 390(1)/2023 empowered the commissioner, Specialized Companies Division to grant approval to a digital lender for the launch of an App or any other digital channel for lending.

As per SRO, the digital lender will have to seek approval from the SECP prior to the launch of an App or any other digital channel for lending. The SECP delegated the powers and functions of the Commission to the Commissioner, Specialized Companies Division for granting approval to a digital lender for the launch of an App or any other digital channel for lending.

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/delegation-under-clause-61-of-the-circular-no-15-of-2022/?wpdmdl=47410&refresh=6423cc0cb66371680067596>

3. NOTIFICATION FOR TRANSMISSION OF ANNUAL ACCOUNTS THROUGH QR CODE

SECP vide S.R.O. 389 (I)/2023 allowed listed companies to circulate the annual balance sheet and profit and loss account, auditor's report and directors report, etc. (annual audited financial statements) to its members through QR enabled code and weblink subject to the fulfilment of some requirements.

As per SRO, the requirements mentioned above are as under:

- the approval of the shareholders has been obtained in the general meeting to circulate the annual audited financial statements to its members through QR enabled code and weblink;
- the notice of meeting shall be dispatched to members as per requirements of the Act, on their registered address, containing the QR code and the weblink address to view and download the annual audited financial statements together with the reports and documents required to be annexed thereto under the Act; and
- It shall be the responsibility of the Company to ensure that the QR code and web link is accurate and members are able to download the required information at all times.

Provided that:

- a) The companies shall circulate the annual audited financial statements through email in case email address has been provided by the member to the company and the consent of member to receive the copies through email is not required.
- b) The companies shall be required to send the complete financial statements with relevant documents in hard copy to the shareholders, at their registered addresses, free of cost, within one week, if a request has been made by the member on the standard request form available on the website of the company.

MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

SECP further notified that considering technological advancements and old technology becoming obsolete, the circulation of annual financial statements through CD/DVD/USB may be discontinued.

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/s-r-o-389-i-2023-notification-for-transmission-of-annual-accounts-through-qr-code/?wpdmdl=47400&refresh=6423b896f06ce1680062614>

Taxation Updates

4. PAKISTAN SINGLE WINDOW (EVIDENCE OF IDENTITY) REGULATIONS, 2023

Federal Board of Revenue (FBR) vide their S.R.O. 98(I)/2023 notified the Pakistan Single Window (Evidence of Identity) Regulations, 2023. These regulations shall apply to all users whether individuals, sole proprietorships or bodies corporate registered with the FBR or the Securities and Exchange Commission of Pakistan (SECP), government organizations, diplomatic missions, foreign individuals and businesses or any other commercial and non-commercial entity engaged in cross border trade i.e., import, export and transit as well as the users involved in the provision of trade related services such as customs clearing agents, shipping agents, bonded carriers, logistic operators, warehouse operators, transporters, or any other such business associated with cross border trade, included or intended to be included in the Pakistan Single Window (PSW) system. These regulations shall come into force at once.

According to these Regulations, all persons wishing to conduct a cross border trade transaction whether imports, exports, or transit (hereinafter called the 'applicant') must have:-

- a) a valid National Tax Number (NTN) or Free Tax Number (FTN) issued by FBR;
- b) computerized National Identity Card (CNIC) issued by the National Database and Registration Authority (NADRA) in case the applicant is a Pakistani national, or a company incorporated in Pakistan having one or more Pakistani nationals as partners or directors;
- c) corporate Universal Identification Number (CUIN) issued by SECP in case of a company incorporated in Pakistan, where applicable;
- d) a mobile number as registered against the CNIC of the applicant or one of the directors (in case of a company) in case the applicant is a Pakistani national or, as the case may be, a company incorporated in Pakistan having one or more Pakistani nationals as partners or directors; and
- e) an email address associated with the registered NTN or FTN for receipt of one-time password (OTP).

Moreover, in case, the applicant is a foreign national, or a company incorporated outside Pakistan, or a company incorporated in Pakistan but does not have any Pakistani national as partner, director or principal officer, particulars mentioned at clauses (b), (c) and (d) of sub-regulation (1) above shall not be required.

In case a company does not have any Pakistani national as partner or director but has a Pakistani national as principal officer registered with FBR, the electronic verification shall be conducted against the particulars of the Pakistani principal office including those mentioned at clauses (b), (c) and (d) of sub-regulation (1).

In cases where the applicant is an entity that does not require NTN or FTN under the provisions of relevant laws, electronic verification shall be conducted against the valid CNIC.

The Regulations also describe detailed procedure for the applicants to access the PSW portal and follow the electronic process through the PSW interface. It also states that the Subscribers to the PSW system shall renew and revalidate the system generated CID upon expiry of the validity period as prescribed in the 'PSW Evidence of Identity Rules', by following the process as given in regulation 3 which includes, inter alia, payment of prescribed subscription fee.

For further details and to download the Regulations, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/2023261125924816SRO98-2023.pdf>

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MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

5. ENHANCEMENT IN STANDARD RATE OF SALES TAX FROM 17% TO 18%

Federal Board of Revenue (FBR) vide their S.R.O. 179(I)/2023 dated February 14, 2023 enhanced the rate of sales tax from 17% to 18%.

FBR has enhanced the sales tax rates in respect of taxable goods falling within the purview of sub-section (1) of section 3 from seventeen percent under subsection (1) of section 3 of the Sales Tax Act, 1990 to eighteen percent.

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/20232151124337684SRO179-2023.pdf>

6. ENHANCEMENT IN RATE OF FEDERAL EXCISE DUTY ON LOCALLY MANUFACTURED CIGARETTES

FBR vide their S.R.O. 178(I)/2023 dated February 14, 2023 enhanced the rate of federal excise duty on locally manufactured cigarettes.

FBR directed that the excise duty shall be levied and collected on fixed basis at the rates specified in column (4) of the Table below on the goods specified in column (2) of the said Table falling under Pakistan Customs Tariff heading specified in column (3) thereof:-

| S# | Description of Goods | Heading/ sub-heading Number | Rate of duty |
|-----|--|-----------------------------|--|
| (1) | (2) | (3) | (4) |
| 1. | Locally produced cigarettes if their on-pack printed retail price exceeds nine thousand rupees per thousand cigarettes. | 24.02 | Rupees sixteen thousand five hundred per thousand cigarettes |
| 2. | Locally produced cigarettes if their on-pack printed retail price does not exceed nine thousand rupees per thousand cigarettes | 24.02 | Rupees five thousand and fifty per thousand cigarettes |

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/2023214232203622SRO178.pdf>

7. INSERTION OF NEW CHAPTER XIII A IN INCOME TAX RULES, 2002 UNDER THE TITLE RECORD OF BENEFICIAL OWNERS

Federal Board of Revenue (FBR) vide their S.R.O. 229(I)/2023 dated February 28, 2023 proposed to insert a new Chapter XIII A in Income Tax Rules, 2002 under the title Record of Beneficial Owners.

According to the SRO, every company and AOP on its initial registration with FBR, shall electronically furnish the particulars of its beneficial owners to the Board through Board's online system. Moreover, every company and AOP already registered with FBR, shall also electronically furnish the particulars of its beneficial owners to the Board on or before December 31st, 2023, through Board's online system. The record of the beneficial owners shall be updated whenever there is a change in any of the particulars of the beneficial owner within 30 days from the date when the change occurs. In case of non-profit organization as defined under section 2(36) of the Income Tax Ordinance, 2001, the settlor, trustee, founder, promoter, beneficiary, class of beneficiary, as the case may be, will be the beneficial owners of the nonprofit organization:

Provided that where the beneficiary or class of beneficiary of the nonprofit organization is general public, the beneficiary or class of beneficiary of such non-profit organization shall be exempted from the requirement of providing information of beneficial owners under this rule.

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MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

In case there is no change in the beneficial owners of the Company or AOP throughout a particular tax year, the Company or AOP as the case may, shall furnish a "Certificate of Confirmation for Beneficial Owner" to this effect, through Board's online system along with the Income Tax return to be filed for that tax year.

For further details, the draft may be accessed through the following link:-

[https://download1.fbr.gov.pk/SROs/20232281925228758SRO229\(I\)of2023.pdf](https://download1.fbr.gov.pk/SROs/20232281925228758SRO229(I)of2023.pdf)

8. ADDITION OF A NEW SUB-RULE (5) IN RULE 8 OF THE SEVENTH SCHEDULE TO THE INCOME TAX ORDINANCE, 2001

FBR vide their S.R.O. 226(I)/2023 dated February 27, 2023 inserted following sub-rule in the Seventh Schedule to the Income Tax Ordinance, 2001:-

"(5) The provisions of sub-rule (6A) of rule 6C shall not apply to a banking company for tax year, 2024."

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/20232281225737184SRO226-2023.pdf>

International Updates

9. IESBA STRENGTHENS AND CLARIFIES INDEPENDENCE REQUIREMENTS FOR GROUP AUDITS

The International Ethics Standards Board for Accountants (IESBA) vide their notification dated February 28, 2023 released final revisions to the International Code of Ethics for Professional Accountants to address various independence considerations in an audit of group financial statements.

These revisions also deal with the independence and other implications of the changes made to the definition of an engagement team in International Code of Ethics for Professional Accountants to align with changes to the definition of the same term in the International Auditing and Assurance Standards Board's (IAASB) International Standards on Auditing (ISAs) and International Standards on Quality Management (ISQMs). As per the notification, these revisions:

- Strengthen and clarify the independence principles that apply to:
 - Individuals involved in a group audit, including those within, or engaged by, firms that audit components within a group.
 - Firms engaged in the group audit, including firms within and outside the group auditor firm's network.
- Specify the need for, and content of, appropriate communication on independence matters between the group auditor firm and component auditor firms participating in the group audit.
- More explicitly set out the process to address a breach of an independence provision at a component auditor firm, reinforcing the importance of transparency and appropriate communication with those charged with governance of the group. Revise the definitions of a number of existing terms and establish new defined terms with respect to independence in a group audit context.

The pronouncement will be effective for audits of financial statements and group financial statements for periods beginning on or after December 15, 2023, with early adoption permitted.

For further details, please visit the following link:-

<https://www.ethicsboard.org/news-events/2022-02/iesba-addresses-independence-expectations-group-audits>

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COMMENTARY ON THE FINANCE (SUPPLEMENTARY) ACT, 2023

MAJOR DIFFERENCES BETWEEN THE FINANCE SUPPLEMENTARY BILL AND ACT, 2023

| Finance Supplementary Bill, 2023 | Finance Supplementary Act, 2023 |
|--|--|
| Income Tax Ordinance, 2001 | |
| Section 37 - Capital Gains | |
| <p>A new sub-section (8) was proposed through the Bill:</p> <p>(8) The Commissioner may, on application made by the person disposing of the shares, and after making such inquiry as the Commissioner thinks fit, allow to make the payment, without deduction of tax or deduction of tax at a reduced rate.</p> | <p>The same is not rectified through the Act, as under:</p> <p>(8) The Commissioner may, on application made by the person acquiring of the shares, and after making such inquiry as the Commissioner thinks fit, allow to make the payment, without deduction of tax or deduction of tax at a reduced rate.</p> |
| Section 37A, sub-section (1) - Capital gain on disposal of securities | |
| <p>A new proviso in sub-section (1) of Section 37A was proposed through the Bill, as under:</p> <p>"Provided further that this section shall not apply to the disposal of securities made otherwise than through registered stock exchange and which are not settled through NCCPL and the provisions of section 37 shall apply on such disposal of securities accordingly.";</p> | <p>The same is not amended in the Act to rectify the ambiguity as under:</p> <p>"Provided further that this section shall not apply to the disposal of shares of a listed company made otherwise than through registered stock exchange and which are not settled through NCCPL and the provisions of section 37 shall apply on such disposal of shares of a listed company, accordingly."; and</p> |
| Federal Excise Act, 2005 | |
| In the First Schedule, After Restriction-3-Minimum Price, the following is added through the Act which was not proposed under the Bill: | |
| <p>"(4) Rate of duty - Notwithstanding the limitation on the retail price under column (2) against serial number 9, manufacturers whose brands were liable to duty at the rates specified in column (4) against serial number 9, one day before the date of amendment (through a notification, an Ordinance or an Act of parliament), shall continue to collect and pay the duty against serial number 1 at the amended rates specified in column (4) (through a notification, an Ordinance or an Act of parliament)."; and</p> | |

MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

| First Schedule, Table-II , Excisable Services | | | |
|--|---|---|--|
| Following rates of FED on air tickets were proposed through the Bill: | | The rates are now revised and fixed through the Act, as under: | |
| (ii) Club, business and first class | 20% of the gross amount of ticket or Rs. 50,000 per ticket, whichever is higher, on air tickets issued on or after the date of commencement of the Finance (Supplementary) Bill, 2023. | (ii) Club, business and first-class air tickets issued on or after the date of commencement of the Finance (Supplementary) Act, 2023: | |
| | | (a) IATA Traffic Conference Area 1 (North, Central, South America and Environs) | Two hundred and fifty thousand rupees |
| | | (b) IATA Traffic Conference Area 2 | |
| | | (I) Middle East and Africa | (I) Seventy-five thousand rupees |
| | | (II) Europe | (II) One hundred and fifty thousand rupees |
| | | (c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands) | One hundred and fifty thousand rupees." |

CHANGES IN INCOME TAX ORDINANCE, 2001

Capital Gains - Section 37

Five new sub-sections are inserted in section 37 through the Finance (Supplementary) Act, 2023, explained hereunder:

"(6) The person acquiring a capital asset, being shares of a company, shall deduct advance adjustable tax from the gross amount paid as consideration for the shares at the rate of ten percent of the fair market value of the shares which shall be paid to the Commissioner by way of credit to the Federal Government, within fifteen days of the payment."

Explanation: When purchasing shares of a company as a capital asset, the buyer is required to deduct advance adjustable tax at a rate of 10% of the shares' fair market value. This tax must be paid to the commissioner within 15 days of the purchase and will be credited to the federal government. This application of 10pc withholding tax on off-market sales and purchase of shares is made to document the unseen transactions.

"(7) Notwithstanding the provisions of section 68, the value of shares, for the purpose of sub-section (6), shall be the fair market value, as prescribed for sub-section (4) of section 101A, without reduction of liabilities."

Explanation: The value of shares for the purposes of sub-section (6) shall be the fair market value, without deduction for liabilities, as specified under subsection (4) of section 101A.

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ON ACCOUNTING, TAXATION & LAWS

“(8) The Commissioner may, on application made by the person acquiring of the shares, and after making such inquiry as the Commissioner thinks fit, allow to make the payment, without deduction of tax or deduction of tax at a reduced rate.”

Explanation: After receiving a request from the person buying the shares and doing any necessary inquiries, the Commissioner may authorise the payment to be made without or with a reduced amount of tax deducted.

“(9) The provisions of sections 161 ,162, entry No. 15 of the Table in section 182, clause (c) of sub-section (1) of section '191 and section 205 shall mutatis mutandis apply to the tax deductible and payable under this section.”

Explanation: The tax deductible and payable under this section shall be subject to the provisions of sections 161 and 162, entry No. 15 of the Table in section 182, clause (c) of sub-section (1) of section 191, and section 205, mutatis mutandis.

“(10) The person disposing of the capital asset, being shares of a company, shall furnish to the Commissioner within thirty days of the transaction of disposal, the prescribed information or documents, in a statement as may be prescribed: Provided that the Commissioner may, by notice in writing, require the said person, to furnish information, documents and statement within a period of less than thirty days as specified in the notice.”;

Explanation: Within thirty days of the transaction of disposal, the person selling the capital asset, which are shares of a company, must provide the Commissioner with the required information or documents, in a statement as may be prescribed. However, the Commissioner may, by written notice, require the said person to furnish the required information, documents, and statement within a period of less than thirty days as specified in the notice.

Capital gain on disposal of securities - Section 37A, sub-section (1)

The Act inserts a new proviso in sub-section (1) of Section 37A explaining that, if a listed company's shares are sold without going through a registered stock exchange and without being resolved through NCCPL, this section will not apply to those sales, and section 37's requirements will take effect in such cases.

The newly inserted proviso is mentioned hereunder:

“Provided further that this section shall not apply to the disposal of share of a listed company made otherwise than through registered stock exchange and which are not settled through NCCPL and the provisions of section 37 shall apply on such disposal of shares of a listed company accordingly.”;

Advance tax on functions and gatherings - Section 236CB

A new Section 236CB is inserted under the Finance (Supplementary) Act, 2023 through which the government has proposed a 10pc withholding tax on functions and gatherings held in marriage halls, marquees, hotels, restaurants, commercial lawns, clubs, community places, or other places.

The Newly inserted Section is described as under:

“**236CB. Advance tax on functions and gatherings.** (1) Every prescribed person shall collect advance tax at the rate specified in Division XI of Part IV of the First Schedule on the total amount of the bill from a person arranging or holding a function in a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose, subject to such conditions or limitations as may be prescribed.

(2) Where the food, service or any other facility is provided by any other person, the prescribed person shall also collect advance tax on the payment for such food, service or facility at the rate specified in Division XI of Part IV of the First Schedule from the person arranging or holding the function.

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MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

(3) The advance tax collected under sub-section (1) and sub-section (2) shall be adjustable.

(4) In this section-

(a) "function" includes any wedding related event, a seminar, a workshop, a session, an exhibition, a concert, a show, a party or any other gathering held for such purpose; and

(b) "prescribed person" includes the owner, a leaseholder, an operator or a manager of a marriage hall, marquee, hotel, restaurant, commercial lawn, club, a community place or any other place used for such purpose.";

First Schedule, Part IV, Division XI

The Act introduced a 10pc withholding tax on functions and gatherings held in marriage halls, marquees, hotels, restaurants, commercial lawns, clubs, community places, or other places 10%, through the newly inserted Section 236CB which amends Part IV of the First Schedule by inserting a new Division XI, as under:

| Part IV Division XI Section 236CB Advance tax on functions and gatherings | |
|--|-------------|
| Description | Rate of Tax |
| Rate of tax to be collected under section 236CB | 10% |

CHANGES IN SALES TAX ACT, 1990

Scope of Tax - Section 3, sub-section(1)

Through this Act, the government has enhanced the rate of sales tax from "seventeen" to "eighteen" subject to the provisions of this Sales Tax Act, 1990. The Federal Board of Revenue (FBR) has already issued an S.R.O. 179(I)/2023 dated February 14, 2023 through which the rate of sales tax is enhanced from 17% to 18%, in respect of taxable goods falling within the purview of sub-section (1) of section 3 of the Sales Tax Act, 1990.

Scope of Tax - Section 3, sub-section(2)

A new proviso is introduced through this Act that the Federal Government may, subject to such conditions and restrictions as it may impose, by publication in the official Gazette, declare that the tax on items indicated in the Third Schedule shall be collected and paid at such higher rate or rates on the retail price thereof.

The newly inserted proviso is as under:-

"Provided that the Federal Government may, subject to such conditions and restrictions as it may impose, by notification in the official Gazette, declare that the tax on goods specified in the Third Schedule shall be collected and paid at such higher rate or rates on the retail price thereof, as may be specified in the said notification:";

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MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

Eighth Schedule - Column (4)

The Act amends the entries in column (4), against serial numbers 47 and 56 of the Eighth Schedule, under sub-section (2) of Section 3, by enhancing the rate of sales tax from 17% to 18%, as under:

The Act introduced a 10pc withholding tax on functions and gatherings held in marriage halls, marquees, hotels, restaurants, commercial lawns, clubs, community places, or other places 10%, through the newly inserted Section 236CB which amends Part IV of the First Schedule by inserting a new Division XI, as under:

| S. No. | Description | Headings Nos. | Rate of Sales Tax | |
|--------|----------------------------|---------------------|--|--|
| | | | Existing | Revised |
| 47 | Locally produced coal | 27.01 | Rs. 700 per metric tonne or 17% ad valorem, whichever is higher | Rs. 700 per metric tonne or 18% ad valorem, whichever is higher |
| 56 | Potassium Chlorate (KCLO3) | Respective headings | 17% along with rupees 60 per kilogram | 18% along with Rupees 60 per kilogram |

Ninth Schedule - Table-II, Column (3)

The Act enhances the sales tax rates on the following entries in column (3) of Table II in Ninth Schedule under sub-section (3B) of Section 3:

| S. No. | Description/ Specification of Goods | Sales tax on CBUs at the time of import or registration (IMEI number by CMOs) | | Sales tax on import in CKD/SKD condition | Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under Column (4) |
|--------|--|---|-----------------------|--|--|
| | | Existing | Revised | | |
| (1) | (2) | (3) | | (4) | (5) |
| 1. | Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:- | | | | |
| | E. Exceeding US\$ 200 but not exceeding US\$ 350 | 17% ad valorem | 18% ad valorem | Rs. 1,740 | Rs. 10 |
| | F. Exceeding US\$ 350 but not exceeding US\$ 500 | 17% ad valorem | 18% ad valorem | Rs. 5,400 | Rs. 10 |
| | G. Exceeding US\$ 500 | 17% ad valorem | 25% ad valorem | Rs. 9,270 | Rs. 10 |

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MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

CHANGES IN FEDERAL EXCISE ACT, 2005

First Schedule Table-I , Excisable Goods

Through the Finance Supplementary Act, 2023, the government has enhanced the excise duty on following items in Table-1 of the First Schedule, falling under the purview of the Section 3 of Federal Excise Act, 2005:

Serial Number 4, 5,6 - Increase in the FED on Aerated waters

| S. No. | Description of Goods | Heading/ sub- heading Number | Rate of Duty | |
|--------|--|---------------------------------------|--|--|
| | | | Existing | Revised |
| 4 | Aerated waters | 2201.1020 | Thirteen per cent of retail price | Twenty per cent of retail price |
| 5 | Aerated waters, containing added sugar or other sweetening matter or flavored | 2202.1010 | Thirteen per cent of retail price | Twenty per cent of retail price |
| 6 | Aerated waters if manufactured wholly from juices or pulp of vegetables, food grains or fruits and which do not contain any other ingredient, indigenous or imported, other than sugar, coloring materials, preservatives or additives in quantities prescribed under the West Pakistan Pure Food Rules, 1965. | Respective headings | Thirteen per cent of retail price | Twenty per cent of retail price |

Serial Number 9,10 - Increase in the FED on cigarette

| S. No. | Description of Goods | Heading/ sub-heading Number | Rate of Duty |
|--------|---|-----------------------------------|--|
| 9 | Locally produced cigarettes if their on-pack printed retail price exceeds six thousand six hundred and sixty rupees nine thousand per thousand cigarettes. | 24.02 | Rupees six thousand five hundred " sixteen thousand five hundred " per thousand cigarettes |
| 10 | Locally produced cigarettes if their on-pack printed retail price does not exceed six thousand six hundred and sixty nine thousand per thousand cigarettes. | 24.02 | Rupees two thousand and fifty " five thousand and fifty " per thousand cigarettes |

MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

Serial Number 13 – Increase in the FED on cement

| S. No. | Description of Goods | Heading/ sub- heading Number | Rate of Duty | |
|--------|--|---------------------------------------|---|------------------------|
| | | | Existing | Revised |
| 13 | Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers | 25.23 | one rupee and fifty paise per kilogram | two rupee per kilogram |

New Insertion in Table at Serial Number 59 – application of FED on sugary juices

| S. No. | Description of Goods | Heading/ sub- heading Number | Rate of Duty |
|--------|--|---------------------------------------|------------------------------------|
| 59 | Sugary Fruit juices, syrups and squashes, waters whether or not containing added sugar or artificial sweeteners excluding mineral and aerated waters | Respective headings | Ten percent of retail price."; and |

After Table - 1, the Restriction-3-Minimum Price, is revised as under:

| Existing Restriction | Revised Restriction |
|---|--|
| (3) Restriction-3 – Minimum price. – No brand shall be priced and sold at a retail price (excluding sales tax) lower than forty five percent of the retail price under column (2) against serial number 9 of Table-I of the First Schedule to this Act. | (3) Restriction-3 – Minimum price. – No brand shall be priced and sold at a retail price (excluding sales tax) lower than sixty of the retail price under column (2) against serial number 9 of Table-I of the First Schedule to this Act. |

After Restriction-3-Minimum Price, following is added through the Finance (Supplementary) Act, 2023:

"(4) Rate of duty - Notwithstanding the limitation on the retail price under column (2) against serial number 9, manufacturers whose brands were liable to duty at the rates specified in column (4) against serial number 9, one day before the date of amendment (through a notification, an Ordinance or an Act of parliament), shall continue to collect and pay the duty against serial number 9 at the amended rates specified in column (4) (through a notification, an Ordinance or an Act of parliament)."; and

Explanation: Manufacturers whose brands were subject to duty at the rates specified in column (4) against serial number 9, one day prior to the date of amendment (through a notification, an Ordinance, or an Act of parliament) shall continue to collect and pay the duty against serial number 9 at the amended rates specified in column (4) (through a notification, an Ordinance, or an Act of parliament), despite the restriction on the retail price under column (2) against serial number 9.

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MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

First Schedule - Table-II , Excisable Services

The Finance (Supplementary) Act, 2023 fixes the excise duty on first class and business class air travel as under:-

| S. No. | Description of Goods | Heading/ sub-heading Number | Rate of Duty |
|--------|--|-----------------------------------|--|
| 59 | Facilities for travel (b) Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan,- (i) Economy and economy plus | 98.03 9803.1000 | Five thousand rupees |
| | (ii) Club, business and first-class air tickets issued on or after the date of commencement of the Finance (Supplementary) Act, 2023: (a) IATA Traffic Conference Area 1 (North, Central, South America and Environs) (b) IATA Traffic Conference Area 2 (I) Middle East and Africa (II) Europe (c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands) | | Fifty thousand rupees Two hundred and fifty thousand rupees (I) Seventy-five thousand rupees (II) One hundred and fifty thousand rupees One hundred and fifty thousand rupees." |

The Commentary on the Finance (Supplementary) Act, 2023 has been prepared as a general guide line for the benefits of Corporate Sector Organizations, Industries, Consulting Services and Management Accountants and other interested persons.

We hope that the same shall be beneficial to all.

Although every care has been taken in the publication of this commentary, however, the Institute shall not be responsible for any loss or damage cause to any person on account of errors or omission which might have crept in. For any clarification, the original document may be consulted.

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