

***Exemptions under 2nd Schedule
Part-II, III&IV of Income Tax
Ordinance, 2001 categorized
and arranged on each
Withholding Section Basis.***

SECOND SCHEDUL PART –II

REDUCED/LOWER RATES

REDUCED RATES UNDER SECTION 148:

- [(9B)]** Tax under section 148 shall be collected at the rate of 1% on import value of remeltable steel (PCT Heading 72.04) [and directly reduced Iron] imported by an industrial undertaking for its own use.]
- [(9C)]** Tax under section 148 shall be collected at the rate of 1% in case of manufacturers and 3% in case of commercial importers covered under Notification No. S.R.O. 1125(I)/2011 dated the 31st December, 2011.]
- [(13E)]** In respect of potassic fertilizers imported in pursuance of Economic Coordination Committee of the cabinet's decision No. ECC-155/12/2004 dated the 9th December, 2004, the tax under section 148 of the Income Tax Ordinance, 2001 shall be collected at the rate of one percent of its import value as increased by customs-duty and sales tax, if any, levied thereon.]
- [(23)]** In respect of Urea fertilizer imported, the tax under section 148 shall be collected at the rate of 1% of its import value as increased by [customs-duty, sales tax and federal excise duty], if any levied thereon.]
- [(24)]** In respect of pulses imported, the tax under section 148 shall be collected at the rate of two percent of the value of such pulses as increased by [customs-duty, sales tax and federal excise duty], if any, levied thereon.]
- [(28A)]** The rate of tax under section 148 on import of hybrid cars shall be reduced as below:—

Engine Capacity	Rate of reduction
Upto 1200 cc	100%
1201 to 1800 cc	50%
1801 to 2500 cc	25%

REDUCED RATES UNDER SECTION 149:

- [(27)]** The tax on payments under the Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22 (as reduced by deduction of driver's salary) shall be charged at the rate of 5% as a separate block of income.]

REDUCED RATES UNDER SECTION 150:

- (17)** The rates of tax as specified in Division III of Part-I of First Schedule shall be reduced to 7.5% in case of dividends declared or distributed by purchaser of a power project privatized by WAPDA.

REDUCED RATES UNDER SECTION 152:

- [(5A)]** The rate of tax to be deducted under sub-section (2) of section 152, in respect of payments [from] profit on debt payable to a non-resident person having no permanent establishment in Pakistan, shall be 10% of the gross amount paid [:]]

[Provided that tax deducted on profit on debt from debt instruments, Government securities including treasury bills and Pakistan Investment Bonds shall be final tax on profit on debt payable to a non-resident person having no permanent establishment in Pakistan and the investments are exclusively made through a Special Rupee Convertible Account maintained with a Bank in Pakistan.]

REDUCED RATES UNDER SECTION 153:

- (3)** The tax in respect of income from [] services rendered [] outside Pakistan shall be charged at the rate of one percent of the gross receipts, provided that such receipts are brought into Pakistan in foreign exchange through normal banking channel.

- [(3A)]** The tax in respect of income from construction contracts out side Pakistan shall be charged at the rate of one percent of the gross receipts provided that such income is brought into Pakistan in foreign exchange through normal banking channel.]

- [(13C)]** In respect of manufacturers of cooking oil or vegetable ghee or both, the rate of income tax on purchase of locally produced edible oil shall be [2]% of the purchase price.]

- [(13HH)]** Tax shall be deducted under section 153 at the rate of 1% on the sale value of rice to be sold by Rice Exporters Association of Pakistan (REAP) to Utility Store Corporation, in accordance with the provisions of the agreement, signed with Ministry of Food, Agriculture and Livestock (MINFAL) on May 5, 2008.]

[(14) In case of owners of ail tankers, the rate of tax as specified in clause (i) of Division III of Part IV of First Schedule shall be reduced to Rs.2 per kilogram of the laden weight.]

[(24B)

(a) In case of Steel Melters, who have opted under the Sales Tax Special Procedure Rules 2007.—

(i) *for the Tax Year 2011, the rate of minimum tax under sub-section (1) of section 113 shall be 0.5% of turnover of Rs. 280 per metric ton, whichever is higher, provided that the consequent tax liability is deposited by 31st May, 2012.*

(ii) *for the Tax Years 2008 to 2010, the rate of Withholding Tax under section 153(1)(a) on purchase of steel scrap shall be 1% of value of purchases or Rs. 300 per metric ton whichever is higher, provided that the consequent tax liability is deposited by 30th June, 2012; and*

(iii) *for the Tax Years 2011 and 2012 the rate of Withholding Tax under section 153(1)(a) on purchase of steel scrap shall be 1% of value of purchases of Rs. 400 per metric ton whichever is higher provided that the consequent tax liability for the Tax Year 2011 is deposited by 30th June, 2012.*

(b) In case of Steel Re-rolling Mills, who have opted under the Sales Tax Special Procedure Rules, 2007.—

(i) for the Tax Year 2011, the rate of minimum tax under sub-section (1) of section 113 shall be 0.5% of turnover of Rs.315 per metric ton, whichever is higher, provided that the consequent tax liability is deposited by 31st May, 2012.

(ii) for the Tax Years 2008 to 2010, the rate of Withholding Tax under section 153(1)(a) on purchase of ingots and billets shall be 1% of value of purchases of Rs.400 per metric ton, whichever is higher provided that the consequent tax liability is deposited by 30th June, 2012; and

(iii) for the Tax Years 2011 and 2012, the rate of Withholding Tax under section 153(1)(a) on purchase of ingots and billets shall be 1% of the value of purchases of Rs.450 per metric ton, whichever is higher, provided that the consequent tax liability for the tax year 2011 is deposited by 30th June, 2012.]

REDUCED RATES UNDER SECTION 233:

[(26) The rate of tax as specified in Division II of Part IV, of the First Schedule, in the case of advertising agents, shall be 5% of the amount of the payment.]

SECOND SCHEDULE PART – III

REDUCTION IN TAX LIABILITY

Income, or classes of income, or person or classes of person, enumerated below, shall be allowed reduction in tax liability to the extent and subject to such conditions as are specified hereunder:-

REDUCION IN TAX LIABIALITY UNDR SECTION 148:

- [(4)]** In respect of old and used automotive vehicles, tax under section 148 shall not exceed the amount specified in Notification No. S.R.O. 577(I)/2005, dated the 6th June, 2005.]

REDUCION IN TAX LIABIALITY UNDR SECTION 149:

[(1) Any amount received as-

- (a) flying allowance by pilots, flight engineers, navigators of Pakistan Armed Forces, Pakistani Airlines or Civil Aviation Authority, Junior Commissioned Officers or other ranks of Pakistan Armed Forces; and
- (b) submarine allowance by the officers of the Pakistan Navy,

shall be taxed @ 2.5% as a separate block of income [:]]

[Provided that the reduction under this clause shall be available to so much of the flying allowance or the submarine allowance as does not exceed an amount equal to the basic salary.]

- [(2)]** The tax payable by a full time teacher or a researcher, employed in a non profit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government training and research institution, shall be reduced by an amount equal to [40]% of tax payable on his income from salary.

SECOND SCHEDULE PART IV
EXEMPTION FROM SPECIFIC PROVISIONS

EXEMPTIONS FROM SECTION 148:

[(41A)] The provisions of sub-section (7) of section 148 and clause (a) of sub-section (1) of section 169 shall not apply in respect of a person if he opts out of presumptive tax regime subject to the condition that minimum tax liability under normal tax regime shall not be less than 60% of tax already collected under sub-section (7) of section 148.]

[(56)] The provisions of section 148, regarding withholding tax on imports shall

not apply in respect of—

- (i) *goods classified under Pakistan Customs Tariff falling under Chapters 27, 86 and 99;*
- (ii) *goods imported by direct and indirect exporters covered under sub-chapter 7 of Chapter XII of SRO 450(I)/2001 dated June 18, 2001;*
- (iii) *goods temporarily imported into Pakistan for subsequent exportation and which are exempt from customs duty and sales tax under Notification [No.492(I)/2009, dated the 13th June, 2009]; []*
- (iv) *Manufacturing Bond as prescribed under Chapter XV of Customs Rules, 2001 notified vide S.R.O. 450(I)/2001, dated June 18, 2001 [; and]]*
- [(v)]** *mineral oil imported by a manufacturer or formulator of pesticides which is exempt from customs-duties under the customs Notification No. S.R.O. 857(I)/2008, dated the 16th August, 2008.]*

[(56A)] The provisions of sub-section (7) of section 148 and clause (a) of sub-section (1) of section 169 shall not apply to a person who is liable to withholding tax under section 236E.]

[(70)] The provisions of section 148, regarding withholding tax on imports, shall not apply in respect of goods or classes of goods for the execution of contract, imported by contractors and sub-contractors engaged in the execution of power project under the agreement between the Islamic Republic of Pakistan and HUB Power Company Limited.]

[(72B)] The provisions of section 148 shall not apply to an industrial undertaking if the tax liability for the current tax year, on the basis of determined tax liability for any of the preceding two tax years, whichever is the higher, has been paid and a certificate to this effect is issued by the concerned Commissioner.]

EXEMPTIONS FROM SECTION 150:

[(11B)] The provisions of section 150 shall not apply in respect of inter-corporate dividend within the group companies entitled to group taxation under section 59AA or section 59B.]

[(38B)] The provisions of section 150 shall not apply to the Islamic Development Bank.

EXEMPTIONS FROM SECTION 151:

[(11C)] The provisions of section 151 shall not apply in respect of inter-corporate profit on debt within the group companies entitled to group taxation under section 59AA or section 59B.]

(19) The provisions of [sections 113 and] 151 shall not apply to non residents, (excluding local branches or subsidiaries or offices of foreign banks, companies, associations of persons or any other person operating in Pakistan), in respect of their receipts from Pak rupees denominated Government and corporate securities and redeemable capital, as defined in the Companies Ordinance, 1984 (XLVII of 1984), listed on a registered stock exchange, where the investments are made exclusively from foreign exchange remitted into Pakistan through a Special Convertible Rupee Account maintained with a bank in Pakistan.

[(36A)] The provisions of clause (a) of sub-section (1) of section 151 shall not apply in respect of any amount paid as yield or profit on investment in Bahbood Savings Certificate or Pensioner's Benefit Account.]

[(59)] The provisions of section 151, regarding withholding tax on profit on debt, shall not apply—

(i) *in respect of profit or interest paid on a Term Finance Certificate held by a company which has been issued on, or after, the first day of July, 1999;*

- (ii) *to any payment made by way profit or interest to any person on Term Finance Certificates being the instruments of redeemable capital under the Companies Ordinance, 1984 (XLVII of 1984), issued by Prime Minister's Housing Development Company (Pvt) Limited (PHDCL);*
- (iii) *to Pak rupee accounts or certificates referred to in clause (83) of Part-I of this Schedule; and*
- (iv) *in the case of any resident individual, no tax shall be deducted from income or profits paid on,-*
- (b) Investment in monthly income Savings Accounts Scheme of Directorate of National Savings, where monthly instalment in an account does not exceed one thousand rupees.]

EXEMPTIONS FROM SECTION 152:

- (41)** The provisions of [sub-section [(1B) of section 152]] shall not apply in respect of a non-resident person unless he opts for the presumptive tax regime:

Provided that a declaration of option is furnished in writing within three months of the commencement of the [tax] year and such declaration shall be irrevocable and shall remain in force for three years.

- [(41B)** The provisions of sub-section (2) of section 152 shall not apply in respect of payments to foreign news agencies, syndicate services and non-resident contributors, who have no permanent establishment in Pakistan.]

- [(72A)** The provisions of clause (l) and section 21, sections 113 and 152 shall not apply in case of a Hajj Group Operator in respect of Hajj operations provided that the tax has been paid at the rate of Rs.3,500 per Hajji for the tax year 2013 and Rs.5,000 per Hajji for the tax year 2014 in respect of income from Hajj operations.]

EXEMPTIONS FROM SECTION 153:

[(12)

- (a) *The provisions of clause (l) of section 21 and clause (a) fo sub-section (1) of section 153 shall not apply where agricultural produce is purchased directly from the grower of such produce subject to provision of a certificate by the grower to the withholding agent in the following format, namely:—*

CERTIFICATE TO BE FILED BY THE GROWER OF

AGRICULTURAL PRODUCE

It is certified that I Holder of CNIC Number have sold following agricultural produce, namely:

- i) name of agricultural produce (wheat, rice, cotton, sugarcane, etc.)
- ii) quantity
- iii) total price
- iv) land identification (if any)

to Mr / M/s on (date) and being the grower / producer of the said agricultural produce and owner of agricultural land area measuring (optional) located in I am not liable to any Withholding Income Tax.

Signature / Thumb impression

Name

CNIC

Address

Date.....

(b) the provisions of clause (a) of sub-section (1) of section 153 shall not apply only in case of cash payments made for meeting the incidental expenses of a business trip to the crew of oil tanker. This exemption shall not apply in case of any other payments made by owners of oil tankers; and

(c) Withholding Tax under clause (a) of sub-section (1) of section 153 shall be deductible at one percent on local purchase of steel scrap by those steel melters who have opted under Sales Tax Special Procedures and are compliantly filing returns under the said scheme.]

[(16A)] The provisions of section 153(1)(b) shall not be applicable to the [persons making payments to electronic and print media] in respect of the advertising services.]

[(41AAA)] The provisions of clause (a) of sub-section (1) of section 153 and clause (b) of sub-section (1) of section 169 shall not apply in respect of a person if he opts out of presumptive tax regime subject to the condition that minimum tax liability under normal tax regime shall not be less than 70% of tax already deducted under clause (a) of sub-section (1) of section 153.]

(42) The provisions of [sub-section [(3)] of section 153] shall not apply in respect of payments received by a resident person for providing services by way of operation of container or chemical or oil terminal at a sea-port in Pakistan or of an infrastructure project covered by the Government's Investment Policy, 1997.

[(43A)] The provisions of sub-section (1) of section 153 shall not apply to payments received by a person [] on account of supply of petroleum product imported by the same person under the Government of Pakistan's deregulation policy of POL products;]

[(43B)] The provisions of clause (a) sub-section (1) of section 153 shall not apply to payments received on sale of air tickets by travelling agents, who have paid withholding tax on their commission income.]

[(43C)] The provision of clause (a) of sub-section (1) of section 153 shall not be applicable to any payment received by a petroleum agent or distributor who is registered under Sales Tax Act, 1990 on account of supply of petroleum products.]

[(43D)] The provisions of clause (a) of sub-section (1) of section 153 shall not apply in case of an oil tanker contractor with effect from 1st July 2008, provided that such contractor pays tax @ 2.5%, on the payments for rendering or providing of carriage services w.e.f. tax year 2012.]

(45) The provisions of [sub-section [(1)] of section 153] shall not apply to any manufacturer-cum-exporter as [the prescribed person]:

Provided that—

- (a) the manufacturer-cum-exporter shall deduct tax from payments made in respect of goods sold in Pakistan;
- (b) if tax has not been deducted from payments on account of supply of goods in respect of goods sold in Pakistan, the tax shall be paid by the manufacture-cum-exporter, if the sales in Pakistan are in excess of five percent of export sales; and

- (c) nothing contained in this clause shall apply to payments made on account of purchase of the goods in respect of which special rates of tax deduction have been specified [under the provisions of the repealed Ordinance].

[(45A)

- (a) The rate of deduction of withholding tax under clauses (a) and (b) of sub-section (1) of section 153 shall be one percent on local sales, supplies and services provided or rendered to the following categories of sales tax zero-rated taxpayers, namely:-

- (i) *Textile and articles thereof;*
- (ii) *Carpets;*
- (iii) *Leather and articles thereof including artificial leather footwear;*
- (iv) *Surgical goods; and*
- (v) *Sports goods;*

Provided that withholding tax under clauses (a) and (b) of sub-section (1) of section 153 shall not be deducted from sales, supplies and services made by traders of yarn to the above mentioned categories of taxpayers. Such traders of yarn shall pay minimum tax @ 0.1% on their annual turnover on monthly basis on 30th day of each month and monthly withholding tax statement shall be e-filed under the provisions of section 165 of this Ordinance.

- (b) provisions of clause (a) of sub-section (1) of section 111 of this Ordinance shall not apply to the amounts credited in the books of accounts maintained for the period ending on the 30th June 2011, by the sellers, suppliers, service providers to the categories of sales tax zero-rated taxpayers, as mentioned in sub-clause (a); and
- (c) provisions of sub-clauses (a) and (b) shall be applicable only to the cases of sellers, suppliers, service providers of the above mentioned categories of sales tax zero-rated taxpayers, who are already registered and to those taxpayers who get themselves registered by the 30th June, 2011.

- [(46)** The provisions of sub-section (1) of section 153 shall not apply to any payment received by an oil distribution company or an oil refinery [or Permanent Establishment of Non-resident Petroleum Exploration and Production (E&P) Companies] for supply of its petroleum products.]

[(46A)] the provisions of sub-section [(3)] of section 153 shall not apply to any payment received by a manufacturer of iron and steel products relating to sale of goods manufactured by him.]

[(47A)] The provisions of section 153 shall not apply in respect of payments received by a resident person for supply of such goods as were imported by the same person and on which tax has been paid under section 148.]

[(47D)] The provisions of clause (a) of sub-section (3) of section 153 shall not apply to cotton ginners.]

[(57)] The provisions of [sections] [113 and] [] [] 153 shall not apply to companies operating Trading Houses which—

- (i) *have paid up capital of exceeding Rs.250 million;*
- (ii) *own fixed assets exceeding Rs.300 million at the close of the Tax Year;*
- (iii) *maintain computerized records of imports and sales of goods;*
- (iv) *maintain a system for issuance of 100% cash receipts on sales;*
- (v) *present accounts for tax audit every year; and*
- (vi) *is registered with Sales Tax Department:*

Provided that the exemption under this clause shall not be available if any of the aforementioned conditions are not fulfilled for a tax year [[:]]

[Provided further that the exemption from application of section 113 shall be available for the first ten years, starting from the tax year in which the business operations commenced.]

[(57A)] The provisions of sections 153 and 169 shall not apply to large import houses:

Provided that the exemption under this clause shall not be available if any of the conditions provided in section 148 are not fulfilled for a tax year.]

[(71)] The provisions of this Ordinance shall not be applicable to the M/s TAISEI Corporation under the agreement between National Highway Authority, GOP, which falls under the zero rated regime of sales tax and registered with sales tax in respect of supply of products, services and equipment.]

[(79)] The provisions of clause (b) of proviso to sub-section (3) of section 153 shall not be applicable to the tax withheld on payments received by a company for providing or rendering of services.]

EXEMPTIONS FROM SECTION 154:

- [(41AA) The provisions of sub-section (4) of section 154 and clause (b) of sub-section (1) of section 169 shall not apply in respect of a person if he opts out of presumptive tax regime subject to the condition that minimum tax liability under normal tax regime shall not be less than 50% of tax already deducted under sub-section (4) of section 154.]
- [(47C) The provisions of sub-section (1) of section 154 shall not apply to an exporter in respect of cooking oil or vegetable ghee exported to Afghanistan, from whom advance tax has been collected under section 148 on import of edible oil.]

EXEMPTIONS FROM SECTION 231A:

- [(61) The provisions of section 231A shall not apply in respect of any cash withdrawal, from a bank, made by an earthquake victim against compensation received from GOP including payments through Earthquake Reconstruction and Rehabilitation Authority (ERRA) account.]
- [(61A) The provisions of section 231A shall not apply in respect of any cash withdrawal by exchange companies duly licensed and authorized by the State Bank of Pakistan on their bank account exclusively dedicated for their authorized business related transaction:

Provided that.—

- (a) exemption under this clause shall be available to exchange companies who are issued exemption certificate by the concerned Commissioner Inland Revenue for a financial year; and
- (b) the Commissioner shall issue the exemption certificate after obtaining relevant details and particulars of the Bank Accounts.]

EXEMPTIONS FROM SECTION 235:

- [(66) The provisions of section 235, shall not be applicable to the exporters-cum-manufacturers of —
- (a) carpets;
- (b) leather and articles thereof including artificial leather footwear;
- (c) surgical goods;
- (d) sports goods; and
- (e) textile and articles thereof.]

EXEMPTIONS FROM MULTIPLE SECTIONS:

- [(10A)** (i) The provisions of serial No.5 of the Table given in sub-section (1) of section 182 and clause (a) of sub-section (1) of section 205 shall not apply to business located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA, provided that the principal amount of tax due is paid by the 30th day of June, 2010;
- (ii) the provisions of section 235, regarding advance tax on electricity, shall not apply to commercial and industrial consumers of electricity located in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA till the 30th day of June, 2011;
- (iii) the provisions of section 154, regarding withholding tax on exports, shall not be applicable to the export of goods originating from the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA, till the 30th day of June, 2011:
- Provided that this clause shall only be restricted to the exporters based in the above areas;
- (iv) the provisions of section 148 shall not be applicable on the import of plant and machinery for establishment of businesses in the most affected and moderately affected areas of Khyber Pakhtunkhwa, FATA and PATA till the 30th day of June, 2011:
- Provided that this concession shall not be available to the manufacturers and suppliers of cement, sugar, beverages and cigarettes;

Explanation.— For the purpose of this Schedule,—

- (a) most affected areas means district Peshawar, Malakand Agency, and districts of Swat, Buner, Shangla, Upper Dir, Lower Dir, Hangu, Bannu, Tank, Kohat and Chitral; and
- (b) moderately affected areas means districts of Charsadda, Nowshera, D.I. Khan, Batagram, Lakki Marwat, Swabi and Mardan.]
- (16)** The provisions of sections [113,] 148, 151, 153, 155 [and 156] shall not apply to 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:

Provided that such institutions shall continue to collect and deduct tax under section [149, 151,

152, 153, 155, 156 or 233] from others persons, wherever required thereunder [.]

- (38)** The provisions of section 151, [153 and 233] shall not apply to special purpose vehicle for the purpose of securitization.
- [(38A)]** The provisions of sections 150, 151 and 233 shall not apply to a Venture Capital Company;]
- [(38C)]** The provisions of section 151, 152, 153 and 233 shall not apply to the Islamic Development Bank.]
- [(47B)]** The provisions of sections 150, 151 [,] 233 [and Part I, Division VII of the first Schedule] shall not apply to any person making payment to National Investment Unit Trust or a collective investment scheme or a modaraba or Approved Pension Fund or an Approved Income Payment Plan or a REIT Scheme or a Private Equity and Venture Capital Fund or a recognized provident fund or an approved superannuation fund or an approved gratuity fund.]
- [(60)]** The provisions of sections 148 and 153 shall not apply to fully as well partly designed/assembled cypher devices, for use within the country as are verified by [Cabinet Division (NTISB)] with reference to design, quality and quantity.]
- [(67)]** The provisions of sections 150, 151, 152, 153 and 233 shall not apply in respect of payments made to the International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVII of 1956).]
- [(68)]** The provisions of sections 151, 153 and 155 shall not apply in respect of payments made to the Pakistan Domestic Sukuk Company Ltd.]
- [(69)]** The provisions of sections 150, 151, 152, 153 and 233 shall not apply in respect of payments made to the Asian Development Bank established under the Asian Development Bank Ordinance, 1971 (IX of 1971).]
- [(72)]** The provisions of sections 150, 151, 152, 153 and 233 shall not apply in respect of payments made to The ECO Trade and Development Bank.]
- [(77)]** Provisions of sections 148 and 153 shall not be applicable on import and subsequent supply of items with dedicated use of renewable sources of energy like solar and wind etc., even if locally manufactured, which include induction lamps, SMD, LEDs with or without ballast with fittings and fixtures, wind turbines including alternator and mast, solar torches, lanterns and related instruments, PV modules [with or without] the related components including invertors, charge controllers and batteries.]

[(78) [Coal Mining and Coal based Power Generation Projects in Sindh],—

- (i) The dividend income of the shareholders of such a project shall be exempt from provisions of section 150 from the date of commencement of business till 30 years from such date; and
- (ii) The payments made on account of sale or supply of goods or providing or rendering of services during project construction and operations, shall be exempt from the provisions of section 153.]