

AZAD GOVERNMENT OF THE STATE OF JAMMU AND KASHMIR
Law, Justice, Parliamentary Affairs and Human Rights Department

"Muzaffarabad"

Dated: 06.07.2022

No. LD/Legis-Act/32-46/2022. The following Act, passed by the Azad Jammu and Kashmir Legislative Assembly on 29th day of June, 2022 and received the assent of the President on the 4th day of July, 2022, is hereby published for general information.

[Act II of 2022]

An

Act

to give effect to the financial proposals of Azad Government of the State of Jammu and Kashmir;

WHEREAS, it is expedient to make provisions to give effect to the financial proposals of Azad Government of the State of Jammu and Kashmir to consolidate and amend certain Fiscal Laws, for the purposes hereinafter appearing;

It is hereby enacted as follows:-

1. **Short title, Extent and Commencement.**- (1) This Act may be called the Azad Jammu and Kashmir Finance Act, 2022.
(2) It extends to the whole of Azad Jammu and Kashmir.
(3) It shall come into force at once.
2. **Adaptation of the Amendments in Income Tax Ordinance, 2001 (Ordinance XLIX of 2001).**- (1) In the Income Tax Ordinance, 2001 (XLIX of 2001), as adapted and enforced in Azad Jammu and Kashmir by virtue of the Income Tax (Adaptation, Enforcement and Validation) Act, 2002 (Act IV of 2002), hereinafter referred to as the said Ordinance, except otherwise legislated by an Act of the Assembly, all the amendments made in the said Ordinance and all rules, notifications, circulars and orders made or issued thereunder, as enforced in Pakistan, at any time on or after 17th day of July, 2021 and before the commencement of this Act, shall also, as far as practicable, be deemed to have been so made, at the same time, in the said Ordinance, as enforced in the Azad Jammu and Kashmir with the

modification that following new clause (18) in Part-III in Second Schedule of the said Ordinance shall be inserted, namely:

“(18) The rate of withholding tax on value of offshore supply contract of Hydel Power Projects operating under China Pakistan Economic Corridor (CPEC) arrangements located in AJ&K shall be 1% provided that:

- (i) PPIB has issued Letter of Support for the project;
- (ii) its EPC Contract has been executed and submitted to NEPRA for EPC stage tariff determination;
- (iii) offshore supply contract arrangement of offshore supply contractor having permanent establishment in AJ&K or Pakistan falls under the purview of cohesive business operation as contemplated under Income Tax Ordinance, 2001; and
- (iv) such 1% tax shall be full and final liability of the offshore contractor.”

(2) Notwithstanding any judgment or decision of any court including Supreme Court and High Court of Azad Jammu and Kashmir, anything done, tax levied, charged or collected, proceedings initiated, notices issued, orders passed, penalties imposed, powers exercised or powers conferred on any authority on or after 17th day of July, 2021, in accordance with the amendments made in the said Ordinance, as enforced in Pakistan, shall be deemed always to have been validly done, levied, charged, collected, initiated, issued, passed, imposed, exercised or conferred and so much of such tax have not been levied, charged, paid or collected, before coming into force of this Act, shall be leviable, chargeable and recoverable in accordance with the said amendments.

3. **Adaptation of Section 8 (Levy of Tax on Capital Value of Certain Assets) of Federal Finance Act, 2022.**- The Section 8 of Federal Finance Act, 2022, as enforced in Pakistan, is hereby adapted in Azad Jammu and Kashmir and shall as far as practicable, be in force in Azad Jammu and Kashmir subject to the modifications that the reference in the said Section to “Pakistan”, “Federal Government”,

"Federal Board of Revenue" and "Federal Consolidated Fund" shall respectively be construed to be reference to "Azad Jammu and Kashmir", "the Azad Government of the State of Jammu and Kashmir", "Azad Jammu and Kashmir Central Board of Revenue" and "Azad Jammu and Kashmir Consolidated Fund".

4. **Adaptation of the Amendments in Sales Tax Act, 1990 (Act VII of 1990).**

(1) In the Sales Tax Act, 1990 (Act VII of 1990), as adapted and enforced in Azad Jammu and Kashmir by virtue of the Sales Tax (Adaptation) Act, 1993 (Act IV of 1993), hereinafter referred to as the said Act, except otherwise legislated by an Act of the Assembly, all the amendments made in the said Act and all rules, notifications, circulars and orders made or issued thereunder, as enforced in Pakistan, at any time on or after 17th day of July, 2021 and before the commencement of this Act, shall also, as far as practicable, be deemed to have been made, at the same time, in the said Act, as enforced in the Azad Jammu and Kashmir with the insertion of following new Section 40DA, namely:

"40DA. Establishment of Check-Posts.- The Board may, by notification in the official Gazette, where deems appropriate, establish check-posts at entry/exit routes of the State Territory for the purpose of examining the goods being transported and the documents related thereto."

(2) Notwithstanding any judgment or decision of any court including Supreme Court and High Court of Azad Jammu and Kashmir, anything done, tax levied, charged or collected, proceedings initiated, notices issued, orders passed, penalties imposed, powers exercised or powers conferred on any authority on or after 17th day of July, 2021, in accordance with the amendments made in the said Act, as enforced in Pakistan, shall be deemed always to have been validly done, levied, charged, collected, initiated, issued, passed, imposed, exercised or conferred and so much of such tax have not been levied, charged, paid or collected, before coming into force of this Act, shall be leviable, chargeable and recoverable in accordance with the said amendments.

5. **Adaptation of the amendments in Federal Excise Act, 2005.**- (1) In the Federal Excise Act, 2005, as adapted and enforced in Azad Jammu and Kashmir by virtue of the Azad Jammu and Kashmir Finance Act, 2005 (Act VIII of 2005), hereinafter referred to as the said Act, except otherwise legislated by an Act of the Assembly, all the amendments made in the said Act and all rules, notifications, circulars and other orders made or issued there under, as enforced in Pakistan, at any time on or after 17th day of July, 2021, and before the commencement of this Act, shall also, as far as practicable, be deemed to have been made, at the same time, in the said Act as enforced in Azad Jammu and Kashmir.

(2) Notwithstanding any judgment or decision of any court including Supreme Court and High Court of Azad Jammu and Kashmir, anything done, tax levied, charged or collected, proceedings initiated, notices issued, orders passed, penalties imposed, powers exercised or powers conferred on any authority on or after 17th day of July, 2021, in accordance with the amendments made in the said Act, as enforced in Pakistan, shall be deemed always to have been validly done, levied, charged or collected, initiated, issued, passed, imposed, exercised or conferred, done and so much of such tax have not been levied, charged, paid or collected, before coming into force of this Act, shall be leviable, chargeable and recoverable in accordance with the said amendments.

6. **Amendment in the Azad Jammu and Kashmir Sales Tax (Tax on Services) Act, 2001 (Act XXIV of 2001).**- In the Azad Jammu and Kashmir Sales Tax (Tax on Services) Act, 2001 (Act XXIV of 2001), in the Schedule following amendments shall be made:-

(i) for S. No. 1 and entries relating thereto in columns (2), (3) and (4), the following shall be substituted, namely:-

"1	Services provided or rendered by hotels, motels, guest houses, farmhouses, restaurants, suppliers of food and drinks, clubs including race clubs,	Respective headings	Fifteen percent"
----	---	---------------------	------------------

- (ii) in column (4) of the Schedule, for the word "Sixteen" wherever appearing, the word "Fifteen" shall be substituted;
- (iii) against S. No. 41, in column (4), for the word "Seventeen", the word "Fifteen" shall be substituted.



(Khawar Hussain Bukhari)
Section Officer (Legislation)