

**LEGISLATIVE ASSEMBLY OF AZAD JAMMU AND KASHMIR**  
**SECRETARIAT**

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**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, 2023.  
(2) It shall extend 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 5<sup>th</sup> day of July, 2022 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.  
(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 5<sup>th</sup> day of July, 2022, 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 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 5<sup>th</sup> day of July, 2022 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.

(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 conferred on any authority on or after 5<sup>th</sup> day of July, 2022, 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.

4. **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 thereunder, as enforced in Pakistan, at any time on or after 5<sup>th</sup> day of July, 2022, 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 5<sup>th</sup> day of July, 2022, 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 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. **Amendment in the Azad Jammu and Kashmir Sales Tax (Tax on Services) Act, 2001 (Act XXIV of 2001).**-(1) In the Azad Jammu and Kashmir Sales Tax (Tax on Services) Act, 2001 (Act XXIV of 2001), hereinafter referred to as the said Act, in sub-section (2-A) of Section 3, following amendments shall be made:-

(i) Clause (a) shall be substituted as under:-

“(a) sub-clause (d) of clause (5-AB) of Section 2 to the extent of freelance exporter exclusively dealing in export of IT and IT enabled services;

**Explanation.**- For the purpose of this clause, freelance exporter means a person who works on per job and on self employed basis without being attached to or under employment of any other person, having the liberty to work on various tasks simultaneously;

(aa) clause (b) of sub-section (2) and sub-sections (6) and (7) of Section 3.”

(ii) Clause (b) shall be substituted as under:-

“b) Serial number 2 and Serial number 8-A, in column (1), and the entries relating thereto of the Fifth Schedule read with Section 4;”

(2) In the Schedule of the said Act following amendments shall be made:-

(i) For Serial number 1 and entries relating thereto in Column (2), (3) and (4), the following shall be substituted, namely:-

1.	<p>(i) Services provided or rendered by hotels, motels, guest houses, farmhouses, marriage halls, lawns, clubs and caterers.</p> <p>(ii) Services provided by restaurants including cafes, food (including ice-cream) parlors, coffeehouses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc.</p>	98.01	<p>(i) Fifteen percent</p> <p>(ii) (a) Five percent where payment against services is received through debit or credit cards, mobile wallets or QR scanning subject to the condition that no input tax adjustment or refund shall be admissible; and (b) Fifteen percent where payment received in cash.</p>
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(ii) For Serial number 44 and entries relating thereto in Column (2), (3) and (4), the following shall be substituted, namely;

44.	<p>IT services and IT-enabled services.</p> <p><b>Explanation:-</b> For the purpose of this entry, “<b>IT services</b>” include but not limited to software development, software maintenance,</p>	Respective headings	Five percent subject to the conditions that no input tax adjustment or
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	<p>system integration, web design, web development, web hosting and network design; and</p> <p>(b) “<b>IT enabled services</b>” include but not limited to inbound or outbound call centres, medical transcription, remote monitoring, graphics design, accounting services, human resources (HR)services, telemedicine centres, data entry operations, cloud computing services, data storage services, locally television programs and insurance claims processing.</p>		<p>refund shall be admissible.</p>
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(iii) After Serial numbers 61, following new Serial numbers 62, 63 and 64 ;and entries relating thereto in Column (2), (3) and (4),shall be added, namely:-

62.	Electric Power Transmission Services	--	Fifteen percent
63.	Services provided by skin and laser clinics, cosmetic and plastic surgeons and hair transplant services including consultation services excluding Services provided to acid or burn victims.	9847.0000 and respective headings	Five percent subject to the condition that no input tax adjustment or refund shall be admissible
64.	Services provided by warehouses or depots for storage or cold storages including letting of space for storages excluding Storage of agriculture produce for the person’s own consumption.	9833.0000 and respective headings	Five percent subject to the condition that no input tax adjustment or refund shall be admissible

6. **Amendment in the Azad Jammu and Kashmir Motor Vehicles Ordinance, 1971.**-In the Azad Jammu and Kashmir Motor Vehicles Ordinance, 1971 (Ordinance IX of 1971), hereinafter referred to as the said Ordinance, following amendments shall be made, namely:-

(i) **Substitution of Section 23-A, Ordinance IX of 1971.**- In the said Ordinance, the Section 23-A shall be substituted as under:-

**“23-A. Penalty for default in Registration.**-If any owner of a motor vehicle, imports or purchase it from any authorized manufacturer in the country, fails to get it registered within

sixty days of its import or purchase, as the case may be, he shall besides the Prescribed registration fee, be liable to a penalty at the following rates:-

<b>S. No.</b>	<b>Default Period</b>	<b>Penalty</b>
1.	Exceeding 60 days but not exceeding 8 months	10% of Registration Fee
2.	Exceeding 8 months but not exceeding 14 months	15% of Registration Fee
3.	Exceeding 14months but not exceeding 20 months	20% of Registration Fee
4.	Exceeding 20 months	25% of Registration Fee

(ii) **Amendment of Section 25, Ordinance IX of 1971.-** In the said Ordinance, in sub-section (5) of Section 25 following amendments shall be made:-

- (i) In the heading of clause (c), after the word “Book”, the expression and word “/Card” shall be added; and
- (ii) In the beginning of clause (c), for the words “A Registration”, the words “Security featured smart card on payment of Prescribed fee or a registration” shall be substituted.