

**AZAD GOVERNMENT OF THE STATE OF JAMMU AND KASHMIR  
LAW AND PARLIAMENTARY AFFAIRS SECRETARIAT,  
MUZAFFARABAD**

Dated: 20th July, 2020

No. LD/Legis-Act/322-33/2020. The following Act, passed by the Azad Jammu and Kashmir Legislative Assembly on 30th June, 2020 and received the assent of the President on the 10th day of July, 2020, is hereby published for general information.

**(ACT XXII OF 2020)**

**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, 2020.  
(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 28<sup>th</sup> day of June, 2019 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, subject to following modifications:-

- (i) The reference in the said Ordinance to “Pakistan”, “Federal Government” and “Federal Board of Revenue or FBR”, shall respectively be construed to refer to “Azad Jammu and Kashmir”, “the Azad Government of the State of Jammu and Kashmir”, and “Azad Jammu and Kashmir Central Board of Revenue”;
  - (ii) in the Eleventh Schedule, in rule 10, in the Table,-
    - (a) in Column (2), for the words “Karachi, Lahore and Islamabad”, the words “Muzaffarabad, Mirpur, Kotli and Rawalakot” shall be substituted; and
    - (b) in Column (3), for the words “Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Peshawar, Mardan, Abbottabad, Quetta”, the words “Bhimber, Sudhnutti, Bagh, Havelli, Hattian and Neelum” shall be substituted.
- (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 28<sup>th</sup> day of June, 2019, 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 except in Sections 2(33), 2(43), 3(3A), 7(3), 8(6), 37B(13) and 67A(12), 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 28th day of June, 2019 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 modification, that the existing sub-clause (c) of clause (20) of Section 2 of the said Act shall be substituted with the following, namely:-
- “(c) sales tax levied on the services rendered or provided by the person under Azad Jammu and Kashmir Sales Tax (Tax on Services) Act, 2001 (Act XXIV of 2001);”
- (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 28th day of June, 2019, 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 except in Sections 2(23a), 7(2) and 22(13), 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 28th day of June, 2019, 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.

(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 28th day of June, 2019, 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.

**5. Amendment in 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), following amendments shall be made, namely:-

- (i) in section 3, after sub-section (2-B), the following new sub-section (2-C) shall be inserted, namely:-

“(2-C) Where the taxable service originates from outside Pakistan but is received or terminates in Azad Jammu and Kashmir, the recipient of such service shall be liable to pay the tax to the Government at the rate specified under sub-section (1) and such person shall also be liable to registration under this Act and the rules.”

- (ii) against serial number 24, in column 2, after the word “etc”, the expression “and also including services for Operations and Maintenance of hydro-electric power projects whether the payment for the same is made in local currency or foreign currency” shall be added.

**6. Amendments in Azad Jammu and Kashmir Education Cess Act, 1975 (Act IV of 1975).**- In the Azad Jammu and Kashmir Education Cess Act, 1975 (Act IV of 1975), after Section 3-D, the following new Section 3-E shall be inserted, namely:-

**“3-E. Adjustment of Cess.**- For the purposes of determining cess liability for a tax year in respect of cess chargeable under sub-section (3) of Section 2 of the Act, the person appearing on the ‘active taxpayer list’ prepared and displayed by the competent authority, for Azad Jammu and Kashmir, shall, at the time of filing the Income Tax Return, be entitled to get adjustment of the amount of cess paid by him or deducted or collected from him under sub-section (3) of section 2 of the Act during the relevant tax year.”

**7. Amendment in Azad Jammu and Kashmir Motor Vehicles Ordinance, 1971.**- In the Azad Jammu and Kashmir Motor Vehicles Ordinance, 1971, after Section 26, following new Section 26-A shall be inserted, namely:-

**“26-A. Special Registration of Certain Motor Vehicles.**- Notwithstanding anything contained in this Chapter, the Government may, by notification in the Official Gazette,

direct the registration of any class, type or category of motor vehicles or motor vehicles belonging to any organization or Government Department, on payment or without payment of such fee, in such mode and manner and subject to such conditions, limitations, restrictions and procedures as may be specified in the said notification.”

Sd/-  
(Gulfraz Ahmed Khan)  
Section Officer (Legislation)