

# **SALIENT FEATURES OF CHANGES IN TAX LAWS AFTER FINANCE ACT 2024**

# **ZAHID JAMIL & CO.**

Chartered Accountants

An Independent Member Firm  
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## AMENDMENTS IN INCOME TAX ORDINANCE, 2001

### TAXATION OF EXPORTERS - Section 154 & 154A

In the Finance Act 2024, the tax regime of the Exporter of Goods has been changed from Final Tax Regime to a Minimum Tax Regime. Exporters of goods are brought into the Normal Tax Regime (Tax would be assessed at Normal Tax Rate @ 29% or ACT @17% or in case Loss Turnover Tax @1.25%) whereby before this the withholding tax collected u/s 154(1) @1% is to be treated as minimum tax. Introduction of Additional Advance Tax u/s 147 at @1% of export proceeds, which is adjustable. Meaning that total 2% Advance Tax would be collected. As a result of these amendments, revised tax impact on exporters and other persons is tabulated as under;

TAX ON EXPORT OF GOODS				
Nature of Transactions	Withholding Agent	Prior to Finance Act 2024	Subsequent to Finance Act 2024	
		Final Tax	Minimum Tax	Advance tax (U/S 147)
Export of goods	Banks	1%	1%	1%
Indirect exporter under inland back-to-back L/C arrangements	Banks	1%	1%	1%
Exports by EPZ entities	EPZA	1%	1%	1%
Sale of goods by an indirect exporter to certain direct exporters and export houses, etc.	Exporters / Export house	1%	1%	1%
Clearance of certain exported goods	Collector of Customs	1%	1%	1%

## AMENDMENTS IN INCOME TAX ORDINANCE, 2001

### TAXATION OF SALARIED AND OTHER INDIVIDUALS - Section 149

Higher Tax Slabs for Salaried Persons having salary Rs.200,000/- and above, are increased by average 3% . Also added an Additional Surcharge which shall be payable by every Individual and AOP at @10% of the income tax imposed under Division I of Part I of the First Schedule where the taxable income exceeds Rs. 10 million.

### EXEMPTION OR LOWER RATE CERTIFICATE – EXEMPTION CERTIFICATE U/S 153

The facility of exemption certificate u/s 153 for withholding tax has withdrawn and henceforth the Commissioner will only be able to issue a certificate for lower rate of tax in certain cases but such reduction shall not exceed eighty percent (80%) of the rate specified in the said Division. This amendment would adversely impact taxpayers whose income is exempt from tax or subject to 100% tax credit u/s 236C of Non-Profit Organization.

### ADVANCE TAX ON PURCHASE, SALE AND TRANSFER OF IMMOVABLE PROPERTY - SECTION 236 C & 236 K

Tax incidence for non-filers considerably enhanced for transactions relating to Immovable Properties besides adding a new category of taxpayers whose name are on Active Taxpayers List but they filed the returns after the due date or extended date. Extra Tax on Late Return Filers U/S 236C (Sales/transfer of property), U/S 236K (Purchase of property), U/S 37 (Capital Gains on Property). Rates u/s 236C & 236K, are now subject to Consideration Received in 3 Categories with ATL, Late Filers & Non-ATL Persons.

### ADVANCE TAX ON SALES TO DISTRIBUTORS, DEALERS, WHOLESALERS AND RETAILERS - SECTION 236 G & H

The With-holding tax u/s 236G (Sales to distributor, dealer & wholesaler) and u/s 236H (Sales to retailers) is now applicable to all FMCG Sectors with some increase for Non-Active Taxpayer List (ATL).

## AMENDMENTS IN INCOME TAX ORDINANCE, 2001

### PRINCIPLES OF TAXATION OF AOPS - SECTION 92(1)

The Finance Act has added a second proviso to Section 92(1), whereby it has been proposed that if an AOP has a turnover of PKR 300 million or above during the tax year or any of the preceding tax years, the share of a member of such AOP received by the member shall not be exempt from tax if the AOP does not file audited financial statements by a Chartered Accountants Firm or a Cost and Management Accountants Firm along with the return of income of the AOP.

### ADVANCE TAX PAID BY TAX PAYER - SECTION 147

The Finance Act 2024 has made an increase in the percentage from 110% to 120% of the turnover of the latest tax year for which a return has been filed, in case where the taxpayer fails to provide the turnover or the turnover of the quarter is not known.

### TAX FRAUD INVESTIGATION WING (TFIW)

Through the Finance Act 2024, provisions have been introduced in Income Tax, Sales Tax and Federal Excise Laws to establish TFIW to detect, analyze, investigate, combat and prevent tax fraud. The TFIW shall comprise of; Fraud Intelligence and Analysis Unit, Fraud Investigation Unit, Legal Unit, Accountants' Unit, Digital Forensic and Scene of Crime Unit, Administrative Unit and any other Unit as may be notified by the Board by notification in the official Gazette. The functions, jurisdiction and powers of TFIW and its officers will be notified by FBR in official gazette.

## NEW TAX REGIME FOR BUILDERS AND DEVELOPERS (NEW- SECTION 7F)

A special tax regime for ‘Builders’ and ‘Developers’ is prescribed whereby applicable tax will be payable on their taxable profits from aforesaid activities to be computed as under:

<b>NATURE OF ACTIVITIES</b>	<b>TAXABLE PROFITS AS A PERCENTAGE OF GROSS RECEIPTS</b>
Construction and sale of residential, commercial or other buildings	10%
Development and sale of residential commercial or other plots	15%
Income derived from both the above activities together	12%

Where a taxpayer, while explaining the nature and source of the amount credited or the investment made, money or valuable article owned or the funds from which the expenditure was made, takes into account any source of income which is subject to tax as above, the taxpayer shall not be allowed to take credit of any sum as is in excess of taxable profits as computed above. If, however, his actual taxable income is more than the taxable profits as computed above, taxpayer shall be entitled to take credit of such excess income subject to the payment of tax at the applicable normal rates.

A builder or developer established by an Act of the Parliament or a Provincial Assembly or by a Presidential Order and who is engaged in activities for the benefit of its employees or otherwise (including activities for the planning and development of and for providing and regulating housing and ancillary facilities in a specified or notified area) are not covered by this regime .

## AMENDMENTS IN SALES TAX ACT, 1990

### SALES TAX ON PHARMA SECTOR

Through Finance Act 2024, the Reduced GST on raw-material for Pharma Sector, has been enhanced from 1% to 18% except for substances registered as drugs. The DRAP Certificate would certify about the use of Gelatin raw-material as Necessary Substance for Pharma Use.

### SALES TAX AUDIT - SECTION 25

The Finance Act,2024 has added a new section for the investigative audits. The proposed provisions of the new section are summarized hereunder;

- a) Initiation of Investigative Audit i.e. Suspected tax fraud based on audit information or otherwise and requires prior written approval from the Commissioner.
- b) Conduct of Investigative Audit i.e. Conducted by an officer of Inland Revenue not below the rank of Assistant Commissioner and must be completed within ninety days of initiation. iii)Based on records and evidence obtained under specified sections (37, 37A, 38, 38A, 38B, and 40).

### TRANSACTIONS THROUGH BANKING CHANNEL - SECTION 73

Through the Finance Act 2024, the threshold of Rs. 50,000 regarding payments not made through banking channels has made as to be considered in 'aggregate'. Further through the Finance Act 2024, the ambiguity about payments made to a single supplier in a tax period as "Aggregate" has apparently been removed and it has been specified that it is with reference to payments made to a single supplier in a tax period Under Section 73.

## AMENDMENTS IN SALES TAX ACT, 1990

### SUPPLIES AS MADE FROM RETAIL OUTLETS

Through the Finance Act 2024, the previous rate of Sales Tax @15% has been increased to 18% for all Finished Articles of Textiles sector, sold through POS integrated with Board's computerized system for real-time reporting of sales.

### TAX FRAUD

Through the FA, the existing definition of 'tax fraud' provided for in the Sales Tax Act (STA) has revamped by significantly enlarging its scope. Now, in order to further strengthen the legal position, such definition has been mended through FA and the expression has now been defined to **mean intentionally understating or underpaying** the tax liability or overstating the entitlement to tax credit or tax refund in contravention of duties or obligations imposed under the STA by way of submission of false return, statements or false documents or withholding of correct information or documents to cause loss of tax.

### BEST JUDGEMENT ASSESSMENT

In the Finance Act 2024, concept of best judgement broadly similar to that existing under the Income Tax Ordinance has introduced, in sales tax law whereby the Competent officials were empowered, after issuance of a show cause notice to make a best judgement assessment on the basis of available information/material in cases where a person fails to furnish a sales tax return in response to a notice; and fails to produce before the tax authorities any accounts, record or documents requisitioned under section 25, 25AB or 38A of the STA.



# ZAHID JAMIL & CO.

**Chartered Accountants**

## **LAHORE**

702 - 7th Floor, Eden Heights, Main Gulberg, Jail Road,  
Lahore, Pakistan.

Tel: +92 - 42 - 35786824-5

## **FAISALABAD**

First Floor, Al-Jamil Plaza, 7-Madina Town Ext.  
Off Jaranwala Road, Faisalabad, Punjab, Pakistan.

Tel: +92-41-8725065-68

## **ISLAMABAD**

Basement Floor, ONYX Plaza, Plot No 26, North  
Commercial Area, E/11-2, Islamabad, Pakistan.

Tel: +92-51-8732952, 8735360

## **KARACHI**

Office No, 107, King's Trade Centre, SB - 15,  
Block 3-A, Gulistan-e-Johar, Karachi, Pakistan.

Tel: +92-21-34524696

## **PESHAWAR**

3rd Floor, Zaad Paraca 1 Plaza, Abdara Road,  
University Town, Peshawar, Pakistan.

Tel: +92-91-5701658

## **MULTAN**

15-A, Punjab Small Industries Coop Society (PSIC),  
Northern Bypass, Multan, Pakistan.

Tel: +92-61-6777006

## **QUETTA**

Office No. S.6, Second Floor, KFK Plaza,  
Adalat Road, Near Press Club, Quetta, Pakistan.

Tel: +92-81-2828266

**Website:** <http://www.zahidjamilco.com>