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**FINANCE BILL 2024  
BRIEF ON  
AMENDMENTS IN TAX LAWS**

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& CO.**

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## INCOME TAX ORDINANCE 2001

SECTION / CLAUSE	AMENDMENTS
<p><b>Section 2 (8)</b> <b>Definition of Board</b></p>	<p>Definition of Federal Board of Revenue has been amended. Now Federal Board of Revenue to include a Member of the Board to whom powers of the Federal Board of Revenue have been delegated under section 8 of Federal Board of Revenue Act 2017.</p>
<p><b>Section 37 (6)</b> <b>Capital Gain</b></p>	<p>Now, a person acquiring shares, shall collect tax at the time of payment of consideration for shares or at the time of registration of shares, by the Securities and Exchange Commission of Pakistan or by the State Bank of Pakistan, whichever is earlier.</p>
<p><b>Section 57</b> <b>Carry Forward of Business Losses</b></p>	<p>A new sub section 2C has been inserted which provides that loss for Pakistan International Airlines, from 01 January 2017 can be carried forward to ten years as against earlier availability of carry forward for six years.</p>
<p><b>Section 65F</b> <b>Tax Credit for Certain Persons</b></p>	<p>The amendment seeks to explain that hundred percent tax credit for persons engaged in coal mining projects in Sindh and supplying coal to power generation projects is available only to their income derived from coal mining operations.</p>
<p><b>Section 92</b> <b>Principles of Taxation of Associations of Persons</b></p>	<p>There is a new proviso that that the share of a member of an association of persons having turnover of three hundred million rupees or above during the tax year or any of the preceding tax years shall not be exempt if financial statements duly audited by a firm of Chartered Accountants as defined under the Chartered Accountants Ordinance, 1961 (X of 1961), or a firm of Cost and Management Accountants as defined under the Cost and Management Accountants Act, 1966 (XIV of 1966) have not been filed along with return of income by the association of persons to whom he is a member.</p>
<p><b>Section 108</b> <b>Transactions between Associates</b></p>	<p>For the tax year 2024 and onwards, where any amount is claimed as deduction for the tax year or for any of the two preceding tax years on account of royalty paid or payable to an associate directly or indirectly in respect of use of any brand name, logo, patent, invention, design or model, secret formula or process, copyright, trademark, scientific or technical knowledge, franchise, license, intellectual property or other like property or right or contractual right, twenty five percent of the total expenditure for the tax year in respect of sales promotion, advertisement and publicity shall be disallowed and allocated to the said associate.</p>

SECTION / CLAUSE	AMENDMENTS
<p><b>Section 114B</b> <b>Powers to Enforce Filing of Returns</b></p>	<p>The amendment seeks to bar exit from Pakistan for persons who do not file their return even after issuance of notice for filing of return after their names have been mentioned in the income tax general order, but this condition shall not apply for persons proceeding on Hajj, umrah, minors, students, overseas Pakistanis holding NICOP and such other class of persons notified by the Board.</p>
<p><b>Section 116</b> <b>Wealth Statement</b></p>	<p>The amendment seeks to provide that assets in wealth statement includes foreign assets.</p>
<p><b>Section 121</b> <b>Best Judgement Assessment</b></p>	<p>The amendment seeks to allow best judgment assessment for discontinued business.</p>
<p><b>Section 126A</b> <b>Pecuniary Jurisdiction In Appeals</b></p>	<p>The amendment seeks to provide that for filing of appeal before the Commissioner (Appeals) in cases involving value of assessment greater than twenty million, the term ‘value’ of assessment’ means net increase in tax liability as a result of order, and that the date of transfer of cases which was 16<sup>th</sup> June 2024 shall now be 16th September 2024 but the same shall be deemed to have been transferred on 16th June 2024.</p>
<p><b>Section 147</b> <b>Advance Tax Paid by the Taxpayer</b></p>	<p>The amendment seeks to provide for adoption of turnover equal to 120% of turnover in advance tax cases where the turnover is not known and provides for filing of certain documents in case estimates for advance tax are filed. Non-filing of required documents may lead to rejection of estimate.</p>
<p><b>Section 148</b> <b>Imports</b></p>	<p>Then amendment Seeks to provide the Board to determine minimum value in certain cases on which income tax will be collected on import stage.</p>
<p><b>Section 152</b> <b>Payments to non-residents</b></p>	<p>The amendment seeks to change the facility of exemption certificate to reduced rate certificate on supply of goods to permanent establishments of non-residents.</p>
<p><b>Section 153</b> <b>Payments for Goods, Services and Contracts</b></p>	<p>The amendment seeks to change the facility of exemption certificate to reduced rate certificate on supply of goods for residents</p>

SECTION / CLAUSE	AMENDMENTS
<b>Section 154 Exports</b>	The amendment seeks to change the one percent tax collected on imports from final tax to minimum tax.
<b>Section 159 Exemption or Lower Rate Certificate</b>	The amendment seeks to change the facility of exemption certificate against certain withholding provisions to reduced rate certificate.
<b>Section 168 Credit for Tax Collected or Deducted</b>	The amendment seeks to make a technical amendment consequent to change of tax on exports from final to minimum tax.
<b>Section 169 Tax Collected or Deducted as a Final Tax</b>	The amendment seeks to make a technical amendment consequent to change of tax on exports from final to minimum tax
<b>Section 182 Offences and Penalties</b>	<p>Some Amendments seeks to provide penalties;</p> <ul style="list-style-type: none"> <li>a) for persons who have discontinued their business and do not file their return in response to notice;</li> <li>b) of sealing of shop traders and shopkeepers who are required to but fail to register under the Tajir Dost Scheme or similar schemes;</li> <li>c) of one hundred million rupees for implementing agencies who fail to block sims or disconnect utilities or allow exit from Pakistan of/for non-filers for first default and two hundred million for subsequent default;</li> <li>d) of 50% of the tax involved for persons who fail to collect tax from the acquirer of shares at the time of payment or at the time of transfer of shares, whichever is earlier; and</li> <li>e) of rupees five hundred thousand or ten percent of the tax chargeable for persons who leave the relevant particulars of return blank or who file blank accounts or file incomplete or irrelevant particulars so as to understate the tax liability</li> </ul>
<b>Section 191 Prosecution for non-compliance with certain statutory obligations</b>	Seeks prosecution for of person fails to furnish return for discontinued business in response to notice.

SECTION / CLAUSE	AMENDMENTS
<p><b>Section 191A (New Section)</b></p> <p><b>Prosecution for failure to furnish information in Return of Income</b></p>	<p>Any company including a banking company and an association of persons who;</p> <ul style="list-style-type: none"> <li>a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer;</li> <li>b) furnishes blank or incomplete particulars or information as specified in the return of income; or</li> <li>c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed, shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both.</li> </ul>
<p><b>Section 191B (New Section)</b></p> <p><b>Prosecution for Non-Registration</b></p>	<p>Any person specified in section 99B who is required to apply for registration but fails to do so shall commit an offence punishable on conviction with imprisonment for a term not exceeding six months or fine or both.</p>
<p><b>Section 205 Default Surcharge</b></p>	<p>The amendment seeks to increase the rate of default surcharge for late payment to KIBOR + 3%</p>
<p><b>Section 216 Disclosure of Information by a Public Servant</b></p>	<p>The amendment seeks to enable sharing of data with National Database Registration Authority to process and analyze data for broadening of tax base</p>
<p><b>Section 236G Advance Tax on Sales to Distributors, Dealers and Wholesalers</b></p>	<p>The amendment seeks to include all the sectors of business for collection of advance tax from distributors, dealers and wholesalers at the time of sale to such persons by manufacturers or commercial importers</p>
<p><b>Section 236H Advance Tax on Sales to Retailers</b></p>	<p>The amendment seeks to include all the sectors of business for collection of advance tax from retailers at the time of sale to such persons by distributors, dealers, wholesalers, manufacturers and commercial importers</p>
<p><b>Section 239 Savings</b></p>	<p>The amendment seeks to provide saving for limitation in filing appeals for cases decided by the Appellate Authorities prior to the Tax Laws (Amendment) Act, 2024. The period of limitation provided in clause (d) of sub-section (2) of section 131 and sub-section (1) of section 133 shall continue to apply where any decision of the Commissioner (Appeals) or the Appellate Tribunal is received prior to the date of commencement of the Tax Laws (Amendment) Act, 2024.</p>

## FIRST SCHEDULE

### 1. NEW RATES FOR TAX FOR BUSINESS INDIVIDUALS AND ASSOCIATIONS OF PERSONS

<b>Taxable Income</b>	<b>Rate of Tax</b>
Where taxable income does not exceed Rs. 600,000/-	0%
Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000.	15% of the amount exceeding Rs 600,000
Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,600,000	Rs. 90,000 + 20% of the amount exceeding Rs. 1,200,000
Where taxable income exceeds Rs. 1,600,000 but does not exceed Rs. 3,200,000	Rs. 170,000 + 30% of the amount exceeding Rs. 1,600,000
Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 5,600,000	Rs. 650,000 + 40% of the amount Exceeding Rs. 3,200,000
Where taxable income exceeds Rs. 5,600,000	Rs. 1,610,000 + 45% of the amount exceeding Rs. 5,600,000

### 2. NEW RATES OF TAX FOR SALARIED INDIVIDUALS

<b>Taxable Income</b>	<b>Rate of Tax</b>
Where taxable income does not exceed Rs. 600,000/-	0%
Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	5% of the amount exceeding Rs. 600,000
Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 30,000 + 15% of the amount exceeding Rs. 1,200,000
Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 180,000 + 25% of the amount exceeding Rs. 2,200,000
Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 430,000 + 30% of the amount exceeding Rs. 3,200,000
Where taxable income exceeds Rs. 4,100,000	Rs. 700,000 + 35% of the amount exceeding Rs. 4,100,000

3. **TAX RATE OF DIVIDEND RECEIVED FROM A MUTUAL FUND**, deriving 50% or more of its income from profit on debt, has been enhanced to 25%.
4. **NEW TAX RATE FOR CAPITAL GAIN ON SECURITIES**

<b>Holding Period</b>	<b>Rate of Tax on disposal of securities acquired between 1st day of July, 2022 and 30<sup>th</sup> June, 2024 (both dates inclusive)</b>	<b>Rate of Tax on disposal of securities acquired on or after 1st day of July, 2024</b>
Where the holding period does not exceed one year	15%	15% for persons appearing on the Active Taxpayers' List on the date of acquisition and the date of disposal of securities and at the rate specified in Division I for individuals and association of persons and Division II for companies in respect of persons not appearing on the Active Taxpayers' List on the date of acquisition and date of disposal of securities:  Provided that the rate of tax for individuals and association of persons not appearing on the Active Taxpayers' List, the rate of tax shall not be less than 15% in any case.
Where the holding period exceeds one year but does not exceed two years	12.5%	
Where the holding period exceeds two years but does not exceed three years	10%	
Where the holding period Exceeds three years but does not exceed four years	7.5%	
Where the holding period exceeds four years but does not exceed five years	5%	
Where the holding period exceeds five years but does not exceed six years	2.5%	
Where the holding period exceeds six years	0%	
Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	

Provided that for securities except last serial of the Table;

- a) the rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the first day of July, 2013 but on or before the 30th day of June, 2022; and
- b) the rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the first day of July, 2013:

Provided further that the rate for companies in respect of debt securities shall be as specified in Division II of Part I of the First Schedule:

Provided also that a mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax at the rates as specified below, on redemption of securities as prescribed, namely:

Category	Rate
Individual and association of persons	15% for stock funds 15% for other funds
Company	15% for stock funds 25% for other funds

Provided also that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 20%:

Provided also that no capital gain shall be deducted, if the holding period of the security acquired on or before 30th day of June 2024 is more than six years.

Explanation. – For the removal of doubt, it is clarified that provisions of this proviso shall be applicable only in case of mutual fund or collective investment scheme or a REIT scheme.

**5. TAX RATE FOR CAPITAL GAIN ON IMMOVABLE PROPERTY**

Holding Period	Rate of Tax on properties acquired on or before 30 <sup>th</sup> day of June, 2024			Rate of Tax on properties acquired on or after 1st day of July, 2024
	Open Plots	Constructed Property	Flats	
Where the holding period does not exceed one year	15%	15%	15 %	15% for persons appearing on the Active Taxpayers’ List on date of disposal of property and at the rates specified in Division I for individuals and association of persons and Division II for companies in respect of
Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5 %	
Where the holding period exceeds Two years but does not exceed three years	10%	7.5%	0	



Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-	persons not appearing on the Active Taxpayers' List on the date of disposal of property:  Provided that the rate of tax for individuals and association of persons not appearing on the Active Taxpayers' List on the date of disposal, the rate of tax shall not be less than 15% of the gain.
Where the holding period exceeds Four years but does not exceed five years	5%	0	-	
Where the holding period exceeds five years but does not exceed six years	2.5%	-	-	
Where the holding period exceeds six years	0%	-	-	

**6. WITHHOLDING TAX RATE FOR TOLL MANUFACTURING FOR COMPANIES AND OTHERS**

- a) in case of a company, 9% of the gross amount payable for toll manufacturing and 5% of the gross amount payable in case other than toll manufacturing; and
- b) in case other than a company, 11% of the gross amount payable for toll manufacturing and 5.5% of the gross amount payable in other than toll manufacturing.

**7. WITHHOLDING TAX RATE ON USE OF MOBILE PHONES** for persons whose names are appearing in the income tax general order for non-filing of return even after issuance of notice, has been enhanced from 15% to 75%

**8. NEW RATES OF COLLECTION OF TAX ON REGISTRATION OF MOTOR VEHICLE IN PROPORTION TO THE VALUE OF THE VEHICLE.**

<b>Engine Capacity</b>	<b>Rate of Tax</b>
Upto 850 cc	0.5% of the value
851cc to 1000cc	1% of the value
1001cc to 1300cc	1.5% of the value
1301cc to 1600cc	2% of the value
1601cc to 1800cc	3% of the value
1801cc to 2000cc	5% of the value
2001cc to 2500cc	7% of the value
2501cc to 3000cc	9% of the value
Above 3000cc	12% of the value

**9. ADVANCE TAX ON SALE OR TRANSFER OF IMMOVABLE PROPERTY**

Amount	Tax Rate
Where the gross amount of the consideration received does not exceed Rs. 50 million	3%
Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%
Where the gross amount of the consideration received exceeds Rs. 100 million	4%

**10. ADVANCE TAX ON PURCHASE OF IMMOVABLE PROPERTY**

Amount	Tax Rate
Where the fair market value does not exceed Rs. 50 million	3%
Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million	3.5%
Where the fair market value exceeds Rs. 100 million	4%”

**SECOND SCHEDULE**

1. Exemption for income from subsidy received from the Federal Government has been withdrawn.
2. Exemption to former FATA and PATA region, has been extended, up to 30th June, 2025
3. Reduced rate for distributors of cigarettes, has been increased, from 1% to 2.5%
4. Tax credit to full time teachers and Researchers has been withdrawn.
5. Exemption to former FATA and PATA region, has been extended, up to 30th June, 2025

**SEVENTH SCHEDULE**

- a) It has been explained that amount of “bad debts” classified as “substandard” or “doubtful” under the Prudential Regulations issued by the State Bank of Pakistan or provisions for advances, off-balance sheet items or any other financial asset classified in stage I, II or III as performing, under-performing or non-performing under any applicable accounting standard including IFRS 09 shall not be allowed as expense. Provided that only “bad debts” classified as “loss” pertaining to non-performing assets under the Prudential Regulations issued by the State Bank of Pakistan shall be allowed as expense.

- b) Its has aslo been explained that Provisions or Expected Credit loss for Advances and off balance sheet items or any other financial asset existing before or after the 1st day of January, 2024 under IFRS 09 shall not be allowed as an expense or deduction.

## TENTH SCHEDULE

1. **TAX REQUIRED TO BE COLLECTED UNDER SECTION 236K SHALL BE AT THE RATES SET OUT IN THE FOLLOWING TABLE, IN CASE OF PERSONS NOT APPEARING IN THE ACTIVE TAXPAYERS’ LIST.**

Fair Market Value of Immovable Property	Tax Rate
Where the fair market value does not exceed Rs. 50 million	12%
Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million	16%
Where the fair market value exceeds Rs. 100 million	20%

Provided also that the tax required to be collected or deducted, under sections specified in column (1) against transactions specified in column (2) shall be at the rates specified in column (3) of the following Table, in case of persons not appearing in the active taxpayers’ list:

Section	Description	Tax Rate
Section 151	On yield or profit on debt	10%
Section 236C	On the gross amount of consideration received on sale or transfer of immovable property	10%
section 236G	On the gross amount of sale to distributors, dealers or wholesalers other than sale of fertilizer	2%
Section 236H	On the gross amount of sale to retailers	2.5%

2. **RATE OF DEDUCTION OR COLLECTION OF TAX FROM PERSONS WHO ARE APPEARING ON ACTIVE TAXPAYERS’ LIST BUT HAVE NOT FILED RETURN BY THE DUE DATE.**

Where tax is required to be collected in respect of persons appearing on the active taxpayers’ list who have not filed the return by the due date specified in section 118 or by the due date as extended under section 119 or 214A, the rate of tax shall be;

**a) As per rates set out in the following Table in case of tax to be collected under section 236C;**

<b>Gross Amount of Consideration Received</b>	<b>Tax Rate</b>
Where the gross amount of consideration received does not exceed Rs. 50 million	6%
Where the gross amount of consideration received exceeds Rs.50 million but does not exceed Rs. 100 million	7%
Where the gross amount of consideration received exceeds Rs. 100 million	8%

**b) As per rates set out in the following Table in case of tax to be collected under section 236K:**

<b>Fair Market Value of Immovable Property</b>	<b>Tax Rate</b>
Where the fair market value does not exceed Rs. 50 million	6%
Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million	7%
Where the fair market value exceeds Rs. 100 million	8%

## SALES TAX ACT 1990

SECTION / CLAUSE	AMENDMENTS
<p><b>Section 2(15A)</b> <b>Definition of Licensed Integrator (New Clause)</b></p>	<p>Licensed Integrator means any person licensed by the Board to provide electronic invoicing system for integration of registered persons in the prescribed manner.</p>
<p><b>Section 2(37)</b> <b>Definition of Tax Fraud (Substituted)</b></p>	<p>Tax fraud means intentional evasion of legally due tax or obtaining of undue refund by submission of false return, statements or false documents or withholding of correct information or documents and includes;</p> <ul style="list-style-type: none"> <li>a) suppression of sales or receipts that are chargeable to tax under this Act;</li> <li>b) false claim of input tax credit;</li> <li>c) making taxable supplies of goods without issuing any tax invoice, in violation of the provisions of this Act or the rules made thereunder;</li> <li>d) issuance of any tax invoice without supply of goods leading to inadmissible claim of input tax credit or refund;</li> <li>e) evasion of tax by availing undue input tax credit or obtaining inadmissible refund by any means or methods other than that covered under clauses (a) to (d);</li> <li>f) collection of any amount as tax but failing to deposit the same in the prescribed manner beyond a period of three months from due date of payment of tax;</li> <li>g) falsification or substitution of financial records or production of fake accounts or documents or furnishing of any false information through human, mechanical or electronic means with an intention to evade tax due or claim inadmissible refund;</li> <li>h) tampering with or destroying of any material evidence or documents required to be maintained under this Act or the rules made thereunder through human or digital means; or</li> <li>i) acquisition, possession, transportation, disposal or in any way removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner dealing with, any goods in respect of which there are reasons to believe that these are liable to confiscation under this Act or the rules made thereunder.</li> </ul> <p><b>Explanation:</b> Any act or omission mentioned in this clause shall be treated as intentional unless the person accused of tax fraud proves that he had no intention, motive, knowledge, or reason to believe that he was committing a tax fraud.</p>
<p><b>Section 2(44)</b> <b>Definition of Time of Supply</b></p>	<p>The amendment seeks to add the expression “or the time when any payment is received by the supplier in respect of that supply, whichever is earlier” after the word “supply” occurring at the end, in subclause (a) of clause (44) of section 2</p>

SECTION / CLAUSE	AMENDMENTS
<p><b>Section 3 Clause 11</b> <b>Scope of Tax</b> <b>(Clause Omitted)</b></p>	<p>Clause 11 narrated that the Board through Notification in the official Gazette, may require class of persons to integrate their invoice issuing machines with the Board’s Computerized System for real time reporting of sales in such mode and manner and from such date as may be prescribed. This clause has been omitted.</p>
<p><b>Section 11</b> <b>Assessment of Tax &amp; Recovery of Tax not levied or short levied or erroneously refunded</b></p>	<p>Section has been omitted.</p>
<p><b>Section 11B</b> <b>Limitation for issuing orders in certain cases</b> <b>(Substituted)</b></p>	<p>For the purposes of issuing an assessment order or any other order in consequence of or to give effect to any order made by the Commissioner (Appeals), Appellate Tribunal, High Court, or Supreme Court, the provisions of section 124 of the Income Tax ordinance, 2001 (XLIX of 2001) shall apply mutatis mutandis.</p>
<p><b>Section 11D</b> <b>Best Judgment Assessment.</b> <b>(New Section)</b></p>	<p>(1) Where a person,                      a) fails to furnish a sales tax return in response to notice under subsection (2A) of section 26; or                      b) fails to produce before the Officer of Inland Revenue not below the rank of Assistant Commissioner under section 25 or 38A, accounts, documents and records required, or any other relevant document or evidence that may be required by him, the officer of Inland Revenue not below the rank of Assistant Commissioner may, after a notice to show cause to such person, based on any available information or material and to the best of his judgment, make an assessment of tax payable or refund due and also charge penalty and default surcharge.</p> <p>(2) For the purposes of clause (b) of sub section (1), the officer of Inland Revenue may also disallow or reduce a taxpayer’s input tax on goods or services if the taxpayer is unable, to provide invoice or other record or evidence of the transaction or circumstances giving rise to such claim.</p> <p>(3) Where a best judgment assessment has been made due to default of clause (a) of sub-section (1) and the person files the return thereafter and pays the amount of tax payable along with default surcharge and penalty, the notice to show cause and the order of assessment shall abate.</p>

	<p>(4) Notwithstanding anything in sub-section (1), where the Federal Board of Revenue has specified conditions for the purpose of determination of minimum tax liability in respect of a person who is required to file return but who fails to file such return, the Officer of Inland Revenue shall determine such liability of the registered person in accordance thereof.</p>
<b>SECTION / CLAUSE</b>	<b>AMENDMENTS</b>
<p><b>Section 11E</b> <b>Assessment of Tax and Recovery of tax not levied or short levied or erroneously refunded.-</b> <b>(New Section)</b></p>	<p>(1) Where due to any reason any tax or charge has not been levied or short levied or where the officer of Inland Revenue not below the rank of Assistant Commissioner suspects on the basis of audit or otherwise that due to any reason a person has;</p> <ul style="list-style-type: none"> <li>a) not paid or short paid due sales tax;</li> <li>b) claimed input tax credit or refund which is not admissible; or</li> <li>c) has obtained an amount of refund not due,</li> </ul> <p>the officer of Inland Revenue after issuing a show cause notice to the person shall pass an order to determine and recover the amount of tax unpaid or short paid, inadmissible input tax or refund, or unlawful refund obtained and shall also impose penalty and default surcharge in accordance with sections 33 and 34.</p> <p>(2) For the purposes of sub-section (1), the officer of Inland Revenue may also disallow input tax on goods or services if the taxpayer is unable, without reasonable cause, to provide a receipt, or invoice or other record or evidence of the transaction or circumstances giving rise to such claim.</p> <p>(3) Where a tax or charge has not been levied under clause (a) of subsection (1), the amount of tax shall be recovered as tax fraction of the value of supply.</p>
<p><b>Section 11F</b> <b>Failure to withhold sales tax</b> <b>(New Section)</b></p>	<p>Where any person, required to withhold sales tax under sub-section (7) of section 3, fails to withhold the tax or having withheld the tax fails to deposit the same in the prescribed manner, the officer of Inland Revenue not below the rank of Assistant Commissioner shall after a notice to such person to show cause pass an order to determine and recover the amount in default and impose penalty and default surcharge under section 33 and 34.</p>
<p><b>Section 11G</b> <b>Limitation for Assessment</b> <b>(New Section)</b></p>	<p>(1) The show cause notice under sections 11D to 11F shall be issued within five years, from the end of the financial year in which the relevant date falls.</p> <p>(2) An order under sections 11D, 11E and 11F shall be made within one hundred and twenty days of issuance of show cause notice or within such extended period as the Commissioner may, for reasons to be recorded, in writing specify, provided that such extended period shall in no case exceed from ninety days:</p>

	<p>Provided that any period during which the proceedings are adjourned on account of a stay order or Alternative Dispute Resolution proceedings or the time taken through adjournment by the registered person not exceeding sixty days shall be excluded from the computation of the period specified in this subsection.</p> <p>(3) For the purpose of sections 11D, 11E and 11F, the words “relevant date” means;</p> <ul style="list-style-type: none"> <li>a) the time of payment of sales tax or charge as provided under section 6;</li> <li>b) the time of payment for goods or services on which sales tax was to be withheld under sub-section (7) of section 3; and</li> <li>c) in a case where sales tax or charge has been erroneously refunded, the date of its refund.</li> </ul>
<p><b>Section 21.</b> <b>De-registration, blacklisting and suspension of registration</b></p>	<p>New sub-section 5 has been added i.e. the Chief Commissioner may, either of his own motion or on application made by the registered person call for and examine the record of proceedings and the order of blacklisting under sub-section (2) and after making such inquiry as is necessary, may modify the such order as he may deem fit. Provided that no order under this sub-section shall be passed unless an opportunity of being heard has been provided to the registered person.</p>
<p><b>Section 23 (3)</b> <b>Tax Invoices</b> <b>(Substituted)</b></p>	<p>A registered person making a taxable supply shall, subject to such conditions, restrictions and limitations as the Board may, by notification in the official Gazette, specify, issue electronic invoices.</p>
<p><b>Section 25</b> <b>Audit of Sales Tax Affairs.</b> <b>(Substitute)</b></p>	<p>(1) The Commissioner on the basis of reasons to be recorded in writing, may direct the officer of Inland Revenue not below the rank of Assistant Commissioner to conduct audit of sales tax affairs of any registered person and issue a notice to such registered person intimating him regarding audit of sales tax affairs.</p> <p>Explanation: For the removal of doubt, it is declared that the powers of the Commissioner to direct conduct of audit and to issue a notice under this subsection are independent of the powers of the Board under section 72B and nothing contained in section 72B restricts the powers of the Commissioner to direct conduct of audit and to issue notice under this sub-section.</p> <p>(2) The Commissioner shall communicate the reasons recorded by the Commissioner to the registered person whose audit is to be conducted through the notice under sub-section (1).</p> <p>Explanation.- For the removal of doubt, it is declared that the Commissioner may not provide an opportunity of hearing and shall pass any order before issuance of notice under sub-section (1).</p>



(3) The reasons referred to in sub-section (1) shall be based on scrutiny by the Commissioner or any other sales tax authority of the available records including sales tax and federal excise returns, income tax returns and withholding statements, financial statements or third party information:

Provided that the reasons shall not include the mere verification of input tax, output tax, refund claim and compliance of legal provisions without identifying risk factors that require such verification.

(4) Subsequent to the issuance of notice under sub-section (1), the officer of Inland Revenue, may call for any record or documents including record maintained under the Act, the rules made thereunder or any other law for the time being in force for conducting audit of the sales tax affairs of the person and where such record or documents have been kept on electronic data, the registered person shall allow access to the officer of Inland Revenue or the sales tax authority authorized by the Officer of Inland Revenue for the use of machine and software on which such data is kept and the officer of Inland Revenue or the authority may obtain duly attested hard copies of such information or data:

Provided that the Officer of Inland Revenue shall not call for record or documents of the registered person after expiry of six years from the end of the financial year to which they relate.

(5) The officer of Inland Revenue may require the person being audited to attend at his office in person or through an authorized representative or to produce, or cause to be produced such accounts, documents or any evidence as the officer of Inland Revenue may consider necessary.

(6) The officer of Inland Revenue not below the rank of Assistant Commissioner may conduct or cause to be conducted such enquiry and obtain such information from any third party as he considers appropriate.

(7) The officer of Inland Revenue not below the rank of Assistant Commissioner shall conduct audit of the sales tax affairs to verify the correctness or otherwise of the declared tax liability, output tax shown, input tax claimed, tax paid, refund claimed, stocks consumed and available and to ascertain compliance or otherwise with the provisions of this Act and the rules made thereunder on the basis of the record and evidence obtained under subsections (5) to (5B) and other documents maintained or furnished under this Act and the rules made thereunder or under any other law.

(8) The officer of Inland Revenue may conduct audit proceedings electronically through video links, or any other facility as may be prescribed by the Board.

	<p>(9) After completion of the audit, the officer of Inland Revenue may, if required pass an order under section 11E, after providing an opportunity of being heard to the taxpayer under sub-section (1) of section 11E.</p> <p>(10) Notwithstanding anything contained in sub-sections (7) and (9) where a registered person fails to produce before the officer of Inland Revenue, any accounts, documents and records required to be maintained under this Act or the rules made thereunder or any other relevant document electronically kept record, electronic machine or any other evidence that may be required by the officer of Inland Revenue for the purpose of audit. The officer of Inland Revenue may proceed to make best judgment assessment under section 11D of this Act.</p> <p>(11) Where during the course of audit the officer of Inland Revenue suspects that such person is involved in tax fraud, he may with the approval of Commissioner, conduct an investigative audit under section 25AB.</p> <p>(12) Notwithstanding the penalties prescribed in section 33, if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with default surcharge voluntarily, whenever it comes to his notice, before receipt of notice of audit, no penalty shall be recovered from him:</p> <p>Provided that if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with default surcharge during the audit, or at any time before issuance of show cause notice under section 11E, he may deposit the evaded amount of tax, default surcharge under section 34, and twenty five per cent of the penalty payable under section 33:</p> <p>Provided that further that if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with default surcharge after issuance of show cause notice under section 11E, he shall deposit the evaded amount of tax, default surcharge under section 34, and full amount of the penalty payable under section 33 and thereafter, the show cause notice, shall stand abated.</p>
<p><b>Section 25AB</b> <b>Investigative Audit</b> <b>(New Section)</b></p>	<p>(1) Where on the basis of information from audit as provided in sub-section (11) of section 25, or otherwise, the officer of Inland Revenue not below the rank of Assistant Commissioner, on the balance of probabilities, suspects that a registered person is involved in tax fraud, he may with the prior approval of the Commissioner in writing, initiate investigative audit against such person.</p> <p>(2) officer of Inland Revenue shall conduct investigative audit under sub-section (1) on the basis of the record and evidence obtained under sections 37, 37A, 38, 38A, 38B and 40 within ninety days of the initiation of the investigative audit.</p>

	<p>(3) After completion of investigative audit the officer of Inland Revenue may take one or more of the following actions:</p> <ul style="list-style-type: none"> <li>a) pass an order under section 11E, after providing an opportunity of being heard to the registered person under that section on all the issues arising from the investigative audit.</li> <li>b) issue a best judgment assessment order under section 11D, where the registered person fails to produce, any accounts, documents records or evidence or any other relevant document that may be required by the officer of Inland Revenue;</li> <li>c) black list the registered person under section 21; and (d) impose penalty and cause prosecution of the registered person as provided against Serial. No. 13 of the Table in section 33.</li> </ul> <p>(4) For the purposes of clause (a) and (b) of sub-section (3), the officer of Inland Revenue may disallow input tax on goods or services, if the registered person is unable, without reasonable cause, to provide a receipt, or invoice or other record or evidence of the transaction or circumstances giving rise to such claim.</p>
<p><b>Section 26 (2A)</b></p> <p><b>Return</b></p> <p><b>(New Sub Section Inserted)</b></p>	<p>The officer of Inland Revenue may, by notice in writing, require any person who, in his opinion, is required to file a return under this section for a tax period or tax periods but who has failed to do so, to furnish the return or returns within fifteen days from the date of service of such notice or such longer or shorter period as may be specified in such notice or as the officer of Inland Revenue may allow:</p> <p>Provided that the notice under this sub-section shall only be issued within fifteen years from the end of the financial year in which the return was to be filed, in cases of tax fraud and five years in all other cases.</p>
<p><b>Section 34.</b></p> <p><b>Default Surcharge</b></p>	<p>Rate of Default Surcharge has been revised from Twelve Percent to KIBOR plus three percent.</p>
<p><b>Section 40C (4) &amp; (5)</b></p> <p><b>Monitoring or Tracking by Electronic or other means</b></p> <p><b>(New Sub Sections Inserted)</b></p>	<p>The Board through notification in the official Gazette, may require any person or class of persons to integrate their electronic invoicing system with the Board’s Computerized System for real time reporting of sales in such mode and manner and from such date as may be specified therein; and</p> <p>Licensed integrator shall integrate electronic invoicing system of registered persons referred to in sub-section (4) in such mode and manner as may be prescribed.</p>

<b>SECTION / CLAUSE</b>	<b>AMENDMENTS</b>
<b>Section 47AB</b>  <b>Saving (New Section)</b>	The period of limitation provided in clause (c) of subsection (1) of section 46 and subsection (1) of section 47 shall continue to apply where any decision of the commissioner (Appeals) or the Appellate Tribunal is received prior to the date of commencement of the Tax Laws (Amendment) Act, 2024 (V of 2024).