

TAX BRIEF ON TAX LAWS (AMENDMENT) ORDINANCE, 2025

ZAHID JAMIL & CO.

Chartered Accountants

*An Independent Member Firm
of PrimeGlobal*

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BACKGROUND

The ordinance has been promulgated on May 2, 2025, to tighten tax enforcement mechanisms and enhance revenue collection by introducing targeted amendments to The Income Tax Ordinance, 2001 and The Federal Excise Act, 2005.

AMENDMENTS IN INCOME TAX ORDINANCE, 2001

1. RECOVERY OF TAX - SECTION 138

A new sub-section 138(3A) has been inserted. It makes tax immediately payable when the issue involved is decided by a High Court or Supreme Court of Pakistan, irrespective of any contrary lower court orders or timelines. This provision overrides other legal protections and curtails delays in tax recovery caused by litigation at lower forums, expediting revenue collection.

2. RECOVERY THROUGH BANKS - SECTION 140

A New sub-section 140(6A) has been inserted. Similar to 138(3A), this empowers authorities to recover tax immediately through banks once the matter is decided by a superior court. This provision reinforces immediate enforceability of decisions from higher judiciary, limiting procedural delays often exploited by taxpayers.

3. POSTING OF OFFICERS - SECTION 175C (NEW SECTION)

This new section authorizes FBR to post Inland Revenue officers at the premises of businesses to monitor Production, Stock levels and Services or goods supply. This section can be used as strong compliance monitoring tool aimed at high-risk sectors or suspected tax evasion. However, this may raise concerns about intrusiveness and business disruption unless checks and balances are provided.

AMENDMENTS IN FEDERAL EXCISE ACT, 2005

1. OFFENCES AND PENALTIES - SECTION 26

This Amendment includes offences relating to non-affixation or counterfeit tax stamps/barcodes. It strengthens enforcement against illicit trade and counterfeit goods, particularly in sectors covered by track-and-trace systems.

2. POWER TO ARREST AND PROSECUTE - SECTION 27

This Sub-section (1) also now applies to counterfeit stamps/labels. Also, a new sub-section (4) has been inserted which empowers FBR to delegate enforcement authority to officers/employees of the federal or provincial governments (via Gazette notification). The provision boosts enforcement capacity beyond FBR's in-house team, especially useful for joint operations, though may lead to jurisdictional overlaps or accountability issues if not well-coordinated.

OVERALL ANALYSIS

This ordinance reflects the government's aggressive stance on tax enforcement. It empowers the FBR with immediate recovery tools, enables real-time monitoring of production/supplies, expands enforcement reach via inter-agency collaboration. It Strengthens revenue collection by curtailing delays but risks undermining taxpayer rights to appeal or procedural fairness.

However, this could deter frivolous litigation but may also pressure taxpayers into premature compliance. Stakeholders may raise concerns about due process being curtailed, privacy and operational disruptions from officer postings and potential for misuse without clear safeguards.