

TAX HANDBOOK ON FINANCE ACT 2025

**ZAHID JAMIL
& CO.**

Chartered Accountants

*An Independent Member Firm
of PrimeGlobal*

Audit | Tax | Advisory | Risk

www.zahidjamilco.com

AMENDMENTS IN INCOME TAX ORDINANCE, 2001

SECTION/CLAUSE	PROPOSED AMENDMENT THROUGH FINANCE BILL 2025	AMENDMENTS VIDE FINANCE ACT 2025
Section 2	The Bill proposed changing the definition of a non-profit organization (NPO) under section 2(36). Specifically, it excludes recreational clubs that charge new members a membership fee of more than PKR 1 million from being considered as NPOs.	The Act has amended the proposed definition to exclude recreational clubs that charge a membership joining fee of more than PKR 1 million.
Tax on payments for Digital Transactions in E-Commerce - Section 6A	The Bill proposes to impose a tax on the total payments received by anyone who supplies digitally ordered goods or services delivered from within Pakistan through locally operated online platforms, such as online marketplaces or websites. However, this tax will not apply to export earnings that have already been taxed under Section 154A. Additionally, the tax collected under this provision will be considered as the final tax liability, as per Section 8 of the Income Tax Ordinance.	Through FA 2025, section 154 of the Ordinance has also been covered under the proviso. The Act, has exempted from tax under this Section 6A on those export proceeds that have been subject to withholding tax under Section 154 as well, in addition to Section 154A.
Annuity and Salary – Section 12(2)(F) and Clause 2 of Division I, Part I of the First Schedule	The Bill had proposed to tax individuals in cases where they earned income solely from pension, annuity, supplement to the pension or annuity and commutation of pension from former employer for tax year at 0% upto PKR 10 million, and 5% of the amount exceeding PKR 10 million.	Through FA 2025, a new sub-section 2A u/s 12 has been inserted as follows consequent to which pensions will fall under final tax regime The Act, has subjected to tax any salary or annuity, or any supplement to a pension or annuity to tax at 5% of the amount exceeding PKR 10 million.

Minimum Annual Rental Value – Section 15(4) – Removed	<p>It has been proposed to set a minimum fair market rent of 4% per annum of the commercial property's value for tax purposes, unless the taxpayer provides satisfactory evidence to the Commissioner proving a lower rent.</p>	<p>Through FA 2025, the proviso proposed to be added has been withdrawn and therefore the concept of minimum fair market rent for commercial properties has been dropped.</p> <p>The Act has removed such proposal. Therefore, the position before the Bill stands restored and there is no fixed minimum annual rental value of commercial immovable property at 4% of the FMV in terms of Section 68.</p>
Disallowance of Expenditure Attributable to purchases made from Persons that are Not NTN Holders – Section 21(Q)	<p>It has been proposed that clause q of section 21 be substituted as under: (q) ten percent of the claimed expenditure made attributable to purchases made from persons who are not National Tax Number holders: Provided that this clause shall not apply on agricultural produce directly purchased from the growers: Provided further that the Board may, by notification in the official Gazette, exempt persons or classes of persons from this clause subject to such conditions and limitations as may be specified therein.</p>	<p>Through FA 2025, the said clause now provides that the disallowance will be made only in case of purchase of agricultural produce from the middleman.</p> <p>the Act has amended the proviso, whereby, the said sub-section, shall only apply to purchase of agricultural produce made from the middle man.</p>
Tax Credit for Certain Persons – Section 65F(1)(A)	<p>In order to expand the application of the aforementioned tax credit to those involved in coal mining projects in Sindh and who may supply coal to others, including power generation projects, the Bill had sought to eliminate the word "exclusively" from Section 65F(1)(a).</p>	<p>The Act has modified Section 65F(1)(a), which now restricts the tax credit to the amount of income earned from supplying coal to power generation projects.</p>

<p>Restrictions on Economic Transactions by Certain Persons – Section 114c</p>	<p>The Bill had proposed to cement Section 114C (added vide Tax Laws (Amendment) Bill 2024) in the ITO, albeit with a few changes.</p> <p>The Bill had proposed under Section 114C(1)(b), to change the notifying authority for prescribing value of an immoveable property from the Board to the Federal Government.</p> <p>The Bill had proposed to add a proviso in Section 114C(1)(b) that stated that the restriction on registering, recording or attesting transfer of immoveable property shall not come into effect or no person shall be considered as an ineligible person for the purposes of Section 114C(1)(b) till the time the value is notified by the Federal Government.</p> <p>The Bill had proposed to exclude Pensioner accounts under Section 114(1)(c) from the restriction on a banking company to not open or maintain an already opened current or savings bank account, in addition to the exclusion of Aasan account.</p> <p>Before the Bill, an ineligible person that filed its sources of investment and expenditure statement after filing of its return was previously excluded from the restrictions of Section 114C(1). However, the Bill had proposed to omit such persons from the said exclusion.</p>	<p>Now, the Act has amended Section 114C as follows:</p> <ol style="list-style-type: none"> The threshold that was previously to be notified by the FG, is now mentioned in the Fifteenth Schedule. Section 114C(1)(c) has been amended by the Act, whereby, similar investments to securities or units of mutual funds have also been brought within the ambit of the restrictions in Section 114C(1). Section 114C(1)(d)(i) has been amended by the Act whereby, now all accounts (except for Pension and Aasan accounts), not just current accounts of ineligible persons cannot be opened or maintained Section 114C(1)(d)(ii) has been amended by the Act, whereby, now any person cannot withdraw equal to or more than PKR 100 million in all bank accounts held by an individual. Section 114C(3) has been omitted. Previously, the investment and expenditure statement filed by the person and sufficient resources as defined under sub-section (5) was not nature and source of income for Section 111.
---	--	--

	<p>The Bill proposed to expand the definition of an eligible person by including person that has filed sources of investment and expenditure statement declaring sufficient resources and furnishing explanation thereof for a particular purchase or investment transaction covered in Section 114C(1)(a) to (c).</p>	<p>What this meant was that if a non-filer filed a return and thereafter investment and expenditure statement for the purposes of a transaction specified under Sections 114C(1), were prone to enquiry under Section 111, and the said expenditure could have been taxed by the FBR.</p> <p>Now, the Act, has omitted Section 114(C)(3), whereby, the intent of the legislature seems to be clear that the investment and expenditure statement filed and sufficient resources as defined in sub-section (5) shall be construed as nature and source of income for the purposes of Section 111, which means filing of expenditure and income statement shall not be a self-incriminating exercise now.</p> <p>f) The Act has omitted the inapplicability of restrictions (except for opening or maintenance of current savings account of ineligible persons) on the following:</p> <ul style="list-style-type: none"> • purchase of all rikshaws, motorcycle and tractors; • purchase of a pick-up vehicle having engine capacity up to 800 CC; • purchase of such motor vehicles other than those mentioned in clauses (a) and (b), trucks and buses subject to restrictions and limitations
--	--	--

		<p>as may be notified by the Board from time to time;</p> <ul style="list-style-type: none"> • investment in securities up to such limit as may be notified by the Board from time to time; and (e) transactions made by a non-resident person or a public company except that mentioned in sub-clause (ii) of clause (d) of sub-section (1). <p>This means that now the aforesaid transactions shall only be conducted by eligible persons.</p> <p>A new Fifteenth Schedule has been added vide the Act, impact whereof is as under:</p> <p>a) For restriction under Section 114(1)(a) pertaining to application for booking, purchase or registration of motor vehicle: The threshold limitation has been fixed at more than PKR 7 million. The transaction value taken shall be the invoice value for locally manufactured vehicles, or the import value assessed by Customs including all taxes, duties, levies and charges.</p> <p>b) For restriction under Section 114(1)(b) pertaining to application for registering recording or attesting transfer of any immoveable property: The threshold limitation has been fixed at more than PKR 100 million for commercial immoveable</p>
--	--	--

		<p>properties and more than PKR 50 million for residential immoveable properties. The transaction value taken shall be the fair market value as defined under Section 2(22AA) of the ITO.</p> <p>c) For restriction under Section 114(1)(c) pertaining to investment in securities, debt securities, units of mutual funds or money market instruments: The threshold limitation has been fixed at more than PKR 50 million. The transaction value shall be the acquisition cost of securities or debt securities or unit of mutual funds or money market instruments.</p> <p>This will only apply where the investment amount up to PKR 50 million shall be new investment in any financial year excluding reinvestment either by liquidation or similar type of securities and / or reinvestment of returns earned on already held securities.</p> <p>d) For restriction under Section 114C(1)(d)(i) with respect to opening or maintaining of bank account: The restriction has only been placed on opening or maintaining of bank accounts except savings accounts.</p> <p>e) For restriction under Section 114C(1)(d)(ii) with respect to annual</p>
--	--	---

		<p>cash withdrawal limit: The threshold has been fixed for equal to or more than PKR 100 million in all bank accounts held by an individual.</p>
<p>Amendment of Assessments - Section 122</p>	<p>The time limit to pass the order under section 122 has been proposed to be omitted.</p> <p>No assessment shall be amended, or further amended, under this section unless the taxpayer has been provided with an opportunity of being heard.</p>	<p>Through FA 2025, the time limit has been enhanced from 180 days to 1 year. In section 122(9), provisos have been substituted as follows:</p> <p>Provided that order under this section shall be made within one year of issuance of show cause notice or within such extended period as the Commissioner may, for reasons to be recorded in writing, so however, such extended period shall in no case exceed ninety days. This proviso shall be applicable to a show cause notice issued on or after the first day of July, 2021:</p> <p>Provided further that any period during which the proceedings are adjourned on account of a stay order or Alternative Dispute Resolution proceedings or agreed assessment proceedings under section 122D or the time taken through adjournment by the taxpayer not exceeding sixty days shall be excluded from the computation of the period specified in the first proviso.</p>
<p>Sections 138 and 140 – Recovery of Tax</p>	<p>The Bill proposed to cement amendments made by the Tax Laws (Amendment) Ordinance 2025 with</p>	<p>The Act has amended the aforementioned Sections, leading to the tax becoming due and collectible as soon as the taxpayer's case is ruled in</p>

	<p>respect to recovery of tax under the ITO.</p> <p>The Bill had proposed additional amendments in the shape of a proviso that states that where a High Court decides the Appeal in favor of the tax department, then the department can only affect recovery from a taxpayer after 7 days of the Order of the High Court.</p>	<p>favor of the department by any of the three appellate bodies, including the High Court. Furthermore, the recovery will be limited to the minimum amount of the demand that has been altered or upheld by one of the three appellate forums.</p>
Section 148 – Imports	<p>Third Proviso has been added which was non-existent</p>	<p>Through FA 2025, to streamline the collection of tax under Digital Presence Proceeds Levy, Act, 2025 and to avoid duplication, a third proviso has been added u/s 148(1) as follows:</p> <p>It is further stipulated that the Customs Collector shall not impose a tax under this section when the recipient of the goods is also subject to the Digital Presence Proceeds Levy, Act, 2025, and this has been collected by the payment intermediary as outlined in section 153.</p>
Section 149 – Salary	<p>The bill suggested requiring previous employers to deduct taxes from payments related to pensions, annuities, or any additional benefits associated with a pension or annuity through the establishment of Section 149(1A).</p>	<p>The Act has amended the newly included sub-section, eliminating the requirement to withhold tax on pensions and any additional payments to a pension or annuity.</p>
Section 152(1d)	<p>Banks or financial institutions that manage the SCRA of a non-resident company without a Permanent</p>	<p>The Act has brought down the aforementioned period to 6 months from 12 months.</p>

	<p>Establishment in Pakistan are required to withhold tax on capital gains from the sale of debt instruments and Government securities, which include treasury bills and Pakistan investment bonds, invested through SCRA at a tax rate of 10% of the total amount disbursed.</p> <p>The Bill suggested that banks and financial institutions would only act as withholding agents if they have maintained such an account for a minimum duration of 12 months.</p> <p>The Bill also suggested that if the holding period for debt instruments and Government securities, which includes treasury bills and Pakistan investment bonds, is shorter than twelve months, the tax rate to be deducted will be 20% of the total gross amount paid, as outlined in Paragraph 2 of Division II of Part III of the First Schedule.</p>	
Section 153(2a) - Payment Intermediary and Courier Businesses Becoming Withholding Agents	<p>The Bill proposes to introduce a new rule called sub-section 2A. According to this rule, whenever a payment intermediary processes a payment digitally on behalf of a seller who sells goods or services ordered online through local e-commerce platforms (including websites), they must collect tax on the total amount payable to the</p>	<p>the Act has omitted Section 153(2A), therefore, removing digitally ordered goods or services from the MTR u/s 153 as proposed to be added through the Bill.</p>

	<p>seller. This includes any sales tax already applied. The tax rate will be as specified in a particular section of the tax law (Division IVA of Part I of the First Schedule to the Ordinance).</p> <p>Similarly, courier companies that collect cash from buyers under Cash on Delivery (CoD) arrangements, on behalf of sellers supplying goods or services ordered online, will also be responsible for collecting this tax and depositing it with the government.</p> <p>Additionally, the Bill states that if tax is collected under this new sub-section 2A, then no further tax should be deducted under the existing sub-section (1).</p> <p>To support this, the Bill also plans to officially define “payment intermediary” and “courier service” for the purposes of sub-section 2A within the existing legal framework (specifically under section 153(7)).</p>	
Tax Exemption Certificates for Public Limited Companies – Section 153(4)		<p>The Act has amended Section 153(4), whereby the Commissioner is now empowered to issue a tax exemption certificate in case of public ltd companies subject to other conditions being met.</p>

Section 175aa – Exchange of Banking and Tax Information Related to High- Risk Persons	<p>The Bill proposed that Scheduled Banks should be required to share details of high-risk individuals with the FBR.</p>	<p>The Act has updated Section 175AA to improve how information is shared between the tax authorities and scheduled banks in Pakistan. Now, the tax department will share taxpayers' declaration data with these banks to compare it against their own records using advanced data-matching techniques. If there are any discrepancies between the tax data and the bank data, the banks will provide the final results. Importantly, the confidentiality of all information involved will be fully maintained throughout this process.</p>
Section 175C – Posting of Officer of Inland Revenue	<p>The Bill had proposed that the Officer can be placed at the premises of the person.</p>	<p>The Act has proposed to restrict the presence of the Officer to business premises only.</p>
Section 181(1a) Omitted – Taxpayer Registration	<p>The bill proposes that any online marketplace or courier service handling e-commerce orders within Pakistan must ensure that vendors using their platform are registered with both the STA and the ITO before they can sell or deliver goods and services digitally.</p>	<p>The Act has now omitted such proposal.</p>

Section 182 – (3b) – where online marketplace allows unregistered (non)resident vendor, involved in e-commerce business, supplying digitally ordered goods, that is required to be registered under the STA and ITO under Section 181(1a).	<p>The Bill had proposed the offense mentioned earlier, with a proposed penalty of PKR 500,000 for the first violation and PKR 1 million for each additional violation thereafter.</p>	<p>The Act no longer requires someone to be registered under the STA in order to be subject to a penalty.</p>
SECTION 182(15A)	<p>PENALTY on any seller supplying digitally ordered goods and digitally delivered services through online marketplace who is required to register under Sales Tax Act, 1990 and Income Tax Ordinance, 2001, fails to register.</p> <p>The Bill proposed a penalty of PKR 500,000/- on the first default and PKR 1 million on every subsequent default.</p>	<p>The Act has removed the requirement to be registered under the STA to be subject to penalty provisions.</p>

SECTION 214A - Condonation of Time Limit	<p>The Bill includes a second condition that says if there are good reasons to believe that a person or the Commissioner has caused a significant loss to the government's funds, either by doing something wrong or by failing to act, then a special Committee appointed by the Board can extend the deadline for action. This extension can be granted after giving the person involved a fair chance to explain their side.</p>	<p>The Act has amended the mentioned section to allow for extending the time limit if the taxpayer has suffered a loss.</p>
---	---	---

FIRST SCHEDULE		
Part 1		
Division I	<p>The Finance Act has introduced a new tax rule for pension income from former employers. If your pension amount is up to Rs. 10 million, you won't have to pay any tax on it. However, if your pension exceeds Rs. 10 million, a 5% tax will be applied only to the amount above that threshold.</p>	
Division III	<p>The Finance Act has added a new condition to the earlier Clause (ba), which deals with taxing mutual funds. According to this update, income earned from debt securities will be taxed at 25%, while income from equities will be taxed at 15%. The proviso added by the Finance Act is reproduced hereunder: Provided that the rate of tax on dividend received by a company from a mutual fund deriving income from profit on debt shall be twenty-nine percent. This means that if a company receives dividends from a mutual fund and that mutual fund earns its income from profit on debt, then the rate of tax applicable on such dividend income for the company will be 29%.</p>	

Division IIIA	<p>After the sub-paragraph (a), following new paragraph (b), shall be inserted and thereafter the remaining paragraph shall be renumbered as (c);</p> <p>“(b) 20 percent of the yield or profit on Government securities paid to any person other than an individual; and”</p> <p>This means that when yield or profit on Government securities is paid to any person other than an individual (i.e., companies, AOPs, trusts, etc.), a tax of 20% shall be applicable.</p>
Division IVA	<p>Rate of Tax on Payments for Digital Transactions in E-commerce Platforms (Section 6A)</p> <p>The Finance Bill has introduced a new section called Division IVA in the First Schedule, which sets out tax rates specifically for payments made through digital transactions on e-commerce platforms. It distinguishes between payments made digitally and those made via cash on delivery, applying different tax rates to each. Under clause (i), the Bill proposes a tiered system of tax rates for digital payments made to intermediaries, meaning the tax rate changes depending on the amount of the payment.</p> <ul style="list-style-type: none"> • Payments up to Rs. 10,000: 1% • Payments between Rs. 10,001 and Rs. 20,000: 2% • Payments above Rs. 20,001: 0.25%* <p>Comments on Finance Act, 2025-26 9 Page</p> <p>The Finance Act, however, replaces this tiered structure. It amends the title in clause (i) by inserting the phrase:</p> <p>“at the rate of 1% of gross amount paid or payable”</p> <p>and omits the proposed table, thereby simplifying the regime to a flat 1% tax on digital payments made through intermediaries.</p> <p>For cash-on-delivery (COD) transactions, the Finance Bill had proposed varying tax rates:</p> <ul style="list-style-type: none"> • Electronics and electric goods: 0.25% • Clothing: 2% • Other goods: 1% <p>The Finance Act similarly amends clause (ii) by inserting:</p>

	<p>“at the rate of 2% of gross amount paid or payable”</p> <p>and omits the table, resulting in a flat 2% tax rate on COD-based services, regardless of the product category.</p>
--	---

Part III - Deduction of Tax at Source

Division I	<p>The Finance Act has introduced a new rule related to the taxation of mutual funds. Earlier, it was proposed that mutual fund income would be taxed at 25% if it comes from debt securities, and at 15% if it comes from equities.</p> <p>Now, the Finance Act adds an important detail: if a company receives dividends from a mutual fund that earns its income from profits on debt, the company will have to pay tax on those dividends at a rate of 29%.</p> <p>In simple terms, when a company gets dividend payments from a mutual fund whose earnings come from debt-related profits, the tax rate on that dividend income for the company will be 29%.</p>
Division IA	<p>The Finance Act has introduced a new rule, adding a paragraph (b) to the existing provisions. According to this new rule, when any entity other than an individual—such as companies, associations of persons (AOPs), trusts, and similar groups—earns income from government securities, a tax of 20% will be deducted from the yield or profit. The rest of the paragraphs will be adjusted accordingly, with the following paragraph now labeled as (c).</p> <p>In simple terms, if you’re not an individual but receive earnings from government securities, you’ll be subject to a 20% tax on that income.</p>
Division III (3A)	<p>The Finance Bill has introduced a new section called sub-Division 3A in the First Schedule Part III. This section outlines new tax rates that apply to payments made through digital transactions on e-commerce platforms. It sets different tax rates depending on whether the payment is made digitally or via cash on delivery.</p> <p>Specifically, under clause (i), the Bill proposes a tiered system of tax rates for digital payments made to intermediaries, meaning the tax rate varies based on the amount or type of digital payment received.</p> <ul style="list-style-type: none"> • Payments up to Rs. 10,000: 1%

	<ul style="list-style-type: none"> • Payments between Rs. 10,001 and Rs. 20,000: 2% • Payments above Rs. 20,001: 0.25%* <p>The Finance Act, however, replaces this tiered structure. It amends the title in clause (i) by inserting the phrase: “at the rate of 1% of gross amount paid or payable” and omits the proposed table, thereby simplifying the regime to a flat 1% tax on digital payments made through intermediaries.</p> <p>For cash-on-delivery (COD) transactions, the Finance Bill had proposed varying tax rates:</p> <ul style="list-style-type: none"> • Electronics and electric goods: 0.25% • Clothing: 2% • Other goods: 1% <p>The Finance Act similarly amends clause (ii) by inserting: “at the rate of 2% of gross amount paid or payable” and omits the table, resulting in a flat 2% tax rate on COD-based services, regardless of the product category.</p>
--	--

Second Schedule	
Part 1	
Sub-clause (i) of the renumbered sub-clause (46), shall be substituted with the following, namely; - “(i) clauses (8) and (9) shall be omitted.”	<p>Clause 8 currently exempts pensions received by Pakistani citizens from their former employers, except in cases where the person is still employed by that employer. Clause 9 exempts pensions related to services rendered by members of the Armed Forces of Pakistan, the Federal Government, or Provincial Governments, as well as pensions granted to the families and dependents of public servants or armed forces members who die while in service.</p> <p>However, according to the Finance Act, both Clause 8 and Clause 9 will be removed. On the other hand, Clause 12, which deals with payments received as commutation of pension from the Government or from any pension scheme approved by the Board for this purpose, will remain in effect.</p>
Renumbered sub-clause (46);	<p>Section 23A provides a partial tax exemption of up to 50% on pension withdrawals when you retire, become disabled, or pass away. However, if you</p>

<p>in paragraph (A), Clause (iii), was substituted which pertained to omission of Clause 23A and 23C.</p>	<p>withdraw more than the allowed amount or take money out early, there may be tax consequences.</p> <p>Section 23C allows people to transfer money from their provident fund into pension funds without having to pay taxes on those withdrawals. This rule supports building up pension savings and makes it easier to move retirement funds between different pension plans.</p> <p>This shows that the exemption on Voluntary Pension Scheme shall be reinstated. The substituted clause is: Subclause (4) of Clause 57, Whereby a new sub-clause (4) after sub-clause (3) of clause (57) in the Second Schedule, as follows: “(4) Any income of the following funds, institutions, foundations and trusts, namely: –...” This Clause provides tax exemption of any income for entities listed in the table below:</p>
--	--

TABLE			
Sr.	Name	Sr.	Name
1	Pension of a former President of Pakistan and his widow.	27	WAPDA on issuance of twenty billion rupees TFC's/SUKUK certificates for consideration of Diamer Bhasha Dam Projects.
2	State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation.	28	WAPDA Second Sukuk Company Limited.
3	Federal Board of Revenue Foundation.	29	Pakistan International Sukuk Company Limited.
4	Pakistan Council of Scientific and Industrial Research.	30	Second Pakistan International Sukuk Company Limited.
5	The Pakistan Water and Power Development Authority established under the Pakistan Water and Power Development Authority Act, 1958 (W. P. Act XXXI of 1958).	31	Third Pakistan International Sukuk Company Limited.

6	Pakistan Agricultural Research Council.	32	Islamic Naya Pakistan Certificates Company Limited (INPCCL).
7	The corporatized entities of Pakistan Water and Power Development Authority from the date of their creation up to the date of completion of the process of corporatization i.e. till the tariff is notified.	33	Pakistan Mortgage Refinance Company Limited.;
8	The Prime Minister's Special Fund for victims of terrorism.	34	The Pakistan Global Sukuk Programme Company Limited.
9	Chief Minister's (Punjab) Relief Fund for Internally Displaced Persons (IDPs) of NWFP.	35	Shaheed Mohtarma Benazir Bhutto Institute of Trauma, Karachi
10	Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams – Fund.	36	National Memorial Bab-e-Pakistan Trust.
11	National Disaster Risk Management Fund.	37	Pakistan Poverty Alleviation Fund.
12	The Prime Minister's COVID-19 Pandemic Relief Fund-2020.	38	National Rural Support Programme.
13	National Endowment Scholarship for Talent (NEST).	39	Karandaaz Pakistan
14	Securities and Exchange Commission of Pakistan.	40	The Institutions of the Agha Khan Development Network (Pakistan) as contained in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and the Agha Khan Development Network.
15	Privatisation Commission of Pakistan.	41	International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVIII of 1956) and provided in section 9 of Article VI of Articles of Agreement 1955 as amended through April 1993.
16	Fauji Foundation.	42	Asian Infrastructure Investment Bank and persons as provided in Article 51 of

			Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on the 25th December, 2015.
17	Audit Oversight Board.	43	SAARC Energy Centre.
18	Supreme Court Water Conservation Account.	44	The Asian Development Bank established under the Asian Development Bank Ordinance, 1971 (IX of 1971).
19	Baluchistan Education Endowment Fund (BEEF).	45	International Islamic Trade Finance Corporation.
20	Army Welfare Trust.	46	Islamic Corporation for Development of Private Sector.
21	Public Private Partnership Authority for tax year 2022 and subsequent four tax years	47	ECO Trade and Development Bank.
22	The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5th August, 2022.	48	The Islamic Chamber of Commerce and Industry under the Organization of Islamic Conference (OIC).
23	Export-Import Bank of Pakistan	49	Commission on Science and Technology for Sustainable Development in the South (COMSATS) formed under International Agreement signed on 5th October, 1994.
24	Deposit Protection Corporation established under sub-section (I) of section 3 of Deposit Protection Corporation Act, 2016 (XXXVII of 2016).	50	Saarc Arbitration Council (SARCO).
25	WAPDA First Sukuk Company Limited.	51	International Parliamentarians' Congress.
26	Pakistan Domestic Sukuk Company Ltd.	52	Army Officers Benevolent Fund/Benevolent Fund/ Bereaved Family Scheme

	Sub-clause (ii) of the renumbered sub-clause (46) shall be omitted which pertained to the omission of the words “or commutation of pension” from Clause 13.
Clause 65B	Starting from the 2025 tax year, the Finance Act has added a new rule (clause 65B) that exempts any cash awards given to Pakistani athletes who win medals at the international Olympic Games from being taxed. This tax break applies only if the award comes from the Federal or Provincial Government or a public office holder. It’s a way to encourage and reward our Olympic athletes by letting them keep their prize money tax-free
Clause 66	<p>The Finance Act substitutes clause (66) of the Second Schedule with the following: “(66) Subject to the provisions of section 100C, any income derived by the following institutions, foundations, societies, boards, trusts and funds, namely:– ”</p> <p>This substitution provides tax exemption for entities listed in the table below, provided they fulfill the conditions laid out in section 100C.</p>

TABLE			
Sr.	Name	Sr.	Name
1	Al-Shifa Trust.	30	Saifee Hospital Karachi
2	Fatimid Foundation.	31	Saifiyah Girls Taalim Trust
3	Pakistan Engineering Council.	32	Balochistan Bar Council
4	The Institution of Engineers.	33	Islamabad Bar Council
5	Liaquat National Hospital Association.	34	Khyber Pakhtunkhwa Bar Council
6	Greenstar Social Marketing Pakistan (Guarantee) Limited.	35	Punjab Bar Council
7	Gulab Devi Chest Hospital.	36	Sindh Bar Council
8	National Academy of Performing Arts.	37	Shaheed Zulfikar Ali Bhutto Foundation (SZABF)]
9	Pakistan Bar Council.	38	Pakistan Sweet Homes Angels and Fairies Place.
10	Pakistan Centre for Philanthropy.	39	Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT.
11	Aziz Tabba Foundation.	40	Shaukat Khanum Memorial Trust.

12	The Kidney Centre Post Graduate Training Institute.	41	Abdul Sattar Edhi Foundation.
13	Pakistan Disabled Foundation.	42	Patient's Aid Foundation.
14	Forman Christian College.	43	Indus Hospital and Health Network.
15	Habib University Foundation.	44	Sundus Foundation.
16	Begum AkhtarRukhsana Memorial Trust Hospital.	45	Ali Zaib Foundation
17	Al-Khidmat Foundation.	46	Layton Rahmatullah Benevolent Trust (LRBT).
18	Sardar Trust Eye Hospital, Lahore.	47	Dawat-e-Hadiya, Karachi.
19	Akhuwat.	48	The Citizens Foundation.
20	Al-Shifa Trust Eye Hospital.	49	Make a Wish Foundation
21	Sarmaya-E-Pakistan Limited.	50	Saylani Welfare International Trust.
22	Lahore University of Management Sciences, Lahore.	51	Dawat-e-Islami Trust
23	Ghulam Ishaq Khan Institute of Engineering Sciences and Technology.	52	Chiniot Anjuman Islamia.
24	Society for the Promotion of Engineering Sciences and Technology in Pakistan (SOPREST).	53	Hamdard Laboratories (Waqf) Pakistan
25	Businessmen Hospital Trust.	54	Film and Drama Finance Fund
26	Baitussalam Welfare Trust.	55	Shaheed Zulfikar Ali Bhutto Institute of Science and Technology
27	Alamgir Welfare Trust International.	56	Beaconhouse National University
28	Foundation University.	57	Federal Ziauddin University."
29	Burhani Qarzan Hasnan Trust	58	Punjab Police Welfare Organization, Lahore

PART 2

The Finance Act omits Clause (9AC) and Clause (24CA) being already redundant.

	<p>A new Clause (24CB) has been inserted which provides that the rate of tax under section 153(1)(b) and (c), and section 236A, in respect of payments made to the National Logistics Corporation (NLC), shall be 3% of the gross amount paid or the gross sale price of a lease of toll collection rights, respectively. The tax deducted and collected under this clause shall be treated as minimum tax. However, if the normal income tax, as calculated under Division II of Part I of the First Schedule, exceeds the amount paid under this clause, the taxpayer shall be liable to pay the normal income tax.</p>
--	---

AMENDMENTS IN IN SALES TAX ACT, 1990

Definitions and New Terms (Section 2)

"Abettor"	<p>The Finance Act, 2025 has clarified that an "Abettor" now refers to a person who knowingly abets or is complicit in committing tax fraud. Furthermore, the offences listed under clauses (a) and (d) have been excluded from the scope of the term "Abettor and in clause (b) only such preparation of invoices for false input tax claim will be treated abetment where same is authorized by the registered person.</p> <p>An abettor is any person who "abets or connives in tax fraud" (as defined in section 2(37) of the STA, 1990) or any other prosecutable offence and includes following:"</p> <ul style="list-style-type: none"> a) Misuse of another registered person's login credentials to file declarations or any unauthorized change in e-profile; b) Preparation of invoices aimed at false input-tax claims; c) Facilitating fraud through provision or misuse of bank accounts, including those illegally maintained in another's name; and d) Sales-tax registration solely for paper transactions without underlying taxable activity
"Courier"	<p>It covers any entity engaged in the delivery of goods and collection of cash on behalf of a seller and includes logistic services, ride-hailing services, food delivery platforms and e-commerce delivery services.</p> <p>The Finance Act, 2025 has excluded food delivery platforms and e-commerce delivery services from the scope of the definition of "courier."</p>

	<p>The original proposal covered a wide range of services, including logistics, ride-hailing, food delivery, and e-commerce delivery. However, the updated proposal has taken out food delivery and e-commerce delivery from the definition of “courier.” This change means that food delivery and e-commerce platforms are no longer classified as couriers, which could affect their tax obligations and other responsibilities that applied to them before.</p>
"E-commerce"	<p>At first, “e-Commerce” was meant to cover buying and selling goods and services over computer networks, including orders made through websites, mobile apps, and online marketplaces. But with the Finance Act of 2025, services provided over computer networks have now been taken out of this definition.</p>
"Online Marketplace"	<p>Originally, the definition included both goods and services. However, just like the change made to the term "e-commerce," the definition of an "online marketplace" has now been narrowed down to only cover platforms that help sell goods. This means that platforms mainly focused on connecting people for services might not be considered online marketplaces for sales tax purposes anymore.</p>
"Payment Intermediary"	<p>Originally, the definition was quite broad and included financial transactions related to both goods and services. However, the recent amendment makes it clear that, for sales tax purposes, the payment intermediary’s role applies only to payments for goods. This change aligns with updated definitions of "e-commerce" and "online marketplace," which now focus the tax rules specifically on goods rather than covering a wider range of financial transactions.</p>
"Tax Fraud" (Section 2)	<p>The original definition of "tax fraud" included 11 specific situations. In the updated version, these scenarios have been rearranged and renumbered, but the total remains the same. While the order has changed, the meaning hasn’t really been altered. However, the introduction has been simplified to focus more clearly on helping or encouraging any of these actions, which ties in better with the updated definition of an "abettor."</p>

Tax Liability for E-commerce (Section 3)	<p>In sub-section (3), clause (c), after "ordered," the expression "taxable" is inserted before "goods"¹⁹. This means the liability of payment intermediaries and couriers applies specifically to "taxable digitally ordered goods."</p> <p>For sub-section (7A), the new amendment substitutes the entire sub-section, stating that the tax withheld by payment intermediaries or couriers shall be a final discharge of tax liability for:</p> <ul style="list-style-type: none"> a) cottage industry; and b) retailers other than tier-I retailers. <p>The initial proposal stated final discharge for "online market place, vendors at online market place, websites, software application making those supplies".</p> <p>The original proposal to exclude sales under sub-section (7A) from chargeability under sub-section (9A) is now omitted. This omission means that the intermediaries, other than tier-I retailers or persons covered under cottage industry, will continue to be liable for their tax liability in normal manner despite discharging their roles as withholding agent.</p>
Registration for E-commerce Participants (Section 14) The bill proposed, inter-alia, following changes to Section 14 to introduce new sub-sections to address the growing e-commerce sector:	
Sub-section (1A)	<p>Now, anyone selling digital goods from within Pakistan—whether they live here or not—must register if they're doing business through online marketplaces, websites, or apps. This change makes sure that even non-residents selling digital products in Pakistan are included and taxed fairly.</p> <p>Now, "cottage industry and the retailers who are required to pay sales tax through electricity bills " are exempted mandatory registration for selling digitally ordered goods.</p> <p>At the same time, small businesses like cottage industries and some retailers are still exempt from mandatory registration. This gives them a break and stays consistent with the current tax rules designed to support these smaller players.</p>

Sub-section (1B)	<p>Online marketplaces and courier services involved in e-commerce must now make sure that only registered individuals use their platforms for transactions. This means these platforms are responsible for verifying registrations, which aligns with global standards for holding intermediaries accountable in tax collection.</p> <p>Additionally, the updated rule (sub-section 2A) requires the Commissioner to give a person a chance to be heard before forcing them to register.</p>
Bar on Operations of Bank Accounts (New Section 14AC)	<p>The initial proposal gave the Commissioner direct power to bar bank accounts upon failure to register²⁸. The amended section introduces a more phased approach:</p> <ol style="list-style-type: none"> This section now applies when the Commissioner has reason to believe a person is engaged in taxable supplies without registration, has provided three consecutive opportunities for hearing, and the person has failed to obtain registration. The Commissioner can direct banks to intermittently suspend the operation of the bank account for three working days, to be repeated two more times with a one-week interval. Only after these intermittent suspensions can the Commissioner direct a permanent bar. Upon registration, or application under sub-section (4) of section 14AD, the bar is removed within two working days. <p>This revised procedure introduces a more structured and less immediate coercive mechanism. The requirement for multiple warnings and intermittent suspensions provides opportunities for the non-compliant person to rectify their status before a permanent bar is imposed. This makes the measure less drastic initially but still maintains the enforcement power.</p>

Bar on Transfer of Immovable Property (New Section 14AD):	<p>The amended section replaces the Commissioner's direct power with a committee-based process:</p> <ul style="list-style-type: none"> a) This step is taken if a person doesn't complete their registration within fifteen days after an order is issued under sub-section (4) of section 14AC, which deals with the permanent bank account bar. b) A committee (Chief Commissioner, Commissioner, and Chamber of Commerce/Trade Association member) is constituted. c) The committee sends out a notice that is clearly posted at the business location and gives the person an opportunity to explain their side in a face-to-face hearing. d) If the committee finds the person liable for registration, they are given a further fifteen days to register. e) Only after these steps can the Commissioner direct the property registering authority to bar the transfer of immovable property. <p>This adds an important step to make sure things are fair before someone's immovable property can be blocked from being transferred just because they aren't registered. It gives the person several chances to comply and also a chance to explain their side in a hearing before any serious action is taken. Since this happens only after the bank account has already been barred under section 14AC, it shows a clear, step-by-step approach to enforcement, making sure the process is fair and not misused.</p>
Other Coercive Actions for Non-Registration (New Section 14AE)	<p>The amended section now explicitly states that the coercive actions (sealing premises, seizing movable property, appointing a receiver) are "Subject to prior action under section 14AC and 14AD". The requirements for public notice, committee hearing, and public disclosure remain.</p> <p>This makes it clear that the toughest enforcement actions are only used as a last resort, after all other steps—like blocking bank accounts under section 14AC and restricting immovable property under section 14AD—have been tried and exhausted. This step-by-step approach helps create a more organized system and offers better protection for businesses.</p>

Revision of Returns (Section 26)	<p>A new rule has been added that says if you file a revised tax return within sixty days of your original return, you don't need special approval—provided that the revised return shows either more tax to pay or a smaller refund than the original. However, this doesn't apply if the Board's risk management system flags any issues</p> <p>A new sub-section 3A has been added after sub-section 3. It says that if you file a revised tax return within sixty days of your original return, you don't need special approval—provided that the tax you owe is higher or the refund you're asking for is less than what you claimed initially. However, this doesn't apply if the Board's compliance risk management system flags any restrictions.</p> <p>This improvement benefits taxpayers by streamlining the process for amending returns that lead to increased tax payments or reduced refunds. It encourages voluntary compliance and makes it easier for individuals to correct their filings. The "compliance risk management system" provides a control mechanism for the Board.</p>
Appointment of Auditors (Section 32B)	<p>The Board or the Commissioner may appoint as many experts as it or the Commissioner considers necessary for the purposes of this Act, including for the purposes of assistance in audit, investigation, litigation or valuation.</p> <p>The Board may appoint as many auditors as it may deem fit but not more than two thousand auditors through direct engagement or through a third party including a pay roll firm for the purposes of this Act, and confer such powers as may be deemed necessary to assist the authorities mentioned in clauses (a) to (f) of sub-section (1) of section 30 of this Act and clauses (a) to (f) of sub-section (1) of section 29 of the Federal Excise Act, 2005, as per the terms, conditions, limitations and restrictions as may be prescribed."</p>

Penalties for Online Marketplaces/Couriers (Section 33)	<p>The penalties for not submitting the required monthly reports for online marketplaces, payment intermediaries, or courier services have been updated. Originally, the penalty was set at five lakh rupees for the first missed report and one million rupees for every time after that.</p> <p>Now, the penalty has changed a bit. The first penalty of three lakh rupees will only apply if the business misses their reports for two months in a row. After that, if they continue to miss reports, they'll face a one million rupee fine for each time within the next year.</p> <p>This means the first penalty isn't triggered right away—it requires two consecutive months of missing reports. While this is a bit more lenient for a one-time slip-up, it still keeps strong financial consequences for those who repeatedly fail to comply.</p>
Power to Inquire, Investigate, and Arrest (Section 37A)	<p>This section has been fully substituted. The updated version combines the powers of inquiry, investigation, and arrest into one clear and detailed section, outlining the procedures and introducing new conditions for making an arrest.</p> <ul style="list-style-type: none"> a) The inquiry officer has the same authority as a civil court when it comes to summoning people, taking sworn statements, and asking for documents. The entire inquiry needs to be finished within six months. b) The officer must clearly provide the person involved a chance to share their side of the story during the inquiry. c) The inquiry report, including the amount of tax fraud, is submitted to the Commissioner, who can approve investigation, require more information, or close the inquiry. d) Investigation must be completed within three months after approval. e) An arrest cannot be made until the inquiry has been fully completed. f) The power to arrest is significantly tightened: <ul style="list-style-type: none"> i) A three-member committee (notified by the Chairman) may authorize the Commissioner to issue a warrant of arrest if: (a) the tax fraud falls within specific clauses of section 2(37); (b) the amount involved exceeds fifty million rupees; AND (c) it's

	<p>established the accused is intentionally not joining investigation after three notices, attempting to abscond, or likely to tamper with evidence.</p> <p>ii) Alternatively, an Inland Revenue officer can arrest a person with an arrest warrant from the Special Judge for fraud under section 2(37) if the accused is not joining investigation, attempting to abscond, or likely to tamper with evidence.</p> <p>iii) An arrest cannot be made until the inquiry has been fully completed.</p> <p>g) In companies, directors and officers can be held personally accountable for tax fraud and may face arrest if found guilty.</p> <p>h) The Commissioner can settle the offence by compounding it either before or after an inquiry or investigation, as long as the person pays the evaded tax, along with any default surcharge and penalty. Initially, there was a proposal to create a separate section (37BB) for compounding, which also included special rules for those who helped commit the offence.</p> <p>i) Any arrested person must be informed of the grounds of arrest in writing.</p> <p>The complete revision of Section 37A brings some major changes. Now, there are clear deadlines for completing inquiries and investigations—6 months for inquiries and 3 months for investigations. One of the most important updates is the stricter rules around making arrests. For example, arrests require multiple levels of approval, especially when large amounts of money (over 50 million rupees) are involved. In such cases, a three-member committee must approve any warrant issued by the Commissioner. This is a big improvement because it protects people from being arrested arbitrarily, unlike before when the Commissioner alone had broad powers to order arrests.</p>
--	---

	<p>Additionally, if certain conditions are met, a Special Judge can directly issue an arrest warrant, adding another layer of judicial oversight. Another helpful change is that the process for settling offenses (known as compounding) is now included within this section itself, rather than being in a separate section. Plus, offenders can settle their cases at any point during the inquiry or investigation, making the whole process simpler and more flexible.</p>
Photovoltaic Cells (Eighth Schedule)	<p>Exemption available on import of Photovoltaic cells whether or not assembled in modules or made up into panels had been proposed to be withdrawn (Sixth Schedule Table 1 Serial 164) Now, a new S. No. 90 is added to the Eighth Schedule, for "Photovoltaic cells whether or not assembled in modules or made up into panels", which will be charged sales tax at 10%.</p>
Exemption of aircraft parts	<p>The bill proposed to exempt the Import or lease of aircrafts by Pakistan International Airlines Corporation Limited (PIACL) (Table 1 Serial 181). The amendment in the bill has now extended the scope of exemption to the parts of the aircrafts as well.</p>

AMENDMENTS TO FEDERAL EXCISE ACT, 2005

First Schedule Table I	<p>The Finance Act, 2025 has removed the Federal Excise Duty (FED) on the allotment or transfer of commercial properties, as well as on the first allotment or transfer of residential properties.</p>
	<p>Previously, the FED (Federal Excise Duty) was applied to white crystalline sugar supplied to manufacturers, processors, or packagers. However, it wasn't clear who exactly was responsible for paying this duty. The Finance Act of 2025 has now clarified this by stating that anyone involved—including middlemen, even if not specifically mentioned in the 2005 Act—will be held responsible for paying the FED.</p>

	<p>Illicit cigarettes, beverages, and other dutiable goods that require electronic monitoring or tracking, if produced without proper tax stamps, barcodes, bands, stickers, or if these marks are counterfeit, can now be seized. Additionally, the vehicles used to transport these illegal goods may also be confiscated.</p>
	<p>The Finance Act, 2025 also empowered designated federal or provincial officials from other departments, through Gazette notification, to enforce such seizure and confiscation measures.</p>
	<p>With the Finance Act of 2025, the restriction on filing appeals based on the value of tax assessments or refunds has been removed. This means taxpayers can now once again file their appeals directly with the Commissioner (Appeals) and the Appellate Tribunal, just like the rules were before the Tax Laws (Amendment) Act of 2024 came into effect.</p>
	<p>The Finance Act, 2025 has now provided an option to the registered persons, to file appeal directly to the Appellate Tribunal against an order of adjudicating officer.</p>
	<p>The Finance Act, 2025 extended the time limitation from 30 days to 60 days of the order of Appellate Tribunal, to file appeal before the High Court, and limited the scope of reference before the High Court to the question of law only.</p>