



TAX HANDBOOK ON FINANCE BILL 2025

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SALIENT FEATURES OF AMENDMENTS

INCOME TAX ORDINANCE 2001

REVENUE MEASURES	<ul style="list-style-type: none"> a) Digital Transactions Proceeds Levy' has been introduced along with necessary changes in Income Tax Ordinance, 2001 to cover domestic vendors supplying digitally ordered goods and digitally delivered services. Banks and courier services designated as withholding agents to capture entire payment chain. b) Withholding tax rate increase for specified services from 4% to 6% with the exception of IT and IT enabled Services has been proposed. For other non-specified services, a flat 15% will be imposed and from 10% to 15% on Sports person. c) Provisions regarding assessment of banking companies has been made more disclosure oriented to determine true and fair income of the banking companies and tax payable thereon. d) Tax rate on profit on debt has been proposed to be increased from 15% to 20%. The dividend tax rate has been enhanced to 25% & 15% on dividend from mutual funds. e) Pension income received by an individual below the age of 70 years and over and above of Rs. 10,000,000 has been charged to tax at the flat rate of 5%. There will be 0% tax rate on pension income not exceeding Rs. 10,000,000. f) Adjustable withholding tax rate on cash withdrawal on non-filers proposed to be increased from 0.6% to 0.8%. g) Custodian of debt securities other than Sukuk bonds has been proposed to act as withholding agent to prevent tax evasion due to coupon washing scheme. h) Upper cap on profit on debt upto rupees five million under final tax regime proposed to be removed for individuals and Association of Persons (AoP). The tax withheld on profit on debt for company will continue to be adjustable
RELIEF MEASURES	<ul style="list-style-type: none"> a) Super tax rates under section 4C proposed to be reduced by half a percentage point for income slabs between Rs. 200 million to Rs. 500 million against each slab respectively. b) Tax rates for salaried individuals for income slab upto Rs. 3,200,000 has been reduced to provide relief to lower and middle tiers income bracket.

	<p>Similarly, surcharge rate proposed to be reduced from 10% to 9% for salaried individuals only.</p> <p>c) Income tax exemption along with withholding tax exemption for erstwhile FATA/PATA areas propose for extension for one year i.e. upto TY 2026</p> <p>d) 25% rebate against tax payable by full time teachers and researchers will be restored retrospectively i.e. from TY 2023 to TY 2025.</p> <p>e) Proportionate tax credit to on profit on debt on loan obtained for construction or acquisition of a house of 250 sq. yd. and a flat having 2000 sq ft. or less area.</p>
STREAMLINING MEASURES	<p>a) Powers of Officer of Inland Revenue to work out Fair Market Rent of a domestic or commercial property proposed to be curtailed to the extent of commercial properties. A flat 4% Fair Market Value (FMV) notified rates by Board or Deputy Collector proposed to be annual rental value of commercial properties unless actual rent declared justified through evidence.</p> <p>b) It has been proposed that any purchase from an unregistered person will make the purchaser liable, shifting the focus to those buying from the unregulated market. In such cases, 10% of the purchase-related expenditure will be disallowed.</p> <p>c) 50% of the expenditure related to purchases will be disallowed in case of payment is received in cash against a single invoiced sale transaction exceeding rupee two hundred thousand by a vendor.</p> <p>d) Proportionate depreciation deduction disallowance for the tax year if withholding tax not deducted by the withholding agent. Disallowed amount will not become part of written down value of such capital assets.</p> <p>e) No adjustment of brought forward accumulated business losses available to taxpayer in the first tax year and subsequent tax years under Normal Tax Regime after switching from prior applicable Final Tax Regime.</p> <p>f) Period of amortization of an intangible asset having undeterminable useful life has been reduced from 25 years to 15 years.</p> <p>g) Coal supply scope of person engaged in coal mining project in Sindh has been enhanced. Such person can now supply coal to any sector of economy and pay income tax on income from such supply and also can avail one hundred percent tax credit on supply to power generation projects.</p>

	<ul style="list-style-type: none"> h) Period of three years carry forward for adjustment of minimum tax on turnover has been reduced to two years. i) Limitation period of 180 days provided for completing proceedings for amendment of assessment has been withdrawn. j) Appeal procedure before appellate fora has been majorly reverted back to the period which was in vogue prior to Tax Laws (Amendment) Act, 2024. k) Recovery proceeding for immediate payment or specified time limit in the notice against a taxpayer can only be initiated where the decisions at both the forums i.e. Appellate Tribunal and High Court, are against the taxpayer. l) Board power to grant condonation has been restricted to an aggregated period of two years and in the case of huge revenue loss, the same can be extended for a longer period by processing through a committee. m) All the entities in a group structure has been made mandatory to derive income chargeable under Normal Tax Regime for availing group relief. n) Table (I) and Table (II) of clause (C66) of Part I of Second Schedule to the Ordinance listing entities granted complete exemption on any income and exemption subject to 100C provision respectively have been merged. Now all entities require approval under 100C to be declared as Non-Profit Organization and availing exemption against income. o) Exemption to Special Economic Zone (SEZ) and Special Technology Zone (STZ) entities, developers has been restricted to TY 2035 or expiry of ten years exemption period, whichever is earlier.
PROCEDURAL MEASURES	<ul style="list-style-type: none"> a) All online marketplace, payment intermediary and courier service will file a statement to Commissioner sharing data of sellers involved in digitally ordered goods and digitally delivered services. b) Online marketplace made responsible to get registered all sellers using their platform in e-commerce. c) Sharing of taxpayer data with Tax Policy Office (TPO) and anonymized data with international donor and recognized universities have been allowed.

SALES TAX ACT, 1990

DEFINITION OF CARGO TRACKING SYSTEM & E-BILTY	<p>The definition of the Cargo Tracking System to for electronic monitoring and tracking of goods transported within or across Pakistan's territory has been inserted in the Act. This aims to enhance tax enforcement, ensure compliance, and prevent tax evasion. Additionally, e-Bilty has been defined as a transport document generated through the Cargo Tracking System, as prescribed by the Board, to accompany goods during their movement</p>
1. E-COMMERCE	<p>To better incorporate digitally ordered taxable goods into the e-commerce sales tax framework, the definition of 'e-commerce' has been introduced, and 'online marketplace' is redefined to include all taxable activities. Currently, online marketplaces are required to withheld 1% sales tax on local supplies made by non-active taxpayer vendors. However, this does not fully capture the growing e-commerce sector, especially businesses using websites, apps etc for online sales to consumers. To address this, the withholding tax scope has been expanded to cover transactions settled via online payment or CoD. Under the proposed regime—substituting S. No. 8 of the Eleventh Schedule— payment intermediaries (banks, financial institutions, exchange companies, and payment gateways) will collect sales tax on digital payments, while couriers will handle tax collection for CoD transactions. Additionally, the withholding tax rate is set to increase from 1% to 2%.</p>
STRENGTHENING ENFORCEMENT AND CREATING DETERRENCE AGAINST TAX FRAUD	<p>The government is actively combating tax fraud through a range of policy and administrative measures. These efforts include enhancing enforcement mechanisms to identify and prevent tax evasion and imposing tougher penalties to serve as a deterrent. Likewise, distinguishing between civil and criminal liability improves the likelihood of winning cases at appellate fora. Following measures are proposed in this regard, namely:</p> <p>a) The existing legal provisions does not envisage the role of an 'abettor' who connives with the registered persons involved in fraudulent activities to evade the sales tax. Now, the term "abettor" is proposed to be defined and punishment for this offence is also proposed.</p>

	<p>b) Tax fraud is currently defined under clause (37) of section 2. The scope of this definition is broadened to cover all kinds of frauds including those involving technology.</p> <p>c) A number of amendments are introduced in penalty section of law to discourage tax fraud.</p> <p>d) A clear distinction has been created in the law for proceeding against the non-compliance and tax frauds. The cases involving tax frauds shall be prosecuted before the special judges based on the inquiry and investigation by the department and the final decision shall be taken by a judge instead of an officer of the department.</p>
VALUE OF IMPORTED GOODS	<p>A proviso is added in the definition of the retail price in section 2 for enhancing its scope to cover the imported goods falling within the ambit of Third Schedule.</p>
LIMIT OF INPUT TAX ADJUSTMENT	<p>It is proposed that the Board be empowered to set a limit on input tax adjustment to restrict claims related to suspicious or illegal transactions. However, registered persons will have the opportunity to file applications regarding the proposed adjustment limits.</p>
BAR ON OPERATIONS OF BANK ACCOUNTS	<p>Sections 14AC, 14AD, and 14AE are proposed to be added to the Act to promote sales tax registration and economic documentation. These provisions introduce enforcement measures such as restrictions on bank account operations, transfer of immovable property, business premises sealing, property seizure, and the appointment of a receiver to compel unregistered persons to comply. The current sales tax law does not include such enforcement mechanisms.</p>

APPOINTMENT OF EXPERTS AND AUDITORS	Board or the Commissioner is empowered to appoint experts for assistance in audit, investigation, litigation or valuation. Furthermore, Board has also been vested with the power to appoint auditors (not more than 2000 in number) through direct engagement or through third party.										
ADDITION IN THIRD SCHEDULE	<p>Importers and manufacturers are required to collect sales tax on items listed in the Third Schedule of the Sales Tax Act, 1990, based on the retail price at applicable rates as embossed on the packaging of the product. The purpose of the inclusion in the Third Schedule to capture the down-stream value addition in the supply chain beyond manufacturing. The following items are proposed to be included in the Third Schedule for the same purpose as stated above:</p> <ul style="list-style-type: none"> a) Imported pet food including 'dogs and cats' food in retail packing b) imported coffee in retail packing c) imported chocolates in retail packing d) imported cereal bars in retail packing 										
WITHDRAWAL OF EXEMPTION	<p>a) Currently, S. No. 151 of Table-1 of Sixth Schedule provides exemption of sales tax on supplies, imports and import of plant and machinery by the industrial units located in the erstwhile FATA/PATA. Local industrial units such as iron, steel, tea etc. in settled areas have raised concerns about the misuse of this exemption.</p> <p>It is proposed that the exemption be gradually withdrawn by charging sales tax in phased manner at the following rates:</p> <table data-bbox="711 1354 1360 1606"> <thead> <tr> <th>Tax period</th><th>Rate of ST</th></tr> </thead> <tbody> <tr> <td>July, 2025 to June, 2026</td><td>10%</td></tr> <tr> <td>July, 2026 to June, 2027</td><td>12%</td></tr> <tr> <td>July, 2027 to June, 2028</td><td>14%</td></tr> <tr> <td>July, 2028 to June, 2029</td><td>16%</td></tr> </tbody> </table> <p>b) Both import and supply of photovoltaic cells whether or not assembled in modules or made up into panels is exempt from sales tax. This exemption disproportionately benefits commercial importers, while the local industry has been rendered uncompetitive due to the absorption of input tax costs on purchases.</p>	Tax period	Rate of ST	July, 2025 to June, 2026	10%	July, 2026 to June, 2027	12%	July, 2027 to June, 2028	14%	July, 2028 to June, 2029	16%
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WITHDRAWAL OF REDUCED RATE	<p>In order to create level playing field and generate revenue, it is proposed that exemption available to solar panels/PV modules may be withdrawn.</p> <hr/> <p>a) S. No. 53 of Table-1 in the Eighth Schedule provided a reduced 5% import tax rate on cinematographic equipment until June 30, 2023. Since this provision is now redundant, its omission has been proposed.</p> <p>b) Currently, reduced rate of 12.5% is chargeable on supply of locally manufactured or assembled motorcars upto 850cc. This concession was intended to provide relief to middle-class consumers using small cars which was not effectively passed on to end consumers. Furthermore, as part of GST reforms, all existing concessionary rates are being reviewed and withdrawn wherever feasible. Therefore, this provision is proposed to be omitted.</p> <p>c) Currently, reduced rate of 10% is available on local supply of vermicillies and sheer mall. As part of the GST reforms, all existing concessionary rates are reviewed and withdrawn wherever possible. Therefore, reduced rate of 10% is proposed to be withdrawn.</p> <hr/>
GRANT OF EXEMPTION ON LOCAL SUPPLY OF BUN & RUSK	<p>Bun and rusk are currently subject to a reduced 10% sales tax. Since they are staple foods for lower-income groups, it is proposed that their local sale be exempted from sales tax.</p> <hr/>
EXTENSION IN EXEMPTION ON SUPPLY OF ELECTRICITY TO EX-FATA/PATA	<p>Currently, supply of electricity to residential, commercial and industrial units located in erstwhile FATA/PATA is exempt till 30.06.2025. In order to provide relief to electricity consumers in these areas, it is proposed that above-mentioned exemption may be extended till 30.06.2026.</p>

STREAMLINING OF EXEMPTION ON IMPORT OF CYSTAGON, CYSTA DROPS & TRIENTINE CAPSULES	<p>To streamline the aforementioned exemption, the condition 'for personal use only,' which has been causing hardship for patients, is proposed to be omitted to better accommodate the limited number of patients who have repeatedly requested its removal.</p>
APPEAL TO CIR (APPEAL), ATIR & REFERENCE TO HIGH COURT	<p>Currently, the Commissioner (Appeals) can only entertain appeals where the assessed tax or refund value does not exceed Rs. 10 million. It is proposed that all orders under sections 10, 11A, 11D, 11E, 11F, 21, 33, 34, and 66 be appealable before CIR (Appeals), regardless of pecuniary limits. Additionally, registered persons will have the option to file an appeal directly before the ATIR if they choose to do so. Similarly, the procedures for filing appeal before ATIR and reference to high court have also been streamlined.</p>
CONDONATION OF TIME LIMIT	<p>Earlier the condonation could be given for any period as may be required under the circumstances. However, for inculcating rationality, it is proposed that the condonation may be given for a period of two years. In the case of huge loss of revenue, the same can be extended for a longer period as may be appropriate by processing through a committee.</p>
EXEMPTION OF SALES TAX ON IMPORT OR LEASE OF AIRCRAFTS BY PAKISTAN INTERNATIONAL AIRLINES	<p>In order to facilitate the privatization of Pakistan International Airline, it is proposed to grant the exemption from the payment of sales tax on the import or lease of aircrafts.</p>

CUSTOMS ACT, 1990

GUIDING PRINCIPLES	<ul style="list-style-type: none"> a) Consumer welfare. b) Availability of cheaper industrial raw materials. c) Economic sovereignty. d) Employment generation. e) FBR Transformation Plan. f) Innovation, efficiency and productivity
TARIFF RATIONALIZATION	<ul style="list-style-type: none"> a) New tariff slabs of 5%, 10% and 15% introduced. b) Existing tariff slabs of 3%, 11% and 16% abolished. c) 0% tariff slab, previously applicable on 2201 tariff lines, extended to further 916 PCT codes. d) CD reduced on goods falling under 2624 PCT codes.
REDUCTION IN ADDITIONAL CUSTOMS DUTY (ACD) RATES	<ul style="list-style-type: none"> a) Reduced from 2% to 0% on Tariff slabs of 0%, 5% and 10%, consisting of 4,383 tariff lines, except 95 tariff lines chargeable to ACD @2%. b) Reduced from 4% to 2% on 518 tariff lines under tariff slab of 15%. c) Reduced from 6% to 4% on 2166 tariff lines under tariff slab of 20%. d) Reduced from 7% to 6% on 468 tariff lines under tariff slabs of above 20%.
REVIEW OF REGULATORY (RD) REGIME	<ul style="list-style-type: none"> a) Regulatory duty on goods falling under 554 PCT codes removed. b) Rate of Regulatory duty reduced on goods falling under 595 PCT codes. c) Maximum rate of RD reduced from 90% to 50%.
REVIEW OF EXEMPTION REGIME	To streamline and reduce the cost of exemptions, 479 entries in Part-I, Part-III and Part-VII of Fifth Schedule deleted
LEGISLATIVE CHANGES	<ul style="list-style-type: none"> a) Provision for establishment of Centralized Assessment Units (CAUs) and Centralized Examination Units (CEUs) for transparent, speedy and uniform assessments. b) Provision for establishment of Digital Enforcement Units (DEUs) at key locations and to use technology to strengthen anti-smuggling operations. c) Cargo Tracking System (CTS) introduced for monitoring the movement of cargo. The system will identify the movement of smuggled/non-duty paid

- cargo through the use of technology while facilitating Bonafide cargo.
- d) Incentivizing pre-arrival clearance by allowing filing of Goods Declarations without advance payment of duties and taxes.
 - e) To reduce litigation, the existing limit of Rs. 20,000/- for initiating contravention proceedings enhanced to Rs. 100,000/- subject to payment of recoverable amount.
 - f) To reduce port congestion and dwell time, penalty introduced for unclaimed/uncleared cargo beyond specified time limit.
 - g) Time period for adjudication of cases and filing of appeals before Appellate Tribunal rationalized.
 - h) Directorate General of Intelligence and Investigation, Customs and Directorate General of Risk Management System merged and re-organized for effective intelligence gathering, targeted operations and advancement of RMS.
 - i) A new Directorate General of Customs Auction has been created to streamline the auction of goods.
 - j) A new Directorate General of Communications and Public Relations has been created for dissemination of Customs related information for trade facilitation and stakeholder engagement.
 - k) Provision to hire services of technology specialists, auditors, accountants and goods evaluators on short term contracts for specialized functions.
 - l) Provision for establishment of Customs Command Fund introduced to incentivize anti-smuggling operations.
 - m) De-minimis limit for courier/postal parcels reduced to PKR 500 to check misuse.
 - n) Facility of scrapping and mutilation of goods at ports restricted to bonafide requests up to 10% of the cargo.
 - o) Provision added to discourage attempts of belated claim of ownership of goods liable for confiscation by filing frivolous appeals before the appellate fora.
 - p) Provisions has been added that a tampered chassis vehicle shall be presumed to be a smuggled vehicle, irrespective of its registration status with MRAs.

FEDERAL EXCISE ACT, 2005

POWER TO SEIZE AND CONFISCATE COUNTERFEITED CIGARETTES, BEVERAGES OR GOODS	To create deterrence, dutiable goods manufactured or produced without affixing or affixing counterfeited tax stamps, banderols, stickers, labels or barcodes are proposed to be made liable to seizure along with the conveyance used for movement of such goods. Furthermore, such seized goods are also made liable to outright confiscation
APPEALS	The procedure for filing appeals to the Commissioner (Appeals), the Appellate Tribunal Inland Revenue, and references to the High Court has been streamlined. The pecuniary jurisdiction of the Commissioner (Appeals) has been withdrawn. However, a registered person will have the option to file an appeal directly with the Appellate Tribunal Inland Revenue without first availing the right of appeal before the Commissioner (Appeals).
WITHDRAWAL OF FED ON ALLOTMENT OR TRANSFER OF RESIDENTIAL / COMMERCIAL PROPERTY	Federal excise duty on the allotment and transfer of residential and commercial plots, imposed through the Finance Act, 2024, is now proposed to be withdrawn.
AUTHORIZE OFFICERS OF OTHER DEPARTMENT FOR ENFORCEMENT ACTIONS UNDER FE ACT	It is proposed that FBR may be empowered to authorize officers or employees from other departments within the Federal or Provincial Governments, through a notification in the official Gazette, to perform functions or exercise powers under section 26 (power to seize dutiable goods) and sub-section (1) of section 27 (confiscate dutiable goods) of the Act.

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

REVENUE MEASURES	<p>a) Integration of service providers with Board's computerized system for real-time reporting of taxable service activity – General Order to prescript mode and manner.</p> <p>b) Board to notify a Negative List of exempt services for harmonized, smooth and gradual transition from positive list to negative list. This will expand the scope of services leviable to service sales tax under Islamabad Capital Territory.</p>
STREAMLINING MEASURES	<p>Exemption of sales tax on services acquired by diplomats and diplomatic missions etc. aligned with the scope of exemptions to such persons available under the Sales Tax Act, 1990 for uniformity and harmonized regime on goods and services.</p>

INCOME TAX ORDINANCE 2001 – PROPOSED AMENDMENTS

SECTION / CLAUSE	AMENDMENT
SECTION 2, CLAUSE (7), DEFINITION OF "BANKING COMPANY"	<p>The proposed amendment in the Income Tax Ordinance, 2001 (XLIX of 2001) pertains to which defines the term "banking company."</p> <p>Before Amendment - Banking Company means a banking company as defined in the Banking Companies Ordinance, 1962 (LVII of 1962), and includes anybody corporate which transacts the business of banking in Pakistan.</p> <p>After Amendment - Banking Company means a banking company as defined in the Banking Companies Ordinance, 1962 (LVII of 1962);</p>
SECTION 2, CLAUSE 17C DEFINITION OF "DIGITALLY DELIVERED SERVICES" (NEW CLAUSE)	<p>Digitally Delivered Services means any service delivered over the internet or electronic networks, where the delivery is automated and require minimal or no human intervention including music, audio and video streaming services, cloud services, online software applications services, services delivered through online inter-personal interaction i.e., tele medicines, e-learning etc., online banking services, architectural design services, research and consultancy reports, accounting services in the form of digital files or any other online facility.</p>
SECTION 2, CLAUSE 19AA DEFINITION OF "E-COMMERCE" (NEW CLAUSE)	<p>E-Commerce means sale or purchase of goods and services conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders either through websites, mobile applications or online marketplace having digital ordering features by using either mobile phone, iPad, Tablet or automated computer-to-computer ordering system.</p>
SECTION 2, CLAUSE (36), SUB-CLAUSE (a) - DEFINITION OF "NON-PROFIT ORGANIZATION."	<p>The proposed amendment to Section 2, Clause (36), Sub-clause (a) of the Income Tax Ordinance, 2001 (XLIX of 2001) relates to the definition of "non-profit organization".</p> <p>Before Amendment "non-profit organization" means any person other than an individual which is established for religious, educational, charitable, welfare or development purposes, or for the promotion of an amateur sport.</p>

	<p>After Amendment - "<i>non-profit organization</i>" means any person other than an individual which is established for religious, educational, charitable, welfare or development purposes, or for the promotion of an amateur sport, excluding recreational clubs formed with membership fee exceeding one million for any class of new members.</p>
<p>SECTION 2, CLAUSE (38B) – DEFINITION OF "ONLINE MARKETPLACE"</p>	<p>This proposed amendment adds a significant clarification to Section 2, Clause (38B) of the Income Tax Ordinance, 2001, which deals with the term "online marketplace."</p> <p>Before Amendment - "<i>online marketplace</i>" means an information technology platform run by an e-commerce entity over an electronic network that acts as a facilitator in transactions that occur between a buyer and a seller;</p> <p>After Amendment - online marketplace" means an information technology platform run by an e-commerce entity over an electronic network that acts as a facilitator in transactions that occur between a buyer and a seller, <i>and includes 'online interfaces' that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers via digital orders for supply of goods and services, with or without the platform taking economic ownership of the goods or providing or rendering the services that are being sold.</i></p>
<p>SECTION 4AB</p>	<p>The proposed amendment to Section 4AB of the Income Tax Ordinance, 2001 introduces a new surcharge specifically targeting high-income salaried individuals.</p> <p>Before Amendment - Section 4AB deals with the high-income surcharge applicable to certain persons with high taxable incomes, typically at varying rates depending on income slabs and categories (like non-salaried individuals, AOPs, companies, etc.).</p> <p>After Amendment – a new proviso has been added that that in case of an individual deriving income chargeable under the head "Salary", the surcharge shall be payable at the rate of nine percent of the income tax imposed under Division I of Part I of the First Schedule where the taxable income exceeds rupees ten million in a tax year.</p>

SECTION 6A – TAX ON PAYMENTS FOR DIGITAL TRANSACTIONS IN E-COMMERCE PLATFORMS	<p>The proposed new section 6A introduces a specific tax on digital transactions conducted via e-commerce platforms in Pakistan. New Section states that;</p> <p>(1) Subject to this Ordinance, a tax shall be imposed, at the rate specified in Division IVA of Part I of the First Schedule, on every person who receive payment for supply of digitally ordered goods or services which are delivered from within Pakistan using locally operated online platforms including online marketplace or websites. Provided that the export proceeds subjected to withholding under section 154A shall not fall within the ambit of this section.</p> <p>(2) The tax imposed under sub-section (1) shall be computed by applying the relevant rate of tax to the gross amounts of receipts mentioned in sub-section (1).</p>
SECTION 8 - TAX COLLECTED OR DEDUCTED TO BE FINAL TAX IN CERTAIN CASES	<p>The proposed amendment to Section 8 of the Income Tax Ordinance, 2001 is procedural in nature and aims to include the newly introduced Section 6A (tax on payments for digital transactions on e-commerce platforms) in the list of final tax regimes.</p> <p>Section 8 of the Ordinance deals with "Tax collected or deducted to be final tax in certain cases". It specifies which sections' taxes, once deducted or collected, are treated as final discharge of tax liability, meaning no further tax is payable on that income, and it is not combined with other income for progressive tax purposes.</p>
SECTION 15(4) - INCOME FROM PROPERTY	<p>The proposed amendment to Section 15(4) of the Income Tax Ordinance, 2001 introduces a minimum benchmark for fair market rent specifically for commercial properties. Section 15 deals with income from property, and sub-section (4) allows the Commissioner to determine fair market rent where the declared rent appears to be understated.</p> <p>After Amendment - Two new provisos have been added i.e.</p> <p>a) Provided that the minimum value of fair market rent for the property in case of commercial properties shall be four percent of fair market value per annum as per provision of section 68 of the Ordinance:</p>

	<p>b) Provided further that the minimum value of fair market rent mentioned in above proviso shall not apply if evidence proving otherwise is provided by the taxpayer to the satisfaction of the Commissioner.</p>
SECTION 18(1) - INCOME FROM BUSINESS	<p>The proposed amendment to Section 18(1)(b) of the Income Tax Ordinance, 2001 seeks to expand the scope of the term "societies" in the context of what constitutes "Income from Business." Section 18(1) outlines what shall be chargeable to tax under the head "Income from Business." Clause (b) includes income of mutual concerns, associations, or societies arising from business activities, even when those activities are not profit-motivated in the traditional sense.</p> <p>After Amendment - There is currently an Explanation to clause (b) that clarifies or broadens the interpretation of "societies.". In the Explanation to clause (b) of sub-section (1), after the word "societies", words "including recreational club" shall be inserted.</p>
SECTION 21 - "DEDUCTIONS NOT ALLOWED"	<p>The proposed amendments to Section 21 of the Income Tax Ordinance, 2001 introduce new disallowances of business expenditures, targeting transactions that fall outside the tax net or formal banking system. The section lists types of expenditures not allowed as deductions when computing taxable income under the head "Income from Business".</p> <p>After Amendment;</p> <p>a) Clause (q) has been substituted. New clause states that "ten percent of the claimed expenditure made attributable to purchases made from persons who are not National Tax Number holders.</p> <p>Provided that this clause shall not apply on agricultural produce directly purchased from the growers.</p> <p>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>b) Clause (s) has been inserted, which states that fifty percent of the expenditure claimed in respect of sale where the taxpayer received payment exceedingly more than two hundred thousand rupees otherwise than through a banking channel or digital means against a single invoice containing one or more transactions of supply of goods or provision of services.”</p>
SECTION 22 - DEPRECIATION	<p>The proposed amendment to Section 22 of the Income Tax Ordinance, 2001 adds an important compliance condition for claiming tax depreciation on capital assets, linking it directly with tax withholding obligations under Sections 152 and 153. Section 22 allows a deduction for depreciation on tangible capital assets used in the taxpayer's business.</p> <p>After Amendment - new proviso has been added that the depreciation expense shall not be allowed for the amount paid for addition of capital assets to a seller in all relevant tax years if the tax deductible under sections 152 or 153 of the Ordinance in respect of those payments has not been deducted and deposited in the treasury, by not adding such amount paid for addition in capital assets in the assets for computation of tax depreciation.</p>
SECTION 24 - AMORTIZATION OF INTANGIBLES	<p>The proposed amendment to Section 24(4) of the Income Tax Ordinance, 2001 aims to shorten the amortization period for intangible assets and pre-commencement expenditures from 25 years to 15 years</p>
SECTION 56 - SET-OFF OF LOSSES	<p>The proposed amendment to Section 56(1) of the Income Tax Ordinance, 2001 introduces a significant restriction on set-off of losses, specifically impacting taxpayers with both business and property income. Section 56 deals with the set-off of losses across different heads of income.</p> <p>Sub-section (1) currently allows a taxpayer to adjust losses from one source or head of income against profits of another, within the same tax year, subject to certain conditions.</p>

	<p>After Amendment - a new proviso has been proposed that the adjustment of business loss shall not be allowed against income from property for the tax year.</p>
<p>SECTION 59B - GROUP RELIEF</p>	<p>The proposed amendment to Section 59B(2) of the Income Tax Ordinance, 2001 introduces a new limitation on group relief, specifically targeting companies taxed under special regimes.</p> <p>Before Amendment - Section 59B allows group companies (holding and subsidiaries, meeting ownership thresholds) to surrender losses within the group to offset profits of another company in the group, subject to conditions. This provision facilitates tax consolidation, enabling business groups to optimize tax liability through internal loss adjustments.</p> <p>After Amendment - after clause (b), the following new clause (ba) has been proposed to be inserted that “ a company or companies within the group whose income from business is chargeable to tax under any provisions of this Ordinance other than Division II of Part I of the First Schedule to the Ordinance shall not be entitled to avail group relief”.</p>
<p>SECTION 63A - TAX CREDIT FOR INTEREST PAID ON LOW-COST HOUSING LOAN (NEW SECTION)</p>	<p>(1) An individual shall be entitled to a tax credit for a tax year in respect of any profit on debt or share in rent or share in appreciation for value of house paid by the person in the year on a loan by a scheduled bank or any other financial institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government or a statutory body or a public company listed on a registered stock exchange in Pakistan where the person utilizes the loan for the construction (including land) or acquisition of one personal house having land area up to two thousand five hundred square feet or flat having total area up to two thousand square feet.</p> <p>(2) The amount of a person’s tax credit allowed under sub-section (1) for a tax year shall be computed according to the following formula, namely: — $(A/B) \times C$ where — A is the amount of tax assessed to the person for the tax year before allowance</p>

	<p>of any tax credit under this Part;</p> <p>B is the person's taxable income for the tax year; and</p> <p>C is the lesser of —</p> <p>(a) the total profit on debt referred to in sub-section (1) paid by the person in the year;</p> <p>(b) thirty per cent of the person's taxable income for the year; or 61</p> <p>(3) The person shall not be entitled to tax credit under this section for any profit deductible under section 15A.</p> <p>(4) Where an individual has claimed tax credit under this section, he shall not be entitled to claim tax credit for another house or flat under this section during the subsequent fifteen tax years.”;</p>
SECTION 65F- TAX CREDIT ON COAL MINING PROJECTS IN SINDH	<p>A tax credit equal to 100% of tax payable is inter alia available to persons engaged in coal mining projects in Sindh supplying coal 'exclusively' to power generation projects, subject to certain conditions.</p> <p>The Bill proposes to remove the condition of an exclusive supply of coal to power generation projects to avail tax credit under such provisions. Hence, such entities would be able to supply coal to other sectors without impacting the credit available on supply to power generation projects.</p>
SECTION 75A - PURCHASE OF ASSETS THROUGH BANKING CHANNEL.	<p>The new provision restricts the purchase of following assets by any person otherwise than by a crossed cheque drawn on a bank or through crossed demand draft or crossed pay order or any other crossed banking instrument showing transfer of the amount from one bank account to another bank account:</p> <ul style="list-style-type: none"> • Immovable property having fair market value greater than Rs 5 million; or • Any other asset having fair market value more than Rs 1 million. <p>In case the transaction is not undertaken in the above manner, such asset is considered as not eligible for any depreciation or amortisation allowance and no related cost is to be accounted for whilst determining any taxable gain on such transaction.</p> <p>The Bill proposes to include payment made through digital means as an acceptable mode of acquiring the assets.</p>

MINIMUM TAX CARRY FORWARD SECTION 113	<p>Minimum tax at the rate of 1.25 per cent of the turnover is inter alia payable by resident companies, permanent establishment of a non – resident, etc. where the normal tax for the year is lower. Presently, the law provides for adjustment of such tax paid including that exceeding the normal tax payable against the tax payable for a period of three tax years immediately succeeding the year of payment. The Bill proposes to reduce the time of adjustment to two years.</p> <p>Earlier, when such carry forward period was reduced from five to three years, it was held in appeals filed by certain taxpayers that such curtailment was not applicable for tax paid in prior tax years. Similar principle will apply for the proposed amendment.</p>
SECTION 114C – RESTRICTION ON ECONOMIC TRANSACTIONS BY CERTAIN PERSONS (NEW SECTION)	<p>1) Notwithstanding anything contained in any law for the time being in force,</p> <ol style="list-style-type: none"> a) any application, by any ineligible person, for booking, purchase or registration of a motor vehicle, shall not be accepted or processed by any manufacturer of a motor vehicle or vehicle registering authority of Excise and Taxation Department, as the case may be; b) any application or request by any ineligible person, to any authority responsible for registering, recording or attesting transfer of any immovable property, more than such value in aggregate in a tax year as may be notified by the Federal Government from time to time, shall not be accepted or processed by such authority: Provided that this clause shall not come into effect or no person shall be considered ineligible for the purpose of this clause unless a value is notified by the Federal Government; c) any person, authorized to sell securities including debt securities or units of mutual funds including a person authorized to open and maintain an account or clear such transactions, shall not sell, open an account or clear sale of securities, mutual funds, to an ineligible person being an individual or an association of persons; and d) a banking company shall; <ul style="list-style-type: none"> • not open or maintain an already opened current or a saving bank or investor portfolio securities account, except Asaan account and Pensioner Account, in the name of such persons as may be notified by

	<p>the Board; and</p> <ul style="list-style-type: none"> • not allow cash withdrawal from any of the bank accounts of any person, exceeding the amount as may be notified by the Board from time to time; <p>(2) The provisions of sub-section (1) excluding those in the clause (d) shall not apply to —</p> <p>(a) purchase of all rikshaws, motorcycle and tractors;</p> <p>(b) purchase of a pick-up vehicle having engine capacity up to 800 CC;</p> <p>(c) purchase of such motor vehicles other than those mentioned in clauses (a) and (b), trucks and buses subject to restrictions and limitations as may be notified by the Board from time to time;</p> <p>(d) investment in securities up to such limit as may be notified by the Board from time to time; and</p> <p>(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> <p>(3) The sources of investment and expenditure statement filed by the person and sufficient resources mentioned in sub-section (5), shall not be construed as nature and source of income for the purposes of section 111.</p> <p>(4) All or any of the restrictions imposed under sub-section (1) shall come into force as the Board may by notification in the official Gazette appoint with the approval of the Federal Government.</p> <p>(5) For the purposes of this section,—</p> <p>(a) “eligible person” shall means a person who has filed —</p> <p>(i) a return of income for the tax year immediately preceding the year of transaction mentioned in sub-section (1) and has sufficient resources in the wealth statement in case of an individual, or financial statement in case of a company or an association of persons, as the case may be, for such transaction; or</p> <p>(ii) sources of investment and expenditure statement declaring sufficient resources and furnishing explanation thereof for a particular purchase or investment transaction covered in clauses (a), (b) and (c) of sub-section (1):</p>
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	<p>Provided that in case of an individual, the eligible person shall include his immediate family members;</p> <p>(b) <i>“immediate family members”</i> in respect of an individual, shall include his parents, spouse and dependent children;</p> <p>(c) <i>“ineligible person”</i> shall mean a person who is not an eligible person as defined in clause (a) of this sub-section;</p> <p>(d) <i>“sources of investment and expenditure statement”</i> shall mean a declaration by a person filed on the Board’s web portal, specifying the sources of funds for making such transaction; and</p> <p>(e) <i>“sufficient resources”</i> shall means one hundred and thirty percent of the cash and equivalent assets comprising cash denominated in local or foreign currency, fair market value of gold, net realizable value of stocks, bonds, receivables or any other cash equivalent asset as may be prescribed, declared by a person either in his sources of investment and expenditure statement, or wealth statement filed for the latest tax year and in the case of a company or association of persons, cash and equivalent assets, declared in the financial statements attached with the income tax return for the latest tax year:</p> <p>Provided that where an asset mentioned in sub-section (1), other than its clause (d), has been purchased by way of exchange of capital assets already declared in the wealth statement, or financial statement, or sources of investment and expenditure statement, the disposal of such capital assets shall be treated to be part of cash equivalent assets to the extent of the value mentioned in the agreement.</p>
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TIME LIMITATION FOR AMENDMENT OR FURTHER AMENDMENT OF ASSESSMENT SECTION 120 & 122	<p>Under the current law, as amended through the Finance Act, 2021, an order is required to be issued within 120 days from the date of issuance of a show cause notice under section 122 (excluding any period for which proceedings are stayed) unless extended by the Commissioner for period not exceeding 90 days. The said amendment was made applicable on notices issued after July 1, 2021.</p> <p>The Bill proposes to remove this time limitation.</p>
APPEAL EFFECT ORDER AND RECOVERY PROCEEDINGS – SECTION 124	<p>It is proposed that no appeal effect order will be necessary when the Commissioner (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court or Supreme Court confirms the tax payable as determined in the appealed order. In such situation, the Commissioner can proceed directly with the recovery.</p> <p>It is however proposed that when the ATIR, High Court or Supreme Court partially sets aside the order and confirms or modifies certain issues in the appeal, the Commissioner must issue an appeal effect order. This order will determine the tax payable based on the confirmed or modified issues, excluding any tax related to matters that have been set aside or remanded back. The tax payable for the confirmed or modified issues will be collected or recovered in accordance with the provisions of the Ordinance.</p>

APPEALS	<p>The pecuniary jurisdiction/ limitation in appeals, originally inserted vide Tax Laws (Amendment) Act, 2024 and subsequently modified through the Finance Act, 2024, is proposed to be done away with.</p> <p>It is now proposed that an order passed by an officer of Inland Revenue shall be appealable before the Commissioner Inland Revenue (Appeals) [CIR(A)] irrespective of the amount of tax revenue involved; thus, reverting back to the position prior to the introduction of pecuniary limits. However, through the proposed amendment, the registered person shall have an option to file an appeal directly before the ATIR while foregoing his right of appeal before the CIR(A).</p> <p>Similar amendments have also been proposed in the Sales Tax Act, 1990 (ST Act) and Federal Excise Act, 2005 (FE Act). Presently, a taxpayer can prefer an appeal before the ATIR in respect of any order passed under the Ordinance by the Commissioner Inland Revenue (CIR) or Chief Commissioner inter-alia including the order that is passed by the FBR. Through the Bill, such right of taxpayer to file an appeal against the order passed by the FBR has been taken away.</p>
REFERENCE TO THE HIGH COURT SECTION 133	<p>Under the current law, a reference to the High Court can be filed on a mixed question of law and facts, arising out of the orders of CIR(A) and the ATIR, as the case may be, within 30 days of communication of the order.</p> <p>Through the bill, it is proposed to enhance the time limit of filing reference to 60 days and restrict filing thereof, against the order of ATIR, purely on a question of law. The proposed change primarily aligns the aforesaid provision with the reintroduction of two-tier appeal system under the Ordinance.</p> <p>Similar amendments are also proposed to be made in the ST Act and FE Act.</p>
ALTERNATIVE DISPUTE RESOLUTION (ADR) FOR STATE OWNED ENTERPRISES SECTION 134 A	<p>An enabling provision is proposed to be introduced for a reappointment of ADR Committee where in case of a State-Owned Enterprise (SOE), such committee fails to decide within a period of sixty days. Such reappointed committee shall however decide the matter within a further period of sixty days; failing which the SOE will acquire the right of appeal.</p> <p>Similar amendments are also proposed to be made in the ST Act and FE Act.</p>

RECOVERY OF TAX OUT OF PROPERTY AND THROUGH ARREST OF TAXPAYER – SECTION 138	<p>The new sub-section (3A) inserted into Section 138 of the Income Tax Ordinance, 2001 represents a significant shift in the timing and enforceability of tax recoveries once a matter is decided by a High Court or the Supreme Court.</p> <p>After Amendment - The new sub section states that any decision or judgment of any court, forum or authority, the tax payable under any provision of this Ordinance or any assessment order shall become immediately payable or within the time specified in the notice issued by the income tax authority under this sub-section, irrespective of the time provided under any other provision or the said decision or judgment, in case the issue giving rise to the tax payable is decided by a High Court or Supreme Court of Pakistan. Provided that where the High Court decides the appeal filed by the Commissioner in favor of the department under section 133, recovery shall be made after seven days from the date of the order of the High Court.</p>
RECOVERY OF TAX FROM PERSONS HOLDING MONEY ON BEHALF OF A TAXPAYER – SECTION 140	<p>New sub section 6(A) has been proposed to be inserted. The sub section states that any decision or judgment of any court, forum or authority, the tax payable under any assessment order shall become immediately recoverable or within the time specified in the notice issued by the income tax authority under this subsection irrespective of the time provided under any other provision or the said decision or judgment, in case the issue giving rise to the tax payable is decided by a High Court or Supreme Court of Pakistan. Provided that where the High Court decides the appeal filed by the Commissioner in favor of the department under section 133, recovery shall be made after seven days from the date of the order of the High Court.</p> <p>The amendment greatly empowers the tax department by fast-tracking recovery once a precedent has been set. But it significantly reduces taxpayer protection where pending appeals or relief granted under lower courts might otherwise delay recovery. Seven-day window after a favorable High Court decision is a minimal buffer for taxpayers to seek stay from a higher forum.</p>
DEDUCTION OF TAX FROM SALARY – SECTION 149	<p>In section 149, after sub-section (1), a new sub section (1A) is proposed to be inserted. The new sub section states that any person responsible for paying pension or annuity, or any supplement to a pension or annuity or commutation of pension to a former employee who is below the age of seventy years and</p>

	<p>deriving pension income during a tax year in which the payment exceeds rupees ten million, shall at the time of payment, deduct tax from the amount which is over and above rupees ten million at the rate provided in Division I of Part I of the First Schedule of the Ordinance, along with tax deducted under section 4AB after making adjustment of tax withheld from former employee under other heads and tax credit admissible under sections 61 and 63 of the Ordinance during the tax year after obtaining documentary evidence, as may be necessary, for ;</p> <ul style="list-style-type: none"> a) tax withheld from the former employee under this Ordinance during the tax year; or b) any excess deduction or deficiency arising out of any previous deduction; or c) failure to make deduction during the year.
GAIN ARISING ON DISPOSAL OF CERTAIN DEBT SECURITIES – SECTION 151A (NEW SECTION)	<ol style="list-style-type: none"> 1) Every custodian of debt securities including a banking company responsible to maintain Investor Portfolio Securities (IPS) Account on behalf of holder of a debt security shall at the time of disposal of debt securities including government securities deduct tax at the rate at the rate specified in Division IIIAA of Part III of the First Schedule on the gross amount of capital gain arising to such holder and deposit the same in government treasury. Provided that this section shall not apply on disposal of debt securities made through registered stock exchange and which are settled through NCCPL. 2) The capital gain arising to the holder on disposal of debt security mentioned in sub-section (1) shall be computed in accordance with the formula provided in sub-section (1A) of section 37A of the Ordinance.
PAYMENTS TO NON-RESIDENTS – SECTION 152	<p>A new proviso in subs section 1C has been proposed which states that the banking company and financial institution shall not deduct the tax under this sub-section where the recipient is also liable to Digital Presence Proceeds Levy and same has been collected.</p> <p>Impact:</p> <p>Following amendments have been proposed in Section 1D i.e.</p> <ul style="list-style-type: none"> a) Non-resident investors must maintain Special Convertible Rupee Account (SCRA) for at least 12 months.

	<p>b) If debt instruments or government securities are held for less than 12 months, capital gains will be taxed at higher slab rates as per Paragraph (2) of Division II of Part III of the First Schedule.</p> <p>The amendments to Section 152 strike a balance between broadening the tax net, protecting revenue, and encouraging long-term, stable investment. At the same time, they modernize the treatment of digital transactions by recognizing the newly introduced Digital Presence Proceeds Levy as an alternative to conventional withholding tax, signaling a shift toward more targeted digital taxation.</p>
<p>PAYMENTS FOR GOODS, SERVICES AND CONTRACTS – SECTION 153</p>	<p>New Sub Section 2A has been proposed to be inserted. The sub section states that;</p> <ul style="list-style-type: none"> a) every payment intermediary at the time of processing payment through digital means, on behalf of a seller of digitally ordered goods or services through locally operated e-commerce platforms (including websites); and b) every courier business providing courier services collecting cash from a buyer under Cash on Delivery (CoD) payment terms on behalf of a seller for the supply of digitally ordered goods and services through e-commerce platforms (including websites); <p>shall collect tax from the gross amount payable (including sales tax, if any) to the seller at the rate specified in Division IVA of Part I of the First Schedule to the Ordinance and deposit to government treasury.</p> <p>New Sub Section 2B has been proposed to be inserted. The sub section states that No tax under sub-section (1) of this section shall be deducted by the payer where the tax has been collected under sub-section (2A) of this section by the payment intermediary or a courier service.</p> <p>Courier Service - means any specialized entity that provides fast, secure and often tracked transportation of documents, packages and small freight, typically offering door-to-door delivery solutions of goods within specific timeframes and in case of digitally ordered goods in e-commerce delivery and collection of cash (CoD) on behalf of the seller and such delivery service provider includes but not</p>

	<p>limited to Logistics services, ride-hailing services, food delivery platforms and e-commerce services;</p> <p>Payment Intermediary - means any third part entity including a banking company, financial institution, a licensed foreign exchange company or payments gateways that facilitate the transfer of funds or payment instructions between two or more parties to enable, process, route or settle payments in a financial transaction, without being the ultimate source or recipient of the payment.</p>
FURNISHING OF INFORMATION BY ONLINE MARKETPLACE, PAYMENT INTERMEDIARY AND COURIER SERVICE – SECTION 165C (NEW SECTION)	<p>(1) Notwithstanding the provisions of section 165 of the Ordinance, every payment intermediary and courier service responsible for deducting tax under sub-section (2A) of section 153 of the Ordinance shall file a quarterly withholding statement to the Commissioner for tax deduction regarding sale of digitally ordered goods and services for each quarter of a tax year in the prescribed form setting out –</p> <ul style="list-style-type: none"> (a) name, identification number (NTN/CNIC) and address of the seller; (b) transaction date, unique identifier (invoice number) and total transaction value; (c) the total amount of tax deducted at the time of payments to the seller; and (d) any other particular may be prescribed. <p>(2) Every online marketplace in Pakistan shall submit a monthly statement containing name, address, Sales Tax and Income Tax registration number of every vendor registered on its platform supplying digitally ordered goods and services in e-commerce, transactional and aggregated quantum of seller's monthly turnover and the amount deposited into the vendor's bank account against such sale transactions.</p> <p>(3) All the provisions of the section 165 excluding sub-sections (1), (1A) and (6) shall <i>mutatis mutandis</i> apply with respect to the due date of the filling of the withholding statements, revision of the statements, power to call for statement by the Commissioner, extension of time to furnish the statement after due date, power of the Board, filing of annual withholding statement and reconciliation of the withholding statement with the annual income tax return.</p>

EXCHANGE OF BANKING AND TAX INFORMATION RELATED TO HIGH- RISK PERSONS – SECTION 175AA (NEW SECTION)	<p>(1) Notwithstanding anything contained in any law for the time being in force, including but not limited to the Banking Companies Ordinance, 1962 (LVII of 1962), section 216 of this Ordinance and any regulations made under the State Bank of Pakistan Act, 1956 (XXXIII of 1956),</p> <p>(a) the Board may share information of turnover, income including taxable income, for one or more tax years, identification data including bank account numbers declared in the income tax return, wealth statement, financial statement or in any other document to the Board, in respect of persons or classes of persons, along with data-based algorithms, as may be prescribed, with scheduled banks in Pakistan; and</p> <p>(b) the Scheduled banks shall provide to the Board particulars, such as name, account numbers of such persons where the banking information is at variance with the data algorithms provided under clause (a) of this sub-section.</p> <p>(2) All information received under this section shall be used only for tax and related purposes and kept confidential.</p>
POSTING OF OFFICER OF INLAND REVENUE – SECTION 175C (NEW SECTION)	<p>Subject to such conditions and restrictions, as deemed fit to be imposed, the Board or the Chief Commissioner, may post an Officer of Inland Revenue or such other officials with any designation working under the control of the Board or the Chief Commissioner, to the premises of any person or class of such persons, to monitor production, supply of goods or rendering of or providing of services and the stock of goods not sold at any time for determining tax payable under this Ordinance.</p>
TAXPAYER'S REGISTRATION - SECTION 181	<p>Now it is proposed mandatory for a person selling digitally ordered goods or services from within Pakistan using online marketplace or a courier service, as the case may be, to get itself registered with FBR.</p> <p>Also it has been proposed that every online marketplace or courier service, involved in e-commerce by supplying or delivering digitally ordered goods or services from within Pakistan, shall not allow any vendor to use its platform services to carry out e-commerce transactions unless such vendors have been registered under the Sales Tax Act, 1990 and Income Tax Ordinance 2001.</p>

CONDONATION OF TIME LIMIT – SECTION 214A	<p>Presently, the FBR is empowered to condone any time or period specified under the Ordinance as may be required. However, the Courts have held that the said provisions cannot be interpreted in a way to condone the time limits indefinitely. In order to attach rationality to the provisions, while keeping in view the findings recorded by the Constitutional Courts on the matter, it is proposed to limit the condonation of time to a maximum period of two years in aggregate, by way of inserting an overriding provision.</p> <p>It is also proposed that a committee of members as notified by the Board may further condone the time limitation after providing an opportunity of being heard to the registered persons but only in those cases where significant loss to exchequer has been caused by an act of omission/ commission of any registered person/ authority under the Ordinance.</p> <p>Similar amendments have also been proposed in the Sales Tax Act, 1990.</p>
DISCLOSURE OF INFORMATION BY A PUBLIC SERVANT - SECTION 216	<p>It has been proposed that a public servant is allowed to disclose to following person; i.e.</p> <ul style="list-style-type: none"> a) to an auditor appointed on contractual basis or engaged through a third party including a payroll firm in the Federal Board of Revenue, after a non-disclosure agreement is made with such auditor as may be prescribed, to assist any authority mentioned in clauses (b) to (g) of sub-section (1) of section 207; b) to Tax Policy Office for the purpose of processing and analyzing data for research and policy analysis; and c) to the recognized universities and international donor agencies subject to the conditions that before sharing, the taxpayer's data shall be anonymized.
APPOINTMENT OF EXPERT – SECTION 222	<p>A sub section has been proposed to be inserted, which states that The Board may also appoint as many auditors on contractual basis or through a third-party arrangement, as the case may be, as it deems fit for carrying out the purposes of this Ordinance. Provided that the total number of auditors appointed under this section shall not be more than two thousand.</p>

ADVANCE TAX ON CASH WITHDRAWAL – SECTION 231AB	The rate of advance tax on cash withdrawals exceeding Rs 50,000 in a day by a person whose name does not appear on Active Taxpayers List is proposed to be enhanced from 0.6% to 0.8%.
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FIRST SCHEDULE

REVISED TAX RATES FOR SALARIED INDIVIDUALS

The Finance Bill has proposed to revise the slab rates for salaried individuals. The maximum rate for salaried individuals has been kept at 35% with revisions within different slabs. Further, it is proposed to reduce the surcharge from 10% to 9% on salaried individuals having taxable income in excess of Rupees 10 million.

A comparison of proposed amendment in slab rates for salaried individuals is given below:

Taxable income	Existing Incremental Rates	Proposed Incremental Rates
Upto Rs 600,000	-	-
Exceeding Rs 600,000 upto Rs 1,200,000	5% of the amount exceeding Rs 600,000	1% of the amount exceeding Rs 600,000
Exceeding Rs 1,200,000 upto Rs 2,200,000	15% of the amount exceeding Rs 1,200,000	11% of the amount exceeding Rs 1,200,000
Exceeding Rs 2,200,000 upto Rs 3,200,000	25% of the amount exceeding Rs 2,200,000	23% of the amount exceeding Rs 2,200,000
Exceeding Rs 3,200,000 upto Rs 4,100,000	30% of the amount exceeding Rs 3,200,000	30% of the amount exceeding Rs 3,200,000
Exceeding Rs 4,100,000	35% of the amount exceeding Rs 4,100,000	35% of the amount exceeding Rs 4,100,000

TAX ON PENSION / ANNUITY EXCEEDING RS. 10 MILLION

It is proposed to tax pension/annuity/commutation of pension received in a tax year in excess of Rs 10 million by an individual under the age of 70 years; however, the drafted wording is ambiguous and tends to suggest that it will be taxed at normal rates unless individual is 'solely' deriving such income in which case it will be taxed as per table below:

DESCRIPTION	PROPOSED RATE OF TAX
Where the amount of annual pension received does not exceed rupees ten million	0%
Where the amount of annual pension received exceeds rupees ten million	5% of the amount exceeding rupees ten million

Pension to families and dependents of Shaheeds continues to be exempt. Amendments are proposed in section 149 whereby a person responsible for paying pension or annuity would be required to withhold income tax from pension /annuity to an individual below the age of 70 years at the above referred rates. The withdrawal of exemption on pension/annuity will also have bearing of surcharge and super tax.

SUPER TAX ON HIGH EARNING PERSONS

Rates of super tax are proposed to be revised as follows;

INCOME UNDER SECTION 4C	FOR TAX YEAR 2025	FOR TAX YEAR 2026 AND ONWARDS
Upto Rs. 150 million	0%	0%
Exceeding Rs. 150 million but does not exceed Rs. 200 million	1%	1%
Exceeding Rs. 200 million but does not exceed Rs. 250 million	2%	1.5%
Exceeding Rs. 250 million but does not exceed Rs. 300 million	3%	2.5%

Exceeding Rs. 300 million but does not exceed Rs. 350 million	4%	3.5%
Exceeding Rs. 350 million but does not exceed Rs. 400 million	6%	5.5%
Exceeding Rs. 400 million but does not exceed Rs. 500 million	8%	7.5%
Exceeding Rs. 500 million	10%	10%

TAX ON DIVIDEND

Currently, dividend from mutual funds is taxable at the rate of 15% except for dividend received from mutual funds deriving 50% or more income from profit on debt which is taxable at the rate of 25%. It is proposed that dividend received from mutual funds deriving income from investments in both equity and debt securities be taxed at the rate of 15% and 25% respectively contingent upon proportionate income derived from average annual investment in debt and equity securities respectively. Corresponding amendments are also proposed in the provisions relating to withholding of tax on such dividend.

PROFIT ON DEBT

It is proposed to enhance the rate of tax deduction from 15% to 20% on yield or profit received by a person from a banking company or financial institution on an account or deposit maintained with such company or institution. However, profit on debt from other than a banking company or financial institution will continue to be taxed at 15%. Further, similar amendment has been made to rate of tax applicable under section 7B which provides for final taxation of non-corporate taxpayers earning profit on debt upto Rs 5 million. Rate of tax withholding on yield or profit on debt is proposed to be revised for persons not appearing in Active Taxpayers List as tabulated below.

DESCRIPTION	EXISTING RATE	PROPOSED RATES
Yield or profit from a banking company or financial institution on an account or deposit maintained with such company or institution	35%	40%
In other cases	35%	30%

FEE FOR OFFSHORE DIGITAL SERVICES

Rate of tax on fee for offshore digital services is proposed to be enhanced from 10% to 15%. The aforesaid tax shall not be deducted where the recipient is also liable to Digital Presence Proceeds Levy (as proposed by Digital Presence Proceeds Tax Act, 2025) and the same has been collected. Corresponding amendment in the charging provisions is desired.

GAIN ON DISPOSAL OF CERTAIN DEBT SECURITIES

Gains arising on disposal of debt securities are subject to tax under section 37A. Now, every custodian of debt securities (other than disposal of such securities made through registered stock exchange and which are settled through NCCPL) including a banking company responsible to maintain Investor Portfolio Securities (IPS) Account is proposed to deduct tax at the rate of 15% of the gross amount of capital gain arising on disposal of such debt securities.

CAPITAL GAINS ON DEBT SECURITIES HELD BY A NON-RESIDENT COMPANY

Presently, the capital gains on debt securities arising on disposal of debt instruments and government securities invested by non-resident company having no permanent establishment are subject to withholding tax at the rate of 10% which is also the final tax thereon. Amendments are proposed whereby the capital gains are proposed to be subjected to withholding of tax in the following manner:

- a) Where the Special convertible Rupee Account is maintained for a period of not less than 12 months, the rate of 10% is applicable.
- b) Where the holding period of the securities is less than 12 months, rate of 20% is applicable.

The intention for the amendment in relation to (a) seems to be to tax the securities held for a period of more than 12 months at a lower rate of 10%; however, the proposed manner of the amendment suggest otherwise which needs to be re-visited.

ENHANCEMENT OF RATE OF WITHHOLDING TAXES FOR SERVICES AND EXECUTION OF CONTRACTS

Section 152(2A) relates to tax withholding from payments to non-residents' Permanent Establishments (PE) on account of sale of goods, rendering of services and execution of contracts whereas section 153(1) deals with similar payments to resident persons. It is proposed to enhance withholding tax rates for payments covered by sections 152(2A) and 153(1) as tabulated below.

Sr No.	Description	Existing Rates	Proposed Rates
1.	Provision or rendering of transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, car rental services, building maintenance services, services rendered of Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services, oilfield services	4% 4%	8% (applicable to PE of a non-resident person) 6% (applicable to resident person)
2.	IT services and IT enabled services	4%	4%
3.	Other services: <ul style="list-style-type: none"> Company Others 	9% 11%	15% 15%
4.	Execution of contract by sports persons	10%	15%

ADVANCE TAX ON PURCHASE / SALE / TRANSFER OF IMMOVABLE PROPERTY

Advance tax on purchase / sale / transfer of immovable property is proposed to be revised upward for the sellers and downward for purchasers. Comparison of existing and proposed rates is tabulated below:

Advance Tax on Sale or Transfer of Immovable Property

S. No.	Gross consideration received	Existing Tax Rates		
		Persons appearing in ATL	Persons appearing in ATL who filed returns after due date	Persons not appearing in ATL
1	Upto Rs. 50 million	3%	6%	10% of the gross amount of consideration received
2	From Rs. 50 million to Rs. 100 million	3.5%	7%	
3	Exceeding Rs. 100 million	4%	8%	

S. No.	Gross consideration received	Proposed Tax Rates		
		Persons appearing in ATL	Persons appearing in ATL who filed returns after due date	Persons not appearing in ATL
1	Upto Rs. 50 million	4.5%	7.5%	11.5% of the gross amount of consideration received
2	From Rs. 50 million to Rs. 100 million	5%	8.5%	
3	Exceeding Rs. 100 million	5.5%	9.5%	

Advance Tax on Purchase of Immovable Property

S. No.	Fair Market Value	Existing Tax Rates		
		Persons appearing in ATL	Persons appearing in ATL who filed returns after due date	Persons not appearing in ATL
1	Upto Rs. 50 million	3%	6%	12%
2	From Rs. 50 million to Rs. 100 million	3.5%	7%	16%
3	Exceeding Rs. 100 million	4%	8%	20%

S. No.	Fair Market Value	Proposed Tax Rates		
		Persons appearing in ATL	Persons appearing in ATL who filed returns after due date	Persons not appearing in ATL
1	Upto Rs. 50 million	1.5%	4.5%	10.5%
2	From Rs. 50 million to Rs. 100 million	2%	5.5%	14.5%
3	Exceeding Rs. 100 million	2.5%	6.5%	18.5%

TAX WITHHOLDING ON GAIN ON DISPOSAL OF SECURITIES

Currently, the rate of tax deduction on gain on disposal of securities is separately prescribed for persons appearing on Active Taxpayers List and otherwise. It is proposed that the rate of tax deduction will be enhanced by 100% in case of disposal of securities by a person not appearing on Active Taxpayers List where the securities were acquired before July 1, 2025.

SECOND SCHEDULE

EXEMPTION ON INCOME FROM ICC CHAMPIONS TROPHY 2025

It is proposed to exempt any income derived by ICC Business Corporation (IBC) or International Cricket Council (ICC) or employees, officials, agents and representatives of IBC and ICC, officials from ICC members, players, coaches, medical doctors and officials of member countries, IBC partners and media representatives, other than persons who are residents of Pakistan, from ICC champions Trophy, 2025 hosted in Pakistan. Earlier, the same exemption was provided through SRO 579(I)/2025 dated April 9, 2025.

EXEMPTION TO SPECIAL ECONOMIC & SPECIAL TECHNOLOGY ZONE ENTERPRISES

Currently, the income / profits and gains of Special Economic Zone (SEZ) and Special Technology Zone (STZ) enterprises are exempt for a period of ten years from the date the developer certifies that the enterprise has commenced commercial operation or from the date of issuance of license by the STZ Authority to a zone enterprise.

Now, it is proposed to restrict the above exemptions at earlier of the following:

- a) for a period of ten years starting from the date the developer certifies that the zone enterprise has commenced commercial operation; or
- b) up to the 30th day of June, 2035.

TAX EXEMPTION EXTENDED FOR ERSTWHILE TRIBAL AREA RESIDENTS

The period of exemption on income of residents of erstwhile Tribal Areas was due to expire on June 30, 2025. The said exemption along with exemption from withholding tax is proposed to be extended for another year upto June 30, 2026.

EXEMPTION OF INCOME OF CINEMA OPERATIONS

Presently, income from cinema operations is exempt from tax for a period of five years from the commencement of cinema operations. Now it is proposed to restrict the period of exemption upto June 30, 2030 or five years from the commencement of cinema operations, whichever is earlier.

EXEMPTION ON IMPORT OF SPECIFIED GOODS UNDER SECTION 148

It is proposed to exempt Cystagon, Cysta drops and Trientine capsules from collection of advance tax under section 148 of the Ordinance.

IMMUNITY FROM AUDIT

Currently a person whose income tax affairs have been audited in any of the preceding four tax years, is granted immunity from the audit provisions of section 177 and 214C. Now, it is proposed to restrict the immunity for selection of audit where the income tax affairs have been selected for audit in any of the preceding three tax years.

WITHDRAWALS FROM VOLUNTARY PENSION FUNDS

Currently, withdrawals of accumulated balance from voluntary pension funds are exempt upto 50% of such amounts. This exemption is proposed to be withdrawn. As a result, income derived from investment in voluntary pension funds would be taxed as per applicable provisions. Exemption from tax for any withdrawal of accumulated balance from Approved Pension Funds which represent transfer of the balance from approved provident fund is also proposed to be withdrawn.

TAXATION OF BANKING COMPANIES

Expenditure on leasehold improvements

In respect of expenditure incurred on leasehold improvements on rented property, it is proposed that the same shall be capitalised and amortised at the rate of 10% per annum, from the date on which such leasehold improvements are first put to use. However, in case the lease is terminated prior to the completion of said amortisation period, it is proposed that the unamortised balance shall be allowed as deduction after taking effect of proceeds received from its disposal/transfer.

This proposed amendment seems to be an attempt to undo various appellate judgements holding that expenditure incurred for leasehold improvement on rented property is a revenue expenditure. Right-of-use asset Effective January 1, 2019 (corresponding to tax year 2020), SBP mandated the implementation of IFRS 16 'Leases', whereby each operating lease recognised in terms of IAS 17 'Leases' was required to be disclosed as 'right-of-use asset' and corresponding liability booked as 'lease liability'. Consequently, under IFRS 16, such right-of-use asset is then depreciated, while expense under the head finance cost is booked representing unwinding of lease liability.

It is proposed that 'actual rent expense' would be allowed as deduction (instead of depreciation on right-of-use asset and the related finance cost) subject to furnishing of certificate from the external auditor confirming such rent expense.

It is proposed to implement this amendment retrospectively, by offering to tax or claiming as deduction (as the case may be) in tax year 2025 the aggregate amount of difference between 'actual rent expenses and deductions claimed on account of depreciation on right-of-use asset and the related finance cost pertaining to tax year 2020 and onwards, provided that the said adjustment is certified by bank's external auditor.

The proposed amendments need to be revisited for retrospective applicability as well as the change of tax rates applicable during tax years 2020 to 2024, when the depreciation and finance cost were claimed as deductions against rates applicable in tax year 2025, in which the difference is now proposed to be offered to tax. Similarly, where the excess amount is now to be claimed by a Banking Company; the revision of return may not be possible due to already amended assessment orders passed in the case of banking companies.

The proposed amendment would also affect the vested right in cases where depreciation and finance cost have been allowed as deductions by the Officer of Inland Revenue during the amendment proceedings.

Claim of provisions against Non-Performing Loans (NPL)

Banking companies are presently allowed provisions against NPL / bad debts under the category of 'loss' upto 1 percent and 5 percent of total corporate and consumer advances irrespective of the actual provisioning, provided that a certificate from the external auditor is furnished.

For tax year 2025 and onwards, it is proposed to prescribe the format of the said certificate inter alia specifying category-wise amounts of provisions/reversals:

- In accordance with the Prudential Regulations issued by the SBP;
- Recognized under the IFRS 9;
- Disclosed in the annual accounts of the banking company; and
- Eligible for deduction under Rule 1 of the Seventh Schedule. It has further been
- proposed that in case of non-filing of said prescribed certificate or any deficiency
- therein, provision against NPL would not be admissible.

Certain amendments are also proposed to be made in order to reinforce the view taken by tax authorities in certain cases to the effect that provision against NPL other than those classified as 'loss' and general provisions not in accordance with Prudential Regulations issued by SBP, would not be admissible. The proposed amendments vis-à-vis their effect on pending disputes are likely to be subject to litigation.

Other adjustments

Currently, any adjustment inter alia in the light of any applicable accounting standard does not constitute an admissible deduction. For tax year 2025 and onwards, it is proposed to restrict such inadmissibility only to the extent of adjustments made under IFRS 9 and those accounting standards otherwise specified in Rule 1 of the Seventh Schedule. Corresponding clarificatory amendment is required to be made in clause (da) of Rule 1 of the Seventh Schedule.

SALES TAX ACT, 1990 – PROPOSED AMENDMENTS

SECTION / CLAUSE	AMENDMENT
DEFINITION OF “ABETTOR”	<p>Aabettor - means a person who abets or connives in tax fraud as defined in clause (37) of section 2 or in the commission of any offence warranting prosecution under this Act. and includes a person who;</p> <ul style="list-style-type: none"> a) misuses other registered person’s unique user identifier and password for filing returns or annexures or any other document or unauthorizedly makes change in tax e-profile of any registered person; b) prepares, or cause to be prepared with or without authorization of the registered person, invoices for false claim of input tax adjustment; c) allows use of bank account held or operated by him for abetting tax fraud or other offence warranting prosecution under this Act or unauthorizedly or illegally maintains or operates business bank account in another registered person’s name; or d) has obtained or cause to obtain sales tax registration number for the purpose of paper transactions, including issuance of invoices without involving any taxable activity.
DEFINITION OF “CARGO TRACKING SYSTEM”	<p>Cargo Tracking System - means a digital system notified by the Board for electronic monitoring and tracking of goods transported within or across the territory of Pakistan, for the purpose of tax enforcement, compliance and prevention of tax evasion.</p>

DEFINITION OF "COURIER"	Courier - means any entity engaged in the delivery of goods and collection of cash on behalf of a seller including logistic services, ride-hailing services, food delivery platforms and ecommerce delivery services.
DEFINITION OF "E-BILTY"	E-Bilty - means a digital transport document generated through the Cargo Tracking System as prescribed by the Board, to accompany goods during their movement.
DEFINITION OF "E-COMMERCE"	E-Commerce - means sale or purchase of goods and services conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders either through websites, mobile applications or online marketplace having digital ordering features by using mobile phones, automated computer-to-computer ordering system or any similar device.
DEFINITION OF "ONLINE MARKET PLACE"	Online Marketplace - means online interfaces that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers via digital orders for supply of goods and services, with or without the platform taking economic ownership of the goods or services that are being sold.
DEFINITION OF "PAYMENT INTERMEDIARY"	Payment Intermediary - means a banking company, any financial institution including a licensed foreign exchange company or payment gateway that facilitate the transfer of funds or payment instructions between two or more parties to enable, process, route, or settle payments in a financial transaction, without being the ultimate source or recipient of the payment.
DEFINITION OF "RETAIL PRICE"	<p>In terms of FBR's letter dated September 27, 1994, suppliers of aerated waters were allowed to exclude chilling charges, equivalent to 5% to 10% of the consumer price, while working out retail price subject to sales tax. Such mechanism to determine the retail price is now proposed to be made part of statute with a uniform allowance of chilling charges at 5% for aerated water, beverages, mineral water, or fruit juices.</p> <p>The Bill also proposes to empower the FBR to fix the retail price of goods specified in Third Schedule, through issuance of a notification in Official Gazette.</p> <p>Further, in respect of imported goods specified in Third Schedule, it is proposed that the retail price shall not be less than 130% of the assessed value determined</p>

	under section 25 of the Customs Act, 1969, including custom duties and federal excise duty.
REVISED DEFINITION OF “RETAIL PRICE”	<p>Tax Fraud - means knowingly, intentionally or dishonestly doing any act or causing to do any act or omitting to take any action or causing the omission to take any action, to cause loss of tax or attempting to cause loss of tax under this Act, including;</p> <ul style="list-style-type: none"> a) using or preparing false, forged and fictitious documents including return, statements annexure and invoices; b) suppression of supplies that are chargeable to tax under this Act; c) false claim of input tax credit including based on fictitious transactions; d) making taxable supplies of goods without issuing any tax invoice; e) issuance of any tax invoice without supply of goods; f) suppression and nonpayment of withholding tax in the prescribed manner beyond a period of three months from due date of payment of tax; g) tampering with or destroying of any material evidence or documents required to be maintained under this Act or the rules made thereunder; h) 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; i) making of taxable supplies without getting registration under this Act; j) generating fake input through manipulation of return filing system of the Board and making fake entries in the sales tax returns or in the annexures; and k) making fictitious compliance of section 73, including routing of payments back to the registered person, or for the benefit of the registered person, through a bank account held by a supplier or a purported supplier. <p>Explanation.— Any act of commission 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>

**SUPPLY OF GOODS
ORDERED
DIGITALLY
THROUGH ONLINE
MARKET PLACE
AND SIMILAR
PLATFORMS**

In case of an online marketplace facilitating the sale of third-party goods, operator of such marketplace is presently required to withhold sales tax at the rate of 1% of value of supplies in case of local supplies made by non-active taxpayers.

Now, it is proposed that in place of operator of online marketplace, the following persons would be liable to collect and pay sales tax in case of supply of goods ordered digitally through online marketplace, website or software application from within Pakistan in the course of e-commerce:

- In case payment is made digitally - payment intermediary, proposed to be defined as a banking company, a financial institution, licensed exchange company or payment gateway, facilitating transfer of funds without being ultimate source or recipient of the payment; and
- In case goods are supplied on 'Cash on Delivery' basis – Courier delivering the goods, proposed to be defined as an entity delivering goods and collecting cash on behalf of seller and includes logistic services, ride-hailing services, food delivery platforms and e-commerce delivery services.

The tax so collected by payment intermediary and courier at the rate of 2% of value of supplies would be deemed as final discharge of tax liability for online marketplace, vendors at online marketplace, websites, software applications to the extent of supplies made by them, without any entitlement to claim adjustment of input tax. Such tax regime would also remain relevant in case of Tier-1 retailers to the extent of goods supplied through aforementioned medium or platform.

Further, the online marketplace, payment intermediary and courier would also be liable to furnish a monthly statement in the prescribed form, stating the supplier-wise details of amount paid and tax due along with certain information relating to taxable supplies. The definition of expression "e-commerce" is also proposed to be included in the Sales Tax Act to mean sale or purchase through electronic means via websites, software applications or online marketplace using electronic devices such as computers, mobile phones etc.

Through the Bill, it is proposed that the person engaged in selling digitally ordered goods from within Pakistan through online marketplace, website or software application shall secure sales tax registration and unless, sales tax and income tax registration is obtained, the online marketplace or courier would not allow such person to use their services for e-commerce transaction.

	<p>Further, the sales tax rules requiring compulsory registration of a person who is required to be registered but fails to do so are proposed to be made part of the Sales Tax Act.</p> <p>Whilst the current provisions were applicable only in case of non-active vendors whereas the registered vendors undertaking transactions through online market place remained liable to pay sales tax at the applicable rates on their supplies, the proposed provisions seem to be applicable on all vendors irrespective of their registration status and nature of supplies being covered by the Third Schedule or subject to any concessional rates or exemptions. The tax proposed to be collected by the payment intermediaries and courier service providers on such transactions will constitute final tax on such transactions for all parties involved in the transactions. Accordingly, the mandatory requirement for vendors to be registered for availing online marketplace services seems to be practically superfluous.</p>
ADJUSTABLE INPUT TAX	<p>It is proposed that the FBR be empowered to defer certain input tax or fix higher or lower limits of input tax adjustment by using data based on risk management system. However, the aggrieved person would have the right to contest such action before the concerned Commissioner, who would be liable to decide the matter within 30 days of filing of application by such person.</p>
BEST JUDGEMENT ASSESSMENT	<p>Under the prevalent scheme of law, best judgement assessment may be made by the assessing officer on the basis of available information and material, where a person inter alia fails to furnish return in response to notice.</p> <p>Now, in case of a person who is liable to be registered on the basis of tax withheld under section 236G of the Ordinance and fails to furnish a return in compliance with a notice, a non-obstante provision is proposed to be inserted, allowing the assessing officer to assess sales tax liability on the value addition by utilizing information obtained from the purchase data under section 236G of the Ordinance.</p>
TIME LIMITATION FOR ASSESSMENT	<p>Presently, the assessment order under sections 11D, 11E and 11F is required to be passed within 120 days from the issuance of show-cause notice. Such time limit is proposed to be extended to 180 days.</p>

BAR ON OPERATION OF BANK ACCOUNTS	<p>The Commissioner is proposed to be empowered to direct banking companies, scheduled banks and other financial institutions, through an order in writing, to bar operation of the bank account of any person who fails to get registered for the purposes of the Sales Tax Act. Any person aggrieved by such order may prefer appeal before the Chief Commissioner within a period of thirty days from receipt of the order. Upon registration of such person under the Sales Tax Act, Commissioner shall issue and convey order to remove bar on operation of bank account immediately. The Board is to notify the date of enforcement of these provisions.</p>
BAR ON TRANSFER OF IMMOVABLE PROPERTY	<p>The Commissioner is proposed to be empowered to direct property registering authority, through an order in writing, to bar transfer of immovable property of any person who fails to get registered for the purposes of the Sales Tax Act. The person aggrieved by such order may prefer appeal before the Chief Commissioner within a period of thirty days from receipt of the order. Upon registration of such person under the Sales Tax Act, Commissioner shall issue and convey order to remove bar on transfer of immovable property immediately. The FBR is to notify the date of enforcement of this section.</p>
OTHER COERCIVE ACTIONS FOR NON- REGISTRATION	<p>A person who fails to get himself registered for the purposes of the Sales Tax Act:</p> <ul style="list-style-type: none"> • Seal the business premises; or • Seize moveable property; or • Appoint a receiver for management of taxable activity of the person. <p>It is provided that such coercive actions shall not be taken unless:</p> <ul style="list-style-type: none"> • a public notice is issued specifying the date from which the premises shall be sealed, or movable property is seized, or a receiver is appointed for management of taxable activity; • a committee comprising the Chief Commissioner, the Commissioner concerned, and a representative from the Chambers of Commerce or Trade Bodies, provides an opportunity of being heard to the person through an open court; and such decision is made public by placement on the Board's website and newspaper as well. <p>The person aggrieved by such order may prefer representation before the FBR within a period of thirty days from receipt of the order. Upon registration of such person, the Chief Commissioner shall issue and convey order for removal of</p>

	receiver not later than two working days. The Board is to notify the date of enforcement of these provisions.
MECHANISM FOR BLACKLISTING	<p>A detailed mechanism to blacklist a non-compliant registered person following suspension of his registration is proposed to be incorporated in the statute. Through the proposed mechanism, the Commissioner is required to issue a show cause notice to the registered person within 15 days of the issuance of order of suspension and upon receipt of reply to the notice by the registered person, the Commissioner is required to either revoke the order of suspension or pass an appealable speaking order for blacklisting within thirty days of receipt of reply to the notice.</p> <p>At present, the Chief Commissioner is empowered to modify an order of suspension or blacklisting either on his own motion or on application by the registered person. Such power is proposed to be withdrawn.</p>
INTEGRATION OF ELECTRONIC INVOICING SYSTEM WITH THE BOARD'S COMPUTERIZED SYSTEM	<p>Currently, the Board is empowered to require any person or class of persons to integrate their electronic invoicing system with Board's computerized system for real time reporting of sales under Chapter XIV of the Sales Tax Rules, 2006. Such requirement is now proposed to be made part of statute through insertion of sub-sections 5 and 6 in section 23 of the Sales Tax Act.</p> <p>Similarly, the requirement for Tier-1 retailers to integrate their invoicing system under Chapter XIV-AA of the Sales Tax Rules is also proposed to be made part of the provisions of Sales Tax Act.</p>
REVISION OF RETURN	<p>The registered person is not required to secure approval of the Commissioner for filing of revised return if such revision is made within 60 days from filing of return and the tax payable/ refundable for relevant tax period is more/ less than the amount declared/ claimed in return sought to be revised.</p> <p>It is now proposed that approval of Commissioner be made mandatory for revision of return, irrespective of impact of tax payable or refundable.</p>
OFFICERS OF DIRECTORATE GENERAL	The officers of various Directorates General are proposed to be included in the authorities appointed under the Sales Tax Act. Further, it is proposed to ratify the actions of such officers retrospectively.

	The proposal is aimed to provide statutory cover to proceedings initiated and actions taken by these directorates that were already in operation.
APPOINTMENT OF EXPERTS AND AUDITORS	<p>It is proposed to empower the Board and Commissioner to appoint experts for the purposes of the Sales Tax Act to assist in audit, investigations, litigations or valuations.</p> <p>It is also proposed to empower the Board to appoint auditors, with maximum number capped at 2,000, through direct engagement or through a third-party including payroll firm and confer such powers as may be deemed necessary, to assist an officer not below the rank of Assistant CIR in discharge of his duties under the Sales Tax Act.</p> <p>Such experts and auditors are also proposed to be prohibited from disclosing any information acquired during their appointments in line with restrictions presently applicable to officers of Inland Revenue.</p>
POWERS OF OFFICER OF INLAND REVENUE CONDUCTING INQUIRY	<p>It is proposed that an officer of Inland Revenue shall have powers of a civil court trying a suit under Code of Civil Procedure, 1908 in respect of:</p> <ul style="list-style-type: none"> • summoning and enforcing the attendance of any person and examining him on oath; and • requiring the discovery and production of documents and receiving evidence on affidavits.
PROCEDURES FOR INVESTIGATION/ INQUIRY, COMPOUNDING & ARREST	<p>The presently applicable provisions of Section 37A and 37B prescribe the detailed procedures/mechanism for inquiry, arrest & prosecution [in terms of Code of Criminal Procedure, 1898 ('CrPC')] and the compounding of offences, leading upto trial by Special Judge under section 37D of the Act. The Finance Bill 2025 seeks to introduce significant amendments in sections 37A/37B and also insert sections 37AA & 37BB in the following manner:</p> <p>(a) The provisions of Section 37A are proposed to be comprehensively revamped to lay down a two-step approach relating to inquiry and investigation as follows:</p> <ul style="list-style-type: none"> • A formal inquiry process can be initiated, by an officer not below the rank of Assistant Commissioner, after obtaining Commissioner's prior approval, on the basis of material evidence pointing to the commission of tax fraud/offence warranting prosecution under the Act. Such inquiry may be initiated notwithstanding any assessment proceedings under Section 11E

	<p>of the Act, however, it can be concluded only after providing an opportunity of being heard to the accused person; and</p> <ul style="list-style-type: none"> The presently applicable provisions of Section 37A and 37B prescribe the detailed procedures/mechanism for inquiry, arrest & prosecution [in terms of Code of Criminal Procedure, 1898 ('CrPC')] and the compounding of offences, leading upto trial by Special Judge under section 37D of the Act. The Finance Bill 2025 seeks to introduce significant amendments in sections 37A/37B and also insert sections 37AA & 37BB in the following manner: <p>(b) A new Section 37AA is proposed to be introduced extending wide powers to the Inland Revenue officials relating to arrest/prosecution, subject to prior approval of the Commissioner:</p> <ul style="list-style-type: none"> During investigation stage, the Inland Revenue officials are empowered to arrest suspects, including any person whom they, on the basis of material evidence, believe is an abettor of tax fraud or any offence warranting prosecution under the Act. In urgent cases, or if otherwise impracticable, however, arrest may be made without Commissioner's approval, provided it is reported immediately. The Commissioner can order the release of such individuals if the arrest is deemed unjustified/ made with mala fide intent, with such cases to be reported to the Chief Commissioner for a fact-finding inquiry. It has now been explicitly provided that Chief Executive Officers and Chief Financial Officers of companies involved in tax fraud can also be arrested without absolving the company of its tax liabilities. <p>(c) The provisions of section 37B of the Act governing procedure of arresting a person are proposed to be aligned with that of section 37A and 37AA with the major consequence that arrest, if any, is to be made during the investigation stage as against the presently applicable provisions which permit arrest during inquiry. No change has, however, been proposed in provisions of section 37D governing prosecution by Special Judge.</p> <p>(d) The provisions relating to the compounding of offences are proposed to be formulated through insertion of a new Section 37BB and following significant changes are proposed therein:</p> <ul style="list-style-type: none"> Earlier, the offence was compounded upon the accused person depositing the amount of tax sought to be evaded along with payment of penalty and
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	<p>default surcharge. Now, the amount of principle tax to be deposited shall be computed on the basis of inquiry/investigation;</p> <ul style="list-style-type: none"> • The facility of compounding shall, however, not be available to persons who abet or connive in committing tax fraud or any offence warranting prosecution under the Act; such prosecution proceedings shall not abate even if the main accused person avails the facility of compounding; and • In case the accused person is convicted, and appeal is pending before the High Court under Section 37I, compounding shall not be allowed without the leave of the High Court.
OBLIGATIONS TO PRODUCE DOCUMENTS / INFORMATION	<p>The provisions of section 38B empower an Officer not below the rank of Assistant Commissioner to seek records/documents from any person required to maintain records under the Act. By way of insertion of sub-section (5) in Section 38B, the Commissioner has now been empowered to seek subscribers' information from internet service providers, telecom companies, and the Pakistan Telecommunication Authority for use in tax fraud investigations.</p>
MONITORING OR TRACKING BY ELECTRONIC OR OTHER MEANS	<p>It is proposed to enhance the scope of electronic monitoring/ tracking of taxable goods by requiring the registered persons to employ necessary equipment for production monitoring & video analytics.</p> <p>Further, it is proposed that provisions of Section 83C of the Customs Act, 1969, proposed to be inserted through the Finance Bill, shall apply mutatis mutandis in respect of the monitoring/ tracking of taxable goods under the Act.</p>
APPEALS	<p>Under the existing law, the Chief Commissioner is empowered to examine the blacklisting/ suspension order passed by Commissioner under section 21(2) and modify the same, if need be.</p> <p>Through the Bill, the aforesaid powers of the Chief Commissioner Inland Revenue are done away with and the order for suspension/ blacklisting is proposed to be made appealable before the appellate authorities under the Act.</p> <p>Presently, the Act allows a registered person to prefer an appeal before the ATIR in respect of any order passed under the Act inter-alia including the order that passed by the Board. Through the Bill, such right of taxpayer to file an appeal against the order passed by the Board has been taken away.</p> <p>Further, through the Finance Act, 2024 the provisions relating to tax not levied/</p>

	short levied/ short tax withheld were revamped by bifurcating the erstwhile section 11 of the Act into sections 11D, 11E, 11F & 11G of the Act. However, a reference to these sections was not made in section 45B of the Act. In order to bring conformity, reference to these sections is updated through the proposed amendment in section 45B of the Act.
INSPECTION OF AUDIT FIRM	In cases where the accounts of registered persons are subject to audit under the Companies Act, 2017, it is proposed to empower the Chief Commissioner Inland Revenue, subject to approval by the Board, to refer the audit firm to the Audit Oversight Board [‘AOB’] for inspection in cases where the Chief Commissioner has reasons to believe that the accounts audited by such firm do not reflect true & fair view of the sales, purchases and the related sales tax liability of the registered person.
CERTAIN TRANSACTIONS NOT ADMISSIBLE	Presently, a person making supplies to unregistered persons where value of such supplies is in excess of Rs 10 million in a tax period & Rs 100 million in a financial year is not allowed to claim input tax proportionate to such supplies. Through the Bill, the existing thresholds are proposed to be dispensed with and the Board is mandated to prescribe the related thresholds with the approval of Federal Minister-in-charge.
THIRD SCHEDULE	Presently, import of the following items is subject to sales tax on ad valorem basis. Now, it is proposed that sales tax be made leviable on such goods on the basis of ‘retail price’: <ul style="list-style-type: none"> • Import of pet food including of dogs and cats sold in retail packing (PCT heading 2309.1000); • Import of coffee sold in retail packing (PCT headings 0901.1100, 0901.1200, 0901.2100, 0901.2200, 0901.9000 & 2101.1120); • Imported chocolates sold in retail packing (PCT headings 1704.9010, 1806.2090, 1806.3100, 1806.3200 & 1806.9000); and • Import of cereal bars sold in retail packing (PCT heading 1904.1010, 1904.1090, 1904.2000, 1904.3000 & 1904.9000).
SIXTH SCHEDULE - EXEMPTIONS	Through the Bill, import or lease of aircrafts (PCT heading 8802.1200, 8802.3000 & 8802.4000) by Pakistan International Airlines Corporation Limited (PIACL) is proposed to be exempted from sales tax.

Presently, import for personal use only, of 'cystagon', 'cysta drops' and 'trientine capsules', is exempt from levy of sales tax. Through the Bill, it is proposed to extend such exemption to include import for non-personal use as well.

Withdrawal of exemption

Through the Bill, sales tax exemption presently available in respect of import or supply of 'Photovoltaic cells whether or not assembled in modules or made up into panels' is proposed to be withdrawn.

Exemptions relating to Iron and Steel Scrap

Presently, local supply of iron and steel scrap, excluding supplied by manufacturer-cum-exporters of recycled copper, authorized under the Export Facilitation Scheme, 2021 is exempt from levy of sales tax. The Bill proposes to exempt from levy of sales tax the local supply of iron and steel scrap excluding that supplied directly by:

- manufacturer-cum-exporter of recycled copper, authorized under the Export Facilitation Scheme, 2021 to a registered steel melter subject to such apportionment, conditions and restrictions as may be specified; and
- importer to registered steel melters subject to such apportionment, conditions and restrictions as may be specified.

Exemptions relating to erstwhile tribal areas

Sales tax exemption available in respect of following supplies and imports is expiring on June 30, 2025:

- Supplies meant for consumption in tribal areas;
- import of plant, machinery, equipment for installation in tribal areas; and
- import of industrial inputs by the Industries located in tribal areas.

The Bill proposes levy of sales tax on such supplies and imports in a phased manner subject to conditions specified for imports:

Tax period	Rate of sales tax
July, 2025 to June, 2026	10%
July, 2026 to June, 2027	12%
July, 2027 to June, 2028	14%
July, 2028 to June, 2029	16%

Exemption with respect to (i) supply of electricity to all residential and commercial consumers in tribal areas; and (ii) supply of electricity to such industries (excluding steel and ghee/ cooking oil industries) in the tribal areas which were set up and started their industrial production before March 31, 2018, as expiring on June 30, 2025 has been proposed to be extended till June 30, 2026.

LOCALLY MANUFACTURED OR ASSEMBLED MOTORCARS	At present, locally manufactured or assembled motorcars of cylinder capacity upto 850cc are subject to sales tax @ 12.5%. Through the Bill, it has been proposed that such motorcars are made subject to sales tax at standard rate of 18%.
MEASURES MENTIONED IN SALIENT FEATURES NOT PART OF THE BILL	Local supply of bun and rusk is presently subject to sales tax at a reduced rate of 10% under the Eighth Schedule to the Act. While the Salient Features as released along with the Bill note a proposal to grant full exemption on their local supply, the Bill does not propose such exemption. Such anomaly is expected to be addressed at the time of passing of the Finance Act. Further, the Salient Features as released along with the Bill note that reduced rate of sales tax on local supply of 'vermicillies' and 'sheer maal' has been proposed to be withdrawn. However, the Bill does not propose any such removal of reduction. Such anomaly is expected to be addressed at the time of passing of the Finance Act.

FEDERAL EXCISE ACT, 2005 – PROPOSED AMENDMENTS

SECTION / CLAUSE	AMENDMENT
ALIGNMENT OF LIABILITY TO PAY WITH SCOPE	Through the Finance Act, 2023, scope of duty was extended to items not previously specified however, no corresponding amendment was made to specify as to who would be liable to pay such duty. Sub section (5) is now proposed to be introduced thereby determining person responsible for payment of duty on such items.
POWER REGARDING SEIZURE AND CONFISCATION OF GOODS EXTENDED	Through Tax laws (Amendment) Ordinance, 2025 following powers were introduced, which are now proposed to be ratified by the Finance Bill:- <ul style="list-style-type: none"> • to seize and confiscate the goods being sold without affixing or affixing counterfeited tax stamps, bar codes, banderoles, stickers, labels or barcodes, as required under section 45A of the FE Act; and • to authorize an employee of Federal Government or Provincial Government to act as Officer of Inland Revenue, subject to certain conditions, by way of notification in the official Gazette for the purposes of section 26 and section 27(1) of the FE Act. •

FED ON ALLOTMENT OR TRANSFER OF IMMOVABLE PROPERTY	FED was imposed on allotment or transfer of commercial property and first allotment or first transfer of open plots or residential property by any developer or builder in such mode and manner and subject to such conditions and restrictions as may be prescribed by the Board through Finance Act 2024 is now proposed to be withdrawn.
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ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001 – PROPOSED AMENDMENTS

SECTION / CLAUSE	AMENDMENT
INTEGRATION OF BUSINESSES WITH BOARD'S SYSTEM OF REAL TIME REPORTING	It is proposed that all service providers, from the date and in the mode and manner to be prescribed through a general order, be required to integrate businesses with the Board's computerized system of real time reporting of provision of services.
EXEMPTION ON SERVICES TO GERMAN DEVELOPMENT AGENCY AND SPECIALIZED AGENCIES/DIPLOMATS	It is proposed to accord exemption on services rendered to German Development Agency (Deutsche Gesellschaft für Internationale Zusammenarbeit) GIZ and agencies of the United Nations, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts and, Orders, rules and regulations made thereunder, and agreements by the Federal Government.
NEGATIVE LIST OF SERVICES	It is proposed to empower the Board to specify Negative list of services, subject to such conditions, restrictions and limitations, exempt from tax under this Ordinance in Table 3 to the Schedule by notification in official Gazette.