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Highlights on Finance Bill 2024

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Highlights on the Finance Bill, 2024

This document summarizes significant changes proposed to be brought to statute vide the Finance Bill, 2024 (the Bill).

Effective date of applicability of these changes will be July 1, 2024, unless otherwise mentioned.

Nothing contained in this document shall be construed as our advice in general or on a given case, accordingly, for ascertaining any effect of these changes in general or particular, the wordings in the Bill should carefully be examined, taking into consideration the applicable laws and regulations, and precise advice should be sought before taking any decision based on, or acting up on any of the contents hereof.

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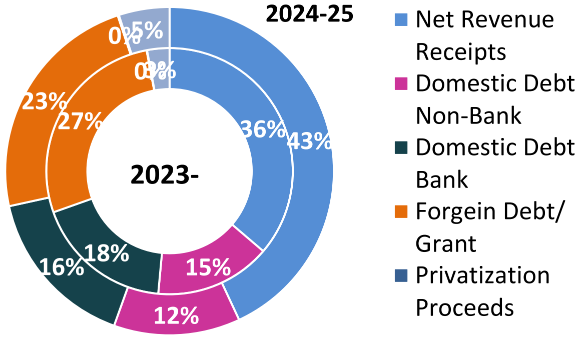
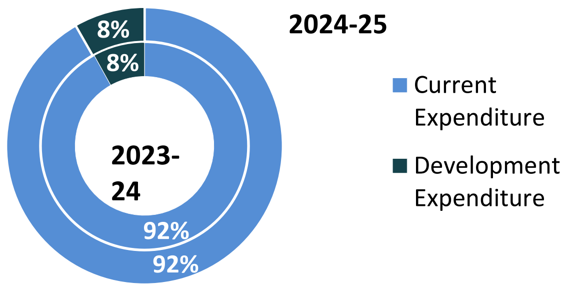
SECTION I BUDGET AT A GLANCE

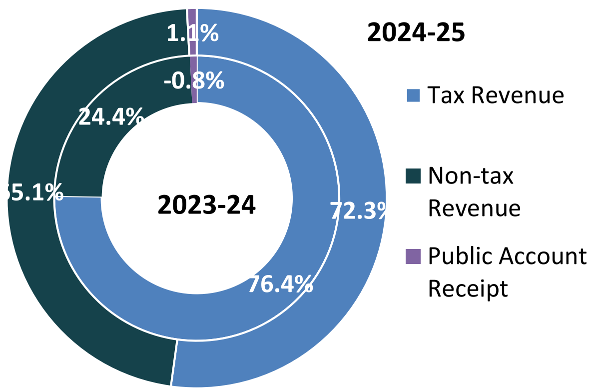
SOURCES OF FUNDS	2024-25	2023-24	Change
	Rupees in Billion		%
Net Revenue Receipts	10,497	6,678	57%
Net Capital Receipts	3,035	2,802	8%
External Receipts	3,924	3,335	18%
Privatization Proceeds	5,686	5,053	13%
Bank Borrowings	30	11	173%
Total	**24,389**	**18,418**	



APPLICATION OF FUNDS	2024-25	2023-24	Change
	Rupees in Billion		%
Current Expenditure	22,372	16,928	32%
Development Expenditure	2,017	1,490	35%
Total	**24,389**	**18,418**	



NET REVENUE RECEIPTS	2024-25	2023-24	Change
	Rupees in Billion		%
Tax Revenue	12,970	9,252	40%
Non-tax Revenue	4,845	2,948	64%
Public Account Receipt	120	(95)	-226%
Gross Revenue Receipts	**17,935**	**12,105**	**48%**
Less: Provincial Share in Taxes	7438	5,427	37%
Total	**10,497**	**6,678**	57%



SECTION 2 OVERVIEW OF THE ECONOMY

The restoration of macroeconomic stability is imperative for establishing a platform to stimulate growth, enhance employment, and improve the overall quality of life for the people. Recent years have been characterized by exacerbated challenges that have persisted since FY 2022. Pakistan has encountered multiple global shocks, including supply chain distortions from the Russia-Ukraine conflict, elevated global inflationary pressures leading to monetary tightening, and oil price shocks due to heightened geopolitical tensions in the Middle East. In FY 2022, Pakistan's economy experienced an unsustainable 6.1 percent growth rate driven by domestic demand, leading to high fiscal and current account deficits, and signaling excessive demand and overheating. Additionally, the economy suffered a significant setback due to the catastrophic floods in FY 2023, which not only obliterated growth prospects but also inflicted extensive damages equivalent to 4.8 percent of GDP. During previous year, i.e., FY 2023, the government confronted four critical challenges that threatened Pakistan's socioeconomic growth:

- Achieving sustainable macroeconomic stability,
- Reducing poverty,
- Ensuring fiscal consolidation, and
- Addressing external account vulnerabilities.

At the start of FY 2024, the overarching vision remains to attain sustainable GDP growth with price stability over the medium term to overcome these challenges. The elected government is putting its efforts into preparing and implementing home-grown macroeconomic and structural reforms, aimed at job creation and poverty alleviation. Efforts have been made to rebuild investor confidence by addressing macroeconomic imbalances through an optimal policy mix. Simultaneously, the government has strived to protect the most vulnerable populations with adequately funded social safety nets and targeted subsidies. The economy of Pakistan embarked on a stabilization phase in FY 2024. Government’s dedicated efforts to complete 2023 Stand-By Arrangement (SBA) have yielded significant progress in reinstating economic stability. The economy has experienced a resurgence in moderate growth and a reduction in external pressures. Although inflation remains high, it is now on a downward trend. Moving forward, the newly elected government is putting efforts to leverage this stability by maintain Ing robust macroeconomic policies and implementing structural reforms to achieve stronger, more inclusive, and sustainable growth. The performance of the government in revenue collection and disciplined federal expenditure control facilitated the generation of a substantial primary surplus in first three quarters of FY 2024.

The State Bank of Pakistan adopted tight monetary policy stance to bring inflation to moderate levels. These measures along with recent trends in most macroeconomic variables suggest that the disciplined implementation of the macroeconomic stabilization program has started paying dividends in the current fiscal year. The efforts contributed to containing the fiscal deficit at 3.7 percent of GDP during the first three-quarters of FY 2024. Likewise, in July-March FY 2024, the primary balance achieved a surplus of Rs 1,615.4 billion (1.5 percent of GDP), against the surplus of Rs 503.8 billion (0.6 percent of GDP) experienced last year, attributed to a slowdown in the growth of non-markup expenditures. The current account balance posted a surplus of US $ 434 million in March 2024 and US $ 491 million in April 2024 marking that the efforts of the government are yielding fruitful results. The current account deficit is likely to decelerate from as high as US $ 17.5 billion in FY 2022 to around US $ 0.5 billion (0.1 percent of GDP) by the end of the out-going fiscal year.

The government is dedicated to driving the country towards robust, inclusive, and sustainable economic growth. This ambitious agenda involves reinforcing public finances through fair and efficient taxation while significantly increasing investments in education, healthcare, social safety nets, and climate resilience initiatives. To ensure a sustainable energy future, the government plans to implement reforms aimed at lowering energy costs and enhancing sector efficiency. Public service delivery will be improved through the restructuring and potential privatization of state-owned enterprises. Furthermore, the government is committed to creating a conducive environment for private sector investment by ensuring fair competition

and enhancing governance. These comprehensive reforms underscore the government's commitment to building a resilient and prosperous Pakistan for its citizens.
Following is a synopsis of Pakistan economy during the fiscal year 2023-24:

- With 2.38% growth (July-March) in FY2023-24 against a contraction of 0.2% in FY2022-23 and inflation reading at 24.5% in July-May of the FY24, Pakistan will manage external debt in FY25 similar to its pattern adopted in the outgoing fiscal.
- Real GDP grew by 2.38% in FY24, reversing the negative growth of 0.2% in FY23 on prudent policy management, resumed inflows from partners, and recovery in major trading partners.
- The key driver of economic growth in FY24 was the agriculture sector, which grew the most in 19 years, according to the survey. The sector grew by 6.25% in FY24, driven by 16.82% growth in key crops like wheat, rice, and cotton.
- Industrial sector grew by 1.21% in FY24, with manufacturing up by 2.42% and construction by 5.86%.
- Services sector, making up 57.7% of GDP in FY24, experienced a moderate growth of 1.21%.
- GDP at current market prices increased by 26.4% to Rs106 trillion in FY24, up from Rs84 trillion last year.
- Per capita income rose by $129 to $1,680, due to increased economic activity and exchange rate appreciation.
- Investment-to-GDP ratio fell to 13.14% in FY24 from 14.13% in FY23, mainly due to contractionary macroeconomic policies and political uncertainty.
- Saving-to-GDP ratio was 13% in FY24, slightly down from 13.2% in FY23.
- Growth of the automobile sector plunged by 37.4% against a contraction of 42.2% last year.
- Pharmaceuticals witnessed encouraging growth of 23.2%, against a contraction of 23.1% last year.
- Food group imports declined by 14.2%. The group’s imports dropped to $6.3 billion.
- Pakistan’s headline inflation Consumer Price Index (CPI) averaged at 24.52% during July-May in FY24. In FY2022-23, CPI stood at 29.2%.
- Current account deficit (CAD) shrank by 94.8% to $200 million in July-April, compared to $3.9 billion during the same period last year.
- Trade deficit in goods decreased by 21.6% to $17.7 billion in July-April from $22.6 billion last year amid a significant decline in imports.
- Primary income account deficit rose by 34.8% to $6.1 billion in July-April, compared to $4.6 billion last year, driven by higher dividend repatriation and interest payments.
  Remittances experienced a 3% year-on-year (YoY) decline, totaling $23.9 billion during July-April.
- Financial account saw net inflows of $3.9 billion in July-April, mainly due to inflows from the International Monetary Fund (IMF)’s Stand-by Arrangement (SBA) and friendly countries, compared to outflows of $0.6 billion last year.
- Foreign Direct Investment (FDI) inflows increased by 8.1% to $1.5 billion in July-April, compared to $1.3 billion in the same period last year.
- Pakistan rupee appreciated by nearly 3.0% during the first eleven months of FY24 against the US dollar.
- Total public debt stood at Rs67.5 trillion by end-March 24. Domestic debt was recorded at Rs43.4 trillion while external debt reached Rs24.1 trillion ($86.7bn).
- With high revenue collection of Rs9.8 trillion (41% higher YoY), fiscal deficit was contained at 3.7% of GDP against the last year same period’s deficit of 3.6%.
- Total expenditures during grew by 37% to Rs13.7 trillion (Rs10.1 trillion in same period last year) mainly on account of 33% higher current expenditure (Rs12.3 trillion).
- Primary Balance posted a surplus of Rs1,615 billion against a deficit of Rs503.8 billion.
- Tax collection grew by 29% while non-tax revenues increased by 91%. However, for July-May, the Federal Board of Revenue (FBR) revenue collection stood at Rs8.1 trillion.

Growth & Investment

- The real GDP posted a growth of 2.38 percent in FY2024. The prudent policy management and the resumption of inflows from multilateral and bilateral partners, and the gradual economic recovery in the major trading partners, turned the negative growth in FY2023 to positive growth in FY2024.
- The robust growth in agriculture sector, the highest in last 19 years emerged as the key driver of economic growth in FY2024.
- The prolonged inflationary impact is gradually fading in FY2024. The inflation is trending downward steadily since third quarter of FY2024. This improvement is picking up the aggregate demand along with the resilient external sector and fiscal consolidation.
- GDP at current market prices increased to Rs.106,045 billion in FY2024, showing a growth of 26.4 percent over (Rs. 83,875 billion) last year.
- Per capita income increased by US$129 to US$1680 as compared to US$1,551 of last year on the account of increase in economic activity and appreciation in the exchange rate.
- The investment to GDP ratio stood at 13.14 percent in FY2024 compared to 14.13 percent in FY2023 mainly due to contractionary macroeconomic policies and political uncertainty.
- The saving to GDP ratio recorded at 13.0 percent in FY2024 compared to 13.2% in FY2023.
- The growth of agriculture sector estimated at 6.25 percent in FY2024. This growth is mainly driven by 16.82 percent growth in important crops such as wheat, rice and cotton.
- The industrial sector posted a positive growth of 1.21 percent in FY2024. Industrial sector performance is mainly driven by the manufacturing sector (2.42%) and construction sector (5.86%).
- Services sector constitutes the largest share of 57.7 percent in GDP for FY2024. This sector also witnessed a moderate growth of 1.21 percent.

Description	2022-23 Growth %	2023-24 P Growth %
Gross Domestic Product (GDP)	-0.21	2.38
Agriculture	1.55	6.25
Industries	-3.74	1.21
Investment	14.13	13.1
Per Capita Income (US $)	1,551	1,680
Savings	13.2	13.0
Services Sector	0.9	1.21
Manufacturing	-3.9	1.21
Commodity Producing Sector	-0.48	4.02

P= Provisional

Agriculture

- The agriculture sector in Pakistan witnessed robust growth in FY2024, with an overall increase of 6.25 percent.
- The rise in production of important crops (16.82%) is attributed to the production of cotton (108.2%, 10.22 million bales compared to 4.91 million bales), rice (34.8%, 9.87 million tonnes compared to 7.32 million tonnes), and wheat (11.6%, 31.44 million tonnes from 28.16 million tonnes).
- However, sugarcane and maize declined by 0.4 percent and 10.4 percent, respectively, which can be partially attributed to the crop switching. As such, the production of both crops is largely comparable, with sugarcane standing at 87.64 million tonnes against 87.98 million tonnes and maize at 9.85 million tonnes compared to 10.99 million tonnes.
- Other crops have also shown a growth of 0.90 percent as compared to the contraction of 0.92 percent last year because of growth in fruits (8.40%), vegetables (5.77%) and pulses (1.45%).

- Cotton ginning, having a share of 1.34 percent in the agriculture sector and 0.32 percent in GDP, grew by 47.23 percent on the back of high growth in cotton production.
- Livestock, with a significant share of 60.84 percent in agriculture and 14.63 percent in GDP, grew by 3.89 percent compared to 3.70 percent last year.
- Forestry, having a share of 2.33 percent in agriculture, grew by 3.05 percent compared to 16.63 percent last year.
- Fishing, with a sectoral share of 1.30 percent has shown a growth of 0.81 percent against 0.60 percent during last year.

Description	2022-23 Growth %	2023-24 P Growth %
Agriculture	1.55	6.25
Crops	-1.03	11.03
Livestock	3.70	3.89
Forestry	16.63	3.05
Fishing	0.60	0.81

Manufacturing and Mining

- Manufacturing activity started to recover in FY2024, but still remained below the potential due to weak market sentiments, global supply disruptions, and heavy reliance on imports.
- In addition, rising input costs, a struggling textile sector, lower government spending, high inflation, and elevated policy rates compounded the issue. This was further strained by political and economic uncertainty before the election and subdued global demand.
- Large Scale Manufacturing (LSM) declined by 0.1 percent during Jul-Mar FY2024 compared to decline of 7.0 percent last year.
- Machinery & Equipments recorded highest growth of 61.5 percent, followed by Pharmaceuticals (23.2%), Furniture (23.1%), Wood products (12.1%), Chemicals (8.0%), Wearing apparel (5.4%), Leather products (5.3%), Coke & Petroleum products (4.9%), Rubber products (3.6%) and Food (1.7%).
- The sectors which recorded negative growth are Automobiles (37.4%), Tobacco (33.6%), Computer, electronic & optical products (16.0%), Textile (8.3%), Electrical equipment (7.5%), Nonmetallic mineral products (3.9%), Beverages (3.4%), Iron & steel products (2.2%) and Paper & Board (2.0%).
- The Mining and Quarrying sector posted growth of 4.9 percent during FY2024 against contraction of 3.3 percent last year.
- July-March FY2024, production of minerals witnessed significant growth such as Coal (37.7%), Chromite (36.9%), Iron Ore (63.9%), Soap stone (29.3%), Magnesite (34.4%) and Marble (23.2%).
- However, some minerals witnessed negative growth such as Natural Gas (2.0%), Dolomite (2.1%), Sulphur (20.3%), Barytes (10.9%) and Ocher (24.8%).
- The establishment of the SIFC aims to enhance Pakistan’s business environment by adopting a cooperative approach, attracting domestic and foreign investments across crucial sectors like defense production, agriculture, mining, IT, and energy, thereby facilitating the recovery and accelerated performance of the LSM sector in the medium term.

Key Indicators

Description	2023-24 P Growth %
LSM Growth Rate	-0.1
Textile Growth	-8.3
Wearing Apparel	5.41
Furniture	23.1
Leather Product	5.3
Fertilizer	16.4
Pharmaceutical	23.2
Mining & Quarrying	4.9

Fiscal Development

- In FY2024, the consolidation measures boosted revenues, however, expenditure remained under pressure due to higher markup payments.
- The fiscal deficit stood at 3.7 percent of GDP during July-March FY2024 the same as last year.
- Measures to control non-mark-up spending and revenue mobilization helped in improving the primary surplus to Rs.1615.4 billion (1.5% of GDP) during July-March FY2024 from Rs.503.8 billion (0.6% of GDP) last year.
- Total expenditure increased by 36.6 percent to Rs 13,682.8 billion in July- March FY2024 from Rs 10,016.9 billion last year. Current expenditures grew by 33.4 percent to Rs 12,333.3 billion during July-March FY2024 from Rs 9,244.6 billion last year.
- Total development expenditures grew by 14.2 percent to Rs.1,158.1 billion against Rs.1,014.0 billion last year. The Federal PSDP (including development grants to provinces) stood at Rs 321.6 billion during July-March FY2024 against Rs 328.8 billion last year, showing a decline of 2.2 percent.
- Total revenues grew by 41.0 percent to Rs 9,780.4 billion in July-March FY2024 against Rs 6,938.2 billion last year. Nontax collection grew by 90.7 percent to Rs.2,517.9 billion during July-March FY2024 against Rs.1,320.5 billion last year.
- Total tax collection grew by 29.3 percent to Rs.7,262.5 billion during July-March FY2024 against Rs.5,617.7 billion last year. A considerable improvement in tax collection has been observed on the back of various tax-enhancing measures implemented under the Finance Act 2023.
- FBR net provisional tax collection during July-May, FY2024, increased by 30.8 percent to Rs. 8,125.7 billion against Rs 6,210.1 billion last year.
- During July-March, FY2024, all four provinces posted a combined surplus of Rs.435.5 billion against Rs.456.0 billion last year.
- The government is committed to strengthening public finances through various reforms and initiatives both on the revenue and expenditure sides. These reforms will not only reduce dependency on borrowing and avoid debt-related risk but simultaneously it will create sufficient space for social assistance and development spending.

Key Indicators

Description	2023-24 P Growth %
Jul-Mar FY2024	
Total Revenue (Rs. Trillion) 9.78	
Tax Revenues (Rs. 7.26 tr)	29.3
Non-Tax Revenues (Rs. 2.52 tr)	90.7
Total Expenditure (Rs. Trillion) 13.68	
Current Expenditure (Rs. 12.33 tr)	33.4
Development Expenditure (Rs. 1.16 tr)	14.2
Fiscal Deficit (as % of GDP) (Same as last year)	3.7
Primary Surplus (as % of GDP)	1.5

Money and Credit

- To fight against historic high inflation, central banks around the world had adopted tight monetary policy stance by increasing interest rates during last two years.
- However, market is getting signals of well-anchored inflation expectations - amid investor confidence.
- At the global level, it is expected that central banks will gradually move to a more neutral policy stance to achieve target inflation and maintain well anchored inflation expectations.
- SBP has maintained the policy rate at 22% in seven consecutive monetary policy decisions during July-April FY2024.
- During July-March FY2024, Broad Money (M2) has posted growth of 7.0% to Rs 2,216.1 billion as compared growth of 4.4% to Rs 1,211.5 billion during same period last year.
- During July-March FY2024, Net Foreign Assets (NFA) of banking system witnessed an expansion of Rs 529.7 billion as compared decline of Rs 2,073 billion during same period last year.
- During July-March FY2024, Net Domestic Assets (NDA) of the banking system increased by Rs 1,686.5 billion as compared to Rs 3,284.5 billion last year.
- During July-March FY2024, private sector credit decelerated to Rs 188 billion against expansion of Rs 300 billion last year.
- During July-March FY2024, loans for consumer financing witnessed net retirement of Rs 52.6 billion against retirement of Rs 21.1 billion last year.
- During July-March FY2024, Currency in Circulation lowered by Rs 498 billion as compared an increase of Rs 699 billion last year.
- During July-March FY2024, Bank Deposits mobilization remained Rs 2,703 billion against deposits of Rs 512 billion last year.

Key Indicators

Description	2023-24 P Growth %
Policy Rate	22
Broad Money (M2) (bn*)	2,216
NFA (bn*)	530
NDA (bn*)	1,687
Private Sector Credit (bn*)	188
Weighted Average Lending Rate	20.8
Weighted Average Deposit Rate	10.4

Capital Markets and Corporate Sector

- The performance of major world stock markets (US, France, India, China, and Pakistan) remained robust except Shanghai Stock Exchange (SSE) Composite Index of China. Primarily, the property sector crisis in China slightly dented the investors' sentiment.
- The KSE-100 index of Pakistan posted a significant growth of 82.8 percent from 41,453 (end June 2023) to 75,878 (end May 2024) owing to successful IMF's program under Stand-by Arrangement and stability on economic & political front.
- The Morgan Stanley Capital International Emerging Market (MSCI-EM) Index, an index of 24 emerging stock markets, increased by 6.0 percent during July-May FY2024.
- Increase has been observed in BSE Sensex Index of India (14.3%), Kuala Lumpur Composite Index of Malaysia (16.0%), Jakarta Stock Exchange Composite Index of Indonesia (4.6%) and Korean Composite Stock Price Index of South Korea (2.8%).
- Decrease has been observed in SET Index of Thailand (10.5%), Shanghai Composite Index of China (3.6%), and PSEi Composite Index of Philippines (0.5%).
- Market capitalization of the Pakistan Stock Exchange (PSX) increased by 59.7 percent to Rs 10,170 billion by end May 2024 against Rs 6,369 billion on 30th June 2023.
- As of May 31, 2024, the number of listed companies at PSX stood at 524.
- During July-March FY2024, 04 new companies listed at PSX.
- The product basket of National Savings Scheme (Defence Savings Certificates, Special Savings Certificates, Special Savings Accounts, Regular Income Certificates, Prize Bonds etc.) witnessed an outflow of Rs 105.0 billion during July-March FY2024 as compared to an outflow of Rs 308.2 billion last year.
- During July-March FY2024, 20,810 new companies were incorporated with SECP, with capitalization of Rs 33.0 billion. Most companies were registered in Information Technology (2,700), Trading Sector (2,475) and Services Sector (2,299).
- During July-March FY2024, 3.4 million lots of different commodity futures contracts including gold, crude oil, and US equity indices worth Rs. 4.1 trillion were traded on PMEX which is 14.5 percent higher than last year.

Key Indicators

Description	2023-24 P Growth %
KSE-100 Index	61.6
Market Capitalization (bn*)	48.3
Fund Mobilized at PSX (bn*)	18.9
Net Investment in NSS* (bn*)	-105
Incorporation of Companies (No.)	20,810
Commodities Contracts (tr*)	4.08

Inflation

- The coordinated policy response helped to reduce inflation significantly to 11.8 percent in May 2024 from its peak of 38 percent recorded in May 2023. It is lowest inflation after 30 months.
- The decline in inflation is broad-based, reflecting the combined impact of monetary tightening, fiscal consolidation, smooth supplies of food items, favorable global commodity prices, and base effect.

- The headline CPI national inflation, averaged at 24.5 percent during July- May, FY 2024 against 29.2 percent last year.
- Food inflation-Urban during July-May, FY 2024, is recorded at 24.2 percent and non-food 25.7 percent as against 37.3 percent and 20.3 percent in the corresponding period last year.
- Food inflation-Rural during July-May, FY 2024, is recorded at 23.7 percent and non-food 23.8 percent as against 41.1 percent and 24.9 percent in the corresponding period last year.
- Core inflation-Urban and Rural during July-May, FY 2024, stood at 16.4 percent and 23.3 percent, respectively against 16.0 percent and 20.1 percent last year.
- WPI inflation during July-May, FY 2024 is recorded at 21.1 percent against 33.9 percent last year.
- SPI inflation stood at 28.7 percent during July-May, FY 2024 against 32.8 percent last year.
- The government is taking various administrative, policy and relief measures to control the inflationary pressure.
- Despite the Middle East conflict raising geopolitical risks, commodity markets have remained calm. This stability helps maintain Pakistan's downward inflation trend, though there is an upside risk due to potential future market disruptions.

Key Indicators

Description	2022-23 Growth %	2023-24 P Growth %
Consumer Price Index (CPI)	29.2	24.5
CPI Urban	26.8	25.1
CPI Rural	32.7	23.8
Core Urban	16	16.4
Core Rural	20.1	23.3
Sensitive Price Indicator (SPI)	32.8	28.7
Wholesale Price Index (WPI)	33.9	21.1
FAO Food Price Index	-13.8	-7.5

Trade and Payments

- The global merchandise trade for 2023 declined by 5 percent to US$24.01 trillion owing to global slowdown, trade fragmentation and geopolitical tensions.
- According to WTO, global merchandise trade is expected to grow by 2.6 percent in 2024 and 3.3 percent in 2025. Downside risks includes: geopolitical tensions, rising protectionism, policy uncertainty, and supply disruptions.
- Pakistan's external account improved considerably during Jul-Apr FY2024 as CAD narrowed down by 94.8 percent to US$0.2 billion as compared to US$3.9 billion same period last year.
- Trade deficit of goods contained by 21.6 percent to US$17.7 billion in Jul-Apr FY2024 as compared to US$22.6 billion last year on account of significant decline in imports.
- The services account deficit reached US$1.9 billion in Jul-Apr FY2024 as against US$0.5 billion last year, owing to a sharp increase in services imports.
- The primary income account deficit increased by 34.8 percent to US$6.1 billion in Jul-Apr FY2024, as against deficit of US$4.6 billion due to higher dividend repatriation and interest payments.
- Remittances grew by 3.5 percent during Jul-Apr FY2024 and recorded at US$ 23.8 billion as against US$ 23.0 billion last year, owing to structural reforms related to exchange companies and facilitation under PRI.

- The financial account witnessed net inflows of US$3.9 billion during Jul-Apr FY2024 mainly augmented by inflows under IMF's SBA and from friendly countries, against outflows of US$0.6 billion last year.
- FDI inflows increased by 8.1 percent to $1.5 billion during Jul-Apr FY2024 compared to $1.3 billion in the same period last year.
- The FOREX reserves recorded at US$14.0 billion including SBP's reserves of US$8.9 billion as on June 05, 2024.
- The PKR appreciated by almost 2.8 percent, from the end–June 2023 till May 2024.

Key Indicator

Description ($ Billion)	2023-24 P Growth
Current Account Deficit	0.2
Exports	25.7
Imports	43.4
Trade Deficit	17.7
Remittances	23.8
Foreign Direct Investment	1.5

Public Debt

- Total public debt stood at Rs.67,525 billion by end-March 2024.
- Out of which, domestic debt recorded at Rs.43,432 billion while external debt reached Rs.24,093 billion (US$ 86.7 billion).
- During Jul-Mar FY2024, total interest expense on public debt recorded at Rs. 5,518 billion, of which, Rs. 4,807 billion as interest on domestic debt and Rs. 710 billion on external debt.
- Around 88 percent of financing of fiscal deficit carried out through domestic markets, whereas 12 percent from external sources.
- Within domestic debt, the Government relied on long-term domestic debt securities.
- The Government retired Treasury Bills amounting to Rs 0.8 trillion which led to a reduction of short-term maturities.
- Government undertook amendments in the Treasury Bills Rules, 1998 and Ijara Sukuk Rules, 2008 for competitive debt management operations, improved transparency and diversified investor base.
- The government carried out maiden auction of 1-year fixed rate Ijara Sukuk on PSX in December 2023. The whole Sukuk auction system has now been shifted to PSX.
- In addition to existing 3 year and 5 year Ijara Sukuk instruments, Government introduced a 1 year discounted Sukuk instrument to diversify shariah compliant instrument base with more options to investors with appetite towards Islamic investments.
- Government successfully issued Shariah Compliant Sukuk instruments amounting to around Rs. 1.5 trillion.
- External budgetary disbursements recorded at US$ 6.3 billion, from multilateral sources (US$ 2.7 billion), bilateral development partners (US$ 2.8 billion) and Naya Pakistan Certificates (US$ 0.8 billion).
- Government also received US$ 1.9 billion under the IMF's SBA and US$ 1.0 billion bilateral deposit from UAE.

Key Indicator

Description	2023-24 P Growth
Total Public Debt (Rs. billion)	67,525
Domestic Debt (Rs. billion)	43,432
External Public Debt (Rs. billion)	24,093
Reduction in Stock of T-Bill (Rs. trillion)	0.8
ATM of GOP Securities (Years)	3.1

Education

- According to the Labor Force Survey 2020-21, the literacy rate in Pakistan stood at 62.8 percent in 2020-21 as compared to 62.4 percent in 2018-19. The rate is higher for Males (73.4%) than females (51.9%) however, the disparity is narrowing down with time.
- Area-wise analysis suggests literacy increased in both rural (53.7% to 54.0%) and urban (76.1 % to 77.3%).
- Literacy rate had registered improvement in all provinces in FY2021, Punjab (66.1% to 66.3%), Sindh (61.6% to 61.8%), Khyber Pakhtunkhwa (52.4% to 55.1%) and Balochistan (53.9% to 54.5%).
- Out of School Children (OOSC) are 32% (Male: 27%, Female: 37%)– as per PSLM 2019-20. Punjab has 24%, KP 32%, Sindh 44%, and Balochistan 47% OOSC.
- The “Challenge Fund to Address the OOSC Crisis in Pakistan” project, costing Rs. 25.0 billion, launched by the Planning Commission, aims to provide quality education to all inhabitants, enhance girls’ education through various approaches, ensure a suitable learning environment for different OOSC groups, and expand community engagement through multifaceted interventions.
- During FY2024, the Government has allocated Rs 69.7 billion (including Rs. 10 billion for PM’s Laptop Scheme) to HEC for implementation of 169 development projects (139 ongoing & 30 new approved projects) of Public Sector Universities/HEIs. During July-May FY2024, an amount of Rs 47.1 billion was released.
- Cumulative education expenditures by federal and provincial governments in FY2023 estimated at 1.5 percent of GDP. Expenditures on education-related activities during FY2023 increased by 13.6 percent to Rs 1,251.1 billion from Rs 1,101.7 billion.

Key Indicator

Description	2023-24 P Growth %
Expenditure (FY2023)	1.5
Literacy Rate	62.8
Universities	263
Higher Education Allocation (Rs billion)	69.7
Ph.D Faculty Members	35.46

Health and Nutrition

- Government is committed towards Universal Health coverage. In this regard, Global health summit was conducted by Pakistan with the coordination of Asian Development Bank in February 2024.
- An amount of Rs 25.3 billion allocated to health sector in PSDP of FY2024.

- During the period July-May FY2024 68% of the allocation has been released to concerned authorities.
- The total public health expenditures during FY2023 amounted to Rs 843.2 billion (1.0 % of GDP) against Rs 919.4 billion last year.
- Federal Directorate of Immunization (FDI) vaccinated 2.7 million children (6 months to 5 years) across 72 districts with an assessed coverage of 95% through close coordination with provinces.
- The government has launched a three year National Multisector Nutrition Program to Reduce Stunting & Other Forms of Malnutrition, with an allocation of Rs. 8.5 billion. The program is scheduled for implementation across 36 districts burdened with high rates of stunting, affected by calamities.
- Under PAEC, over 1.0 Million procedures carried out annually in AECHs. About, 40,000 new cancer patients are treated annually. At present, there are over 2600 personnel employed in these hospitals, comprising 250 doctors, 80 medical physicist, 47 bio medical engineers and 47 radio pharmacists and scientists.
- Precursor Information Management System (PIMS) deployed to track precursor chemicals used in illegal drugs to monitor the movement and prevent diversion of these chemicals for illicit purposes.
- NDMA responded to spring rains 2024, by providing 9000 tents and blankets to the masses of Khyber Pukhtunkhwa and Balochistan along with plastic mats, kitchen sets and solar lights to protect them from diseases.

Key Indicator

Description	2023-24 P Growth
Public Health Expenditure (As% of GDP FY2023)	1.0
Health Sector PSDP Allocation (Rs billion)	25.3
Hospitals (2023)	1,284
Basic Health Units (2023)	5,520
Infant Mortality Rate (Per 100,000 Births - 2021)	52.8
Life Expectancy (2022)	67.3
Registered Doctors (2022)	299,113

Population Labour Force and Employment

- According to the 7th National Population and Housing Census 2023 the population is 241.5 million with growth rate of 2.55 percent.
- In 2023, urban population is 93.75 million while rural population is 147.75 million.
- The population of Punjab increased from 109.98 million (census -2017) to 127.68 million with a growth rate of 2.53 percent.
- The population of Sindh increased from 47.85 million (census- 2017) to 55.69 million with a growth rate of 2.57 percent.
- The population of Balochistan increased from 12.34 million(census- 2017) to 14.89 million with a growth rate of 3.2 percent.
- The population of Khyber Pakhtunkhwa increased from 35.50 million(census- 2017) to 40.85 million with a growth rate of 2.38 percent.
- The population of Islamabad reached at 2.36 million from 2.01 million(census- 2017) with a growth rate of 2.81 percent.

- According to the Labour Force Survey 2020-21, total labour force is 71.76 million out of which 67.25 million are employed and 4.51 million are unemployed with unemployment rate of 6.3 percent.
- Uptill March 2024, the government disbursed Rs. 83,683 million under Prime Minister's Youth Business & Agriculture Loan Scheme.
- During 2023, Bureau of Emigration & Overseas Employment (BE&OE) and Overseas Employment Corporation (OEC) registered 862,625 workers for overseas employment in different countries.
- To increase the manpower export from Pakistan, 74 new licenses were issued to Overseas Employment Promoters (OEPs) during July - December 2023.
- OEC signed MoUs(November2023)with three workforce recruiting companies (Alfnar, Maharah, Albawani) in KSA to explore the new markets for workers.
- In February 2024, OEC signed 26 Letters of Intent with different companies/ Employers in KSA and an MoU with Nesma & Partners.

Key Indicator

Description	2023-24 P Growth
Population Size (2023) (m*)	241.5
Unemployment Rate (LFS 2021)	6.3
Workers Regd. For Employment Abroad (2023)	862,625
Prime Minister's Youth Business & Agriculture Loan Scheme (till Mar 2024)	
Disbursement	83,683
Beneficiaries	140,702

Transport and Communication

- An amount of Rs. 156.5 billion allocated in PSDP 2023-24 for 123 projects of NHA. Rs 123.0 billion has been released upto May 2024. Its network comprises of 48 national highways, motorways and strategic roads with a total length of 14,480 Km.
- Pakistan Railways network consists of 446 Locomotives with route length of 7,791 Km. During July-March FY2024, gross earnings of Rs. 49.5 billion were recorded as compared to Rs. 40.0 billion last year.
- The operating revenue of the PIA increased by 27.9% during CY2023 to Rs. 238.5 billion. Whereas, operating expenditures during this period increased by 33.3% to Rs. 235.3 billion, recording a loss of Rs. 58.8 billion.
- Pakistan National Shipping Corporation has a fleet strength of 12 vessels having cargo carrying capacity of 938,876 metric tonnes. It witnessed profit of Rs.14.7 billion as against Rs.24.0 billion in same period last year due to decrease in dry cargo and liquid cargo segment revenue.
- The Port Qasim Authority handled 10% more cargo as compared to the same period of the last FY2023. The total cargo comprising bulk, liquid bulk and general, handled was 34.3 million tones as compared to 31.1 million tones of last year.
- The cargo throughput of exports achieved a growth of over 36% during July-March FY 2024 wherein volume of exports handled was 7.3 million tones as compared to 4.7 million tones handled last year.

- The cargo and container handling at the Karachi Port during July-March FY 2024 was 64.2 million tonnes as compared to 31.8 million tonnes during last year, recording an increase of 50 percent.
- The electronic media network consists of 140 Pakistani satellite TV stations and 35 channels with Landing Rights permission to broadcast in Pakistan. During July- March FY2024, the PEMRA deposited Rs 2.8 million to the national exchequer showing 40 percent increase.
- Pakistan Broadcasting Corporation has broadcasting network of about 80 units housed in 32 broadcasting houses across the country. During FY2024, an amount of Rs 5.8 billion were allocated to the PBC for its operational expenditures, around 89% have been released upto May, 2024.

Key Indicator

Description	2023-24 P Growth
NHA's Network Length (KM)	14,480
Pak Railways Passenger Traffic (mn passengers)	22.5
Pak Railways Freight Traffic (tonne Km (million))	4,310
PNSC Group's Profit after Tax (Rs million)	14,690
Cargo Handling at Ports (mn tonne)	98,822
Pakistan Post's Network (number)	10,408
PBC's Broadcasting Network (units)	80

Energy

- Total installed capacity of electricity in the country is 42,131 MW, with contribution from hydel (25.4%), thermal (59.5%), nuclear (8.4%) and renewables (6.8%).
- During July-March FY2024, total electricity generation remains 92,091 GWh from hydel (31.7%), thermal (45.9%), nuclear (18.2%) and renewable (4.3%).
- Total electricity consumption remained 68,559 GWh during July-March FY2024 with household sector consumes 49.2% of total electricity.
- During July-March FY2024, Industrial, agriculture and commercial sectors consumed 26.29%, 10.07%, and 7.83% of total electricity, respectively.
- As of March 2024, net metering based solar installations stood at 117,807 with a cumulative capacity of 1,822 MW.
- The six nuclear power plants with gross installed capacity of 3,530 MW supplied about 16,753 million units of electricity during July-March FY2024, with monthly share remained between 12.8% to 25.8% of total electricity generation.
- Total demand of petroleum products decreased by about 7.2% during July- March FY2024 as compared to last year.
- Transport sector is the major consumer of petroleum products, comprising 79.4% of total demand.
- Imports of petroleum products were 11,047.0 thousand tonnes during July- March FY2024 against 11,976.7 thousand tonnes last year.
- Total consumption of Natural Gas and RLNG stood at 2,512 MMCFD and 695 MMCFD, respectively, during July-March FY2024.
- Total consumption of coal stood at 17.28 million tonnes during July-March FY2024.

Key Indicator

Description	2023-24 P Growth
Total Installed Capacity (end March 2024) (MW)	42,131
Total Installed Generation (end March 2024) (Gwh)	92,091
Consumptions (Jul-Mar 2024)	
Total Electricity (Gwh)	68,559
Petroleum Products (million tonnes)	12.3
Gas (Mmcfd)	3,207
Coal (million tonnes)	17.3

Information Technology and Telecommunication

- IT & ITeS realized a trade surplus of US$1,996 million, highest in all Services (87.4% of total ICT export during July- March FY2024 (15.8%) against US$1,723 million last year.
- ICT export receipts surged by US$ 339 million (17.4%) to US$ 2,283 million during FY2024, against US$ 1,944 million last year.
- Pakistan based freelancers contributed foreign exchange earnings to Pakistan's economy through remittances of US$ 350.2 million during July-March FY2024.
- Pakistan Software Export Board (PSEB) launched first-ever women's software technology park at the Women's University of Bagh AJK in February, 2024.
- Till March, 2024 the National Incubation Centers (NICs) have incubated over 1,480+ startups, with more than 710+ graduating successfully so far.
- These startups have generated over 128,000 jobs, received a total investment of more than Rs 23 billion, with a combined revenue of more than Rs 16 billion. Over 2,800+ women entrepreneurs have been empowered through the program.
- During July-March FY2024, the telecom sector showed resilience, expanding its services and generating telecom revenues to the tune of Rs 735 billion(estimated).
- During July-March FY2024, country's telecom services (Mobile and Fixed) experienced healthy growth rates, with 194.6 million subscribers (80.7% teledensity) and 135.4 million broadband subscribers (56.1% penetration).
- Telecom sector also contributed Rs. 213 billion (provisional) to the national exchequer during July-March FY 2024.

Key Indicator

Description	2023-24 P Growth
IT and ITeS Companies (Regd. with PSEB)	20,000
IT Exports (US$ million)	2,283
Trade Surplus of IT and ITeS (US$ million)	1,996
Freelancers' Remittances (US$ million)	350.2
Broadband Subscribers (million)	135
Total Telecom Subscribers (Mobile and Fixed) (million)	194.6

Social Protection

- Government of Pakistan allocated Rs466 billion for FY2024 to the BISP to execute the Social Protection Programmes.

- Under Benazir Kafaalat Programme, Rs 257.5 billion have been disbursed to around 9.4 million beneficiaries during July-March FY2024.
- BISP has also disbursed Rs 56.0 billion under Conditional Cash Transfer Programme.
- Under Benazir Taleemi Wazaif Programme, whereas additional 2.2 million children were enrolled and Rs 36.9 billion have been disbursed to total 14.8 million enrolled children during July-March FY2024.
- Benazir Nashonuma Centres are operationalized in 158 districts of the country through 545 Facilitation Centers to provide health services and conditional cash transfers to prevent children from stunting growth issue.
- Under Conditional Cash Transfer Programme, Rs 10.8 billion were disbursed to 1,873,557 beneficiaries during July-March FY2024.
- Pakistan Poverty Alleviation Fund (PPAF) disbursed Rs 2.0 billion during July-March FY2024 through its Partner Organizations in 149 districts across the country.
- Under the Interest Free Loan Programme of PPAF, a total of 274,730 interest free loans (65% loans to women) amounting to Rs 12.2 billion have been disbursed to borrowers.
- An amount of Rs7.7 billion provided to Pakistan Baitul Mal (PBM) in FY2024, for its core projects/schemes regarding financial assistance to destitute, widows, orphans, invalid, infirm and other needy persons at the district level.
- During July-March, FY2024, expenditures amounting to Rs 1.4 billion were incurred on 12,303 scholarship cases, while Rs 660.1 million disbursed as marriage grants @ Rs 400,000 per worker benefitting 4,107 workers' families.
- The WWF has also disbursed Rs 575.5 million as death grant @Rs 800,000 per worker–covering 1,060 cases of mishaps all over the country.

Key Indicator

Description	2023-24 P Growth
BISP Allocations (2024) (Rs. billion)	466
BISP Disbursement (Rs. billion)	313.4
PBM Programs (Rs. billion)	7.7

Climate Change

- National Clean Air Policy (NCAP) 2023, aiming to enhance air quality by reducing pollution nationwide.
- M/o CC&EC launched National Adaptation Plan (NAP) 2023 provides an overview of the country's climate risks and vulnerabilities.
- The Green Pakistan-Upscaling Program, Phase-I, achieved a plantation target of 2.12 billion. The program is undergoing revision for 2024-2028, expanding its scope to include carbon finance mechanisms, scientific resource assessments, livelihood creation, and biodiversity conservation.
- The 2023 United Nations Climate Change Conference (COP 28) convened, in Dubai, United Arab Emirates (UAE). Pakistan actively engaged as a responsible member of the global community, upholding the principles outlined in the UN Framework Convention on Climate Change (UNFCCC).
- Pakistan and China signed an MoU on Cooperation for Green and Low- Carbon Development in October, 2023.

- M/o CC&EC signed MoU with M/o Investment of the UAE in Nov, 2023 for investment cooperation in the wastewater treatment projects.
- State of Kuwait and the Government of Pakistan signed an agreement in November, 2023 regarding investment cooperation for the Development of Mangroves Rehabilitation Projects.
- Pakistan conducted its first Artificial Rain through Cloud Seeding in collaboration with UAE's National Center of Meteorology to combat pollution in Lahore.

SECTION 3 SALIENT FEATURES

Income Tax

Relief measures

Extending the time period of exemption on income and from withholding taxes for persons resident in specified Tribal Areas, from June 30, 2024 to June 30, 2025.

Revenue measures

1. Substantial increase in tax burden on both salaried & non-salaried individuals and AOPs, especially on lower income segments.
2. 25% reduction in tax liability for full-time teachers and researchers abolished.
3. Taxing dividend at 25% instead of existing rate of 15%, in case it is received from such mutual funds which derive 50% or more income from profit on debt.
4. Type and holding period of immoveable property to be disregarded for lower or no rate taxation on capital gains. A flat rate of 15% to apply in case of filers. In case of non-filers, their respective normal tax rates to apply, subject to a minimum tax rate of 15% on this gain.
5. Holding period of securities to be disregarded for lower or no rate taxation on capital gains. A flat rate of 15% to apply in case of filers. In case of non-filers, their respective normal tax rates to apply, subject to a minimum tax rate of 15% on this gain.
6. Capital gain tax rate on redemptions from investment scheme or a REIT scheme to be increased for individuals and AOPs from existing rate of 10% to proposed rate of 15%. Likewise, this tax rate to be increased from existing rate of 10% to 15% for investment by companies in stock funds.
7. The rate of tax deduction shall be 20% instead of existing 12.5% in case of a stock fund, if dividend receipts of the fund are less than capital gains.
8. 100% tax credit available to persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects now sought to be limited to mine operators only.
9. Empowering the Board to determine the minimum value of goods for the purpose of collection of advance tax at import stage.
10. Rates of withholding tax on toll manufacturing to be increased from 5% and 5.5% to 9% and 11% respectively for corporate and non-corporate manufacturers.
11. Tax on exports proposed to be brought under minimum tax regime. 1% additional advance tax also to be collected from export proceeds.
12. Linking the rate for default surcharge to KIBOR (+3%) instead of the fixed rate of 12%.
13. Abolishing the exemption on income by way of subsidy granted to a person by the Federal Government for the purposes of implementation of its orders.
14. Increasing the rate of tax on supply of goods to distributors of cigarette from 1% to 2.5%.
15. No provisions under any accounting standards, including IFRS 9 to be admissible for banks.
16. Enhancing the purview of 100% increase in rates to all cases of non-filers other than in case of capital gain on sale of securities under section 37A.
17. Further enhanced rates for withholding tax for certain non-filers to apply:

On profit on debt	35%
On gross amount of sale to distributors, dealers or wholesalers other than sale of fertilizer	2%
On the gross amount of sale to retailers	2.5%

Other/ regulatory measures

1. 10% advance tax deductible by buyers upon acquisition of shares of unlisted companies to be deposited to treasury within 15 days reckoned from earlier of the date of payment of consideration or the date of registration of share transfer with SECP or SBP.
2. The share exemption on income from AOPs of a member to be subjected to submission of audited accounts in case the AOP has or had a turnover of Rs. 300M in the current or past years.
3. Taxpayers who file return of income after due date to be treated under a new category (aka late filers), whereby this category to be subjected to deduction/ collection of tax at comparatively higher rates.
4. 25% of any sales promotion, advertisement & publicity expenses of a taxpayer proposed to be disallowed in case the taxpayer also claims any royalty expense for the tax year 2024 or during any past two tax years, which is paid/ payable to its associate. This disallowed

amount also proposed to be allocated to the said associate.

5. Placing restriction on foreign travel for non-filer citizens of Pakistan, excluding NICOP holders, minors, students and other classes of persons as may be notified by the Board.
6. Enhancing the Commissioner's powers to call for furnishing information on foreign assets.
7. Scope of best judgement assessment to be broadened to include cases of taxpayers who fail to furnish return of income in response to notice regarding a business which is discontinued or likely to be discontinued.
8. Abolishing the monetary ceiling of Rs. 20M for Commissioner's suomoto powers to call for the record of any tax proceeding in which an order has been passed by any Officer of Inland Revenue other than the Commissioner (Appeals).
9. Clarifying that the value of assessment of tax, for the purposes of section 126A, means the net increase in tax liability or net reduction of refund by up to Rs. 20M as a result of order sought to be assailed.
10. Extending the deadline for transfer of cases before the Commissioner (Appeals) to Appellate Tribunal Inland Revenue from existing June 16, 2024 to September 16, 2024.
11. In case a company or AOPs, which fails to provide turnover or the quarterly turnover is not known, the turnover is to be at 1/4th of 120% instead of the prevailing factor of 110%.
12. Unifying the nomenclature used for tax exemptions and tax at lower rate. by way of abolishing the use of the term 'exemption certificate'.
13. Extending the existing list of offences and imposing significant penalties thereon.
14. Taxpayers' information proposed to be made available to NARDA for analysis and broadening of tax base.
15. Substantially increasing advance tax on purchase, registration & transfer of motor vehicles by linking the tax with the value of vehicle.
16. Increasing the rate of advance tax on purchase and sale of immoveable properties valuing Rs.50M and above with further enhanced rates proposed for non-filers and late filers.
17. 75% of the amount of Bill or sale price of internet pre-paid card or prepaid telephone card or sale of units to any electronic medium proposed to be deducted as advance tax in case of non-filers.
18. Collection of advance tax on sales by manufacturers, distributors, dealers, wholesalers or commercial importers presently applicable to specified sectors (21 in numbers) proposed to be made applicable across the supply chain for all sectors without any specification or discrimination.

Sales Tax

Relief measure

Exemption from sales tax has been introduced for:

a) Import of goods in case of natural disaster or other catastrophe event;
b) Milk excluding that sold under a brand name; and
c) Iron & Steel Scarp.

Revenue measures

1. Enhancing the scope of the definition of tax fraud.
2. Increasing the rate of default surcharge rate to KIBOR+3% from the prevailing fixed rate of 12%.
3. Reinstating sales tax on advance payment against taxable supplies.
4. Vesting the Board with the authority to establish the minimum price for items listed in the Third schedule.
5. Including DAP in Third Schedule, leading to retail price taxation.
6. Withdrawing sales tax exemptions on the imports & supplies (i) Edible vegetables & fruits imported from Afghanistan, (ii) Medical Treatment & Diagnostics kits / equipment, (iii) Supplies to hospital run by the charitable hospitals (iv) Imports of Goods by non-profit making institutions
7. Exempting sales tax on POL products instead of prevailing zero-rating.
8. Subjecting LPG and locally manufactured Hybrid Electric Vehicles to sales tax at standard rate of 18%.
9. Withdrawing reduced rate i.e. 15% sales tax on supplies made by Tier 1 Retailers of textile & leather having integrated Point of Sale.
10. Reduced Rate of Sales Tax of 10% has been proposed while withdrawing Sales Tax Exemption on: Stationery items, Oil cake & other solid residues, Tractor, Vermicillies, sheer mal, bun & rusk, Poultry feed, Cattle feed, Sunflower seed meal, Rape seed meal, Canola seed meal and Newsprint/ books.

11. Withdrawing the sales tax exemption on certain items for tribal areas and subjecting the same to reduced rates of tax at 6% and 12% until June 30, 2025 and June 30, 2026, respectively.
12. Subjecting medicaments not classified as drugs under the Drugs Act, 1976 to the standard sales tax rate of 18%.
13. Increasing rate of sales tax on cellular and satellite phones as under:

<table>
<tr><th colspan="2">Description</th><th>Ad valorem Sales Tax</th></tr>
<tr><td colspan="2">CKD & SKD Imports</td><td>18%</td></tr>
<tr><td rowspan="2">CBU Imports or registration of IMEI number by CMOs</td><td>Import Value up to USD 500 or equivalent</td><td>18%</td></tr>
<tr><td>Import Value above USD 500 or equivalent</td><td>25%</td></tr>
<tr><td colspan="2">Local supplies by Manufacturers</td><td>18%</td></tr>
</table>

14. Withdrawing Zero Rating on local supply of raw materials, components, parts, plant and machinery to exporters under Export Facilitation Scheme, 2021.
15. Increasing sales tax withholding in case of supply of lead or scrap batteries to registered manufacturers of lead batteries from 75% to 80% of sales tax.
16. Increasing sales tax withholding in case of supply of gypsum to cement manufacturers, supply of coal, waste of paper and paper board, plastic waste, crush stone and silica to 80% of sales tax.

Regulatory measures

1. Licensing of integrators for integration of Electronic Invoicing System to bring them regulatory framework.
2. Transposing section 11 of the Act into three distinct sections namely 11E (Assessment of tax and recovery of tax not levied or short levied or erroneously refunded), 11F (Failure to Withhold Sales Tax), 11G (Limitation of Assessment).
3. Empowering the Commissioner to pass orders on Best Judgement under the specified criteria.
4. Making it mandatory for the registered persons engaged in taxable supply to issue electronic invoices and subjecting such issuance to conditions, restrictions and limitations to be specified by the Board.
5. Revamping the framework for audit.
6. Empowering the Chief commissioner to modify the blacklisting orders passed by the Commissioner as he may deem fit on his motion or on an application by the registered person. Withdrawing the right of appeal of the registered person before the Appellate Tribunal against the order of the authorized officer.
7. Extending the deadline for transferring cases above the tax/ refund threshold of above Rs.10M pending before the Commissioner (Appeals) to the Appellate Tribunal from June 16, 2024 to September 16, 2024

Federal Excise Duty

Revenue measure

1. Levying of FED on the following items:

Description	Rate of FED
Acetate tow	Rs. 44,000 per kg.
Allotment/ transfer of commercial & residential and first allotment or transfer of residential property	5% of value
Supply of sugar to manufacturers	Rs. 15 per kg
E-liquid for electric cigarettes	Higher of Rs.10,000 per kg or 65% of the retail price
Nicotine pouches	Rs. 1,200 per kg

2. Enhancing of minimum retail price of locally produced cigarettes for the purpose of duty calculation.
3. Installation of plant and machinery (P&M), commencement of production and removal of P&M having a value exceeding Rs. 50 million proposed to be an act of offence and attracting penalty if Installation/ removal is made without prior permission of the Commissioner. The proposed amendment appears to lack rationale since it fails to take cognizance of underlying limitations and implications.
4. The cutoff date is proposed to be extended from June 16, 2024 to September 16, 2024, in respect of the transfer of appeals pending before the Commissioner (Appeals) to the Appellate Tribunal involving an amount exceeding Rs. 5 million.
5. Although there is presently no duty leviable on imports, it has been sought to give effect to the diplomatic cover under Geneva Convention by way of exempting FED on imports by diplomats, diplomatic missions, privileged persons, and privileged organizations.

Customs

Relief Measures

1. Exemption of Customs duties on Bovine lipid extract surfactant.
2. Incentives for manufacturing of Solar Panels and Allied Equipment.
3. Exemption of ACD on raw materials of Fluids and Powders for use in Hemodialyzers.
4. Extension in scope of exemptions on import of machinery and equipment for farming and processing of Fish/Shrimp and Seafood.

Relief Measures

1. Reduction in concession of customs duties on import of Electric vehicles having value above US$ 50,000.
2. Withdrawal of concessions of duties on import of Hybrid Vehicles.
3. Increase of Customs duty on Import of Containers for Aerosol Products.
4. Rationalization of Customs duty on import of parts of submersible pumps.
5. Rationalization of Customs duties on import of Wheat, Sugar, HSD, LNG.
6. Streamlining the imports of Aviation Related Good.

Other measures

1. Levy of Additional Customs Duty on localized auto parts to incentivize local manufacturing sector.
2. Creation of new PCT codes for Rice Flour, Night vision goggles, Blood Collection Tubes, Solar Cable, Tyre Tube Valves to facilitate trade.

Legislative measures

1. Definitions of “Nuclear Material” and “Radioactive Material” included, for implementation of National Nuclear Detection Architecture (NNDA) regime.
2. Establishment of Directorate General of National Targeting Centre (NTC), as a national single window of enforcement for all LEAs and Directorate General of
3. Trade Based Money Laundering for cognizance of offences related to trade-based money laundering.
4. Officers of National Command Authority (NCA) and Pakistan Nuclear Regulatory
5. Authority (PNRA) empowered to implement and enforce Customs Act.
6. Intelligence Bureau (IB) added in the list of Government agencies mandated to assist Customs in investigations.
7. Power for extension of detention period assigned to Additional Collector or Additional Director for smooth functioning.
8. Two new penal clauses are proposed to take cognizance of offences related to nuclear and radioactive material.
9. Rationalization of pitch of penalty for the importers seeking clearance of declared confiscated goods against payment of redemption fine.
10. Enhanced prescribed penalty against a police officer who having seized goods fails to deliver such goods to custom house.
11. Penalties enhanced to deter smugglers and miscreants from attacking Customs personnel, in view of recent attacks on Customs staff.
12. To deter the possibility of illegal removal and pilferage of smuggled goods liable to confiscation placed in the custody of owner, penal provision is proposed.
13. Changes are made with the objective of making the system more efficient by accelerating the disposal of pending cases in the Customs Appellate Tribunal.
14. Changes are made with a view to ensure that the cases are swiftly decided in the High Courts and also to meet the principles of natural justice and fair trial.
15. Strengthening the provision of Alternate Dispute Resolution mechanism.

Regulatory Duty

1. Rationalization of RD on import of new and used vehicle.
2. Increase / levy of RD on flat rolled products of iron and non-alloy steel.
3. Withdrawal of exemption of RD on import of ground nuts and margarine imported by Food Confectionary.
4. Continuation of RD on import of Chloroparafins liquid.
5. Withdrawal of RD on import of Sliver cans and Lollipop sticks.

Petroleum Levy

It has been proposed avoid going into the usual process for change in law of enhancement of the rate of levy by adopting ceilings to the rate of levy by way of substituting Fifth Schedule of the Ordinance. Comparison of existing and proposed position is as per the below table.

SECTION 4 INCOME TAX

1. SALARIED INDIVIDUALS

It has been sought to substantially increase the tax burden on salaried class:

Existing Tax Rates

Taxable Income | Rs.		**Rate of Tax**		
From	To			
Up to 600,000		0%		
600,001	1,200,000	2.5% of amount exceeding Rs.600,000		
1,200,001	2,400,000	Rs.15,000	PLUS	12.5% of the amount exceeding Rs.1,200,000
2,400,001	3,600,000	Rs.165,000	PLUS	22.5% of the amount exceeding Rs. 2,400,000
3,600,001	6,000,000	Rs.435,000	PLUS	27.5% of the amount exceeding Rs. 3,600,000
Above 6,000,000		Rs.1,095,000	PLUS	35% of the amount exceeding Rs.6,000,000

Proposed Tax Rates

Taxable Income | Rs.		**Rate of Tax**		
From	To			
Up to 600,000		0%		
600,001	1,200,000	5% of amount exceeding Rs.600,000		
1,200,001	2,200,000	Rs.30,000	PLUS	15% of the amount exceeding Rs.1,200,000
2,200,001	3,200,000	Rs.180,000	PLUS	25% of the amount exceeding Rs.2,200,000
3,200,001	4,100,000	Rs.430,000	PLUS	30% of the amount exceeding Rs.3,200,000
Above 4,100,000		Rs.700,000	PLUS	35% of the amount exceeding Rs.4,100,000

Moreover, the available reduction of 25% in tax liability for **full-time teachers and researchers**, employed in non-profit education or research institutions duly recognized by HEC, a Board of Education or a University recognized by HEC, including government research institution, has been proposed to be abolished.

2. OTHER INDIVIDUALS AND AOPs

It has been proposed to increase the tax burden on individuals & AOPs as under:

Existing Tax Rates

Taxable Income | Rs.		**Rate of Tax**		
From	To			
Up to 600,000		0%		
600,001	800,000	7.5% of amount exceeding Rs.600,000		
800,001	1,200,000	Rs.15,000	PLUS	15% of the amount exceeding Rs.800,000
1,200,001	2,400,000	Rs.75,000	PLUS	20% of the amount exceeding Rs.1,200,000
2,400,001	3,000,000	Rs.315,000	PLUS	25% of the amount exceeding Rs.2,400,000
3,000,001	4,000,000	Rs.465,000	PLUS	30% of the amount exceeding Rs.3,000,000
Above 4,000,000		Rs.765,000	PLUS	35% of the amount exceeding Rs.4,000,000

Proposed Tax Rates

Taxable Income | Rs.		**Rate of Tax**		
From	To			
Up to 600,000		0%		
600,001	1,200,000	15% of amount exceeding Rs.600,000		
1,200,001	1,600,000	Rs.90,000	PLUS	20% of the amount exceeding Rs.1,200,000
1,600,001	3,200,000	Rs.170,000	PLUS	30% of the amount exceeding Rs.1,600,000
3,200,001	5,600,000	Rs.650,000	PLUS	40% of the amount exceeding Rs.3,200,000
Above 5,600,000		Rs.1,610,000	PLUS	45% of the amount exceeding Rs.5,600,000

3. DEFINITIONS

Board [Section 2(8)]

It has been sought to clarify that the term Board includes a Member of the Federal Board of Revenue to whom powers of the Board have been delegated under section 8 of the Federal Board of Revenue Act, 2007.

4. HEAD OF INCOME

Dividend from mutual funds [Section 5 | Div III Part I First Schd.]

Dividend from mutual funds is taxable 15%. It has now been proposed to tax dividend at 25% in case it is received from such mutual funds which derive 50% or more income from profit on debt.

Capital gains

On disposal of immoveable properties [Section 37(1A) | Div VIII Part I First Schd.]

The Bill seeks to substitute the Table as per Division VIII of Part I of First Schedule for taxing gains on immoveable properties as under:

Rate of Tax

Properties acquired up to June 30, 2024

S No.	Holding Period	Open Plots	Constructed Properties	Flats
1	Up to 1 Year	15%	15%	15%
2	Above 1 Year & up to 2 years	12.5%	10%	7.5%
3	Above 2 Year & up to 3 years	10%	7.5%	0%
4	Above 3 Year & up to 4 years	7.5%	5%	0%
5	Above 4 Year & up to 5 years	5%	0%	0%
6	Above 5 Year & up to 6 years	2.5%	0%	0%
7	Above 6 Years	0%	0%	0%

Properties acquired after June 30, 2024

Taxpayer Type/ Status		Tax Rate	Remarks
Filers		15%	
Non-filers	Individuals & AOPs	As per Div I Part I of First Schd.	Subject to a minimum rate of 15%
	Companies	As per Div II Part I of First Schd.	

On disposal of unlisted companies [Section 37(6)]

Persons acquiring shares of an unlisted company, are liable to deduct advance adjustable tax from the gross amount paid as consideration for the shares at 10% of the fair market value of the shares. Tax withheld is payable to the treasury within 15 days of the payment.

It has now been proposed that this tax shall be withheld and deposited whether or not the consideration for acquisition is actually paid or not. It has also, therefore, been proposed that the amount withheld needs to be deposited to the treasury within 15 days reckoned from earlier of the date of payment of consideration or the date of registration of share transfer with SECP or SBP.

Capital gains on disposal of securities **[Section 37(A)]**

<table>
<tr><th rowspan="2">Holding Period</th><th colspan="2">Rate of Tax</th></tr>
<tr><th>Securities acquired between July 1, 2022 & June 30, 2024</th><th>Securities acquired on or after July 1, 2024</th></tr>
<tr><td>Up to 1 Year</td><td>15%</td><td rowspan="7">
<table>
<tr><th colspan="2">Taxpayer Type/ Status</th><th>Tax Rate</th><th>Remarks</th></tr>
<tr><td colspan="2">Filers</td><td>15%</td><td></td></tr>
<tr><td rowspan="2">Non-filers</td><td>Individuals & AOPs</td><td>As per Div I Part I of First Schd.</td><td>Subject to a minimum rate of 15%</td></tr>
<tr><td>Companies</td><td>As per Div II Part I of First Schd.</td><td></td></tr>
</table>
</td></tr>
<tr><td>Exceeding 1 year but not exceeding 2 years</td><td>12.5%</td></tr>
<tr><td>Exceeding 2 year but not exceeding 3 years</td><td>10%</td></tr>
<tr><td>Exceeding 3 year but not exceeding 4 years</td><td>7.5%</td></tr>
<tr><td>Exceeding 4 year but not exceeding 5 years</td><td>5%</td></tr>
<tr><td>Exceeding 5 year but not exceeding 6 years</td><td>2.5%</td></tr>
<tr><td>Exceeding 6 years</td><td>0%</td></tr>
<tr><td>Future commodity contracts</td><td>5%</td><td>5%</td></tr>
</table>

It has also been proposed that a mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax at higher than existing rates in certain cases as specified below, on redemption of securities:

Taxpayer Type	Fund Type	Existing Rates	Proposed Rates
Individual and AOPs	Stock Funds Other Funds	10%	15%
Company	Stock Funds	10%	15%
	Other Funds	25%	25%

The Bill also seeks to provide that no tax on capital gain shall be deducted, if the holding period of the security acquired up to June 30, 2024 is more than six years. It has also been sought to clarify that this proviso shall be applicable only in case of mutual fund or collective investment scheme or a REIT scheme.

It has also been proposed that in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction shall be 20% instead of existing 12.5%.

5. LOSSES

Carry forward of business losses by PIA **[Section 57(2C)]**

With a few industry-specific exceptions, there is a six years normal ceiling for business losses to be carried forward and set-off from profits of succeeding years. The Bill proposes that ceiling of six years to be increased to ten years for losses incurred by PIA after January 1, 2017.

6. TAX CREDITS

Tax credit for certain persons [Section 65F]

100% tax credit is available to persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects. It has now been sought to limit this concession by way of an explanation that this credit shall only be available to the said coal mine operators only.

7. ASSOCIATION OF PERSONS [Section 92(1)]

AOPs are liable to tax separately from their members and a member's income from an AOP is not subject to tax in case the said has paid tax on the members' share of income.

It has been proposed that the share of a member of an AOP having turnover of Rs. 300M or more during the tax year or any of the preceding tax years shall not be exempt unless the financial statements duly audited by a firm of Chartered Accountants or Cost and Management Accountants has been filed along with return of income by the concerned AOP.

It is noted that the proposed amendment fails to place any cap on the previous number of years for the purpose of proposed turnover ceiling of Rs. 300M for the purpose of submitting audited financial statements.

8. PERSONS NOT APPEARING IN ACTIVE TAXPAYERS LIST [Section 100BA]

The collection or deduction of advance income tax, computation of income and tax payable thereon in respect of persons not appearing on the active taxpayers' list are determined in accordance with the rules in the Tenth Schedule. The Bill now seeks to include a category of late filers.

9. ANTI AVOIDANCE

Transactions between associates [Section 108]

The Commissioner holds the discretionary powers in respect of any transaction between associates, whereby the Commissioner may distribute, apportion or allocate income, deductions or tax credits between the persons as is necessary to reflect the income that the persons would have realised in an arm's length transaction.

The Bill now seeks to introduce a new sub-section (6) to section 108, under which 25% of any amounts claimed as deduction on account of sales promotion, advertisement and publicity shall be disallowed. However, this disallowance is to be limited to only such associate(s) where any royalty(ies) have been paid or payable for the tax year 2024 or for any of the two preceding tax years between the associates. Moreover, the said disallowed amount is to be allocated to the associate by whom royalty is received or receivable.

10. RETURNS

Restriction on foreign travel [Section 114B(2)(d)]

It was earlier enacted vide the Finance Act, 2022 to empower the Board to issue income tax general order in respect of persons who are non-filers, however, are liable to file tax returns. The orders could enforce the following restrictions on the said non-fliers:

(a) disabling of mobile phones or mobile phone SIMS;
(b) discontinuance of electricity connection; or
(c) discontinuance of gas connection.

In furtherance to the above, it has now been proposed to place restriction on foreign travel from the country for a citizen of Pakistan, excluding persons holding NICOP, minors, students and such other classes of persons as notified by the Board.

Wealth statement [Section 116(1)]

The Commissioner is empowered, by notice in writing, to require any individual to furnish wealth statement and giving particulars of following on the date or dates specified in such notice:

(a) the person's total assets and liabilities;
(b) the total assets and liabilities of the person's spouse, minor children, and other dependents;
(c) any assets transferred by the person to any other person during the requisite period or periods and the consideration for the transfer.

However, technically, there was no explicit restriction on law that limits the given powers of the Commissioner to local assets and liabilities in Pakistan, the Bill now seeks to explicitly enhance the Commissioner's powers to call for furnishing information on foreign assets. An apparent lacuna in this regard is that, while the spirit of this section is to tap on wealth, the fact that foreign assets may be coupled with foreign liabilities has apparently been overlooked.

11. ASSESSMENTS

Best judgement assessment [Section 121(ac)]

It has been proposed to extend the scope of best judgement assessment to the cases where the taxpayer fails to furnish return of income in response to notice under section 117(3) in respect of a discontinued business or where, in the opinion of the Commissioner, the business is likely to be discontinued.

Revision by the Commissioner [Section 122A]

The Commissioner is empowered to suomoto call for the record of any tax proceeding in which an order has been passed by any Officer of Inland Revenue other than the Commissioner (Appeals). It was through the Tax Laws (Amendment) Act, 2024 that a monetary ceiling of Rs. 20M was placed on this authority. The Bill now seeks to abolish this monetary ceiling.

Pecuniary jurisdiction in appeals [Section 126A]

Monetary ceiling of Rs. 20M was adopted vide the Tax Laws (Amendment) Act, 2024 for appeals, whereby an appeal of an order to the Commissioner (Appeals) shall lie if the value of the tax assessment or tax refund involved is up to Rs. 20M. Otherwise, the appeal needs to be filed directly with the Appellate Tribunal.

It has now been sought to adopt an explanation that, for the purposes of section 126A, the value of assessment of tax means the net increase in tax liability of a person as a result of order sought to be assailed and value of refund means net reduction in refund as a result of order sought to be assailed.

It has also been sought to extend the deadline for transfer of cases before the Commissioner (Appeals) to Appellate Tribunal Inland Revenue from existing June 16, 2024 to September 16, 2024.

12. APPEALS

Appeal to the Commissioner (Appeals) & Appellate Tribunal [Section 127 & 131]

To give the due effect to the monetary ceilings placed vide section 126A viz-a-viz lying of appeals before the Commissioner (Appeals) and the Appellate Tribunal, it has been sought to amend sections 127 and 131 accordingly.

13. ADVANCE TAX

Advance tax paid by the taxpayer [Section 147]

In case of companies and AOPs, where the taxpayer fails to provide turnover or the turnover for the quarter is not known, the turnover is considered at 1/4th of 110% of the turnover of the latest tax year. It is now proposed to increase the factor of 110% to 120%.

The Bill also seeks to insert a new sub-section (6B) as under:
"Where an estimate of the amount of tax payable has been filed by the taxpayer under sub-sections (6) or (6A), as the case may be, the estimate shall contain turnover for the completed quarters of the relevant tax year, estimated turnover for the remaining quarters, supporting evidence of expenses or deductions in computing income, evidence of tax payments and tax credits and computation of estimated taxable income:

Provided that where the Commissioner is not satisfied with the documentary evidence provided or where an estimate of the amount of tax payable is not accompanied by details mentioned in this sub-section, the Commissioner may reject the estimate after providing an opportunity of being heard to the taxpayer and the taxpayer shall pay advance tax according to the formula set out in sub-section (4)."

14. IMPORTS [Section 148]

A new subsection (6A) is proposed to be inserted empowering the Board, by notification in the official Gazette, to determine the minimum value of goods for the purpose of collection of advance tax at import stage. The definition of value of goods has also been proposed to be amended accordingly.

15. PAYMENTS TO NON-RESIDENTS [Section 152(4A)]

The Bill seeks to abolish the provision relating to allowing payments to permanent establishment of non-residents without deduction of tax on account of payments for contracts under sub-section (1A) and for payment for goods, services and contracts under sub-section (2A) of section 152. In eligible cases orders for deduction of tax at lower rates to be issued.

16. PAYMENTS FOR GOODS OR SERVICES [Section 153 | Div III Part III First Schd.]

For cases where minimum tax does not apply, it has been proposed to substitute the existing concept of granting an 'order for exemption from withholding tax' to issuance of 'order for deduction of tax at reduced rates' by the Commissioner.

With the rate of withholding tax on Toll Manufacturing proposed to be increased, below table summaries the tax rates u/s 153:

Nature of Payment		*Rate of Tax*		*Remarks*
		Existing	*Proposed*	
Sale of goods	By Companies	5%	5%	No Change
	By Others	5.5%	5.5%	
Toll manufacturing	By Companies	5%	9%	Rate Increased
	By others	5.5%	11%	
Services specified under para (2)(i) of Div III Part III First Schd.		4%	4%	No Change
Other services by companies		9%	9%	
Other services by individuals & AOPs		11%	11%	
Execution of contracts by companies		7.5%	7.5%	
Execution of contracts by individuals, other than sportsmen, & AOPs		8%	8%	

17. EXPORTS [Section 154, 168(3)(e) & 169(1)(b) | Div IV Part III First Sch.]

With the advent of presumptive tax regime vide the Finance Act, 1992, exports sector has been enjoying the legal veil to avoid any surveillance or check and balance on business transparencies whatsoever, while being taxed at the most privileged rate of tax since decades. Earlier, this vital sector enjoyed tax concession/ rebates over the usual rates applicable to other sectors as our tax system was at par on concept with the generally acceptable and global principles of direct taxation.

The Bill seeks to take a huge leap towards increasing tax collections from exports by way of:

1. Bringing the sector under minimum tax regime; and
2. Collecting an additional 1% tax. However, there appears a technical mistake since, while the nature of tax u/s 154 has been proposed to be changed to minimum tax, the amendment to Division IV of Part III First Schedule proposes this additional 1% to be in the nature of advance tax.

A corresponding amendment has also been proposed to sections 168 and 169.

With our decades long history of legal fiction under the final tax regime (earlier known as presumptive tax regime), the proposed amendment of abolishing final tax regime all of a sudden and subjecting exports to minimum tax instead of bringing this segment under normal tax regime, coupled with tax rebates/ concession to this important sector of the economy seems quite irrational. It, therefore, appears that this proposed amendment is actually not backed by any genuine will to bring any change to the final tax regime; instead, this proposal may be part of a strategy to ease the process of negotiations that could eventually target an increase in tax rate while continuing with final tax regime at the end.

18. EXEMPTION OR LOWER RATE CERTIFICATE [Section 159]

While there is no proposed change to abolish the very concept of tax exemptions, where applicable, the Bill seeks to unify the nomenclature used for tax exemptions and tax at lower rate. This is being proposed by way of abolishing the use of the term 'exemption certificate', implying thereby that lower rate certificates to be issued even for cases with no tax incidence.

19. PROCEDURE

Offences and penalties [Section 182]

The Bill seeks to insert some additional offences and propose respective penalties as under:

S. No.	Offences	Penalties	Section Ref.
1B	Failure to furnish a return of income as required under sub-section (3) of section 117 within the time specified in the notice.	A penalty equal to higher of: (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) Rs. 1,000 per day of default: Provided that minimum penalty shall be Rs.10,000 in case of an individual and Rs.50,000 in all other cases.	117(3)
3A	Failure to register or to pay advance tax as specified in a scheme of special procedure prescribed under section 99B by a trader or a shopkeeper who is required to apply for registration.	The shop of such person shall be sealed for 7 days for first default and for 21 days for each subsequent default.	99B

S. No.	Offences	Penalties	Section Ref.
10A	Failure to comply with income tax general order issued by the Board within 15 days of issue of such order.	A penalty of Rs. 10M for first default and Rs. 200M for each subsequent default.	114B
12A	Failure to pay tax at the time of making payment as consideration of shares or at the time of registration of shares by SECP or SBP, whichever is earlier.	A penalty equal to 50% of the amount of tax involved	37(6)
35	Company and AOPs: (a) failing to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer; (b) furnishing any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or (c) attaching blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.	A penalty of Rs.500,000 or 10% of the tax chargeable on the taxable income, whichever is higher.	114(2)

Prosecution for non-compliance with certain statutory obligations [Section 191]

The Bill seeks to propose that if a person fails to furnish return of income in respect of a business which is discontinued or is likely to discontinue the business upon being served a notice under section 117(3) to this effect by the Commissioner shall be considered to have committed an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

Prosecution for failure to furnish information in return of income [Section 191A]

It has been sought to introduce a new section 191A as under:

"Any company including a banking company and an association of persons who –
(a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer;
(b) furnishes blank or incomplete particulars or information as specified in the return of income; or
(c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed, shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both."

Prosecution for non-registration [Section 191B]

It has been proposed that persons specified in section 99B who are required to apply for registration, however, fail to do so shall commit an offence punishable on conviction with imprisonment for a term not exceeding six months or fine or both.

Default surcharge [Section 205]

It has been sought to adopt a rate of KIBOR plus 3% for surcharge instead of the existing fixed rate of 12%.

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20. ADMINISTRATION

Disclosure of information by a public servant [Section 216]

While public servants are bound by the confidentiality regarding taxpayers' information, there are certain exclusion as to making this information available to certain regulatory authorities and their officers as specified sub-section (3) of section 216. It has now been proposed to include NARDA in the list of such regulatory authorities so that NADRA may process and analyze such data for the purposes of broadening of tax base.

21. COLLECTION OR DEDUCTION OF WITHHOLDING TAX

Purchase, registration and transfer of motor vehicles

[Section 231B | Div VII Part IV of First Sch]

It has been sought to substantially increase the collection of advance tax on purchase, registration and transfer of motor vehicles by linking the tax with the value of vehicle for all ranges of engine capacity. The below table summarizes rate comparison:

Engine capacity	Rate of Tax	
	Existing	*Proposed*
Upto 850 cc	Rs. 10,000	0.5% of the value
851cc to 1000cc	Rs. 20,000	1% of the value
1001cc to 1300cc	Rs. 25,000	1.5% of the value
1301cc to 1600cc	Rs. 50,000	2% of the value
1601cc to 1800cc	Rs. 150,000	3% of the value
1801cc to 2000cc	Rs. 200,000	5% of the value
2001cc to 2500cc	6% of the value	7% of the value
2501cc to 3000cc	8% of the value	9% of the value
Above 3000cc	10% of the value	12% of the value
EVs Valuing below Rs. 5M	NIL	NIL
EVs Valuing Rs. 5M and above	3%	3%

Sale or transfer of immovable property

[Section 236C | Div X Part IV of First Sch | Tenth Sch]

The Bill seeks to increase the rate of tax collection on immoveable properties valuing Rs. 50M and above. Moreover, it has also been sought to increase the rate of these collections in case of late filers and non-filers.

Fair Market Value of Property	Rate of Tax					
	Filers		Late Filers		Non-Filers	
	Existing	*Proposed*	*Existing*	*Proposed*	*Existing*	*Proposed*
Below Rs.50M	3%	3%	3%	6%	6%	10%
Rs.50M up to Rs.100M	3%	3.5%	3%	7%	6%	10%
Above Rs.100M	3%	4%	3%	8%	6%	10%

Telephone and internet users [Section 236 | Div V Part IV of First Sch]

The Bill seeks that, in the case of persons mentioned in income tax general order issued under section 114B, the rate of collection of tax shall be 75% of the amount of Bill or sale price of internet pre-paid card or prepaid telephone card or sale of units to any electronic medium or whatever form.

Advance tax on sales to distributors, dealers and wholesalers [Section 236G]

Manufacturers or commercial importers of the following sectors are currently required to collect advance tax at specified rates from their distributors, dealers and wholesalers at the of making sales:

- pharmaceuticals,
- poultry and animal feed,
- edible oil and ghee,
- auto-parts,
- tyres,
- varnishes,
- chemicals,
- cosmetics,
- IT equipment,
- electronics,
- sugar,
- cement,
- iron and steel products,
- fertilizer,
- motorcycles,
- pesticides,
- cigarettes,
- glass,
- textile,
- beverages,
- paint or foam sector.

It has been sought that this advance tax is to be collected likewise by the manufacturers and commercial importers from all other sectors as well.

Advance tax on sales to retailers [Section 236H]

Manufacturers, distributors, dealers, wholesalers or commercial importers of the following sectors are currently required to collect advance tax at specified rates from retailers at the time of making sales and every distributor or dealer on sales to another wholesaler:

- pharmaceuticals,
- poultry and animal feed,
- edible oil and ghee,
- auto-parts,
- tyres,
- varnishes,
- chemicals,
- cosmetics,
- IT equipment,
- electronics,
- sugar,
- cement,
- iron and steel products,
- fertilizer,
- motorcycles,
- pesticides,
- cigarettes,
- glass,
- textile,
- beverages,
- paint or foam sector.

The Bill now seeks that this advance tax is to be collected likewise by the manufacturers, distributors, dealers, wholesalers or commercial importers from all other sectors also.

Purchase of immovable property

[Section 236K | Div XVIII Part IV of First Sch | Tenth Schedule]

The Bill seeks to increase the rate of tax collection on immoveable properties valuing Rs. 50M and above. Moreover, it has also been sought to increase the rate of these collections in case of late filers and non-filers.

Fair Market Value of Property	Rate of Tax					
	Filers		Late Filers		Non-Filers	
	Existing	*Proposed*	*Existing*	*Proposed*	*Existing*	*Proposed*
Below Rs.50M	3%	3%	3%	6%	6%	12%
Rs.50M up to Rs.100M	3%	3.5%	3%	7%	6%	16%
Above Rs.100M	3%	4%	3%	8%	6%	20%

22. ADMINISTRATION

Savings **[Section 239(18)]**

It has been sought to clarify that the period of limitation provided in clause (d) of sub-section (2) of section 131 and sub-section (1) of section 133 shall continue to apply where any decision of the Commissioner (Appeals) or the Appellate Tribunal is received prior to the date of commencement of the Tax Laws (Amendment) Act, 2024.

23. EXEMPTIONS FROM TOTAL INCOME [Second Schedule Part I]

Exemption proposed to be abolished

Special subsidy granted by the Federal Government **[Clause (102A)]**

The Bill seeks to abolish the exemption on income of any person by way of subsidy granted to him by the Federal Government for the purposes of implementation of any orders of the Federal Government.

Extension in period for exemption

Individuals domiciled or companies and AOPs resident in Tribal Areas **[Clause (145A)]**

Exemption on income of individuals domiciled or companies and AOPs resident in the Tribal Area forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan, which was not chargeable to tax prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) under paragraph (d) of Article 246 of the Constitution and which was about to lapse on June 30, 2024 has been proposed to be extended till June 30, 2025.

24. REDUCTION IN TAX RATES [Second Schedule Part II]

Increase in preferential tax rate

Distributors of cigarette and pharmaceutical products **[Clause (24A)]**

The rate of tax on supply of goods applicable to distributors of cigarette and pharmaceutical products is 1% on the gross amount of payments. It has now been proposed to increase this rate to 2.5% in case of distributors of cigarettes.

25. REDUCTION IN TAX LIABILITY [Second Schedule Part III]

Exemptions proposed to be abolished

Full-time teachers and researchers **[Clause (2)]**

The available reduction of 25% in tax liability for full-time teachers and researchers, employed in non-profit education or research institutions duly recognized by HEC, a Board of Education or a University recognized by HEC, including government research institution, has been proposed to be abolished.

26. EXEMPTIONS FROM SPECIFIC PROVISIONS [Second Schedule Part IV]

Extension in period for exemption

Individuals domiciled or companies and AOPs resident in Tribal Areas
[Clauses (109A) & (110)]

Exemption from the provisions of withholding tax on individuals domiciled or companies and AOPs resident in the Tribal Area forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan, which was not chargeable to tax prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018) under paragraph (d) of Article 246 of the Constitution and which was about to lapse on June 30, 2024 has been proposed to be extended till June 30, 2025.

27. BANKING COMPANIES [Seventh Schedule]

Provisions under Accounting Standards, including IFRS 9 [Rule 1(d) & 1(da)]

The Bill seeks to adopt the conventional concept of tax law to disallow any provisions made under any applicable accounting standards, including IFRS 9. It is since the scope of Rule 1(d) was limited to disallowing provisions, other than that for ‘Loss’ on NPLs, under the Prudential Regulations, which called-for update due to implementation of IFRS 9 on banks.

A new sub-rule 1(da) is also proposed to be introduced, whereby it is intended to disallow the effect of any provisions accumulated, or otherwise, under IFRS 9.

Adjustments under accounting standards and SBP’s guidelines & instruction [Rule 1(g)]

The scope of disregarding any adjustments made in the annual accounts was limited to such adjustments which are made on account of application of IAS 39 and 40. It has now been sought to disregard any and all adjustments made under any applicable accounting standard or policy or any guidelines or instructions of State Bank of Pakistan instead of limiting the same to adjustments IAS 39 and 40.

Super tax [Rule 7CA]

The Bill seeks to clarify that super tax under section 4C of the Ordinance shall apply from tax year 2023 and onwards for all subsequent tax years.

28. RULES FOR PERSONS NOT APPEARING ON ATL [Tenth Schedule]

It has been sought to introduce the following amendments to the Tenth Schedule:

Rule 1

It has been proposed to enhance the purview of 100% increase in rates to all cases of non-filers instead of restricting this 100% increment in tax rates only to such cases where withholding rates are specified under the First Schedule.

Rule 1, Second Proviso and Rule 1A

Proposed Rates for collection of tax on purchase and sale of immoveable property by non-filers and late filers:

		Tax Rate			
		On Purchase of Property		Upon Sale of Property	
S. No.	Fair Market Value of Immoveable Property	*Non-filers*	*Late Filers*	*Non-filers*	*Late Filers*
1	Up to Rs. 50M	12%	6%	10%	6%
2	From Rs. 50M up to Rs. 100M	16%	7%	10%	7%
3	Above Rs. 100M	20%	8%	10%	8%

Rule 1, Third Proviso

It has been proposed to collect tax at further enhanced rates in case of the following cases of non-filers:

Sr. No.	Section	Description	Tax Rate
1	151	On yield or profit on debt	35%
2	236C	On the gross amount of consideration received on sale or transfer of immovable property	10%
3	236G	On the gross amount of sale to distributors, dealers or wholesalers other than sale of fertilizer	2%
4	236H	On the gross amount of sale to retailers	2.5%

Rule 10(y)

It has been sought that provisions of Tenth Schedule not to apply on tax collectible in case of capital gain on sale of securities under section 37A.

SECTION 5 SALES TAX & FEDERAL EXCISE DUTY

1. SALES TAX ACT, 1990

Definitions

Associates (associated persons) **[Section 2(3)]**

The Bill seeks to harmonize the definition with Income Tax Ordinance, 2001.

Board **[Section 2(4)]**

The Bill seeks to harmonize the definition with Income Tax Ordinance, 2001.

Investigative audit **[Section 2(14A)]**

The Bill seeks to replace sub section (14A) "KIBOR" to (14B), through insertion of new clause (14A) as "investigative Audit" which is to be read under section 25A of this Act. But it is observed that the reference should have been section 25AB (newly inserted vide this bill).

Licensed integrator **[Section 2(15A)]**

The Bill seeks insertion of new sub clause to introduce definition for specific person, regularized under Board for integration of registered person in the prescribed manner.

Tax fraud **[Section 2(37)]**

The Bill seeks to substitute the definition of tax fraud as, while intending substantially enhance the scope of the term:

"Tax fraud means intentional evasion of legally due tax or obtaining of undue refund by submission of false return, statements or false documents or withholding of correct information or documents and includes-

(a) suppression of sales or receipts that are chargeable to tax under this Act;
(b) false claim of input tax credit;
(c) making taxable supplies of goods without issuing any tax invoice, in violation of the provisions of this Act or the rules made thereunder;
(d) issuance of any tax invoice without supply of goods leading to inadmissible claim of input tax credit or refund;
(e) evasion of tax by availing undue input tax credit or obtaining inadmissible refund by any means or methods other than that covered under clauses (a) to (d);
(f) collection of any amount as tax but failing to deposit the same in the prescribed manner beyond a period of three months from due date of payment of tax;
(g) falsification or substitution of financial records or production of fake accounts or documents or furnishing of any false information through human, mechanical or electronic means with an intention to evade tax due or claim inadmissible refund;
(h) tampering with or destroying of any material evidence or documents required to be maintained under this Act or the rules made thereunder through human or digital means; or
(i) acquisition, possession, transportation, disposal or in any way removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner dealing with, any goods in respect of which there are reasons to believe that these are liable to confiscation under this Act or the rules made thereunder.

Explanation.—Any act or omission mentioned in this clause shall be treated as intentional unless the person accused of tax fraud proves that he had no intention, motive, knowledge, or reason to believe that he was committing a tax fraud.";

Time of supply **[Section 2(44(a))]**

The Bill seeks to define time line of supplies but other than of hire and purchase agreement, further expressing whichever is earlier to consider as time of supply, either it is delivered to recipient or the payment is received to supplier.

Value of supply **[Section 2(46(j))]**

The Bill seeks to include all items as specified in Third schedule to be cover with imported goods or taxable supplies or class of supplies and for that purpose fix different values for different classes or description of same types of imported goods or supplies as directed by the board. Where the value at which import or supply is made is higher than the value fixed by the Board, the value of goods shall, unless otherwise directed by the Board, be the value at which the import or supply is made.

Scope of tax **[Section 3(11)]**

The Bill seeks to omit this section and expand the scope of sale at real time for all class of persons as registered in sales tax to integrate their invoice issuing machines with the Board's Computerized System for real time reporting of sales. .

Assessment of tax and recovery of tax not levied or short levied or erroneously refunded **[Section 11)]**

The Bill seeks to eliminate this section and further seek to change in the legal provisions related to assessment and audit in various new sections.

Limitation for issuing orders in certain cases **[Section 11B]**

The Bill seeks to harmonize the limitation for the assessment giving effect to an order passed by the apex forum as per the provisions of section 124 of the Income Tax ordinance, 2001 which shall apply mutatis mutandis.

Best judgement assessment **[Section 11D]**

The Bill seeks to add new section which is similar to that existing under the income tax ordinance is now proposed to be introduced under Sales Tax Act (STA). It is proposed in this section that in cases where (i) a person fails to furnish a sales tax return in response to a notice; and (ii) fails to produce before the tax authorities any accounts, record or documents requisitioned under section 25, or 38A of the Act, the concern officer shall issue a show cause notice, based on any available information and to the best of his judgement, make an assessment of tax payable or refund due.

If the best judgement assessment has been made as per (i) as mentioned above, and the registered person files the return thereafter pays the amount of tax payable along with default surcharge and penalty, the show notice and order of assessment shall abate.

It has also been proposed that liability as determine in best judgement assessment, it shall be in accordance with the FBR's prescribed conditions for determination of such person's minimum tax liability, if applicable.

Assessment of tax and recovery of tax not levied or short levied or erroneously refunded.- [Section 11E]

The Bill proposes to split section 11 into three independent sections namely 11E, 11F, 11G

The proposed section 11E of the Act empowers the tax officer, not below the rank of Assistant Commissioner, to make assessment for tax liability along with its penalty & default surcharge. Where registered person for any reason of the (i) to (iii) as prescribed (i) not paid or short paid due sales tax; (ii) claimed input tax credit or refund which is not admissible; or (iii) has obtained an amount of refund not due. It also authorize to disallow input tax where the registered person fails to provide receipt or invoice or other record or evidence of the transaction giving rise to such claim. Apparently, the provisions contained in section 11(2) and (3) governing assessment in cases involving non/short payment of tax on account of collusion, deliberate act, inadvertence, error omission etc. have not been separately provided, for the reason that these stand covered under the expression ‘for any other reason’ as aforesaid.

Failure to withhold sales tax [Section 11F]

The Bill seeks to propose to enact provisions to enable recovery proceedings for sales tax not withheld or fails to deposit withheld tax in the prescribed manner. The assistant commissioner shall issue a show-cause notice pass an order to determine and recover the amount in default & impose penalty & default surcharge.

Limitation for Assessment [Section 11G]

The Bill proposes in section 11G which rules the time period within which show cause notice under sections 11D, 11E & 11F of the Act shall be issued along with provided timeframe within which proceedings are required to be concluded. This to the similar to the time line provided in section 11 of STA.

De-registration, blacklisting and suspension of registration [Section 21]

The Bill proposes to substitute the word “blacklist” to “issue an order of blacklisting through this commissioner shall be able to pass specific order addressing the factual reasons in speaking manner.

The Bill proposes to add sub section 5 that provides an opportunity of being heard to registered person and giving right to chief commissioner that in own motion or through application may accede by the registered person, for review the details, after passing the order of blacklisting under sub-section 21(2) by the commissioner inland revenue against the registered person.

Tax invoice [Section 23(3)]

The Bill proposes to make it mandatory for the registered persons making taxable supply to issue electronic invoices. However, such issuance shall be subject to conditions, restrictions and limitations as the Board may, by notification in the official Gazette, specify. This means the provision shall only be applicable after the notification specifying the conditions, etc. is issued.

Audit of sales tax affairs [Section 25]

The Bill proposes to substitute section 25 as under:

(1) The Commissioner on the basis of reasons to be recorded in writing, may direct the officer of inland Revenue not below the rank of Assistant Commissioner to conduct audit of sales tax affairs of any registered person and issue a notice to such registered person intimating him regarding audit of sales tax affairs.

Explanation: For the removal of doubt, it is declared that the powers of the Commissioner to direct conduct of audit and to issue a notice under this subsection are independent of the powers of the Board under section 72B and nothing contained in section 72B restricts the powers of the Commissioner to direct conduct of audit and to issue notice under this sub-section.

(2) The Commissioner shall communicate the reasons recorded by the Commissioner to the registered person whose audit is to be conducted through the notice under sub-section (1).

Explanation.- For the removal of doubt, it is declared that the Commissioner may not provide an opportunity of hearing and shall pass any order before issuance of notice under sub-section (1).

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

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

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

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

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

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

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

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

(10) After completion of the audit, the officer of Inland Revenue may, if required pass an order under section 11E, after providing an opportunity of being heard to the taxpayer under sub-section (1) of section 11E.

(11) Notwithstanding anything contained in sub-sections (7) and (9) where a registered person fails to produce before the officer of Inland Revenue, any accounts, documents and records required to be maintained under this Act or the rules made thereunder or any other relevant document electronically kept record, electronic machine or any other evidence that may be required by the officer of Inland Revenue for the purpose of audit. The officer of Inland Revenue may proceed to make best judgment assessment under section 11D of this Act.

(12) Where during the course of audit the officer of Inland Revenue suspects that such person is involved in tax fraud, he may with the approval of Commissioner, conduct an investigative audit under section 25AB.

(13) Notwithstanding the penalties prescribed in section 33, if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with default surcharge voluntarily, whenever it comes to his notice, before receipt of notice of audit, no penalty shall be recovered from him:

Provided that if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with default surcharge during the audit, or at any time before issuance of show cause notice under section 11E, he may deposit the evaded amount of tax, default surcharge under section 34, and twenty five per cent of the penalty payable under section 33:

Provided that further that if a registered person wishes to deposit the amount of tax short paid or amount of tax evaded along with default surcharge after issuance of show cause notice under section 11E, he shall deposit the evaded amount of tax, default surcharge under section 34, and full amount of the penalty payable under section 33 and thereafter, the show cause notice, shall stand abated.";

Investigative audit [Section 25AB]

The Bill seeks to add new section namely;-

(1) Where on the basis of information from audit as provided in sub-section (11) of section 25, or otherwise, the officer of Inland Revenue not below the rank of Assistant Commissioner, on the balance of probabilities, suspects that a registered person is involved in tax fraud, he may with the prior approval of the Commissioner in writing, initiate investigative audit against such person.

(2) The officer of Inland Revenue shall conduct investigative audit under sub-section (1) on the basis of the record and evidence obtained under sections 37, 37A, 38, 38A, 38B and 40 within ninety days of the initiation of the investigative audit.

(3) After completion of investigative audit the officer of Inland Revenue may take one or more of the following actions:
   (a) pass an order under section 11E, after providing an opportunity of being heard to the registered person under that section on all the issues arising from the investigative audit.–

(b) issue a best judgment assessment order under section 11D, where the registered person fails to produce, any accounts, documents records or evidence or any other relevant document that may be required by the officer of Inland Revenue;

(c) black list the registered person under section 21; and

(d) impose penalty and cause prosecution of the registered person as provided against Serial. No. 13 of the Table in section 33.

(4) For the purposes of clause (a) and (b) of sub-section (3), the officer of Inland Revenue may disallow input tax on goods or services, if the registered person is unable, without reasonable cause, to provide a receipt, or invoice or other record or evidence of the transaction or circumstances giving rise to such claim.";

Return [Section 26(2A)]

The Bill has proposed to empower the officer to issue notice to any person who is required to file a return for a tax period or periods but has failed to do so. Such person required to furnish the return(s) within fifteen days from the date of service of the notice, or within a different period specified/ allowed in the notice by the officer. The officer shall only be issued notice within fifteen years from the end of the financial year in which the return was supposed to be filed in cases of tax fraud, and within five years for all other cases.

Offences and penalties [Section 33]

The Bill seeks to add new sub-section after the "TABLE", also seek to make necessary addition in "TABLE". "(2) Notwithstanding anything contained in the Code of Criminal Procedure 1898 (Act V of 1898), the offences under this Act, whose punishment may extend upto ten years."

Existing		Proposed	
Offences	Penalties	Penalties	Section of the Act to which offence has reference
(1)	(2)	(2)	(3)
11. Any person who, – (a) submits a false or forged document to any officer of Inland revenue; or (b) destroys, alters, mutilates or falsifies the records including a sales tax invoice; or (c) Knowingly or fraudulently makes false statement, false declaration, false representation, false personification, gives any false information or issues or uses a document which is forged or false.	Such person shall pay a penalty of twenty five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the amount of tax involved, or with both.	The person who commits, causes to commit or attempt to commit the tax fraud shall pay a penalty of twenty five thousand rupees or one hundred percent of the amount of tax evaded or sought to be evaded, whichever is higher. Without prejudice to the above, he shall also be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to five years if the tax evaded or sought to be evaded is up to five hundred or million or above, and which may extend to ten years if the tax evaded or sought to be evaded is one billion and above and fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded. The person who abets or connives in commissioning of tax fraud shall be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to five years if the tax evaded or sought to be evaded is upto five hundred million or above and which may extend to ten years if the tax evaded or sought to be evaded is one billion and above, and with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded.	2(37) and General

	Existing	Proposed	
Offences	**Penalties**	**Penalties**	**Section of the Act to which offence has reference**
(1)	**(2)**	**(2)**	**(3)**
13. Any person who commits, causes to commit or attempts to commit the tax fraud, or abets or connives in commissioning of tax fraud.	Such person shall pay a penalty of twenty five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years, or with fine which may extend to an amount equal to the loss of tax involved, or with both.	The person who commits, causes to commit or attempt to commit the tax fraud shall pay a penalty of twenty five thousand rupees or one hundred percent of the amount of tax evaded or sought to be evaded, whichever is higher. Without prejudice to the above, he shall also be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to five years if the tax evaded or sought to be evaded is upto five hundred million and above, and which may extend to ten years if the tax evaded or sought to be evaded is one billion and above and fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded. The person who abets or connives in commissioning of tax fraud shall be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to five years if the tax evaded or sought to be evaded is upto five hundred million and above and which may extend to ten years if the tax evaded or sought to be evaded is one billion and above, and with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded”	2(37)
23. Any person who manufactures, possesses, transports, distributes, stores or sells goods or class of goods as specified by the Board under sub-section (1) of section 40C with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes	(i) Such specified goods shall be liable to outright confiscation. Any person committing the offence shall pay a penalty of twenty-five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to three years, or with additional fine which may extend to an amount equal to the loss of tax involved, or with both. (ii) In case of transport of specified goods with counterfeited tax stamps, banderoles, stickers, labels or barcodes, or without tax stamps, banderoles, stickers, labels or barcodes, permanent seizure of the vehicle used for transportation of non-conforming or counterfeit specified goods; and (iii) In case of repeat sale of specified goods without or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the premises used for such sale be sealed for a period not exceeding fifteen days.	i) Such specified goods shall be liable to outright confiscation as may be prescribed. Any person committing the offence shall pay a penalty of twenty-five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. He shall, further be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to three years, or with additional fine which may extend to an amount equal to the loss of tax involved, or with both. (ii) In case of transport of specified goods with counterfeited tax stamps, banderoles, stickers, labels or barcodes, or without tax stamps, banderoles, stickers, labels or barcodes, permanent seizure of the vehicle used for transportation of non-conforming or counterfeit specified goods; and (iii) In case of repeat sale of specified goods without or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the premises used for such sale shall be liable to be sealed by an officer of inland revenue in the manner as may be prescribed.	40C(2)]
25. Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, production	Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid, his business	Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid, his business premises shall be liable to be sealed by an officer of inland revenue in the manner as may be prescribed	section 40C

	Existing	Proposed	
Offences	**Penalties**	**Penalties**	**Section of the Act to which offence has reference**
(1)	**(2)**	**(2)**	**(3)**
and similar business transactions with the Board or its computerized system, fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under law.	premises shall be sealed till such time he integrates his business in the manner as stipulated under section 40C.		
26. Any person, being a manufacturer or importer of an item which is subject to tax on the basis of retail price, who fails to print the retail price in the manner as stipulated under the Act.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher: Further, such goods shall also be liable to confiscation. However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than twenty percent of the total retail price of such goods.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher: Further, such goods shall also be liable to confiscation, as may be prescribed. However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than twenty percent of the total retail price of such goods.	Sub-section (27) of section 2 and clause (a) of sub-section (2) of section 3.
27. Any person, being owner of the goods, which are brought to Pakistan in violation of section 40D.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher: Further, such goods shall also be liable to confiscation. However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than twenty percent of value, or retail price in case of items falling in Third Schedule, of such goods.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher: Further, such goods shall also be liable to confiscation as may be prescribed. However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than twenty percent of value, or retail price in case of items falling in Third Schedule, of such goods.	section 40D";

Proposed inclusion:		
Offences	**Penalties**	**Section of the Act to which offence has reference**
(1)	**(2)**	**(3)**
"25AA. Any licensed integrator who is authorized to provide electronic invoicing system for integration of registered persons fails to integrate such registered persons in the manner as required under this Act and rules made thereunder.	Such person shall be liable to pay penalty of rupees one million or one percent of the total value of the sales suppressed, whichever is higher.	Sub-section (5) of section 40C.".

Default surcharge [Section 34]

The Bill seeks to amend the rate of default surcharge from 12% to KIBOR+3%.

Monitoring or tracking by electronic or other means [Section 40C(4),(5)]

The Bill seeks to add new sub-section 4 in section 40C through which the notification by board in the official Gazette, shall have to integrate any person or class of persons through electronic invoicing system with the Board's Computerized System for real time reporting of sales in such mode and manner and from such date as may be specified therein, whereas the sub-section 5 defines the integration as required in sub section 4 is to be perform by the registered licensed integrator.

Pecuniary jurisdiction in appeals.– [Section 43A]

The monetary ceiling of Rs. 20M was adopted vide the Tax Laws (Amendment) Act, 2024 for appeals, whereby an appeal of an order to the Commissioner (Appeals) shall lie if the value of the tax assessment or tax refund involved is up to Rs. 20M. Otherwise, the appeal needs to be filed directly with the Appellate Tribunal.

It has also been sought to extend the deadline for transfer of cases before the Commissioner (Appeals) to Appellate Tribunal Inland Revenue from existing June 16, 2024 to September 16, 2024.

Appeals [Section 45B]

The Bill sought to add the wording "of Tax" for clarify as the assessment of tax can be proceed to appeals, while plain reading is making exclusion of assessment passed for other than tax like order of blacklisting under sub-section 2 of section 21. Where, it is proposed to proceed before chief commissioner under sub-section 5 of section 21 of the proposed bill.

Appeals to Appellate Tribunal [Section 46]

The Bill proposes to exclude the right of appeal before Appellate tribunal forum for the orders of blacklisting under sub-section 2 of the section 21, where, it is proposed to proceed before chief commissioner under sub-section 5 of section 21 of the proposed bill.

Saving [Section 47AB]

The Bill proposes to add new section namely:-

The period of limitation provided in clause (c) of subsection (1) of section 46 and sub-section (1) of section 47 shall continue to apply where any decision of the commissioner (Appeals) or the Appellate Tribunal is received prior to the date of commencement of the Tax Laws (Amendment) Act, 2024 (V of 2024).

Certain transactions not admissible [Section 73]

The Bill proposes to insert the word "aggregate". Where, earlier with the virtue of provisions of section 73 payment of the amount of any transaction exceeding Rs 50,000 is implied to be made through proper banking channel. In case non-compliance of banking channel arises, the buyer is not entitled to claim adjustment of input tax credit, refund, repayment or draw back or zero rating of tax.

The Bill proposes that limit of Rs 50,000 is now consider as "aggregate". Thus it is not clear as to whether the threshold of 'Rs 50,000 in aggregate' is with reference to a single tax period or in respect of a single supplier or any other aspects.

Third schedule [Third Schedule]

The Bill proposes to insert following new item from Eight Schedule to Third Schedule:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
51.	DAP	Respective headings

Zero rating [Fifth Schedule]

The Bill proposes to withdraw the zero rating on the following item by omitting from fifth schedule, which is proposed to tax at standard rate of 18%:

Sr.	Description
12.	The following goods and the raw materials, packing materials, sub-components, components, sub-assemblies and assemblies imported or purchased locally for the manufacture of the said goods, subject to the conditions, limitations and restrictions as prescribed by the Board:-- (xvii) Preparations suitable for infants, put up for retail sale not exceeding rupees six hundred per two hundred grams (PCT Heading 1901.1000) (xx) Colors in sets (PCT heading 3213.1000) (xxi) Writing, drawing and marking inks (PCT heading. 3215.9010 and 3215.9090) (xxii) Erasers (PCT heading 4016.9210 and 4016.9290) (xxiii) Exercise books (PCT heading 4820.2000) (xxiv) Pencil sharpeners (PCT heading 8214.1000) (xxv) other drawing, marking out or mathematical calculating instruments (geometry box) (PCT heading 9017.2000) (xxvi) Pens, ball pens, markers and porous tipped pens (PCT heading 96.08) (xxvii) Pencils including color pencils (PCT heading 96.09)
16.	Milk (PCT heading 04.01)
17.	Fat filled milk (PCT heading 1901.9090)
21.	Local supplies of commodities, raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions as specified therein

Exemptions [Sixth Schedule]

The Bill proposes to withdraw sales tax exemption on import & local supplies of the following item from sixth schedule Table I:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
13.	Edible vegetables imported from Afghanistan including roots and tubers, except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned.	0701.1000, 0702.0000, 0703.2000, 0703.9000, 0704.1000, 0704.2000, 0704.9000, 0705.1100, 0705.1900, 0705.2100, 0705.2900, 0706.1000, 0706.9000, 0707.0000, 0708.1000, 0708.2000, 0708.9000, 0709.1000, 0709.2000, 0709.3000, 0709.4000, 0709.5100, 0709.6000, 0709.7000, 0709.9000, 0710.1000, 0710.2100, 0710.2200, 0710.2900, 0710.3000, 0710.4000, 0710.8000, 0710.9000, 0712.2000, 0712.3100, 0712.3200, 0712.3300, 0712.3900 and 0712.9000
15.	Fruit imported from Afghanistan excluding apples PCT 0808.1000	0804.1010, 0804.1020, 0804.2000, 0804.3000, 0804.4000, 0804.5010, 0804.5020, 0804.5030, 0805.1000, 0805.2910, 0805.2100, 0805.2200, 0805.2990, 0805.4000, 0805.5000, 0805.9000, 0806.1000, 0806.2000, 0807.1100, 0807.1900, 0807.2000, 0808.3000, 0808.4000, 0809.1000, 0809.2000, 0809.3000, 0809.4000, 0810.1000, 0810.2000, 0810.4000, 0810.5000, 0810.6000, 0810.9010, 0810.9090, 0811.1000, 0811.2000, 0811.9000, 0813.1000, 0813.2000, 0813.3000, 0813.4010, 0813.4020 and 0813.4090]
32.	Newsprint and books but excluding brochures, leaflets and directories	Respective headings
86.	Colors in sets (Poster colors)	3213.1000
87.	Writing, drawing and making inks	3215.9010and 3215.9090
88.	Erasers	4016.9210 and 4016.9290

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
89.	Exercise books	4820.2000
90.	Pencil sharpeners	8214.1000
96.	Other drawing, marking out or mathematical calculating instruments (geometry box)	9017.2000
97.	Pens, ball pens, markers and porous tipped pens	96.08
98.	Pencils including color pencils	96.09
112.	Following cardiology/cardiac surgery, neurovascular, electrophysiology, endosurgery, endoscopy, oncology, urology, gynaecology, disposables and other equipment:-- A. ANGIOPLASTY PRODUCTS B. ANGIOGRAPHY PRODUCTS C. CONTRAST MEDIA FOR ANGIOGRAPHY/ ANGIOPLASTY D. TEMPORARY PACEMAKERS E. PERMANENT PACEMAKER. F. HEART FAILURE DEVICES G. IMPLANTABLE CARDIOVERTES H. CARDIAC ELECTRO-PHYSIOLOGY PRODUCTS I. LEAR CARDIOLOGY PRODUCTS J. CARDIAC SURGERY PRODUCTS K. EQUIPMENT L. PERIPHERAL INTERVENTIONS EQUIPMENT	Respective headings
120.	Diagnostic kits or equipment	Respective headings
151.	a) Supplies; and b) imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas, as defined in the Constitution of Islamic Republic of Pakistan,− as made till 30th June, 2024, to which the provisions of the Act or the notifications issued thereunder, would have not applied had Article 247 of the Constitution not been omitted under the Constitution (Twenty-fifth Amendment) Act, 2018 (XXXVII of 2018): Provided that, in case of imports, the same shall be allowed clearance by the Customs authorities on presentation of a post-dated cheque for the amount of sales tax payable under the Sales Tax Act, 1990, and the same shall be returned to the importer after presentation of a consumption or installation certificate, as the case may be, in respect of goods imported as issued by the Commissioner Inland Revenue having jurisdiction: Provided further that if plant, machinery and equipment, on which exemption is availed under this serial number, is transferred or supplied outside the tribal areas, the tax exempted shall be paid at applicable rate on residual value	Respective headings
152.	Supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment) Act, 2018, till 30th June, 2024, to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31st May, 2018, but excluding steel and ghee or cooking oil industries	2716.000
166.	Goods excluding electricity and natural gas supplied to hospitals run by the charitable hospitals of fifty beds or more.	Respective headings
169.	Oil cake and other solid residues	2306.1000
170.	Tractor	8701.9220 and 8701.9320
174.	Machinery and equipment as listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969 (IV of 1969), subject to the conditions, limitations and restrictions specified thereunder.	Respective headings

The Bill proposes to insert following new items in Table I:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
175.	Import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments or any goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization. Subject to the recommendations of the Minister Incharge and concurrence by the Federal Board of Revenue subject to condition that the concerned Ministry shall verify the genuineness of such cases and furnish an undertaking to the effect that donated goods shall not be sold, utilized or disposed of otherwise than for the purpose for which the same have been imported.	9908(i) and 9911
176.	POL products:	
	(i) MS (Petrol)	2710.1210,
	(ii) High Speed Diesel Oil	2710.1931,
	(iii) Kerosene	2710.1911 and
	(iv) Light Diesel Oil	2710.1921

The Bill proposes to withdraw sales tax exemption on import & local supplies of the following item from sixth schedule Table II:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
7.	Vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers.	Respective headings
21.	Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal	2306.3000, 2306.4900 and respective headings

The Bill proposes to insert following new items in Table II:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
56.	Milk excluding that sold under a brand name	04.01
57.	Iron and steel scarp	7204.4100, 7204.3000, 7204.4990

Reduce Rate Subject to Conditions and Limitations [Eight Schedule]

The Bill proposes to withdraw reduce rate of sales tax on the items listed below;

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)	Rate of Sales Tax	Condition
58.	LPG	2711.1910	10%	Imports thereof and local supplies of such imported LPG
66.	Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales	Respective headings	15%	if supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months"; and
73.	Locally manufactured Hybrid electric vehicle:			
	(a) Upto 1800 cc	87.03	8.5%	
	(b) From 1801 cc to 2500 cc	87.03	12.75%	

The Bill seeks to adopt change in rate of sales tax and condition on the following item in Table I:

S. #	Description	Existing			Proposed			
		PCT Heading	Rate of Sales Tax	Condition	Description	PCT Heading	Rate of Sales Tax	Condition
77.	Personal computers and Laptop computers, notebooks whether or not incorporating multimedia kit	8471.3020 and 8471.3010	5%	If imported in CBU condition	Imported personal computers and Laptop computers, notebooks whether or not incorporating multimedia kit	8471.3020 and 8471.3010	10%	If imported in CBU condition
81.	Substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976) and medicaments as are classifiable under chapter 30 of the First Schedule to the Customs Act, 1969 (IV of 1969) except the following, even if medicated or medicinal in nature, namely:- (a) filled infusion solution bags imported with or without infusion given sets; (b) scrubs, detergents and washing preparations; (c) soft soap or no soap; (d) adhesive plaster; (e) surgical tapes; (f) liquid paraffin; (g) disinfectants, and (h) cosmetics and toilet preparations. This substitution shall be deemed to have been made from the 1st day of July, 2022.	Respective headings	1%	Subject to the conditions that: (i) Tax charged and deposited by the manufacturer or importer, as the case may be, shall be final discharge of tax in the supply chain (ii) No input tax shall be adjusted in the supply chain.	Substances registered as drugs under the Drugs Act, 1976 (XXXI of 1976)	Respective headings	18%	Subject to the conditions that: (i) Tax charged and deposited by the manufacturer or importer, as the case may be, shall be final discharge of tax in the supply chain (ii) No input tax shall be adjusted in the supply chain.

The Bill proposes to include following item reduce rate of sales tax under eight schedule:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)	Rate of Sales Tax	Condition
84.	Colors in sets	3213.1000	10%	
	(i) Writing, drawing and marking inks	3215.9010 & 3215.9090		
	(ii) Erasers	4016.9210 & 4016.9290		
	(iii) Exercise books	4820.2000		
	(iv) Pencil sharpeners	8214.1000		

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)	Rate of Sales Tax	Condition
	(v) Other drawing, marking out or mathematical calculating instruments (geometry box)	9017.2000		
	(vi) Pens, ball pens, markers and porous tipped pens	96.08		
	(vii) Pencils including color pencils	96.09		
85.	(a) Supplies; and (b) imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas, as defined in the Constitution of Islamic Republic of Pakistan,−	Respective headings	(i) 6% till 30.06.2025 (ii) 12% from 1.7.2025 till 30.06.2026	Provided that, in case of imports, the same shall be allowed clearance by the Customs authorities on presentation of pay order for the amount of tax payable under this Act and the same shall be returned to the importer after presentation within six months of a consumption or installation certificate, as
86.	Supplies of electricity, as made to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31st May, 2018, but excluding steel and ghee or cooking oil industries	2716.0000	(i) 6% till 30.06.2025 (ii) 12% from 1.7.2025 till 30.06.2026	
87.	Oil cake and other solid residue	2306.1000	10%	
88.	Tractors	8701.9220 and 8701.9320	10%	
89.	Local supply of vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers.	Respective headings	10%	
90.	Local supply of poultry feed, cattle feed, sunflower seed	2306.3000, 2306.4900 and	10%	Subject to the condition that refund of excess input tax, if any, shall not be admissible.
91.	Newsprint and books but Excluding brochures, leaflets and directories	Respective headings	10%	Subject to the condition that refund of excess input tax, if any, shall not be admissible.

[Ninth Schedule]

The Bill proposes to enhance the rate of sales tax on supply of cellular mobile phones or satellite phone details are as under:

Sr.	Description / Specification of Goods	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs)	Sales tax on import in CKD/SKD condition	Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4)
1.	Cellular mobile phones or satellite phones to be charged on the basis of import value per set, or equivalent value in rupees in case of supply by the manufacturer, at the rate as indicated against each category:-			
	A. Not exceeding US$ 500	18% ad valorem	18% ad valorem	18% ad valorem
	B. Exceeding US$ 500	25% ad valorem	18% ad valorem	18% ad valorem

[Eleventh Schedule]

The bills seeks to enhance the rate of sale tax to be withheld by the registered manufacturer of lead batteries buying lead/ scrap batteries has been proposed to be enhanced from 75% to 80%:

S. #	Withholding agent	Supplier category	Existing Rate or extent of deduction	Proposed Rate or extent of deduction
(1)	(2)	(3)	(4)	(4)
7.	Registered persons manufacturing lead batteries	Persons supplying any kind of lead under chapter 78 (PCT Headings: 7801.1000, 7801.9100, 7801.9900, 7802.0000, 78.03, 7804.1100, 7804.1900, 7804.2000, 78.05, 7806.0010, 7806.0020, 7806.0090) or scrap batteries under chapter 85 (PCT Headings: Respective headings	75% of the sales tax applicable	80% of the sales tax applicable

Further, it has been proposed that sales tax is withheld in respect of following items at 80% of applicable sales tax:

S. #	Withholding agent	Supplier category	Rate or extent of deduction
(1)	(2)	(3)	(4)
9.	Registered persons manufacturing cement	Persons supplying any kind of gypsum under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000) or limestone flux under chapter 25 (PCT headings 2520.1010, 2520.1020, 2521.0000)	80% of the sales tax applicable
10.	Registered persons	Persons supplying any kind of coal under chapter 27 (PCT headings 2701.1100, 2701.1200, 2701.1900, 2701.2000, 2704.0010, 2704.0020, 2704.0090) or	80% of the sales tax applicable
11.	Registered persons	Persons supplying any kind of waste of paper and paper board (Respective headings)	80% of the sales tax applicable
12.	Registered persons	Persons supplying any kind of plastic waste (Respective headings)	80% of the sales tax applicable
13.	Registered persons	Persons supplying crush stone and silica	80% of the sales tax applicable

2. FEDERAL EXCISE ACT, 2005

Definitions

Default surcharge [Section 8]

It has been sought to adopt a rate of KIBOR plus 3% for surcharge instead of the existing fixed rate of 12%.

Offences Penalties fines and allied matters

Installation and removal of plant & machinery [Section 19(3f)]

The Bill proposes to introduce a penalty of either higher of Rs 50,000/- or 5 times of the duty; or imprisonment up to 5 years; or both penalty and imprisonment in case any plant and machinery having value of Rs 50 million or more, is installed, or commences production, or is removed without prior permission of the Commissioner.

It appears that the amendment was intended to tap on avoiding any chances for potential case of manufacturing setups engaged or likely to be engaged in production of dutiable goods to be missed from the process of registration for FED and complying its obligations under the Act. However, it also appears that the concept fails to take cognizance of any reasonable thought process or rationale, whatsoever, at all. It is since:

1. It is unclear as to what scale 5 times duty would be applicable in case goods to be manufactured are not dutiable;

2. Even if goods to be produced are not dutiable, the taxpayer gets exposed to a penalty of Rs. 50,000 and imprisonment up to 5 years in case of failure to avail prior permission of the Commissioner.

Sale of cigarettes [Section 19(10a)]

The Bill has proposed to seal retail outlet if a retailer is found selling cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes.

Pecuniary jurisdiction in appeals [Section 33A]

Monetary ceiling of Rs. 5M was adopted vide the Tax Laws (Amendment) Act, 2024 for appeals, whereby an appeal of an order to the Commissioner (Appeals) shall lie if the value of the tax assessment or tax refund involved is up to Rs. 5M. Otherwise, the appeal needs to be filed directly with the Appellate Tribunal.

It has also been sought to extend the deadline for transfer of cases before the Commissioner (Appeals) to Appellate Tribunal Inland Revenue from existing June 16, 2024 to September 16, 2024.

Saving [Section 34AB]

The Bill has proposed that the period of limitation as set out for appeal before the Commissioner (Appeals) and pecuniary jurisdiction, would continue to apply on orders passed by the Commissioner (Appeals) or Appellate Tribunal before the commencement of the Tax Laws (Amendment) Act, 2024.

Excisable goods [First Schedule]

The Bill proposes to insert following new items in Table I:

Sr.	Description of Goods	Heading Nos. of the First Schedule to the Customs Act, 1969	Rate of Duty
7a.	Acetate tow	Respective headings	Rupees forty four thousand per kg
8c	Nicotine pouches	Respective heading	Rupees one thousand and two hundred per kg
63.	Allotment or transfer of commercial property and first allotment or transfer of residential property in such mode and manner and subject to such conditions and restriction as may be prescribed by the Board.	Respective headings	5%
64.	Sugar supplied by any person to a manufacturer	Respective headings	Rs. Fifteen per kg

The Bill proposes following changes in the Table I:

Existing				Proposed			
S. #	Description of Goods	Heading/ sub-heading Number	Rate of Duty	S. #	Description of Goods	Heading/ sub-heading Number	Rate of Duty
8a.	E-Liquids by whatsoever name called for electric cigarette kits	Respective heading	Rs. 10,000 per Kg	8a.	E-Liquids by whatsoever name called for electric cigarette kits	Respective heading	Higher of Rs. 10,000/kg or 65% of the retail price.
9.	Locally produced cigarette if their on-pack printed retail price exceeds nine thousand rupees per thousand cigarettes	24.02	Rupees sixteen thousand five hundred per thousand cigarettes	9.	Locally produced cigarette if their on-pack printed retail price exceeds twelve thousand rupees per thousand cigarettes	24.02	Rupees sixteen thousand five hundred per thousand cigarettes
10.	Locally produced cigarette if their on-pack printed retail price does not exceed nine thousand rupees per thousand cigarettes	24.02	Rupees five thousand and fifty per thousand cigarettes	10.	Locally produced cigarette if their on-pack printed retail price does not exceed twelve thousand five hundred rupees per thousand cigarettes	24.02	Rupees five thousand and fifty per thousand cigarettes
13.	Portland cement, aluminous cement, super sulphate cements whether or not colored or in the form of clinkers	25.23	Two rupee per kg	13.	Portland cement, aluminous cement, super sulphate cements whether or not colored or in the form of clinkers	25.23	Three rupee per kg
56.	Filter rod for cigarettes	Respective headings	Fifteen hundred per kg	56.	Filter rod for cigarettes	Respective headings	Eighty Thousand per kg

Conditional Exemptions [Third Schedule]

The Bill proposes to insert following new items in Table I:

Sr.	Description of Goods	Heading/ sub-heading Number
23.	Imports made by diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts, Orders, Rules, Regulations and Agreements passed by the Parliament or issued or agreed by the Government of Pakistan.	99.01, 99.02 and 99.05

SECTION 6 CUSTOMS DUTY

1. Definitions

Nuclear material [Section 2(n)]

It has been sought to include a new clause to define Nuclear material as defined in the Pakistan Nuclear Regulatory Authority Ordinance, 2001 (III of 2001) for implementation of National Nuclear Detection Architecture regime.

Radioactive material [Section 2(qaa)]

It has been sought to include a new clause to define Radioactive material as defined in Pakistan Nuclear Regulatory Authority Ordinance 2001 (III of 2001) for implementation of National Nuclear Detection Architecture regime.

2. Directorate General of National Targeting Centre [Section 3CCD]

The Bill seeks to establish Directorate General of National Targeting Centre to be a national single window of enforcement for all LEAs which shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may appoint, by notification in the official Gazette.

3. Directorate General of Trade Based Money Laundering [Section 3CCE]

The Bill seeks to establish Directorate General of Trade Based Money Laundering for cognizance of offences related to trade based money laundering which shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors and such other officers as the Board may appoint, by notification in the official Gazette.

4. Delegation of powers [Section 5 (1)]

It has been proposed to substitute clause 1 as below to Align Customs Act, 1969 with section 8 of FBR Act, 2007:

The Board may, by notification in the official Gazette and subject to such limitations or conditions as may be specified therein, delegate any of its functions and powers to the Chairman, or empower by name or designation-

(a) any Member or Director General to exercise the powers of the Board or Chairman;
(b) any Collector of Customs to exercise any of the powers of a Chief Collector of Customs under this Act;
(c) any Additional Collector of Customs or Deputy Collector of Customs to exercise any of the powers of a Collector of Customs under this Act;
(d) any Deputy Collector of Customs or Assistant Collector of Customs to exercise any of the powers of an Additional Collector of Customs under this Act;
(e) any Assistant Collector of Customs to exercise any of the powers of a Deputy Collector of Customs under this Act; and
(f) any other officer of customs with any other designation.

5. Entrustment of functions of customs officers to certain other officers [Section 6]

It has been proposed to insert after the word “Provincial Government”, the expression, “National Command Authority, Pakistan Nuclear Regulatory Authority” & after the words “scheduled Banks”, the expression “for implementation and enforcement of this Act” inorder to empower the officers of National Command Authority and Pakistan Nuclear Regulatory Authority operating in National Nuclear Detection Architecture to implement and enforce Customs Act.

6. Assistance to the officers of customs [Section 7]

It has been sought to insert after the word "Police", occurring for the first time, the expression", Intelligence Bureau" in order to include the Intelligence Bureau in the list of departments which are mandated to assist Customs whenever requested.

7. Detention, seizure and confiscation of goods imported in violation of section 15 or section 16. [Section 17]

It has been proposed to substitute the words "Chief Collector or Director General", with "Additional Collector of Customs or Additional Director" to assign them power to extend the statutory period of detention of goods for smooth functioning.

8. General power to exempt from customs-duties [Section 19(5)]

It has been sought to substitute the words "2024", with "2025" in second proviso to give continuity to the notifications issued under section 19 during the financial year.

9. Provisional determination of liability [Section 81(1)]

It has been proposed to insert Publication Valuation Ruling (PVR) in addition to Valuation Ruling (VR), where no provisional determination of value shall be allowed, even if revision is pending under section 25D.

10. Punishment for offences [Section 156 (1)]

Table | Serial 8 The Bill proposes to broaden the scope of the offence related to smuggled goods by including to add the following two new S.No. and entries related thereto to take cognizance of offences related to nuclear and radioactive material:

S. No.	*Offences*	*Penalties*
(v)	If the smuggled goods are identified and categorized as nuclear material: Provided that if any offence specified within this section concerns breach of national security, the same shall be dealt with under the National Command Authority Act, 2010, (V of 2010), if-	such goods shall be liable to confiscation and any person concerned in the offence shall be liable to-
	(a) the quantity and form of nuclear material is that as defined in the Regulations on Physical Protection of Nuclear Material and Nuclear Installations - (PAK/925) or any amendment therein as determined by PNRA, in case of (i) unirradiated Plutonium including all plutonium except that with isotopic composition exceeding eighty percent of Plotunium-238, is less than fifteen grams, or; (ii) unirradiated Uranium enriched to twenty percent or more of U-235, is less than fifteen grams, or; (iii) unirradiated uranium enriched to ten percent U-235 but less than twenty percent of U-235, is less than 1kg, or; (iv) unirradiated uranium enriched above natural, but less than ten percent U-235 is less than ten kgs, or; (v) unirradiated U-233, is less than fifteen grams.	imprisonment which may extend to seven years, or with fine which may be up to one million rupees, or with both.
	(b) the quantity and form of nuclear material is that as defined in the Regulations on Physical Protection of Nuclear Material and Nuclear Installations – (PAK/925) or any amendment therein, and determined by PNRA, in case of; (i) unirradiated Plutonium including all plutonium except that with isotopic composition exceeding eighty percent of Plotunium-238, is fifteen grams but does not exceed 500 grams, or; (ii) unirradiated Uranium enriched to twenty percent or more of U-235, is fifteen grams or more but does not exceed one kilogram, or; (iii) unirradiated uranium enriched to ten percent U-235 but less than twenty percent of U-235, is 1kg or more but does not exceed ten kgs, or; (iv) unirradiated uranium enriched above natural, but less than ten percent U-235, is more than ten kgs, or; (v) unirradiated U-233, is fifteen grams or more but does not exceed five hundred grams;	imprisonment which may extend to ten years and shall also be liable to fine which may be up to five million rupees.

S. No.	Offences	Penalties
	(c) the quantity and form of nuclear material is that as defined in the Regulations on Physical Protection of Nuclear Material and Nuclear Installations – (PAK/925) or any amendment therein as determined by PNRA, in case of- (i) unirradiated plutonium including all plutonium except that with isotopic composition exceeding eighty percent of plotunium-238, is more than five hundred grams but does not exceed two Kgs, or; (ii) unirradiated Uranium enriched to twenty percent or more of U-235, is more than one Kg but does not exceed five kilograms, or; (iii) unirradiated uranium enriched to ten percent U-235 but less than twenty percent of U-235, is more than ten kgs, or; (iv) unirradiated U-233, is more than five hundred grams but does not exceed two Kgs;	Imprisonment for life, or imprisonment for a term which may extend to fourteen years and shall also be liable to fine which may extend to ten million rupees.
	(d) the quantity and form of nuclear material is that as defined in the Regulations on Physical Protection of Nuclear Material and Nuclear Installations – (PAK/925) or any amendment therein as determined by PNRA, in case of- (i) unirradiated plutonium including all plutonium except that with isotopic composition exceeding 80% of Plotunium-238, is more than two Kgs, or; (ii) unirradiated Uranium enriched to twenty percent or more of U-235, is more than five kilograms, or; (iii) unirradiated U-233, is more than two Kgs; and	imprisonment for life, or imprisonment for a term which shall not be less than fourteen years and shall also be liable to fine which may be up to five million rupees
(vi)	If the smuggled goods are identified and categorized as radioactive material and radioactive sources: Provided that if any offence specified within this section concerns breach of national security, the same shall be dealt with under the National Command Authority Act, 2010, if-	such goods shall be liable to confiscation and any person concerned in the offence shall be liable to;
	(a) the activity (A) to dangerous value (D) ratio of radioactive materials or radioactive sources, as defined in the Regulations on Security of Radioactive Sources- (PAK/926) or any amendment therein as determined by the PNRA, does not exceed one (1) in numeric number;	imprisonment which may extend to two years, or with fine, or with both
	(b) the activity (A) to dangerous value (D) ratio of radioactive materials or radioactive sources, as defined in the Regulations on Security of Radioactive Sources- (PAK/926) or any amendment therein as determined by the PNRA, is more than one but does not exceed ten in numeric number;	imprisonment which may extend to seven years, or with fine, or with both
	(c) the activity (A) to dangerous value (D) ratio of radioactive materials or radioactive sources, as defined in the Regulations on Security of Radioactive Sources- (PAK/926) or any amendment therein as determined by the PNRA, is more than ten (10) but does not exceed thousand in numeric number; and	imprisonment which may extend to fourteen years and shall be liable to fine upto five million;
	(d) the activity (A) to dangerous value (D) ratio of radioactive materials or radioactive sources, as defined in the Regulations on Security of Radioactive Sources- (PAK/926) or any amendment therein as determined by the PNRA, exceeds the limit specified under clause (c).	imprisonment for life, or imprisonment for a term which shall not be less than fourteen years and shall also be liable to fine which may be up to five million rupees;";

Table | Serial 9 It has been sought to rationalize the pitch of penalty for the importers seeking clearance of declared confiscated goods against payment of redemption fine by removing the expression ''but not less than".

Table | Serial 83 in column (2), for the word "two", the word "fifty" has been proposed to substituted to enhance the penalty from Rs. 2,000 to Rs. 50,000 incase of failure to deposit seized goods in the nearest custom house within the stipulated time limit for disposal.

Table | Serial 85 in column (2), for the expression "of twenty-five thousand", the words "not less than one hundred thousand" has been proposed to be substituted, to enhance penalty on a person assaulting customs officers/ officials.

Table | Serial 89 Following new sub-serial number proposed to inserted to deter the possibility of illegal removal and pilferage of smuggled goods:

S. No.	Offences	Penalties
(iii)	in case any smuggled goods, liable to confiscation, seized and placed in the custody of the owner of the goods or any person holding the goods in his possession or charge are found removed illegally, exchanged, pilfered or disposed of in any manner,	such person shall be liable to a penalty not exceeding ten times the value of such goods and upon conviction by a Special Judge, shall further be liable to imprisonment for a term not exceeding six years or to a fine not exceeding one million rupees or both."

Table | Serial 90

It has been proposed in column (2), the words "but not less than" shall be omitted to rationalize the pitch of penalty for the importers seeking clearance of declared confiscated goods against payment of redemption fine; and the existing clause shall be numbered as sub-serial number (i) and thereafter, the following new sub-clause has been proposed to be added to deter the possibility of illegal removal and pilferage of goods other than smuggled goods:

S. No.	*Offences*	*Penalties*
(ii)	in case seized goods liable to confiscation not being goods referred to in clause 89, placed in the custody of the owner of the goods or any person holding the goods in his possession or charge are found removed illegally, exchanged, pilfered or disposed of in any manner,	such goods shall be liable to confiscation and any person concerned in the offence shall be liable to a penalty not exceeding two times of the value of such goods and upon conviction by a Special Judge, shall further be liable to imprisonment for a term not exceeding six months or to a fine not exceeding fifty thousand rupees or both.";

11. Appellate Tribunal [Section 194]

In order to accelerate the process and enhance efficiency of Customs Appellate Tribunals for disposal of pending cases, following substitution has been proposed in this section:

(1) There shall be established a Customs Appellate Tribunal, hereinafter called as the Appellate Tribunal to exercise jurisdiction, powers and perform functions conferred upon it under this Act.

(2) The Appellate Tribunal shall consist of members who shall be appointed by the Federal Government in such numbers, in accordance with such procedure and on such terms and conditions as the Federal Government may prescribe by rules, which shall be made and take effect notwithstanding anything contained in section 219 of this Act or the Federal Public Service Commission Ordinance, 1977 (XLV of 1977) or any other law or rules, for the time being in force: Provided that the existing members including Chairman of the Appellate Tribunal shall continue to hold office, on the same terms and conditions as applicable to them prior to the commencement of the Finance Act, 2024, till the completion of their term of office unless removed earlier on the grounds provided in the proviso to sub-section (5).

(3) A person shall be eligible to be appointed as a member of the Appellate Tribunal, if he

(a) is an advocate of a High Court for not less than fifteen years having expertise in Customs Laws and experience of pleading at least fifty Customs cases at various forums; and possesses such other qualifications as may be prescribed by rules;

(b) is an officer of the Customs Service of Pakistan in BS-21 or above; or

(c) is an officer of the Customs Service of Pakistan in BS-20, having served in such grade for three years or more.

(4) The Federal Government shall appoint any member possessing qualifications provided in clause (a) of sub-section (3) as Chairman of the Appellate Tribunal. The Chairman shall hold office for a period of three years provided that the Federal Government may reappoint the Chairman for such further term or terms as it may deem appropriate.

(5) The members including, the Chairman shall cease to hold office on attaining the age of sixty-two years provided that the members falling under clauses (b) and (c) of sub-section (3) shall cease to hold office on attaining the age of superannuation, under the law regulating their service: Provided that a member including the Chairman may be removed by the Federal Government, on the recommendation of performance review committee, to be constituted by the rules made under sub-section (2), at any time before the expiry of his term or attaining the age of superannuation, as the case may be, on grounds, inter-alia, of inefficiency or misconduct, as prescribed by the rules made under subsection (2).

(6) The procedure of the Appellate Tribunal including constitution of benches, case management system, distribution of cases and other matters ancillary or incidental thereto shall be regulated by the rules made under sub-section (2).

12. Appeals to the Appellate Tribunal [Section 194(A)]

The following has been proposed to be substituted:

(1) Any person or an officer of Customs aggrieved by any of the following orders may appeal to the Appellate Tribunal against such orders:-

(a) a decision or order passed by an officer of Customs not below the rank of Additional Collector under section 179;

(b) an order passed by the Collector (Appeals) under section 193;

(c) an order passed under section 195;

(d) an order passed in revision by the Director General Customs Valuation under section 25D: Provided that such appeal shall be heard by a special bench of at least two members one Judicial Member and one Technical Member, to be presided by the Chairman himself, and if for some special and extra18 ordinary reasons, the Chairman himself is unable to preside, the Chairman may reconstitute the Bench.

(e) an appellate order or a quasi-judicial order passed by the Chief Collector of Customs under provisions of this Act and the rules made thereunder provided that such appeal shall be heard by a special bench consisting of one technical member and one judicial member: Provided that the Appellate Tribunal may, in its discretion, refuse to admit an appeal in respect of an order referred to in sub-section (1) where-

(i) the value of the goods confiscated without option having been given to the owner of the goods to pay a fine in lieu of confiscation under section 181; or

(ii) in any disputed case other than a case where the determination of any question having a relation to rate of duty of customs or to the value of goods for purposes of assessment is in issue or is one of the points in issue, the difference in duty involved or the duty involved; or

(iii) the amount of fine or penalty determined by such order does not exceed fifty thousand rupees.

(2) Every appeal in the prescribed form and accompanied by the prescribed fee so specified in sub section (3) under this section shall be filed, within thirty days from the date on which the decision or order sought to be appealed against is communicated to the Board or the Collector of Customs, or as the case may be, the other party preferring the appeal.

(3) An application under sub-section (1) by a person other than an officer of customs, shall be accompanied by a fee of twenty thousand rupees in case of a company, and five thousand rupees in case other than a company.

(4)The Appellate Tribunal may, upon application in writing, admit an appeal after the expiration of the period specified in sub-section (2) if it is satisfied that there was sufficient cause for not presenting it within that period.

(5) Notwithstanding that an appeal has been filed under this section, the assessed or adjudged amount of duty and taxes shall be payable, unless recovery thereof has been stayed by the Appellate Tribunal: Provided that on filing of application for grant of stay, the Appellate Tribunal may after affording an opportunity of being heard to the Collector having jurisdiction, for reasons to be recorded, stay the recovery of duty and taxes for thirty days, during which period a notice shall be issued to the respondents and after hearing the parties, order may be confirmed or varied as the Tribunal deems fit but stay order shall in no case exceed ninety days.

(6) Notwithstanding anything in this Act, where any reference or appeal was preferred with the approval of Collector of Customs by the officer of lower rank than that of the Collector and the reference or appeal is pending before an appellate forum or the Court, such reference or appeal shall be deemed to have been so filed by the Collector and for removal of doubt it is hereby declared the pending appeals shall not abate solely on this ground.”;

13. Decision of Appeals by the Appellate Tribunal [Section 194(B)]

The following has been proposed to be substituted:

(1) The Appellate Tribunal may after giving the parties to the appeal an opportunity of being heard, pass such orders thereon as it thinks fit confirming, modifying or annulling the decision or order appealed against. The Appellate Tribunal may record additional evidence and decide the case but shall not remand the case for recording the additional evidence: Provided that the appeal shall be decided within ninety days of filing the appeal: Provided further that where an appeal is not decided within the aforesaid period, the Appellate Tribunal with the consent of both parties and upon reasons to be recorded in writing may extend for a further period of sixty days.

(2) At the first hearing of appeal, the Appellate Tribunal shall (a) bring to the notice of the Appellant; the provisions relating to alternate dispute resolution under section 195C of the Act; and (b) in case the Appellant decline the option of alternate dispute resolution and wish to continue with the appeal, fix date or dates for hearing and decision of the appeal in consultation with both the Appellant and Respondent and in accordance with the rules.

(3) The Appellate Tribunal shall decide the appeal on the date or dates fixed, and no adjournment shall be granted except

(a) where there are compelling reasons for adjournment, to be recorded in writing by the Appellate Tribunal; and

(b) on mandatory payment of such cost as the Appellate Tribunal may deem fit, which shall not be less than fifty thousand rupees.

(4) The Appellate Tribunal may, at any time within fifteen days from the date of communication of order, with a view to rectifying any clerical, arithmetical errors or error arising therein from accidental slip and omission apparent from the record, amend any order passed by it under-sub-section (1) and shall make such amendments if the mistake is brought to its notice by the Collector of Customs or the other party to the appeal: Provided that an amendment which has the effect of enhancing the assessment or reducing a refund or otherwise increasing the liability of the other party shall not be made under this sub-section, unless the Appellate Tribunal has given notice to the party of its intention to do so and has allowed a reasonable opportunity of being heard.

(5) The Appellate Tribunal shall send a copy of every order passed by it under this section, disposing of an appeal, to the officer of Customs and in valuation cases also to the Director General Valuation, and the other party to the appeal: Provided that the order of the Appellate Tribunal shall remain pending for thirty days, if the Collector or other party to the appeal, prefers a reference to the High Court within this period.

(6) Save as otherwise expressly provided in section 196, an order passed by the Appellate Tribunal in appeal shall be final.

14. Procedure of Appellate Tribunal [Section 194(C)]

It has been proposed to omit this section for being superfluous in view of the proposed changes in section 194, 194A and 194B.

15. Alternative Dispute Resolution (ADR) [Section 195(C)]

The following has been proposed to be substituted for this section to make the ADRC system more effective forum for settlement of pending disputes at appellate forum:

(1) Notwithstanding anything contained in this Act, or the rules made there under, any aggrieved person, in connection with any dispute pertaining to liability of customs-duty, admissibility of refund or rebate, waiver or fixation of penalty or fine, confiscation of goods, relaxation of any time period or procedural and technical condition which is under litigation in any court of law or an appellate authority, except in the cases where criminal proceedings have been initiated or where interpretation of question of law having larger revenue impact in the opinion of the Board is involved, may apply to the Board for the appointment of a committee for the resolution of dispute in appeal.

(2) The application for alternate dispute resolution under subsection (1) shall be accompanied by an initial proposition for resolution of the dispute, including an offer of payment of duties and taxes.

(3) The Board may, subject to the provisions of sub-section (1) and (2), after examination of the application of an aggrieved person, appoint a committee, within fifteen days of receipt of such application, consisting of:

(a) a retired judge not below the rank of a judge of a High Court, who shall also be the Chairperson of the Committee, to be nominated by the Board from a panel notified by the Law and Justice Division for such purpose;

(b) an officer of customs not below the rank of Chief Collector having jurisdiction over the case;

(c) a person to be nominated by the applicant from a panel notified by the Board, comprising-

(i) chartered accountants and advocates, having minimum ten years' experience, in the field of taxation; and

(ii) reputable businessmen as nominated by Chambers of Commerce and Industry: Provided that the taxpayer shall not nominate a chartered accountant or an advocate if the said chartered accountant or the advocate is or has been an auditor or an authorized representative of the taxpayer; and

(iii) officer of Customs Service of Pakistan who stood retired in BS 21 or above:

(4) The Board shall communicate the order of appointment of committee to the aggrieved person, court of law or the appellate authority where the dispute is pending and the concerned Collector.

(5) The committee constituted under sub-section (3) shall examine the issue and may, if it deems necessary, conduct inquiry, seek expert opinion, direct any officer of customs or any other person to conduct an audit and shall decide the dispute by majority, within forty five days of its constitution extendable by another fifteen days for the reasons to be recorded in writing.

(6) The recovery of duties and taxes payable by the applicant in connection with any dispute for which a committee has been appointed under sub-section (3) shall be deemed to have been stayed from the date of appointment of the committee up to the date of decision of committee or its dissolution, as the case may be.

(7) If the aggrieved person is satisfied with the decision of the committee, he shall withdraw the appeal pending before the court of law or any appellate authority and communicate the order of withdrawal to the Collector within thirty days of the service of the decision.

(8) The decision of the committee under sub-section (5) shall be binding on the Collector subject to the provision of sub-section (7).

(9) Subject to sub-section (7), the Collector shall also withdraw the appeal, if any, pending before any court of law or an appellate authority in respect of dispute as mentioned in sub-section (1) within thirty days of the communication of the order of withdrawal by the aggrieved person to the Collector.

(10) If the committee fails to make recommendations within a stipulated period of sixty days under sub-section (5), the Board shall dissolve the committee by an order in writing and the matter shall be decided by the appellate authority where the dispute is pending.

(11) The Board shall communicate the order of dissolution to the court of Law or the appellate authority and the Collector and the aggrieved person.

(12) The aggrieved person, on receipt of the order of dissolution, shall communicate the order to the appellate authority, which shall decide the appeal within the stipulated period as provided under the relevant provision, of the communication of the said order.

(13) The aggrieved person shall make payment of customs duty and other taxes as determined by the committee under sub-section (5) and all decisions, orders and judgments made or passed shall stand modified to that extent.

(14) The Board may prescribe the amount to be paid as remuneration for the services of the members of the committee, other than the member appointed under clause (b) of sub-section (2).

(15) The Board may, by notification in the official Gazette make rules for carrying out the purposes of this section, including the procedures and manner of conducting of ADR committee meetings.

16. Reference to High Court [Section 196]

It has been sought to substitute this section with following clauses to make the system more efficient by accelerating the disposal of pending cases at the High Courts:

(1) Within thirty days of the order of the Appellate Tribunal under sub-section (3) of section 194B, the aggrieved person or any officer of Customs not below the rank of Deputy Collector or Deputy Director, authorized by the Collector or Director in writing , may file a reference, in the prescribed form, along with a statement of the case, before the High Court, stating any question of law or a mixed question of law and fact arising out of such order: Provided that the applicant shall also file complete record of the Appellate tribunal within fifteen days of preferring an application under this section.

(2) A reference to the High Court under this section shall be heard by a Special Bench, constituted for hearing cases under this section, comprising of not less than two judges of the High Court and, the provisions of section 98 of the Code of Civil Procedure, 1908 (Act V of 1908), shall apply to the extent possible to such cases, notwithstanding anything contained in any other law for the time being in force.

(3) The Special Bench shall decide a reference within six months from the date of its filing. The High Court upon hearing a reference under this section shall decide the question of law raised by the reference and pass judgment thereon specifying the grounds on which such judgment is based and the Appellate Tribunal's order shall stand modified accordingly.

(4) The High Court shall establish a case management system to ensure that sufficient number of Special Benches are constituted, so as to ensure that a reference filed under this section is decided within the stipulated six months.

(5) Notwithstanding that a reference has been made to the High Court, the duty shall be payable in accordance with the order of the Appellate Tribunal: Provided that the recovery shall not be made by the Collector for fifteen days from the date of communication of the order of the Appellate Tribunal: Provided further that, the amount of duties and taxes if reduced as a result of the judgment in the reference, and any amount of duty and tax is found refundable, the High Court may, on application submitted by an officer of Customs authorized by the Collector or Director , within thirty days of the judgment of the High Court, that he wants to prefer petition for leave to appeal to the Supreme Court, make an order authorizing the Collector to postpone the refund until the disposal of the appeal by the Supreme Court.

(6) Where recovery of duty has been stayed by the High Court by an order, such order shall cease to have effect on the expiration of a period of six months following the day on which it is made unless the reference is decided, or such order is withdrawn by the High Court earlier.

(7) Section 5 of the Limitation Act, 1908 (IX of 1908), shall apply to an application made to the High Court under sub-section (1).

(8) An application under sub-section (1) by a person other than the officer of Customs authorized by the Collector or Director shall be accompanied by a fee of fifty thousand rupees.

(9) Notwithstanding anything in this Act where any reference or appeal was preferred with the approval of Collector by the officer below the rank of Collector, and the reference or appeal is pending before appellate forum or the Court, such reference or appeal shall be deemed to have been preferred and shall be deemed always to have been so preferred by the Collector or Director.

(10) The Court shall send a copy of the judgment under the seal of the Court to the Appellate Tribunal.

17. FIRST SCHEDULE

The following changes in CD in below PCT codes have been sought:

PCT CODE	DESCRIPTION	Proposed CD (%)	Existing CD (%)
2710.1931	High speed diesel oil	0%	11%
2711.1100	Natural gas	0%	11%
7311.0040	For aerosol products	16%	11%

1. in Chapter 11, in column (1), for PCT code “1102.9000” and the entries relating thereto in columns (2), (3) and (4), the following shall be substituted:

PCT CODE	DESCRIPTION	CD (%)
1102.9010	Rice flour	11%
1102.9090	Other	11%

2. in Chapter 39, in column (1), for PCT code “3907.2900” and the entries relating thereto in columns (2), (3) and (4), the following shall be substituted:

PCT CODE	DESCRIPTION	CD (%)
3907.2910	Polyol blended with HCFC-141b or HCFC-142b	0%
3907.2990	Other	0%

3. in Chapter 84, in column (1), for PCT code “8413.7011, the expression 8413.7019 shall be inserted and for PCT code 8481.3000 and the entries relating thereto in columns (2), (3) and (4), following shall be substituted:

PCT CODE	DESCRIPTION	CD (%)
8481.3010	Check (Non return) valves for tyre tubes	16%
8481.3090	Check (Non return) valves/ Other	16%

4. in Chapter 85, in column (1), for PCT code “8544.6010 and the entries relating thereto in columns (2), (3) and (4), following new PCT code and the entries relating thereto in columns (2), (3) and (4) shall be inserted:

PCT CODE	DESCRIPTION	CD (%)
8544.6020	Photovoltaic power cable having single conductor of kind used for solar	20%

5. in Chapter 90, in column (1), for PCT code “9004.9000, and the entries relating thereto in columns (2), (3) and (4), following shall be substituted:

PCT CODE	DESCRIPTION	CD (%)
9004.9010	Night vision goggles	11%
9004.9090	Other	11%

6. in Chapter 90, in column (1), after PCT code “9018.3970, and the entries relating thereto in columns (2), (3) and (4), following shall be inserted:

<table>
<tr><th>PCT CODE</th><th colspan="2">DESCRIPTION</th><th>CD (%)</th></tr>
<tr><td>9018.3981</td><td rowspan="3">Evacuated tubes for the collection and transport of blood:</td><td>Of glass</td><td>20%</td></tr>
<tr><td>9018.3982</td><td>Of PET</td><td>20%</td></tr>
<tr><td>9018.3989</td><td>Other</td><td>20%</td></tr>
</table>

18. FIFTH SCHEDULE

The Following amendments have proposed in Fifth Schedule to the Customs Act, 1969:

(A) in Part-I, in column (1), -

(i) in S. No. 1, in column (2) for sub-serial (K), and the corresponding entries relating thereto in column (3) (4) and (5), the following shall be substituted, namely: -

"(K) Machinery, equipment, capital goods, and materials for setting up, modernization, replacement or expansion for hatcheries, farms, feed mills and seafood processing units of fish and shrimp sector.

(ii) in S. No. 21, -

(a) against sub-serial 7(b), in column (5), the following shall be inserted, namely: - "If imported by the local assemblers / manufacturers of PV Modules registered under the Sales Tax Act, 1990 subject to quota determination by the Input Output Co-efficient Organization (IOCO)."; and

(b) after sub-serial 7(b), the following new sub-serial number in column (2) and the entries relating 43 thereto in columns (3), (4) and (5) shall be added, namely: -

Description	PCT	CD	Conditions
"(c). Raw materials for the manufacture of PV Modules			
i). Silicon Adhesive/ Sealant.	3506.9990	0%	If imported by the local assemblers/ manufacturers registered under the Sales Tax Act, 1990, of PV Modules subject to quota determination by the Input Output Co-efficient Organization (IOCO).";
(ii). MC4 Connectors.	8536.9090		
(iii). Back sheet film.	3920.9900		
(iv). Packing boxes/ modules.	4819.1000 4819.5000		
(v). Corner block.	7610.9000		
(vi). Polyethylene compound	3901.9000		
(vii).Tin ingot.	8001.0000		
(viii).Plates, sheets and strip of cellular rubber (vulcanized).	4008.1190		
(ix). Glass fibers (including glass wool) and articles thereof nes	7019.9090		
"(d) Parts of Solar Inverters		0%	If imported by the local assemblers/ manufacturers registered under the Sales Tax Act, 1990, of PV Modules subject to quota determination by the Input Output Co-efficient Organization (IOCO).";
(i). Control board	8504.9090		
(ii). Power board	8534.0000		
(iii).Charge controller board A/C	9032.8990		
(iv).Charge controller board PV	9032.8990		
(v). DCDC board	8504.9090		
(vi). LCD Display	8531.2000		
(vii).Display board	8504.9090		
(viii). AC input & output terminal	8504.9090		
(ix). Battery input terminals	8504.9090		
(x). PV terminals	8504.9090		
(xi).Casings (Plastic or Steel	8504.9090		
(xii). Circuit Board (CB) for inverters	8534.0000		
(xiii).Stuffed PCBs for inverters	Respective headings		
(e) Parts of Lithium Batteries		0%	If imported by the local assemblers/ manufacturers of Lithium Batteries registered under the Sales Tax Act, 1990, subject to quota determination
(i). Cells	8507.9000		
(ii).Copper Bar (Cell to Cell Connection)	7407.1010		
(iii). BMS (level 1) Electronic Card	8507.9000		

Description	PCT	CD	Conditions
(iv). Casing	8507.9000		by the Input Output Co-efficient Organization (IOCO).
(v). Harness Set (Cells Monitoring Wires with tags)	8544.4290		
(vi).Output Terminal with screws	8536.9090		
(vii).Power Cables (Battery Internal)	8544.4290		
(viii). DC Fan	8414.5990		
(ix). DC Breaker	8536.2010		
(x).Packing Screws	7318.1590		
(xi).Terminal Covers	3926.9099		
(xii). Acrelic Sheet (Short Circuit Safety Sheet)	3921.9090		
(xiii).Other Accessories (Temp Sensors, connectors, assembly items, Handles).	8536.9090, 9031.8000, 8507.9000		

(c) after sub-serial 7(e), the existing sub-serial (8) and the entries relating thereto in columns (3), (4) and (5) shall be shall be substituted, namely:-

Description	PCT	CD	Conditions
"8. Following machinery and equipment imported by manufacturing units of Solar Cells, Solar Panels, Solar Inverters & Solar Batteries:-		0%	1. Engineering Development Board (EDB) shall certify in the prescribed manner and format as per Annex-B that the imported goods are bona fide project requirement. The authorized officer of the EDB shall furnish all relevant information online to Pakistan Customs Computerized System against a specific user ID and password obtained under section 155D of the Customs Act, 1969. 2. The goods shall not be sold or otherwise disposed of without prior approval of the FBR and payment of customs duties and taxes leviable as prescribed by FBR. 3. Condition (iv) of the preamble.
(a)Solar Cell Manufacturing Equipment.			
(i). Crystal (Grower) Puller (if machine).	8479.8990		
(ii). Diffusion furnace.	8514.3900		
(iii). Oven.	8514.3900		
(iv). Wafering machine.	8486.1000		
(v). Cutting and shaping machines for silicon ingot.	8461.9000		
(vi). Solar grade polysilicon material.	3824.9999		
(vii). Phosphene Gas.	2853.9000		
(viii).Aluminum and silver paste.	Respective headings		
(b) Solar PV Modules Panels manufacturing machinery and equipment.			
(i).Sun Simulator	9031.8000		
(ii). Glass Lifter	8428.9090		
(iii).Tabber Stringer	8515.1900		
(iv).Hi-Speed Layup Station with ROBOT	8479.5000		
(v).Motorized Visual Inspection	9031.8000		
(vi).Buffer before Bussing	8479.8990		
(vii). Multi-station for Bussing	8479.8990		
(viii).Centering Conveyor with Visual Inspection	8479.8990		
(ix).Fully Automatic or Semi-automatic Laminator with Centering, Loading & Unloading	8479.8990		
(x).Automatic Inline Framing Machine	8479.8990		
(xi).Automatic Silicon Dispenser	8479.8990		
(xii).Direction Changer with 90 Degree Rotator	8479.8990		
(xiii).Centering Conveyor for Sun Simulator	8479.8990		
(xiv).Hi-Pot Test Equipment	9031.8000		

Description	PCT	CD	Conditions
(xv).Electroluminescence (EL) Tester	9031.8000		
(xvi).Motorized Conveyor	8428.3990		
(xvii).EVA/Black sheet Cutting Machine	8441.1000		
(xviii).Ribbon Cutting &Bending Machine	8461.9000		
(xix).Lab Test Equipment	9031.8000		
(xx).Conveyer Belt	8428.3990		
(xxi).Laser cutting machine for cell	8456.1190		
(xxii).Cell sorting machine & testers	9031.8000		
(xxiii).Structures & parts of structures.	7308.9090		
(xxiv).Vacuum pumps.	8414.1000		
(xxv).Air or gas compressors, hoods.	8414.8020		
(xxvi).Non-domestic, non-electric dryers nes.	8419.3900		
(xxvii).Threading or tapping machines nes for removing metal.	8459.7090		
(xxviii).Machines and mechanical appliances nes having individual functions.	8479.8990		
(xxix).Electric brazing or soldering machines and apparatus nes.	8415.1900		
(xxx). Electric heating resistors.	8516.8090		
(xxxi)Electric app for switching/protect electric circuits, not exceeding 1,000 volts.	8536.9090		
(c) Solar Inverters manufacturing machinery and equipment.			
(i). Solder Paste Screen Machine	8515.1900		
(ii). SMT pick and place machine	8479.5000		
(iii).Wave-soldering machine	8515.1900		
(iv). PCB Conveyor Belt	8428.3990		
(v). SMT Workstation	8479.5000		
(vi). Solder Pot	8419.8990		
(vii).Solder Cleaning Equipment	8419.8990		
(viii).Wire Cutting & Stripping Machine	8461.9000		
(ix).Crimping Machine	8479.8990		
(d) Lithium ion batteries manufacturing machinery and equipment.			
(i).Weighting kettles	8423.9000		
(ii).Weighting and conveying systems	8428.3990		
(iii). Storage tanks	7310.1000		
(iv). Glue port	8419.8990		
(v).Transfer tanks	7310.1000		
(vi). Feeder	8479.8990		
(vii). High speed spiral mixer	8479.8290		
(viii).Booster pumps	8413.7090		
(ix).Magnetic filters	8421.3990		
(x).High speed homogenizer	8479.8290		
(xi).Auxiliary equipment and DCS central control system components	9032.8990		

Description	PCT	CD	Conditions
(xii).Pole piece cathode machine	8462.4900		
(xiii).Polo piece rolling machine	8462.3900		
(xiv). CNC nibbling machine	8462.4200		
(xv). CNC bending machine	8462.2600		
(xvi). Sport welding plant	8515.8000		
(xvii).Auxiliary equipment	8479.8990		
(xviii).High temperature circulation thermal tester	9030.8900		
(xix). UL 2054 fire testing equipment	9031.8000		
(xx). Pack rotation simulation	9031.8000		
(xxi). Free fall tester	9031.8000		
(xxii). Battery impact tester IEC 62133	9031.8000		
(xxiii). UL 1642 flame tester	9031.8000		
(xxiv). Electromagnetic vibration tester UN 38.3	9031.8000		
(xxv).Single wing electromagnetic power drop testing equipment	9031.8000		
(xxvi). Hydraulic crush testing equipment	9031.8000		

(iii) in S. No. 23, in column (2) for sub-serial(iv), and the entries relating thereto in column (3) and (4), the following shall be substituted, namely: -

Description	PCT	CD
"(iv)(a) Bare Metal Clad Printed Circuit Board (MCPCB)	8534.0000	11%
(iv)(b) Stuffed Metal Clad Printed Circuit Board (MCPCB)	8539.9090	0%

(B) in Part-II, in Table C, after S. No. 40, the following new S. No. and the entries relating thereto in columns (2), (3) and (4), shall be added, namely: -

Sr.	Description	PCT	CD
41	Bovine Lipid Extract Surfactant	3004.3900	0%

(C) in Part-III,

a. in the preamble, in serial (i),-

(a) in sub-serial (b), for the figure "26", the figure "35" shall be substituted and in sub-serial (c) for the expression "16 and 20", the expression "24 and 29" shall be substituted;

(b) in sub-serial (c) for the words "Ministry of Live Stock and Dairy Development", the words "Ministry of National Food Security and Research" shall be substituted; and

b. sub-serial (ii) shall be omitted.

c. in the Table, in column (1), -

(i) after Sr. No. (1) and the entries relating thereto in columns (2), (3), (4) and (5), the following shall be inserted, namely: -

Sr.	Description	PCT	CD	Conditions
(1A)	Live stock	Respective heading	0%	if imported for research purpose by registered units under the Sales Tax Act, 1990, certified by Ministry of National Food Security and Research.";

(ii) Sr. Nos. 4, 6, 11,12,13 and 14 and the corresponding entries relating thereto in columns (2), (3), (4) and (5) shall be omitted.

(iii) in Sr.No.116, in column (2), - (i) against sub-serial (xvi), in column (4), the figure "10", shall be inserted; and (ii) sub-serial (xvii) and the entries in column (3), shall be omitted.

(D) In Part-V(A), in Table-I, in column (1), against serial No. 7, in column (2), after words "wheelers", the expression "excluding vehicles of value exceeding US$ 50,000" shall be added;

(E) in Part-VI, in the Preamble, for the existing conditions (i), (ii), (iii), (iv) and (v), the following conditions shall be substituted, namely: "(i) The exemption shall be admissible to the Airline Companies having valid registration and license from the Aviation Division, Government of Pakistan duly shared with the Customs Computerized System or Pakistan Single Window to the effect that the intending importer is operating in the country or intends to operate in the country in the airline sector." (ii) The Chief Executive, or the person next in hierarchy duly authorized by the Chief Executive or Head of the importing Company shall certify that the imported goods/items are 58 the company's bonafide requirement and shall be used for the purpose as defined/notified by the Aviation Division, Government of Pakistan under the Aviation Policy. The importer shall declare all relevant information to the Customs while claiming exemption regarding genuineness of the claim through Customs computerized system or Pakistan single window. (iii) In case of deviation from the above stipulations, the Collector of Customs shall initiate proceedings for recovery of duty and taxes under the relevant laws.

(F) in Part-VII, -

(i) in the Table-A, in column (1), for S.No.2, and the entries relating thereto in column (2), (3) and (4) the following shall be substituted; namely: -

Sr.	Description	PCT	CD
2	Live (baby / brood stock) fish and shrimp/prawns for breeding and production in commercial farms and hatcheries	0301.9100 0301.9300 0301.9900 0306.3600	0%

(ii) in the Table-B, in column (1), Sr. Nos. 11 and 13 and the corresponding entries relating thereto in columns (2), (3), and (4) shall be omitted.

SECTION 7 PUBLIC FINANCE MANAGEMENT ACT, 2019

Definition

Technical supplementary grant **[Section 2(w)]**

As per the existing definition, technical supplementary grant means surrender of funds from one budget grant and budget authorization in another grant. Technical supplementary grant shall not result in increase of overall government expenditure.

The Bill seeks to substitute the above definition as under:

"Technical supplementary grant means appropriation or authorization, as the case may be, of additional funds to a demand for grant against;

i) surrender from another demand for grant; or
ii) anticipated saving received by the Finance Division; or
iii) unbudgeted revenue receipt deposited by Provinces or Entities in Federal Consolidated Fund for a specific purpose; or
iv) unbudgeted foreign grants received or deposited by foreign governments or international donors in Federal Consolidated Fund for a specific purpose."

SECTION 8 THE PETROLEUM PRODUCTS (PETROLEUM LEVY) ORDINANCE, 1961

The Bill seeks to propose enhancement of the rate of levy by adopting ceilings to the rate of levy by way of substituting **Fifth Schedule** of the Ordinance. Comparison of existing and proposed position is as per the below table:

Sr.	Petroleum Product	Unit	Existing Petroleum Levy Rate (Rupees per Unit)	Proposed	
				Minimum petroleum levy rate (in rupees per unit)	Maximum petroleum levy rate (in rupees per unit)
1	High Speed Diesel Oil (HSDO)	Litre	60	60	80
2	Motor Gasoline	Litre	60	60	80
3	Superior Kerosene Oil (SKO)	Litre	50	50	50
4	Light Diesel Oil (LDO)	Litre	50	50	75
5	High Octane Blending Component (HOBC)	Litre	50	50	75
6	E-10 Gasoline	Litre	50	50	75
7	Liquefied Petroleum Gas (produced/ extracted in Pakistan)	Metric ton	30,000	30,000	30,000

SECTION 9 RATES FOR WITHHOLDING (INCOME) TAX

Effective July 01, 2024 | Proposed

LINK TO DOWNLOAD: [WHT RateCard | TY2025 | Amended vide FA 2024 (tagco.pk)]

SCAN TO DOWNLOAD

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Chartered Accountants

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