



# **HIGHLIGHTS ON FINANCE BILL 2025**

---

## Highlights on the Finance Bill, 2025

This document summarizes significant changes proposed to be brought to statute vide the Finance Bill, 2025 (the Bill).

Effective date of applicability of these changes will be July 1, 2025, 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.

### Table of contents

Section 1:	Salient Features
Section 2:	Income Tax
Section 3:	Sales Tax & Federal Excise Duty
Section 4:	Customs
Section 5:	Islamabad Capital Territory (Tax on Services) Ordinance, 2001
Section 6:	The Petroleum Products (Petroleum Levy) Ordinance, 1961
Section 7:	Digital Presence Proceeds Tax
Section 8:	New Energy Vehicles Adoption Levy
Section 9:	Regulation of Generation, Transmission and Distribution of Electric Power
Section 10:	Stamp Duty
Section 11:	Tax Registration

June 12, 2025

---

This page intentionally left blank

---

## SECTION I SALIENT FEATURES

### Income Tax

#### Relief measures

1. The tax rates applicable to salaried individuals with a taxable income of up to Rs 3.2 million have been decreased.
2. The surcharge rate for salaried individuals whose taxable income exceeds Rs 10 million has been lowered from 10% to 9%.
3. The super tax rates for incomes surpassing Rs 150 million and up to Rs 500 million have been reduced by 0.5%.
4. The tax credit on profit from debt related to loans for the construction or acquisition of a house has been reintroduced with specific modifications.
5. The advance tax rates on the purchase of immovable properties have been lowered.
6. The income tax exemption for former tribal areas has been extended until June 30, 2026.
7. The retrospective restoration of a 25% tax rebate for full-time teachers and researchers has been extended until June 30, 2025.

#### Revenue measures

1. It is proposed that 50% of the expenses related to cash sales exceeding Rs 200,000 be disallowed.
2. Purchases made from non-NTN holders are proposed to be disallowed at a rate of 10%.
3. The general withholding tax rates for services rendered have been increased from 11% to 15%, while for specified sectors, the rate is proposed to be raised from 4% to either 6% or 8%, depending on the case.
4. The useful life of intangibles with an indefinite period has been reduced from 25 years to 15 years.
5. The minimum tax carryforward period has been shortened from three years to two years.
6. A final withholding tax is proposed for digital transactions based in Pakistan on e-commerce platforms.
7. The withholding tax rate for profit on debt payments has been increased from 15% to 20%.
8. The tax rate on dividends from mutual funds that generate income from profit on debt will increase from 15% to 25%.

9. withholding tax of 15% has been introduced for capital gains resulting from the premature disposal of debt instruments.
10. The rate of advance tax on cash withdrawals by non-filers has been raised to 0.8%.
11. Provisions for the recovery of tax demands confirmed in appeals have been strengthened.
12. Business losses cannot be offset against rental income.
13. Certain recreational clubs are no longer eligible to apply for Non-Profit Organization (NPO) status.
14. The proposed minimum fair market rent for commercial properties is set at 4% of the FBR's valuation of such properties.
15. Pensions, commutations, or annuities exceeding Rs 10 million for individuals under the age of 70 will be subject to taxation.
16. Withdrawals from approved pension schemes have also been made taxable.
17. Expenditures on leasehold improvements made by banking companies will be capitalized for tax depreciation purposes.
18. Banking companies will be allowed to deduct actual rent expenses instead of depreciation for right-of-use assets starting from the tax year 2020.

#### Other/ regulatory measures

1. The appellate process has reverted to a two-tier appeal forum structure.
2. The Federal Board of Revenue (FBR) has been granted the authority to request specific information related to high-risk individuals from banking companies.

### Sales Tax

#### Relief measures

1. The sales tax exemption previously applicable to supplies and imports in former Tribal areas has been systematically phased out.

#### Revenue measures

1. It has been proposed that the adjustment of chilling charges from the retail price of aerated water, beverages, mineral water, or fruit juices be limited to a standardized rate of 5%.
2. The retail price for imported goods shall not fall below 130% of the assessed customs value.

3. Regarding digitally ordered goods from within Pakistan, it has been proposed that both the payment intermediary and the courier be held responsible for collecting and remitting sales tax.
4. It has been suggested that FBR be granted the authority to postpone specific input tax or establish higher or lower thresholds for input tax adjustments by utilizing data derived from a risk management system.
5. Proposed enforcement actions include restrictions on bank account activities, the transfer of immovable assets, sealing of business locations, confiscation of movable assets, and the appointment of a receiver, aimed at compelling unregistered individuals to obtain registration.
6. The sales tax exemption for the import or supply of solar panels has been revoked.

#### **Other/ Regulatory measures**

1. The framework regulating inquiries, investigations, and the compounding of offenses by Inland Revenue officials, prior to trial by a Special Judge, has been streamlined and rationalized through the introduction of specific checks and balances.
2. A two-tier appeal system is suggested for reinstatement, and the financial thresholds linked to various appellate forums are proposed to be eliminated.
3. The Chief Commissioner of Inland Revenue is authorized to refer an audit firm to the Audit Oversight Board for inspection in particular circumstances.
4. A cargo tracking system has been suggested for implementation to enable real-time monitoring of goods in transit, aimed at addressing the problem of tax evasion.

#### **Federal Excise Duty**

##### **Relief measure**

1. The framework regulating inquiries, investigations, and the compounding of offenses by Inland Revenue officials,

##### **Others/ Regulatory measure**

1. All service providers included under the ICTT will be mandated to integrate their businesses with the Board's computerized system for real-time reporting of service provision.
2. The Federal Board of Revenue has been granted the authority to implement a negative list of services for the ICTT.

#### **Customs**

##### **Revenue Measures**

1. The current tariff slabs of 3%, 11%, and 16% will be replaced with new rates of 5%, 10%, and 15%, respectively, affecting a total of 1,573 items.
2. The 0% tariff slab will be expanded to include an additional 916 items, which are categorized under various Chapters of the Pakistan Customs Tariff.
3. Customs duty rates have been reduced to 5%, 10%, and 15% for 211 tariff lines.

#### **ICT (Tax on Services)**

##### **Other Regulatory measures.**

1. A condition has been included those mandates service providers enumerated in Tables 1 and 2 to integrate with the FBR's system for the purpose of real-time reporting.
2. An exemption has been established for services provided to organizations of the United Nations and to diplomats.

#### **Other Taxes and Levies**

##### **Revenue Measures**

1. A proposal has been made to implement a 5% tax on the digital presence proceeds of foreign vendors that have a substantial digital footprint in Pakistan.
2. The suggestion includes the imposition and collection of a levy on internal combustion engine motor vehicles to encourage the transition to new energy vehicles.
3. A carbon levy is proposed for petrol, high-speed diesel, and furnace oil, set at Rs 2.5 per liter for the fiscal year 2025-26 and Rs 5 per liter for the fiscal year 2025-27.

## SECTION 2 INCOME TAX

### SALARIED INDIVIDUALS

It has been sought to substantially relief the tax burden on salaries class:

Existing Tax Rates				Proposed Tax Rates			
Taxable Income   Rs.		Rate of Tax		Taxable Income   Rs.		Rate of Tax	
From	To			From	To		
Up to 600,000		0%		Up to 600,000		0%	
600,001	1,200,000	5% of amount exceeding Rs.600,000		600,001	1,200,000	1% of amount exceeding Rs.600,000	
1,200,001	2,200,000	Rs.30,000	PLUS	1,200,001	2,200,000	Rs.6,000	11% of the amount exceeding Rs.1,200,000
2,200,001	3,200,000	Rs.180,000		2,200,001	3,200,000	Rs.116,000	23% of the amount exceeding Rs.2,200,000
3,200,001	4,100,000	Rs.435,000		3,200,001	4,100,000	Rs.346,000	30% of the amount exceeding Rs.3,200,000
Above 4,100,000		Rs.700,000	35% of the amount exceeding Rs.4,100,000	Above 4,100,000		Rs.616,000	35% of the amount exceeding Rs.4,100,000

The Bill proposes to restore the earlier 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. With the provision that this clause shall not apply to teacher of Medical Profession who drive income from private medical practice or who receive share of consideration received from patients;

### DEFINITIONS

#### Banking Company

[Section 2(7)]

It has been sought to omit the words “and includes anybody corporate which transacts the business of banking in Pakistan”.

#### Digitally delivered services

[Section 2(17C)]

It has been sought to add new definition

“digitally delivered services” means any service delivered over the internet or electronic networks, where the delivery is automated and require minimal or no human intervention including music, audio and video streaming services, cloud services, online software applications services, services delivered through online inter-personal interaction i.e., tele medicines, e-learning etc., online banking services, architectural design services, research and consultancy reports, accounting services in the form of digital files or any other online facility;

#### Digitally delivered services

[Section 2(19AA)]

The Bill seeks to introduce a new definition.

“e-commerce” means sale or purchase of goods and services conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders either through



websites, mobile applications or online marketplace having digital ordering features by using either mobile phone, iPad, Tablet or automated computer-to-computer ordering system;

### **Digitally delivered services**

**[Section 2(19AA)]**

The Bill seeks to introduce a new definition.

“e-commerce” means sale or purchase of goods and services conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders either through websites, mobile applications or online marketplace having digital ordering features by using either mobile phone, iPad, Tablet or automated computer-to-computer ordering system;

### **Non-Profit Organization**

**[Section 36(AA)]**

The suggested amendment seeks to prevent ‘recreational clubs’ that have a membership fee exceeding one million Rupees for any category of new members from applying for NPO status as outlined in section 2(36) of the Ordinance.

### **Online Market Place**

**[Section 38B)]**

It is to expand the definition of Online Market Place by incorporating online platforms that enable, for a fee, direct interactions between numerous buyers and sellers through digital orders for the provision of goods and services, regardless of whether the platform assumes economic ownership of the goods or delivers the services being offered.

## **CHARGE OF TAX**

### **Super tax on High Earning Persons**

**[Section 4C | Div. IIB Part I First Schd.]**

The Bill seeks to revise rate as under;

S. No.	Income under section 4C	Rate of Tax		
		For TY 2022	For TY 2023, 2024 & 2025	For TY 2026 & onwards
1.	Where income does not exceed Rs. 150 million	0% of the income	0% of the income	0% of the income
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1% of the income	1% of the income	1% of the income
3.	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2% of the income	2% of the income	1.5% of the income
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3% of the income	3% of the income	2.5% of the income
5.	Where income exceeds Rs. 300 million but does not exceed Rs. 350 million	4% of the income	4% of the income	3.5% of the income
6.	Where income exceeds Rs. 350 million but does not exceed Rs. 400 million	4% of the income	6% of the income	4.5% of the income
7.	Where income exceeds Rs. 400 million but does not exceed Rs. 500 million	4% of the income	8% of the income	7.5% of the income
8.	Where income exceeds Rs. 500 million	4% of the income	10% of the income	10% of the income

### Rate of Dividend Tax

[Section 5 | Div. III Part I First Schd.]

It is suggested that dividends from mutual funds, which earn income from equity and debt securities, should be taxed at 15% and 25% based on the income ratio from these investments. Currently, mutual fund dividends are taxed at 15%, except those from funds earning 50% or more of their income from debt profits, which are taxed at 25%.

### Tax on Profit on Debt

[Section 7B | Div. IIIA Part I First Schd.]

It is suggested to increase the tax deduction rate from 15% to 20% on the yield or profit earned by an individual from a banking company or financial institution on an account or deposit held with such entities. However, profits from debt sourced from entities other than banking companies or financial institutions will remain taxed at 15%. Additionally, a similar amendment has been introduced to the tax rate under stipulates final taxation for non-corporate taxpayers earning profits on debt up to Rs 5 million. The withholding tax rate on yield or profit from debt is proposed to be adjusted for individuals not listed in the Active Taxpayers List, as detailed in the table below.

S. No.	Description	Existing Rate	Proposed Rate
1.	Yield or profit from a banking company or financial institution on an account or deposit maintained with such company or institution.	35%	40%
2.	In Other cases,	35%	30%

### Tax on Certain Payments to Non-Resident

[Section 6 | Div. IV Part I First Schd.]

The Bill proposes to increase the rate on fee for offshore digital services, be enhanced from 10% to 15%. The aforementioned tax will not be deducted if the recipient is also subject to the Digital Presence Proceeds Levy (as outlined in the Digital Presence Proceeds Tax Act, 2025) and has already been collected.

### Rate of Tax on Payments for Digital Transactions in

#### E-commerce Platforms

[Section 6A | Div. IV Part I First Schd.]

The Bill proposes a new section 6A, introducing the concept of taxing individuals who receive payments for digitally ordered Goods and Services. This tax applies to goods and services delivered from within Pakistan through locally operated online platforms, including online marketplaces or websites, at specified rates. However, this section does not apply to export proceeds that are subject to final withholding tax under section 154A of the Ordinance.

The Bill seeks to introduce rate of tax imposed under section 6A on payment for digitally ordered goods or digitally delivered services through e-commerce platforms including websites shall be in case of payment through –

(i) Digital Means or banking channels by payment intermediary:

S. No.	Description	Existing Rate
1.	Where the amount paid does not exceed rupees ten thousand	1% of the gross amount paid
2.	Where the amount paid exceeds rupees ten thousand but does not exceed rupees twenty thousand	2% of the gross amount paid



3.	Where the amount paid exceeds rupees twenty thousand	0.25% of the gross amount paid
----	--	--------------------------------

(ii) Cash on Delivery by courier service:

S. No.	Description	Existing Rate
1.	On supply of electronic and electrical goods	0.25% of the gross amount paid
2.	On supply of clothing articles, apparels, garments etc.	2% of the gross amount paid
3.	On supply of goods other than mentioned in S. No. 1 and 2 above	1% of the gross amount paid

The term "Digitally Delivered Services" is proposed to be defined as any service provided via the internet or electronic networks, characterized by automated delivery that requires minimal to no human intervention, including services like music, audio and video streaming, cloud services, and online software applications.

Furthermore, the term "E-Commerce" is suggested to be defined as the buying and selling of goods and services conducted over computer networks, which includes the process of receiving or placing orders through websites, mobile applications, or online marketplaces.

Additionally, the definition of "Online Marketplace" is recommended to be expanded to include online platforms that facilitate, for a fee, direct interactions between multiple buyers and sellers through digital orders for goods and services, regardless of whether the platform takes economic ownership of the goods or provides the services being sold.

## HEAD OF INCOME

### Surcharge from Individual and AOP

[Section 4AB | Div. I Part I First Schd.]

The Bill aims to lower the 'Surcharge' rate for salaried individuals from the current 10% to 9%. on the income tax for individuals and associations of persons whose taxable income surpasses 10 million rupees

### Tax On Payments for Digital transactions in E-Commerce Platform

[Section 6A | Div. IVA Part I First Schd.]

A new section 6A is suggested for inclusion in the Ordinance, which introduces the concept of taxing individuals who receive payments for digitally ordered Goods and Services. This tax applies to goods and services provided from within Pakistan through locally operated online platforms, including online marketplaces or websites, at specified rates. This section does not apply to export proceeds that are subject to final withholding tax as outlined in section 154A of the Ordinance.

### Income from property

[Section 15]

All rental income from properties is subject to taxation under the category of 'income from property'. If the rent received is below the fair market rent, the law considers the income to be equal to the fair market rent. A proposed amendment states that the minimum fair market rent for commercial properties is set at 4% of the property's fair market value, according to the valuation tables provided by the Federal Board of Revenue (FBR). Nevertheless, if the taxpayer can provide satisfactory

evidence to the Commissioner demonstrating that the actual rent is less than this minimum fair market rent, the actual rent amount will be accepted.

### **Income from Business**

**[Section 18(b)(1)]**

The Finance Bill aims to classify the income generated by recreational clubs as taxable under the category of "Income from Business."

### **Deduction not Allowed**

**[Section 21(q)(r)]**

Purchases from non-NTN holders | It is suggested to prohibit 10% of the claimed expenses related to purchases made from individuals who do not hold a National Tax Number. However, this provision will not apply to agricultural products that are directly acquired from the growers, nor to any individuals or categories of individuals specified by the FBR in a notification published in the official gazette.

Expenditure relating to cash sales | In cases where a taxpayer receives payments exceeding Rs 200,000 through means other than banking channels or digital methods for a single invoice that includes one or multiple transactions for the supply of goods or services, it is proposed that 50% of the expenses claimed for such sales be disallowed.

### **Depreciation**

**[Section 22]**

It is proposed that depreciation be disallowed for the sums paid for the addition of capital assets to a seller in all pertinent tax years if the tax deductible under section 152 (i.e., payments to a non-resident) or 153 (payments to a resident person) related to those payments has not been deducted and deposited in the treasury. Consequently, the asset will be left out of the tax depreciation schedule when computing the eligible tax depreciation.

### **Intangibles**

**[Section 24]**

The Bill suggests modifications to the regulations concerning intangibles, particularly in relation to amortization. Currently, if an intangible asset lacks a determinable useful life, amortization is permitted over 25 years. The aim is to reduce this period to 15 years.

### **Income from Other Sources**

**[Section 39(3)]**

The Bill suggests phrase "digital means" will be added after the term "channel", expanding or further clarify the scope for mode of payment.

### **Set Off of Losses**

**[Section 56]**

At present, losses classified under a specific income type in a tax year can be balanced against income from any other type, except for 'Salary'. The Finance Act of 2021 allowed taxpayers to offset business losses against their property income for that year. The proposed Bill seeks to restrict the offsetting of losses categorized as 'Business' against 'Income from Property' by reinstating the rules that existed prior to 2021.

### **Group Relief**

**[Section 59B]**

Companies eligible for group relief can pass on their assessed business losses to holding or subsidiary companies in exchange for cash payments, provided they meet certain conditions and restrictions. A company or companies within the group that earn income from business subject to taxation under any provision of the Income Tax Ordinance, 2001 (Ordinance), except for that taxed at the applicable corporate tax rate, will no longer qualify for group relief. The suggested amendment seeks to exclude companies whose income is subject to a minimum tax or any special tax regime under the respective provisions of the Ordinance.

### **Tax Credit for Interest paid on Low – Cost Housing Loan**

**[Section 63A]**

The proposed Bill aims to introduce Section 63A, which would provide a tax credit for profit on debt, shares in rent, or shares in the appreciation of house value. This credit would be applicable to loans from scheduled banks, regulated financial institutions, government entities, statutory bodies, or listed companies, as long as the loan is utilized for constructing or acquiring a personal house or flat within designated size limits (up to 2,500 square feet for a house or 2,000 square feet for a flat). Once an individual claims this tax credit, they will not be eligible to claim it for another house or flat for the subsequent 15 tax years.

Before June 30, 2015, individuals could receive a tax credit under Section 64 of the Ordinance for profits from debt or shares in the appreciation of a house when they secured a loan from a bank or similar institution to build or purchase a new home. The Finance Act of 2015 introduced Section 60C, which permitted a direct deduction for such profit-on-debt or share in appreciation, effectively replacing the earlier tax credit system. However, this provision was later removed by the Finance Act of 2022, eliminating any tax credit or deduction for profits on debt associated with loans for house construction.

### **Tax Credit for Certain Persons**

**[Section 65F]**

The Bill suggests eliminating the requirement for coal to be exclusively supplied to power generation projects in order to qualify for a tax credit equivalent to 100% payable tax among other benefits, to individuals under these provisions. As a result, these entities will have the ability to supply coal to various other sectors without affecting the tax credit associated with coal supplied to power generation projects.

### **Purchase of Assets through Banking Channel**

**[Section 75A]**

The Bill suggests that payments made via digital methods should be recognized as a valid way to acquire assets.

A primary provision limits the acquisition of the following assets by any individual, except through a crossed cheque issued by a bank, a crossed demand draft, a crossed pay order, or any other crossed banking instrument that indicates the transfer of funds from one bank account to another:

- (a) Immovable property valued at over Rs 5 million; or
- (b) Any other asset valued at more than Rs 1 million.

If the transaction is not executed in the specified manner, the asset will be deemed ineligible for any depreciation or amortization allowances, and no associated costs will be considered when calculating any taxable gain from the transaction.

### **Tax Credit for Charitable Organizations**

**[Section 100C]**

The suggested amendments have resulted in the merging of tables, which means that the exemption for institutions previously listed in Table 1 will now also be governed by the conditions outlined in section 100C.

Clause (66) in Part I of the Second Schedule currently includes two tables. Table 1 lists specific institutions that qualify for a complete exemption from income without any conditions or restrictions, while the institutions mentioned in Table 2 are currently exempt from tax, subject to the stipulations of section 100C.

### **Minimum Tax on the Income of Certain Persons**

**[Section 113]**

It is sought to reduce the adjustment period to Two years. Presently, the law permits the adjustment of this tax payment, including any excess over the normal tax owed, to be credited against taxes due for the next three tax years following the payment year. Resident companies, non-resident permanent establishments, and others are required to pay a minimum tax of 1.25 percent on their turnover if the standard tax for the year is lower.

### **Restriction on Economic Transactions by Certain Persons**

**[Section 114C]**

The bill seeks to put forward the idea of defining an 'Eligible Person' to curtail economic dealings with 'ineligible persons.' Even though the original statute did not receive approval, it is intended to be reintroduced with various modifications.

- (a) Motor Vehicles | Applications for booking, purchasing, or registering motor vehicles will be rejected by manufacturers or the Excise and Taxation registration authority if submitted by ineligible individuals.
- (b) Immovable Property | Requests or applications from ineligible individuals to the authorities responsible for registering, recording, or attesting transfers of immovable property that exceed a specified aggregate value in a tax year (as announced by the Federal Government) will not be accepted or processed.
- (c) Securities Transactions | Authorized sellers of securities, including debt securities and mutual funds, are prohibited from selling or facilitating transactions for ineligible individuals or associations.
- (d) Banking Transactions | Banking institutions are prohibited from:
  - Opening or maintaining current or savings accounts (with the exception of Asaan accounts and Pensioner Accounts) for individuals identified by the Board.
  - Permitting cash withdrawals from any bank accounts that exceed the amounts specified by the Board.

Exemptions from Restrictions | Certain transactions are exempt from the aforementioned restrictions, which include:

- The acquisition of rickshaws, motorcycles, and tractors.
- The purchase of pick-up vehicles with engine capacities not exceeding 800CC.
- The acquisition of other motor vehicles, trucks, and buses, subject to the restrictions and limitations set forth by the Board.
- Investment in securities up to a limit as may be determined by the Board.
- Transactions carried out by a public company or a non-resident individual, with the exception of cash withdrawals from their bank accounts.

Eligible Person | An individual (including their immediate family members) who has submitted a tax return for the year immediately preceding the transaction year and possesses adequate resources in the wealth statement (for individuals) or financial statement (for companies or associations of persons) for such transaction. Alternatively, an individual who has declared sufficient resources in their investment and expenditure statement.

Ineligible Person | An individual who does not fulfill the criteria of an eligible person.

Sufficient Resources | This refers to having resources that amount to at least 130% of the declared cash and equivalent assets, which includes the fair market value of gold, net realizable value of stocks, bonds, receivables, or any other cash equivalent asset.

### **Amendment of Assessments**

**[Section 122(9)]**

The Bill suggests eliminating the time limitation entirely, which was established by the Finance Act of 2021. An order must be issued within 120 days from the date a show cause notice is issued under section 122 (excluding any time during which proceedings are stayed). Subsequently, the Finance Act of 2022 replaced this time limit with 180 days, unless the Commissioner extends it for a period not exceeding 90 days.

### **Assessment giving effect to an Order**

**[Section 124]**

The Bill suggests that an appeal effect order may not be necessary if the Commissioner (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court, or Supreme Court confirms the tax amount stated in the appealed order. In such instances, the Commissioner can proceed directly with the recovery process.

Conversely, if the ATIR, High Court, or Supreme Court partially reverses the order while upholding or modifying certain aspects of the appeal, the Commissioner is required to issue an appeal effect order. This order will determine the tax owed based on the upheld or modified aspects, excluding any tax related to issues that have been reversed or remanded. The tax due for the upheld or modified aspects will be collected or recovered in accordance with the provisions of the Ordinance.

### **Pecuniary jurisdiction in appeals**

**[Section 126A]**

The Bill suggests financial jurisdiction/limit concerning appeals, initially established by the Tax Laws (Amendment) Act, 2024 and later revised by the Finance Act, 2024, is set to be eliminated. It is now suggested that any order issued by an officer of Inland Revenue can be appealed to the Commissioner Inland Revenue (Appeals) [CIR(A)] regardless of the tax revenue amount involved; thereby restoring the situation that existed before the implementation of financial limits. Nevertheless, under the proposed amendment, the registered individual will have the choice to appeal directly to the ATIR, waiving their right to appeal to the CIR(A).

### **Appeal to the Commissioner (Appeals)**

**[Section 127(1)]**

The Bill proposes to provide option to a State-Owned Enterprise to file either an appeal before the Commissioner Appeals or to skip forum and directly file an appeal directly before the Hon'ble ATIR.

### **Appellant Tribunal**

**[Section 130]**

The Bill suggests modifying the eligibility criteria for a chartered accountant to be appointed as a Member of the Hon'ble ATIR as outlined below:

“(b) has, for an aggregate period of not less than ten years, been-

- (i) in practice as a Chartered Accountant, either individually or in a firm of Chartered Accountants, within the meaning of Chartered Accountants Ordinance, 1961 (X of 1961); or
- (ii) a Chartered Accountant, within the meaning of Chartered Accountants Ordinance, 1961 (X of 1961), and has been in employment of a Chartered Accountant in practice as specified in sub-clause (i) above at least for a period of ten years;”

### **Appeal to Appellant Tribunal**

**[Section 131]**

The Bill has suggested an amendment to Section 131(1) that aligns with the proposed changes in Section 127(1). An aggrieved individual now has the option to appeal the order of the Commissioner Appeals, or a taxpayer may directly file an appeal with the Hon'ble ATIR after relinquishing their right to appeal before the Hon'ble CIR(A).

### **Reference to High Court**

**[Section 133]**

The Bill proposes to extend the deadline for filing references to 60 days which is currently 30 days and to limit such filings against the order of the ATIR to matters solely concerning questions of law. This change is intended to align the provision with the reintroduction of a two-tier appeal system under the Ordinance.

### **Alternative Dispute Resolution**

**[Section 134A]**

It is proposed to establish a provision for reappointing the ADR Committee if it fails to reach a decision within sixty days for a State-Owned Enterprise (SOE). The newly appointed committee will then have an additional sixty days to resolve the matter. If it does not do so, the SOE will gain the right to appeal.

### **Recovery of Tax out of Property and through Arrest of Taxpayer and from Persons Holding Money on behalf of Taxpayers**

**[Section 138(3A), 138(6A)]**

The Bill proposes to introduce a new provision in both sections 138 (3A) and 140 (6A) stating that, irrespective of any other laws, rules, or court decisions, taxes owed under this Ordinance or any assessment order must be paid immediately or within the timeframe specified in the notice from the income tax authority. This obligation remains in effect even if other provisions or court rulings indicate otherwise, especially when the tax issue has been adjudicated by the High Court or Supreme Court of Pakistan. However, if the High Court rules in favor of the department on an appeal filed by the Commissioner under section 133, the recovery will take place seven days after the High Court's order.

### **Salary**

**[Section 149(1A)]**

It is suggested that individuals under the age of 70 be taxed on pension, annuity, or commutation of pension amounts exceeding Rs 10 million received in a tax year; however, the current version is vague and making effect that such income will be taxed at standard rates unless the individual is 'solely' earning this income, in which case it will be taxed accordingly mentioned below;

- I. Where the amount of annual pension received does not exceed rupees ten million | 0%
- II. Where the amount of annual pension received exceeds rupees ten million | 5% of the amount exceeding rupees ten million

Pensions for the families and dependents of Shaheeds remain exempt. Proposed amendments to section 149 stipulate that individuals responsible for disbursing pensions or annuities must withhold income tax from payments made to individuals under 70 years of age at the aforementioned rates. The removal of the exemption on pensions or annuities will also impact the surcharge and super tax.

### **Dividend**

**[Section 150 | Div. I Part III of First Sch]**

The Bill seeks to suggested in Clause (b) and addition of proviso by conversion of proviso as (ba)

Ref	Current	Proposed
Mutual Funds; REIT   Real Estate Investment Trusts and other cases	15%	15%
Mutual driving income from Equities	25%	15%

### **Profit on Debt**

**[Section 151 | Div. IA Part III of First Sch]**

It is seeking to amend as below.

Profit on debt paid by	Current	Proposed
By banking company / financial institution	15%	20%
Other than by banking company / financial institution	15%	15%

### **Gain arising on Disposal of**

#### **Certain debt securities**

**[Section 151A | Div. IIIAA Part III of First Sch]**

The Bill mandates that every "custodian of debt securities," including banking companies that maintain Investor Portfolio Securities (IPS) Accounts for holders of debt securities, must deduct a 15% tax on the gross amount of capital gains from the disposal of these securities. This provision applies to debt



securities sold outside of registered stock exchanges and settled through means other than the NCCPL.

### **Payment to Non-Resident**

### **[Section 152(1C), (1D) | Div. II Part III of First Sch]**

The Bill seeks to add proviso in sub section (1C) as currently, banks and financial institutions in Pakistan are required to deduct a 15% tax on fees for offshore digital services charged to non-resident individuals on behalf of any resident or permanent establishment, as stipulated under Section 6. The Bill proposes that banks and financial institutions be exempt from this tax deduction if the recipient is also subject to the Digital Presence Proceeds Levy and has already paid it.

It is proposed to add proviso in sub section (1D) as currently, banks and financial institutions managing the Special Convertible Rupee Account (SCRA) of a non-resident company without a Permanent Establishment in Pakistan are required to deduct a 10% tax on capital gains from the disposal of debt instruments and government securities, including treasury Bills and Pakistan investment bonds, based on the gross amount paid. The Bill proposes that banks and financial institutions will only act as withholding agents if they have maintained such an account for at least 12 months. Additionally, if the holding period for these debt instruments and government securities is less than twelve months, the tax rate will increase to 20% of the gross amount paid, as specified in Paragraph 2 of Division II of Part III of the First Schedule.

It is seeking the to raise the withholding tax rate on payments for services, which includes specified services and contract execution by non-resident individuals with a permanent establishment. A summary of the proposed tax rate changes is provided in the table below:

<b>Nature</b>	<b>Person</b>	<b>Existing</b>	<b>Proposed</b>
IT services and IT enabled services	Company / other than company	4%	4%
Specified services other than IT services and IT enabled services	Company / other than company	4%	8%
Other than specified services	Company	9%	15%
Other than specified services	Other than company	11%	15%
Execution of contract	Sports person	10%	15%

### **Payment for Goods, services and contracts**

### **Increase in tax rates on payments to resident persons**

### **[Section 153(2A), 7(i)(m)(n), (iia), (iib) | Div III Part III of First Sch]**

The Bill proposes to introduce a new sub-section 2A, which mandates that every payment intermediary processing payment digitally on behalf of sellers of goods or services ordered online through locally operated e-commerce platforms (including websites) must collect tax from the gross amount payable (including any applicable sales tax) at the rate specified in Division IVA of Part I of the First Schedule to the Ordinance. Additionally, courier businesses providing cash-on-delivery (CoD) services on behalf of sellers for digitally ordered goods and services must also collect this tax and deposit it into the government treasury.

Furthermore, the Bill states that if tax is deducted under sub-section 2A, no tax will be deducted under sub-section (1).

It also proposes to include payment intermediaries and courier services in the definition of “prescribed person” under section 153(7).

The Bill will define “courier services” and “payment intermediary” as follows:

(iia) “courier service” means any specialized entity that provides fast, secure and often tracked transportation of documents, packages and small freight, typically offering door-to-door delivery solutions of goods within specific timeframes and in case of digitally ordered goods in e-commerce delivery and collection of cash (CoD) on behalf of the seller and such delivery service provider includes but not limited to – (a) (b) (c) (d) Logistics services; ride-hailing services; food delivery platforms; and e-commerce services

(iib) “payment intermediary” means any third part entity including a banking company, financial institution, a licensed foreign exchange company or payments gateways that facilitate the transfer of funds or payment instructions between two or more parties to enable, process, route or settle payments in a financial transaction, without being the ultimate source or recipient of the payment

The Bill suggests raising the withholding tax rate that applies to payments for services, including specified services and contract execution by resident individuals. A summary of the proposed tax rate changes is provided in the table below:

Nature	Person	Existing	Proposed
IT services and IT enabled services	Company / other than company	4%	4%
Electronic and print media for advertising services	Company / other than company	1.5%	1.5%
Specified services other than mentioned above	Company / other than company	4%	6%
Other than specified services	Company	9%	15%
Other than specified services	Other than company	11%	15%
Execution of contract	Sports person	10%	15%

#### **Furnishing of Information by online Market place, payment intermediary and Courier Services**

**[Section 165C]**

The specified persons and entities are mandated to file quarterly withholding tax statements in the designated format. The Bill further proposes that online marketplaces must provide a monthly statement containing the name, address, Sales Tax, and Income Tax registration numbers of each vendor registered on their platform who supplies digitally ordered goods and services. This statement should include the transactional and aggregated monthly turnover for each seller, along with the amounts deposited into the vendor’s bank account for these sales. Additionally, the Bill suggests that the provisions of Section 165, excluding Sections 165(1), (1A), and (6), will apply to the newly introduced Section 165C.

#### **Exchange of Banking and Tax information related to High-Risk Persons**

**[Section 175AA]**

These provisions are intended to take precedence over other legislation, including the Banking Companies Ordinance of 1962, and the information obtained will be utilized exclusively for tax-related purposes. According to the information supplied by the FBR to commercial banks concerning turnover and income (which includes taxable income) for one or more tax years, as well as identification data such as bank account numbers declared in income tax returns and other pertinent information, scheduled banks will be obligated to report to the FBR specific details. This includes the names and account numbers of individuals whose banking information does not align with the data algorithms provided by the Board.

#### **Posting of Officer Inland Revenue**

**[Section 175C]**

It is proposed to authorize the FBR or the Chief Commissioner, under suitable conditions and limitations, to designate an officer of Inland Revenue or other officials with any title under their jurisdiction to visit the premises of any person or group of individuals. This is intended to supervise the production and supply of goods, the delivery of services, and to keep track of the inventory of unsold goods at any moment.

### **Taxpayers Information**

### **[Section 181, (1A)]**

The amendment to section 181(1) is proposed by appending the phrase “including a person selling digitally ordered goods or services from within Pakistan using an online marketplace or a courier service, as applicable” after the term “taxpayer”. This change is intended to enforce tax registration for individuals who sell goods and services through digital platforms.

Furthermore, the Bill seeks to add a new sub-section (1A) to Section 181, which requires that online marketplaces and courier services engaged in e-commerce restrict access to their platforms solely to vendors who are registered under the Sales Tax Act of 1990 and the Income Tax Ordinance.

## **PROCEDURE**

### **Offences and penalties**

### **[Section 182]**

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

<b>S. No.</b>	<b>Offences</b>	<b>Penalties</b>	<b>Section Ref.</b>
1A	Where any person fails to furnish a statement as required under section 165, 165A, 165B or 165C within the due date.	Such person shall pay a penalty of Rs.5000 if the person had already paid the tax collected or withheld by him within the due date for payment and the statement is filed within ninety days from the due date for filing the statement and, in all other cases, a penalty of Rs.2500 for each day of default from the due date subject to a minimum penalty of Rs. 10,000	165, 165A, 165B and 165C
3B	Where an online marketplace allows an unregistered vendor, whether resident or non-resident involved in e-commerce business supplying digitally ordered goods or services, who is required to register under Sales Tax Act 1990 and Income Tax Ordinance, 2001, under section 181 before using the platform.	Such online marketplace or a courier service provider shall pay a penalty of five hundred thousand rupees for the first default and one million rupees for every subsequent default.	181(1A)
12B	Where a banking company or payment gateway or a courier service provider, as the case may be, fails to deduct tax at the time of making payment to a seller, or fails to pay the tax deducted as required under section 160, with respect to digitally ordered	Such person shall pay a penalty equal to hundred percent of the amount of tax involved.	153(2A)

	goods or rendering or providing of digitally delivered services using e-commerce platform.		
15	Any person who fails to collect or deduct tax as required under any provision of this Ordinance or fails to pay the tax collected or deducted as required under section 160.	Such person shall pay a penalty of forty thousand rupees or the 10% of the amount of tax which-ever is higher.	Div. II or Div. III, excluding 153 (2A) of Part V of Chapter X or Chapter XII]
15A	Any seller supplying digitally ordered goods and digitally delivered services through online marketplace who is required to registered under Sales Tax Act, 1990 and Income Tax Ordinance, 2001, fails to registered under the aforementioned statutes.	Such seller shall pay a penalty of five hundred thousand rupees for the first default and one million rupees for every subsequent default.	181

### Income Tax Authorities

**[Section 207]**

The Bill seeks to the auditors appointed under Section 222 in the definition of “income tax authorities”.

### ADMINISTRATION

#### Condonation of Time Limit

**[Section 214A]**

The Bill seeks to the propose two new provisions to Section 214A.

The first provision restricts the condonation period to a maximum of two years and includes a broad non-obstante clause that grants it overriding authority.

The second provision allows a committee appointed by the Board to extend the condonation time limit

if there are reasonable grounds to believe that the exchequer has incurred significant losses due to an act of omission or commission by the individual or Commissioner, provided that the concerned individual is given a fair opportunity to present their case.

#### Disclosure of Information by a Public Servant

##### Appointment of Expert

**[Section 216, 222(2)]**

Is proposed to introduces a modification to Section 222 of the ITO, empowering the Board to appoint auditors either through contracts or third-party arrangements, as necessary to achieve the goals of this Ordinance. Further, an amendment to Section 207 is proposed, which would allow the auditor appointed under Section 222(2) to be recognized as an Income Tax authority. A related change is suggested for Section 216, which would enable the auditor appointed by the Board under Section 222(2) to access the information outlined in Section 216(1). This is aimed at assisting any authority mentioned in Section 207(1)(b) to (g), provided that a non-disclosure agreement (NDA) is established with the auditor as required. However, the amendment does not clarify who will be responsible for creating the NDA. Moreover, the Bill proposes changes to Section 216(3)(kd) and (ke) to permit the sharing of data obtained under Section 216 with the Tax Policy Office for data processing and analysis

related to research and policy evaluation, as well as with accredited universities and international donor organizations, on the condition that the taxpayer's information is anonymized before sharing.

It is sought to introduce new sub-section (2) to authorize the Board to appoint auditors, however, the number of auditors shall not exceed 2000.

#### **Service of Notice and other document**

**[Section 218]**

It is sought to amend the word "individual" in Section 218(1)(d) to "person".

#### **Computation of Limitation Period**

**[Section 226]**

It is sought to preclude the time spent before the ADRC from being counted in the period of limitation

### **COLLECTION OR DEDUCTION OF WITHHOLDING TAX**

#### **Advance Tax on Cash Withdrawal**

**[Section 231AB]**

The Bill suggests raising the adjustable advance tax rate from 0.6% to 0.8% on cash withdrawals from bank accounts by individuals not the ATL, provided that the total amount of these cash withdrawals exceed PKR 50,000 in a single day.

#### **Sale or transfer of immovable property**

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

The Bill seeks to increase the rate of tax collection on immoveable properties valuing Rs. 50M and above.

<b>Value of Property/ Consideration Received</b>	<b>Rate of Tax</b>	
	<b>Existing</b>	<b>Proposed</b>
Below Rs. 50M	3%	4.5%
Rs. 50M up to Rs. 100M	3.5%	5%
Above Rs. 100M	4%	5.5%

#### **Purchase of immovable property**

**[Section 236K | Div. XVIII Part IV of First Sch]**

The Bill seeks to increase the rate of tax collection on immoveable properties valuing Rs. 50M and above.

<b>Fair Market Value of Property</b>	<b>Rate of Tax</b>	
	<b>Existing</b>	<b>Proposed</b>
Below Rs. 50M	3%	1.5%
Rs. 50M up to Rs. 100M	3.5%	2%
Above Rs. 100M	4%	2.5%

### **EXEMPTIONS FROM TOTAL INCOME**

**[Second Schedule Part I]**

#### **Exemption proposed to be abolished/ withdrawn**

It is sought 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.

**[Clause (8)]**

It is sought to abolish the exemption on income of any Pension received by a citizen of Pakistan from a former employer, other than where the person continues to work for the employer (or an associate of the employer)

**[Clause (9)]**

It is sought to abolish the exemption on income of any pension received in respect of service rendered by a member of Armed Forces of Pakistan or Federal Government or a Provincial Government and to the families and dependents of the public servants or members of the Armed Forces of Pakistan who die during service.

**[Clause (12)]**

It is sought to abolish the exemption on income of any payment in the nature of commutation of pension received from government or under any pension scheme approved by the Board for the purpose of this clause.

**[Clause (13)]**

It is sought to abolish the exemption on income of any income representing any payment received by way of commutation of pension by an employee on his retirement or, in the event of his death, by his heirs as does not exceeds the specified limits.

**[Clause (23A)]**

It is sought to abolish the exemption on accumulated balance up to 50% received from the voluntary pension system offered by a pension fund manager under the Voluntary Pension System Rules, 2005 at the time of eligible person's retirement, or disability rendering him unable to work; or death by his nominated survivors.

**[Clause (23C)]**

It is sought to abolish the exemption for withdrawal of accumulated balance from approved pension fund that represent the transfer of balance of approved provident fund to the said approved pension fund under the Voluntary Pension System Rules, 2005.

**[Clause (152)]**

Profits and gains derived between the first day of July 2022 and the thirtieth day of June, 2025 both days inclusive, by a venture capital company and venture capital fund registered under relevant Venture Capital Companies and Funds Management Rules issued by Securities and Exchange Commission of Pakistan.

**Exemption proposed for Individual on Income**

**New Exemption**

**[Clause (98AA)]**

Exemption is proposed on income of individuals domiciled or companies and AOPs resident in the Tribal Area, income derived by ICC Business Corporation (IBC) or International Cricket Council (ICC) or employees, officials, agents and representatives of IBC and ICC, officials from ICC members, players, coaches, medical doctors and officials of members countries, IBC partner and media representatives, other than persons who are resident of Pakistan, from ICC champions trophy, 2025 hosted in Pakistan, shall be exempt from tax.

**Amendment in condition of Existing Exemption**

**Amendment**

**[Clause (66)]**

It is sought to include the following Non-Profit Organizations (NPOs) in the newly merged Table, which will also be eligible for exemption provided they meet the conditions outlined in Section 100C.



- Beaconhouse National University
- Federal Ziauddin University
- Army Officers Benevolent Fund / Benevolent Fund / Benevolent Family Scheme
- Punjab Police Welfare Foundation Lahore.

Clause outlines the tax exemption for income generated by various institutions, foundations, societies, boards, trusts, and funds identified in Table-1 and Table-2. Entities in Table-1 receive a direct exemption, while those in Table-2 can only obtain exemption if they meet the conditions set forth in Section 100C. The Finance Bill now suggests merging Table-1 and Table-2, meaning that all entities currently in Table-1 will also need to satisfy the requirements established in Section 100C to qualify for exemption.

#### **[Clause (126E)]**

It is sought to restrict the exemption for the period of ten years from the date the developer certifies that the Zone enterprise has commenced commercial operation or up to the 30th day of June 2035, whichever is earlier. Earlier to proposed Bill, exemption was allowed to income derived by a zone enterprise as defined in the Special Economic Zones Act, 2012 for a period of ten years starting from the date the developer certifies that the zone enterprise has commenced commercial operations.

#### **[Clause (126EA)(b)]**

It is sought to restrict the exemption for the period of ten years from the date issuance of license by the special Technology Zone Authority or up to the 30th day of June 2035, whichever is earlier. Earlier to the proposed Bill, exemption to profits and gains derived by zone Enterprise as defined in the Special Technology Zones Authority Act, 2021 for a period of ten years from the date of issuance of license by the Special Technology Zone Authority.

#### **[Clause (145A)]**

The Bill intends proposes to further extend this exemption for one year up to 30 June 2026. Earlier to this proposed amendment, this clause provides exemption to income as was exempt under the constitution prior to the (Twenty Fifth Amendments) Act, 2018 for individual domiciled or company and association of persons resident in the Tribal Area forming part of the Provinces of Khyber Pakhtunkhwa and Baluchistan, up to 30 June 2023 extended for one year up to 30 June 2024 and then up to 30 June 2025.

#### **[Clause (151)]**

The Bill intends proposes to restrict the exemption that exemption shall be available to a person till 30th June 2030 or five years from commencement of cinema operations whichever is earlier. Earlier to this proposed Bill through this clause exemption from tax to any income derived by a person from cinema operations was available for five years from the commencement of cinema operation.

## **REDUCTION IN TAX RATES**

### **[Second Schedule Part II]**

#### **Reduction proposed to be abolished/ withdrawn**

#### **[Clause (9AC)]**

Based to the quota allocation by the Commerce Division, a tax under section 148 will be levied at a rate of 0.25% on the import of raw sugar by sugar mills from January 26, 2021, to June 30, 2021, inclusive. This is provided that the imports do not surpass fifty thousand metric tons per sugar mill and a total of three hundred thousand metric tons for the entire sugar industry.

#### **[Clause (24CA)]**

It is proposed that the tax rate specified in clause (a) of sub-section (1) of section 153 for individuals, excluding companies, receiving payments for goods provided to the Utility Stores Corporation of Pakistan will be 1.5% of the total payment amount for the supply of tea, spices, salt, dry milk, sugar, pulses, wheat flour, and ghee, applicable from April 7, 2020, to September 30, 2020.

## **REDUCTION IN TAX LIABILITY**

**[Second Schedule Part III]**

### **Restoration of Tax Credit for full time Teacher and Researchers**

**[Clause (3A)]**

It is sought to eliminate ambiguity by reinstating the tax rebate effective from 1 July 2022. However, this rebate will not be applicable for the tax year 2026 and beyond. Currently, according to the FBR, the 25% tax credit for full-time teachers and researchers has been withdrawn. Nevertheless, there has been a consistent opinion among taxpayers and the FTO regarding the potential availability of this tax rebate following the implementation of the Finance Act, 2022

## **EXEMPTION FROM SPECIFIC PROVISIONS**

**[Second Schedule Part IV]**

### **Exemptions proposed to be withdrawn**

**[Clause (12F), (12G) & (12J)]**

The provision of section 148 shall not apply on import of 1.5 million tons of wheat having PCT Heading 1001.1900 and 1001.9900 in pursuance of Cabinet Decision in case No.399/23/2020 dated the 16th June, 2020;

The provisions of section 148 shall, in pursuance of the Cabinet Decision in case No. 541/30/2020 dated the 4th August, 2020, not apply on import by the Trading Corporation of Pakistan of 300,000 metric tons of white sugar having PCT heading 1701.9910,1701.9920, specification B;

The provisions of section 148 shall, in pursuance of the Cabinet Decision in case No. 34/02/2021, dated the 12th January, 2021, not apply on import of three hundred thousand metric tons of wheat through tendering process by the Trading Corporation of Pakistan.

### **Proposed Exemption**

**[Clause (56)(xx)]**

It is sought to exempt withholding tax under section 148 on import of Cystagon, Cysta drops and Trientine capsules.

### **Amendment in Exemption**

**[Clause (105A)]**

It is sought to modify the existing exemption so that the provisions of sections 177 and 214C regarding the selection of individuals for audit will not apply to anyone whose income tax matters have been selected for audit in any of the last three tax years. Currently, an individual cannot be subjected to an audit under sections 177 and 214C of the Income Tax Ordinance 2001 if their income tax affairs have been audited in any of the previous four tax years.

### **Individuals domiciled or companies and AOPs resident in Tribal Areas**

**[Clause (109A and 110)]**

It is sought to extend the exemption for an additional year, until 30 June 2026. Previously, the exemption from withholding taxes under the constitution, prior to the Twenty-Fifth Amendment Act of 2018, was applicable to individuals, companies, and associations of persons residing in the Tribal areas of Khyber Pakhtunkhwa and Baluchistan, and was valid until 30 June 2024, with an extension to 30 June 2025.

## 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 Baluchistan, 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.

## [SEVENTH SCHEDULE]

It has been sought to introduce substantial revisions have been suggested for the Seventh Schedule, mainly impacting the tax implications of leasehold enhancements, right-of-use assets in accordance with IFRS 16, provisions for non-performing loans, and accounting modifications under IFRS 9. The main proposed alterations are outlined below;

### Expenditure on leasehold improvements

Regarding the costs associated with leasehold improvements on rented properties, it is suggested that these expenses be capitalized and amortized at a rate of 10% annually, starting from the date the leasehold improvements are first utilized. However, if the lease is terminated before the amortization period is fully completed, it is proposed that the remaining unamortized amount be deductible after accounting for any proceeds from its sale or transfer. This proposed change appears to be an effort to reverse several appellate decisions that have classified expenditures for leasehold improvements on rented properties as revenue expenses.

### Right-of-use asset

Effective from January 1, 2019 (which corresponds to the tax year 2020), SBP required the adoption of IFRS 16 'Leases'. These standard mandates that every operating lease recognized under IAS 17 'Leases' must be reported as a 'right-of-use asset', with a corresponding liability recorded as 'lease liability'. As a result, under IFRS 16, the right-of-use asset is subject to depreciation, while the expense categorized as finance cost reflects the unwinding of the lease liability.

It is suggested that the 'actual rent expense' should be permitted as a deduction (instead of the depreciation on the right-of-use asset and the associated finance cost) contingent upon the provision of a certificate from the external auditor verifying such rent expense.

It is intended to apply this amendment retroactively, allowing for the taxation or deduction (as applicable) in the tax year 2025 of the total difference between 'actual rent expenses' and the deductions previously claimed for depreciation on the right-of-use asset and the related finance cost for the tax year 2020 and subsequent years, provided that this adjustment is certified by the external auditor of the bank.

The suggested amendments require a reassessment for their retroactive applicability as well as the changes in tax rates that were in effect during the tax years 2020 to 2024, when depreciation and finance costs were deducted based on rates applicable in the tax year 2025, where the difference is now proposed to be taxed. Likewise, in cases where the excess amount is to be claimed by a Banking Company, revising the return may not be feasible due to the already amended assessment orders issued for banking companies.

The proposed amendment would also impact vested rights in situations where depreciation and finance costs have been permitted as deductions by the Officer of Inland Revenue during the amendment process.

### **Claim of provisions against Non-Performing Loans (NPL)**

Currently, banking institutions are permitted to make provisions for non-performing loans (NPL) or bad debts categorized as 'loss' up to 1 percent and 5 percent of total corporate and consumer advances, regardless of the actual provisioning, as long as a certificate from an external auditor is provided.

Starting from the tax year 2025, it is suggested to establish a specific format for this certificate, which will include, among other things, the category-wise amounts of provisions and reversals:

- (1) In compliance with the Prudential Regulations set forth by the SBP;
- (2) Acknowledged under IFRS 9;
- (3) Reported in the annual financial statements of the banking institution; and
- (4) Qualifying for deduction under Rule 1 of the Seventh Schedule. Additionally, it has been proposed that if the prescribed certificate is not filed or contains any deficiencies, the provision for NPL will not be accepted.

There are also certain amendments proposed to strengthen the position taken by tax authorities in specific instances, indicating that provisions for NPLs, other than those classified as 'loss' and general provisions not aligned with the Prudential Regulations issued by the SBP, will not be accepted. The impact of these proposed amendments on ongoing disputes is expected to lead to litigation.

### **Other adjustments**

At present, any modifications, among other things, in accordance with relevant accounting standards do not qualify as a permissible deduction. For the tax year 2025 and beyond, it is suggested that this inadmissibility be limited solely to adjustments made under IFRS 9 and any other accounting standards outlined in Rule 1 of the Seventh Schedule.



## **SECTION 3 SALES TAX & FEDERAL EXCISE DUTY**

### **1. SALES TAX ACT, 1990**

#### **DEFINITION**

##### **Additions of new definitions**

##### **Abettor**

**[Section 2(37)]**

It is sought to insert word abettor that refers to any individual who "abets or connives in tax fraud" (as outlined in section 2(37) of the STA, 1990) or any other chargeable offense, and encompasses the following:

- Unauthorized use of another registered individual's login credentials to submit declarations or make any illicit alterations to an e-profile;
- Creation of invoices intended for fraudulent input-tax claims;
- Enabling fraud by providing or misusing bank accounts, including those unlawfully held in someone else's name; and
- Obtaining sales-tax registration exclusively for fictitious transactions without any actual taxable activity.

##### **Cargo tracking system**

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

It is sought to the introduction of a cargo tracking system aimed at enabling real-time monitoring and tracking of goods in transit to address the problem of tax evasion. The FBR is expected to announce a system that will generate a digital transport document, referred to as 'e-bilty', which will be connected to the tax invoice.

##### **Courier**

**[Section 2(5AC)]**

It is sought to encompass any organization involved in the transportation of goods and the collection of payments for a seller. This includes logistics services, ride-hailing platforms, food delivery services, and e-commerce delivery solutions.

##### **e-Bilty**

**[Section 2(9A)]**

It is sought for the definition of e-Bilty is a digital transport document created via the Cargo Tracking System as mandated by the Board, intended to accompany goods throughout their transit.

##### **E-Commerce**

**[Section 2(9AC)]**

It is sought to the define E-commerce means sale or acquisition of products and services carried out through computer networks, particularly encompassing orders made through digital platforms (such as websites, mobile applications, online marketplaces, etc.).

##### **Payment Intermediary**

**[Section 2(21)]**

It is sought to encompasses banking firms, financial institutions (which include licensed foreign exchange companies), and payment gateways that enable the transfer of funds or payment instructions between parties involved in a financial transaction, without being the final source or recipient of the payment.

##### **Amendment in existing definitions**

##### **Online Market**

**[Section 2(18A)]**



It is sought to expand the definition of "online marketplace" to include online platforms that, for a fee, enable direct interactions between various buyers and sellers for goods and services, irrespective of economic ownership.

### **Retail price**

**[Section 2(27)]**

It is sought to add new provisions in the definition of retail price concerning the Third Schedule of the STA, 1990:

- For aerated water, beverages, mineral water, or fruit juices, any discount related to chilling or similar charges will be limited to a maximum of 5% of the price, which includes sales tax and federal excise duty.
- It is proposed that the Board be granted the authority to establish retail prices for goods listed in the Third Schedule via an official notification.
- For imported goods in the Third Schedule, a minimum retail price is proposed to be established at no less than 130% of their customs assessed value, which encompasses customs duty and FED.

### **Tax fraud**

**[Section 2(37)]**

It is sought to expand the scope of "tax fraud" as suggested to include knowingly, intentionally, or dishonestly performing or neglecting any action that results in, or seeks to result in, a tax loss.

- In addition to the current definition, the following additional instances have been proposed for inclusion in the definition of tax fraud:
- Suppression and non-payment of withholding tax for more than three months past the due date for tax payment.
- Creating false inputs by manipulating the return filing system and entering fraudulent information in sales tax returns or annexures.
- Fictitious compliance with Section 73, which includes rerouting payments back to the registered individual through a supplier's account.

### **Scope of Tax**

#### **Sales tax on online marketplace and e-commerce**

**[Section 3(3)]**

In the case of an online marketplace that facilitates the sale of goods from third-party sellers, the marketplace operator is presently required to withhold a sales tax of 1% on the value of supplies for local transactions made by non-active taxpayers. The Bill suggests that instead of the marketplace operator, certain individuals would take on the responsibility of collecting and remitting sales tax for goods purchased online through a marketplace, website, or software application in Pakistan during e-commerce transactions.

<b>Payment Intermediary</b>	<b>Courier Delivering the Goods</b>
In the event that payment is conducted digitally, a payment intermediary is suggested to be characterized as a banking company, a financial institution, a licensed exchange company, or a payment gateway. This intermediary facilitates the transfer of funds without being the final source or recipient of the payment; and	In situations where products are provided on a 'Cash on Delivery' basis – the Courier responsible for delivering the products is proposed to be defined as an entity that delivers goods and collects cash on behalf of the seller. This definition encompasses logistic services, ride-hailing services, food delivery platforms, and e-commerce delivery services.

The tax collected by the payment intermediary and courier at a rate of 2% on the value of supplies will be regarded as the final tax liability settlement for online marketplaces, vendors operating within these marketplaces, websites, and software applications concerning their supplies, with no entitlement to claim input tax adjustments. This tax structure will also extend to Tier-1 retailers for goods supplied through these platforms. The online marketplace, payment intermediary, and courier must provide a monthly report in the specified format, outlining the amounts paid to suppliers and the taxes due, along with detailed information on taxable supplies.

The term 'e-commerce' will be defined in the Sales Tax Act, encompassing sales or purchases made electronically via websites, software applications, or online marketplaces using devices like computers and mobile phones.

The individuals selling digitally ordered goods from Pakistan through an online marketplace, website, or software application must register for sales tax. Without sales tax and income tax registration, these individuals will be barred from using the services of the online marketplace or courier for e-commerce transactions. The Sales Tax Act is proposed to include regulations that require mandatory registration for individuals who are obligated to register but fail to do so.

The existing regulations were only relevant for non-active vendors, while registered vendors conducting transactions via online marketplaces were still obligated to pay sales tax at the applicable rates on their supplies. In contrast, new provisions appear to apply to all vendors, regardless of their registration status or the type of supplies listed in the Third Schedule, including those subjects to concessional rates or exemptions. The tax that payment intermediaries and courier service providers are expected to collect on these transactions will serve as the final tax for all parties engaged in the transactions.

### **Adjustable Input Tax**

**[Section 3(8B)]**

It is suggested that the FBR be granted the authority to postpone specific input tax or establish higher or lower thresholds for input tax adjustments by utilizing data derived from the risk management system. Nevertheless, the affected individual would retain the right to challenge such actions before the relevant Commissioner, who would be obligated to resolve the issue within 30 days of the application being submitted by that individual.

### **Best judgement assessment in case of distributors, dealers or wholesalers**

**[Section 11D(5)]**

It is suggested through this Bill to empower the tax authorities to issue a best-judgement assessment for individuals who are required to register but do not file their sales tax return after receiving a notice, based on the tax withheld under section 236G of the Income Tax ordinance, 2001. In this process, tax authorities may determine tax liability using any reasonable method, which may include purchase data as outlined in section 236G of the same Act.

### **Assessment of tax**

**[Section 11E(1)]**

It is suggested that Section 11E(1) is set to undergo slight modifications and will still focus on the recovery of tax that has not been levied or has been short levied. Nevertheless, cases that are initiated for criminal prosecution under the suggested section 37A of the Sales Tax Act, 1990 will be excluded from the scope of section 11E.

### **Limitation for assessment**

**[Section 11G(2)]**

The suggested modification in section 11G(2) will prolong the duration for tax authorities to issue assessment orders under sections 11D, 11E, and 11F of the STA, 1990 from 120 days to 180 days

after the issuance of the show cause notice. The authority of the Commissioner to extend this period, provided that reasons are documented in writing, has been preserved.

## **Registration**

**[Section 14(1A), (1B) & (2A)]**

The suggested changes to Section 14 greatly broaden the scope of sales tax registration. New sub-sections (1A) and (1B) will mandate that all individuals, including non-residents, who sell digitally ordered products from within Pakistan through online marketplaces, websites, or software applications must register. Moreover, an online marketplace or courier will only be permitted to offer their services for e-commerce transactions to individuals who are registered for both income and sales tax.

A new sub-section (2A) is proposed to be introduced, granting the Commissioner the authority to compel registration for individuals who are obligated to register for sales tax but have not done so.

## **Coercive measures for unregistered persons**

**[Section 14(AC), (AD) & (AE)]**

It is sought to the addition of new sections 14AC, 14AD, and 14AE, which are outlined as follows:

Section 14AC grants the Commissioner the authority to prohibit bank account activities.

Whereas Section 14AD allows for the restriction of transfers involving immovable property. Individuals who feel wronged will have a period of thirty days to file an appeal with the Chief Commissioner. In both scenarios, the imposed restrictions will be promptly removed upon registration, and

The suggested section 14AE grants the Chief Commissioner enhanced coercive powers, which encompass sealing business locations, confiscating movable assets, and designating a receiver to oversee taxable operations.

### **Subject to strictly safeguards**

Public announcement indicating the date from which the premises will be sealed, or movable property will be attached, or a receiver will be appointed, depending on the situation;	An opportunity to present one's case before the Committee, which includes the Chief Commissioner, the relevant Commissioner, and a representative from the Chamber of Commerce or Trade Body; and	Public disclosure of the decision.
--	---	------------------------------------

Upon registration, any designated receiver must be eliminated within 2 days. Additionally, affected individuals have 30 days to submit a representation to the Board.

The provisions of sections 14AC, 14AD and 14AE shall come into force upon notification by the Board in the official Gazette.

## **De-Registration, Backlisting and Suspension of Registration**

**[Section 21(2A)]**

The suggested changes to section 21 introduce a new sub-section (2A), which establishes a timeline for the Commissioner to handle suspension and blacklisting cases. A show cause notice is to be issued within 15 days of provisional suspension. Following this, the Commissioner has the option to either revoke the suspension or issue an appealable speaking order for blacklisting the registered individual. This must be done within 30 days of receiving a response to the show cause notice.:

## **Tax invoices**

**[Section 23(1)(g), (5), (6)9]**

The suggested new sub clause mandates the connection of tax invoices for goods that are transported or supplied with e-billies created under section 40C and section 83C of the Act, 1969.

The regulations pertaining to the integration of e-invoicing with the Board's computerized systems are set to be merged into new sub-sections (5) and (6) of Section 23, while similar existing provisions will be removed from sections 3(9A), 40C(4), and 40C(5) of the STA, 1990.

## **Return**

**[Section 26(1), (3)]**

The suggested new sub clause mandates the connection of tax invoices for goods that are transported or supplied with e-billies created under section 40C and section 83C of the Act, 1969.

<b>26(1)</b>	<b>26(3)</b>
The conditions outlined in section 26(1) establish a monthly reporting requirement for online marketplaces, payment intermediaries, and couriers. They must now provide detailed, supplier-specific statements that include the amounts paid and the taxes owed on taxable supplies of digitally ordered goods sourced from within Pakistan, regardless of who holds economic ownership.	The suggested removal of the proviso in section 26(3) will alter the procedure for revising sales tax returns. In the past, registered individuals were able to amend their returns within a sixty-day period without needing the Commissioner's consent, as long as the amendment led to an increased tax liability or a reduced refund request. As a result, the Commissioner's authorization will now be necessary for all return revisions

## **Appointment of Authorities**

**[Section 30(1)(j)]**

It is suggested to amend sub-clause (j) of section 30(1) to clarify that the Board can appoint officers of any title, including those from Directorates General, as authorities under this section. Furthermore, it is suggested to include a clarification that officers from Directorates General have consistently been acknowledged as authorities under section 30(1).

## **Appointment of Experts and Auditors**

**[Section 32B]**

It has been suggested the addition of a new Section 32B, which grants the Board or the Commissioner the authority to appoint specialists for purposes such as auditing, investigation, litigation, and providing valuation support. Furthermore, the Board is permitted to enlist as many as 2,000 auditors, either through direct hiring or via third-party services, to aid the tax authorities.

## **Offences, Penalties and Punishment**

**[Section 33]**

The suggested modifications to Section 33 bring about alterations to the sales tax penalty framework, clearly including "Punishment" in addition to "Penalties".

The proposed changes to the penalties to be imposed are as follows:

<b>Offence Description</b>	<b>Existing penalty</b>	<b>Proposed penalty</b>
Online marketplace, payment intermediary or courier fails to file the prescribed monthly statement by the due date	Not applicable (new entry)	PKR 500,000 for the first default; PKR 1,000,000 for every subsequent default

Online marketplace or courier allow use of its services for e-commerce supplies by unregistered persons	Not applicable (new entry)	PKR 500,000 for the first default; PKR 1,000,000 for every subsequent default
Failure to generate an e-Bilty or tampering with, misusing, or forging the document in breach of section 40C(6)	Not applicable (new entry)	PKR 50,000 and recovery of any tax evaded through the contravention
Abetting or conniving in tax fraud, or in any other offence that is subject to prosecution under the Act	Not applicable (new entry)	On conviction by a Special Judge: imprisonment up to ten years or a fine up to PKR 10 million, or both
Committing, attempting, or causing tax fraud as defined in proposed amended section 2(37)	Same penalty as above	On conviction by a Special Judge: imprisonment up to ten years or a fine up to PKR 10 million, or both, plus (i) repayment of the tax loss confirmed by the court, (ii) an additional penalty equal to one hundred per cent of that loss, and (iii) default surcharge under section 34
Gaining unauthorized access to, or tampering with, the FBR computerized system; misuse of user identifiers; or other IT-related breaches.	PKR 25,000 or one hundred per cent of the tax involved (whichever is higher). In addition, on conviction: imprisonment up to one year or a fine up to the amount of tax evaded, or both.	Omitted
Submitting forged or false documents, destroying or altering sales-tax records (including invoices), or making false statements, declarations or representations	PKR 25,000 or one hundred per cent of the tax evaded (whichever is higher). In addition, on conviction: imprisonment up to five years where the tax evaded is below PKR 1 billion, or up to ten years and a fine up to the amount of tax evaded where the tax evaded is PKR 1 billion or more	Omitted

### **Power to Summon Persons to give Evidence and Produce Documents in Inquiries under the ACT**

**[Section 37(4)]**

The Bill suggested that a representative of the Inland Revenue will possess the authority of a civil court adjudicating a case according to the Code of Civil Procedure, 1908 regarding:

Summoning and enforcing the attendance of any person and examining him on oath; and

Requiring the discovery and production of documents and receiving evidence on affidavits.

## Power to Inquire and Investigate Offences

### Warranting Prosecution under this ACT

[Section 37A, AA, B, BB]

The current provisions outlined in Section 37A and 37B detail the procedures and mechanisms for inquiry, arrest, and prosecution as per the Code of Criminal Procedure, 1898 ('CrPC'), as well as the compounding of offences, culminating in a trial by a Special Judge under Section 37D of the Act. The Finance Bill 2025 aims to implement substantial amendments to sections 37A and 37B, in addition to introducing sections 37AA and 37BB as follows:

- (a) The regulations outlined in Section 37A are set to undergo a thorough overhaul to establish a two-step process concerning inquiry and investigation, detailed as follows:

A formal inquiry process may be commenced by an officer of at least the rank of Assistant Commissioner, following the prior approval of the Commissioner, based on substantial evidence indicating the occurrence of tax fraud or an offense that justifies prosecution under the Act. This inquiry can be initiated regardless of any assessment proceedings under Section 11E of the Act; however, it must be concluded only after the accused person has been given an opportunity to be heard.

If the accused individual fails to comply or provide an adequate explanation, the inquiry officer is required to present his inquiry report to the Commissioner to seek approval for commencing investigation proceedings. In this context, he will have authority akin to that granted to Police officials under the CrPC.

- (b) The new Section 37AA is suggested to be implemented, granting extensive authority to the Inland Revenue officials concerning arrest and prosecution, contingent upon the prior consent of the Commissioner:

During the investigation, Inland Revenue officials can detain suspects believed to be involved in tax fraud or related crimes. In urgent cases, arrests may occur without the Commissioner's approval, provided they are reported immediately. The Commissioner can order the release of unjustly arrested individuals, and such cases must be reported to the Chief Commissioner for investigation

It has now been clearly stated that Chief Executive Officers and Chief Financial Officers of companies engaged in tax fraud may also face arrest, without relieving the company of its tax obligations.

- (c) The regulations outlined in section 37B of the Act concerning the procedure for arresting an individual are intended to be synchronized with those in sections 37A and 37AA. The significant implication of this alignment is that any arrests will occur during the investigation phase, in contrast to the current provisions that allow for arrests during the inquiry phase. Key provisions include:

24-hour Production	Remand	Investigation-Centric Reporting	Formalized Final Report
Maintains the obligation to present an arrested individual before a	It is clarified that it is permissible to remand individuals	After conducting an investigation, officers may grant a	After the investigation is concluded, a



Special Judge or Judicial Magistrate within 24 hours, not counting the time required for travel from the location of arrest to the special judge or judicial magistrate.	to the custody of the Inland Revenue for investigation purposes, with a total limit of 14 days.	bond release if the evidence is deemed insufficient, subsequently reporting to the Special Judge for discharge and to the Commissioner.	comprehensive report detailing the total tax loss incurred must be presented to the Special Judge via the Commissioner, similar to the reports submitted by police stations.
--	---	---	--

(d) Nevertheless, there are no proposed changes to the provisions in section 37D that govern prosecution by the Special Judge.

(e) The regulations concerning the compounding of offences are suggested to be established by adding a new Section 37BB, and the following important modifications are proposed within it:

Previously, the accused could resolve the offense by paying the evaded tax, penalty, and surcharge. Now, the principal tax amount will be based on the inquiry's findings.	Compounding is unavailable to those involved in tax fraud or any prosecutable crime; prosecution will proceed regardless of the primary accused's use of compounding.	If the accused individual is found guilty and an appeal is currently before the High Court under Section 37I, compounding will not be permitted without the permission of the High Court.sss9+
--	---	--

### **Obligation to Produce Documents and Provide Information**

**[Section 38B(5)]**

The regulations outlined in section 38B grant authority to an Officer of at least the rank of Assistant Commissioner to request records or documents from any individual obligated to keep records as mandated by the Act. The Bill seeks addition of sub-section (5) to Section 38B, whereby, the Commissioner shall be authorized to obtain subscriber information from internet service providers, telecommunications companies, and the Pakistan Telecommunication Authority for the purpose of conducting tax fraud investigations.

### **Monitoring or Tracking by Electric or other Mean**

**[Section 40C(2), (4)]**

The proposed amendments to section 40C(2) now encompass "production monitoring, video analytics" in addition to the current tracking methods. Moreover, sub-section (4) is revised to explicitly integrate the provisions of section 83C of the Act, 1969, thus aligning and broadening its electronic tracking and monitoring systems (including e-Bilties and cargo tracking) to the Act, 1990.

### **Pecuniary jurisdiction in Appeals, Appeals, Appeals to Appellant Tribunal**

**[Section 43A, 45B(1), 46(1)]**

The Bill seeks elimination of section 43A to remove the monetary limit that previously defined appellate jurisdiction. Currently, appeals involving amounts up to PKR 10 million are handled by the Commissioner (Appeals), while those exceeding this threshold must be submitted to the Appellate Tribunal. With the suggested removal of this section, appellate jurisdiction will no longer be contingent on the assessed or refunded tax amount.

Through this is newly introduced Section 45B(1) a dual appellate system. It allows any individual, except for State-Owned Enterprises, to appeal to the Commissioner Inland Revenue (Appeals). Additionally, a significant provision allows registered individuals to skip the Commissioner (Appeals) and appeal directly to the Appellate Tribunal Inland Revenue.

Section 46(1) is proposed to be amended to incorporate these changes, clearly stating that appeals to the Appellate Tribunal can now stem from orders issued by the Commissioner (Appeals) or, for non-SOE individuals, directly from orders made by Inland Revenue officers when utilizing the direct appeal option under the new 45B provision. Specific guidelines are also provided for SOEs to file appeals under certain conditions.

### Reference to the High Court

[Section 47(1)]

The Bill suggested the modification to Section 47(1) to extend the deadline for submitting references to the High Court from 30 days to 60 days following the order of the Appellate Tribunal. It has been sought to eliminate the possibility of submitting a direct reference from the Commissioner (Appeals) to the High Court, aligning with the removal of the provisions regarding pecuniary jurisdiction. As a result, only the decisions made by the Appellate Tribunal can be referred to the High Court, and this is limited to questions of law.

### Disclosure of Information by a Public Servant

[Section 56B(1)]

The Bill suggested the modification to Section 56B(1) broadens the confidentiality requirement to encompass experts or auditors designated under Section 32B.

### Inspection of Audit Firm

[Section 58C]

The Bill suggested addition of section 58C that grants the Chief Commissioner of Inland Revenue, with the approval of the Board, the authority to refer audit firms to the Audit Oversight Board if there is cause to suspect that the certified accounts of registered individuals do not accurately represent actual sales, purchases, and associated sales tax obligations.

### Inspection of Audit Firm

[Section 73(4)]

The Bill suggested modification to Section 73(4) substitutes the current fixed monetary limits for sales to unregistered individuals, which are set at PKR 100 million per year or PKR 10 million for each tax period, with new thresholds to be determined by the Board, pending the approval of the Federal Minister in Charge.

### Condonation of Time-Limit

[Section 74]

The Bill suggested changes to Section 74, which relate to time limits, present two important conditions, detailed as follows:

Condition 1	Condition 2
To begin with, a new stipulation establishes a strict maximum total extension period of two years that may be granted by the Board or the Commissioner, regardless of other legal provisions or court rulings.	Additionally, another stipulation introduces an exception: if there are grounds to suspect that a registered individual or a tax authority has caused a significant loss to the exchequer, a committee notified by the Board may extend the limitation period as appropriate, after offering a reasonable opportunity for the concerned registered individual to be heard. <sup>9</sup>

### [THE THIRD SCHEDULE]

The Bill proposes to insert following new item:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
-----	-------------	---

52.	Import of pet food including of dogs and cats sold in retail packing	2309.1000
53.	Import of coffee sold in retail packing	0901.1100, 0901.1200, 0901.2100, 0901.2200, 0901.9000, 2101.1120
54.	Import of chocolates sold in retail packing	1704.9010, 1806.2090, 1806.3100, 1806.3200, 1806.9000
55.	Import of cereal bars sold in retail packing	1904.1010, 1904.1090, 1904.2000, 1904.3000, 1904.9000.”;

**Table -1 (Import or Supplies)**

**[THE SIXTH SCHEDULE]**

It is sought to proposes following amendments in Table-I of the Sixth Schedule as following;

- Exemption related to supply of electricity to all residential, commercial consumers and specified industries of tribal areas seeks to be extended for further one year i.e., till **30th June 2026**. | Sr. 152 in Colum (2)
- Exemption related to import of cystagon, cysta drops and trientine capsules is proposed to be extended by elimination of the phrase “**for personal use only**”. | Sr. 179 in Colum (2).

It is sought to introduce exemption on following item:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
(1)	(2)	(3)
181.	Import or lease of aircrafts by Pakistan International Airlines Corporation Limited (PIACL).	8802.1200 8802.3000 8802.4000

It is sought to proposes to with draw exemption on following item:

Sr.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969
(1)	(2)	(3)
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 2025, 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):	Respective Headings

	<p>Provided that, in case of imports, the same shall be allowed clearance by the Customs authorities on presentation of a pay order for the amount of sales tax payable under the Sales Tax Act, 1990, and the same shall be returned to the importer after presentation, within six months 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:</p> <p>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</p>	
164.	Photovoltaic cells whether or not assembled in modules or made up into panels	8541.4200 and 8541,4300

**Table 2- (Local Supplies)**

**[THE SIXTH SCHEDULE]**

Entry No.	Description	
(1)	(2)	(2)
	Existing	Proposed
77.	Iron and steel scrap excluding supplied by manufacturer cum exporter of recycled copper, authorized under Export Facilitation Scheme, 2021.	<p>Iron and steel scrap excluding: –</p> <p>a) supplied by manufacturer cum-exporter of recycled copper, authorized under Export Facilitation Scheme, 2021 directly supplied to a registered steel melter subject to such apportionment, conditions and restrictions as may be specified by the Board through a Sales Tax General Order; and</p> <p>b) supplied directly by the importer (verifiable from the goods declaration form) to a registered steel melter subject to such apportionment, conditions and restrictions as may be specified by the Board through a Sales Tax General Order</p>

**Table 1- (Local Supplies)**

**[THE EIGHT SCHEDULE]**

It is sought to withdraw application of reduced rate of sales tax by omitting entries on Sr. no. 53 (Imported Cinema Photographic equipment) and Sr. no. 72 (Motor Cars).

Further; It is sought to insert following for application of reduced rate of sales tax:

Sr. No.	Description	Proposed Reduce Rate
---------	-------------	----------------------

89.	<p>i) imports of plant, machinery, and equipment for installation in the tribal areas, and import of industrial inputs by industries located in the tribal areas, as defined in the Constitution of the Islamic Republic of Pakistan; and</p> <p>(ii) and supplies within the tribal areas</p> <p>Provided that, in case of imports, the same shall be allowed clearance by the Customs authorities in accordance with quota determined by IOCO.</p> <p>Provided further that if plant, machinery and equipment, on which reduced rate is availed under this serial number, is transferred or supplied outside the tribal areas, the differential amount of tax shall be paid at applicable rate.</p>	<p>10% (for 2025- 26)</p> <p>12% (for 2026- 27)</p> <p>14% (for 2027- 28)</p> <p>16% (for 2028- 29)</p>
-----	---	---

**Table 1**

**[THE ELEVENTH SCHEDULE]**

It is sought to substitute following below entry.

Sr. No.	Withholding Agent	Supplier Category	Rate on extent of deduction
(1)	(2)	(3)	(4)
8.	Payment intermediaries and couriers in respect of digitally ordered goods from within Pakistan.	Persons supplying digitally ordered goods from within Pakistan through online market place, website, software applications	2% of gross value of supplies.”.

## **2. FEDERAL EXCISE ACT, 2005**

### **Definitions**

#### **Power to Seize**

**[Section 26 (1)]**

It has been sought to expand the restriction as defined for illegal manufacturing or produce by adding “such goods without affixing or affixing counterfeit tax stamps, bar codes, banderoles, stickers, labels or bar codes, as required;”.

#### **Confiscation of Goods Subject to Federal Excise Duty**

**[Section 27(a)(1), (b)(4)]**

It has been sought to add after the word “counterfeiting”, the expression “or dutiable goods without affixing or affixing counterfeited tax stamps, banderoles, stickers, labels or barcodes, as required under section 45A for monitoring or tracking by electronic or other means” to expand the scope.

Further, it is sought to enhance the power and functionality through this new section, without detracting from the previous provisions of this section, the Board, in instances involving goods that are monitored under section 45A of this Act and counterfeit goods, may empower any officer or employee of the Federal or Provincial Government to execute the powers and fulfill the responsibilities of the Officer of Inland Revenue as outlined in section 26 and sub-section (1) of section 27. This authorization will be communicated through a notification in the official Gazette, subject to any conditions that the Board may consider appropriate to impose.

#### **Appeals**

**[Section 34(1), 34A(1)]**

It is now suggested that an order issued by an officer of Inland Revenue will be subject to appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)], regardless of the tax revenue amount involved; thereby returning to the situation that existed before the implementation of monetary limits.

However, under the proposed amendment, the registered individual will have the choice to submit an appeal directly to the ATIR, waiving their right to appeal before the CIR(A).

Provided that where sub-section (11) of section 134A of Income Tax Ordinance, 2001 (XLIX of 2001) shall apply, an SOE may prefer an appeal under this sub-section

It is sought to extend the deadline for filing references to 60 days which is currently 30 days and to limit such filings against the order of the ATIR to matters solely concerning questions of law. This change is intended to align the provision with the reintroduction of a two-tier appeal system under the Ordinance.

Same changings have been proposed for harmonizing proposed change in Income tax ordinance and Sales tax ACT.

#### **Table-III (Excise able Items other than those Mentioned under Table-I and Table-II)**

**[THE FIRST SCHEDULE]**

It is sought to omit entries on Sr. no.1 (Allotment and Transfer of commercial property).

It is sought to revoke the FED that was established by the Finance Act 2024 concerning the allocation or transfer of commercial properties, as well as the initial allocation or transfer of open plots or residential properties by any developer or builder, in a manner and under conditions and restrictions that may be set forth by the Board.



## SECTION 4 CUSTOMS DUTY

### 1. DEFINITION

#### **Cargo Tracking System**

**[Section 2(eb)]**

It is suggested that a digital system be established, as notified by the Board, for the electronic monitoring and tracking of goods related to import, export, transit, and transshipment that are transported within or across the territory of Pakistan. This system aims to enhance enforcement, ensure compliance, and prevent smuggling.

#### **e-Bilty**

**[Section 2(kkaa)]**

The Bill suggests defining e-Bilty as the digital document produced by the cargo tracking system, which should accompany the transport of goods related to import, export, transit, and transshipment within or across the territory of Pakistan, following the format established by the Board's regulations.

#### **Directorate General of Intelligence and Risk Management, Customs, Custom Auction, Communication and Public Relations, Customs**

**[Section 3A(1),(2),3B,3BBB]**

It is sought to expand the composition of a Director Generals as titled along with several Directors, Additional Directors, Deputy Directors, Assistant Directors, and any other officers that the Board may appoint through a notification in the official Gazette.

It is sought to enhance the power of the mentioned titled directorate by further granting power to enact under the Anti-Money Laundering Act, 2010 (VII of 2010) and any rules or regulations established under it, which were previously assigned to the now-defunct Directorate General of Intelligence and Investigation, Customs.

#### **Directorate General of Post Clearance Audit (PCA)**

**[Section 3DD]**

It is sought to expand the function by adding scope of Internal Audit (AI) by addition in name of directorate. the expression "Directorate General of Post Clearance Audit and Internal Audit (PCA & IA)".

#### **Hiring of technology specialists, auditors, accountants and goods evaluators on short term contract**

**[Section 3F]**

It is sought to broaden the scope of Board that shall have the authority to engage technology specialists, auditors, accountants, and goods evaluators through short-term contracts that shall not exceed two years, under terms and conditions set by the Board. The re-employment of individuals hired under sub-section (1) will depend on their satisfactory performance against key performance benchmarks:

Provided that the Board may, through a notification in the official Gazette, establish key performance benchmarks via an assessment committee made up of customs officers and pertinent private sector professionals.

#### **General power to exempt from customs duties**

**[Section 19(5)]**

The Bill suggests extending the Federal Government's general authority to exempt customs duties until 30 June 2026 by amending the second proviso of sub-section (5) of section 19.

#### **Minimal Duties not to be Demanded**

**[Section 19C]**

The Bill suggests lowering the de minimis threshold for duty demands on goods with an import value of Rs 5,000 to Rs 500, when imported via post or courier.

### **Allowing Mutilation or Scrapping of Goods**

**[Section 27A]**

The Bill seeks to avoid potential abuse of this provision, the Bill proposes that scrapping and mutilation will be restricted to no more than 10% of the imported goods.

### **False Statement, Error, etc.**

**[Section 32]**

The Bill proposes to raise the threshold from Rs 20,000 to Rs 100,000, contingent upon the recoverable amount being deposited by the individual. The customs authorities have the authority to act when an audit or examination of an importer or exporter's accounts reveals that certain taxes or duties have either not been imposed, have been under-imposed, or have been incorrectly refunded.

### **Declaration and Assessment for Home Consumption or Warehousing or Transshipment**

**[Section 79]**

The Bill proposes that all duties, taxes, and additional charges must be settled once the assessment for Goods Declarations (GDs) is finalized, specifically for those submitted prior to the arrival of the vessel at the port. This means that importers and exporters will need to ensure that their financial obligations are met as soon as their GDs are assessed, rather than waiting until after the vessel has docked. This change aims to streamline the payment process and enhance compliance with customs regulations.

### **Checking of Goods Declaration by Customs**

**[Section 80]**

The Bill seeks to empower the Board to create Centralized Assessment Units and Centralized Examination Units for the assessment of import, export, and transit shipments at any customs port, customs station, or airport. The Board is authorized to determine the procedures or criteria for the evaluation or inspection of goods through the Centralized Assessment Unit and Centralized Examination Unit.

### **Procedure in case of goods not cleared or warehoused or Transshipped or exported or removed from the port after Unloading or filing of declaration**

**[Section 82]**

The Bill has suggested specific modifications to the procedure regarding subject goods to improve clarity, set a more stringent timeline for compliance, and introduce additional penalties to promote adherence to the revised procedures. The main changes are outlined below:

<b>Proposed Key Changings</b>		
The individual or entity that owns the goods will be responsible for any penalties that the Federal Government may impose in instances of failing to adhere to the designated deadlines for submitting goods declarations or for the removal of goods.	substituting the existing duration of fifteen days (which can be extended by up to 5 days) for clearance or removal, with more precise timelines as detailed below:	The items will be confiscated if the declaration for home consumption, warehousing, or transshipment is not filed within thirty days of arrival, if the goods are not loaded onto the transport for export, or if they are not taken out of the port area within thirty days after the goods declaration assessment.
	(1) Goods declaration to be filed for home-consumption or warehousing or transshipment	

	within ten days of the arrival of goods at a customs station;	
	(2) Goods must be collected from the customs station within three days of assessment (or clearance) after the declaration is submitted, regardless of whether it is before or after the vessel's berthing, and after paying applicable duties and taxes.	
	(3) The items are to be loaded onto the transport for export within fifteen days of their arrival at the port.	

### **Clearance for Home Consumption**

**[Section 83]**

The Bill has proposed that, in the event of customs clearance via the Customs Computerized System, such clearance should explicitly be contingent upon the payment of duties, taxes, and any associated charges.

### **Cargo Tracking System and e-Bilty Mechanism**

**[Section 83C]**

The Bill has proposed that any individual acting as a consignor, transporter, shipping agent, freight forwarder, consignee, supplier, or recipient of goods, who facilitates the movement of goods to and from a seaport, land border station, inland dry-port, or through inland transport, must electronically generate, carry, display, or validate an e-Bilty via the Cargo Tracking System (CTS). To establish this mechanism, identify it, and for the purpose of digital record keeping, the FBR may later outline the necessary procedures and may impose a fee for maintenance and operations.

It is recommended for penal measures to specified violations of this mechanism, which include fines ranging from Rs 50,000 to Rs 1,000,000, as well as the confiscation of goods and conveyances. Furthermore, upon conviction by a special judge, individuals may face imprisonment for up to six months for repeated failures to comply with the CTS.

Certain exemptions are proposed for generating an e-Bilty, particularly in cases where the value of the goods or the travel distance falls below the established limit, and when the goods being transported are specifically excluded from this requirement.

### **Offences and Penalties**

**[Section 156]**

The Bill seeks to make amendment as below.

<b>S. No.</b>	<b>Existing Offences (1)</b>	<b>Proposed Offences (1)</b>
64.	If any person contravenes any rule or condition relating to section 128 or section 129, or makes an untrue declaration relating to transit goods or	If any person contravenes any rule or condition relating to section 127 or 128 or section 129 or section 129A, or makes an untrue declaration relating to transit goods

illegally removes or conceals any transit goods,	or illegally removes or conceals any transit goods,
<b>Existing Section (3)</b>	<b>Proposed Section (3)</b>
128 & 129	127 or 128 or section 129 or section 129A,

The Bill has proposed to add new penalty in section 105 as below;

<b>Sr. No.</b>	<b>Offences</b>	<b>Penalties</b>	<b>Section of this Act to which Offence is reference</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>
(ix)	If any person who– (i) fails to generate, carry, display or validate an e-Bilty and any tracking devices ancillary thereto for inland movement of goods; or (ii) intentionally avoids to generate, carry, display or validate an e-Bilty and any tracking devices ancillary thereto; or (iii) tampers with the e-Bilty or any tracking devices ancillary thereto or affixes tracking device issued for one conveyance on another.	Such person shall be liable to a penalty of fifty thousand rupees for the first contravention and rupees five hundred thousand for the second contravention; and thereafter he shall be liable to a penalty of rupees one million and confiscation of the goods and conveyance and upon conviction by a Special Judge liable to imprisonment not exceeding six months.;	83C

#### **Extent of Confiscation**

**[Section 157]**

The Bill has suggested to remove the proviso of sub-section (2) in section 157, which permits the release of vehicles subject to confiscation upon the provision of a bank guarantee.

#### **Things Seized How Dealt With**

**[Section 169]**

The Bill has suggested that stay in auction proceedings will not be permitted unless the individual requesting the stay order provides a pay order or bank guarantee amounting to at least 50% of the goods' reserve price to the nazir of the Court.

#### **Power of Adjudication**

**[Section 179]**

The Bill has suggested that time period for adjudication to be enhance from 30 days to 45 days where goods are lying at sea-port, airport or dry port.

#### **Burden of Proof as to Lawful Authority etc.**

**[Section 187]**

The Bill aims to include additional documents such as a goods declaration and a sales tax invoice (in the individual's name) to clarify the burden of proof regarding the examination of import documents prior to adjudication by authorities.

According to the current legislation, when an individual is accused of violating the Customs Act, it is their responsibility to demonstrate that they acted with lawful authority or possessed a permit, license, or any other required documentation.

#### **Burden of Proof as to Lawful Authority etc.**

**[Section 187]**

The Bill aims to include additional documents such as a goods declaration and a sales tax invoice (in the individual's name) to clarify the burden of proof regarding the examination of import documents prior to adjudication by authorities.

#### **Presumption as to Legal Character of Vehicle**

**[Section 187A]**

The Bill seeks to add new provision that suggested any vehicle that is detained or seized and is found, upon forensic analysis, to have a tampered or altered chassis will be presumed to be smuggled, regardless of its registration with any Motor Registration Authority, and will be subject to confiscation. This applies to vehicles with tampered chassis numbers, cut and welded chassis, chassis numbers filled with welding material, re-stamped chassis, or altered bodies. Such vehicles will be subject to confiscation

#### **Appeal to Collector (Appeals)**

**[Section 193]**

The Bill seeks to propose that any individual dissatisfied with a decision or order made under the specified sections of the Act by a Customs officer below the rank of Additional Collector may file an appeal to the Collector (Appeals) within 30 days of receiving notification of that decision.

To reduce the misuse of illegal claims of ownership regarding seized goods presented to the Collector (Appeals). It is suggested that no appeal will be accepted if the aggrieved individual failed to appear before the adjudicating authority despite having ample opportunity to do so.

#### **Appeal to The Appellate Tribunal**

**[Section 194A]**

It is suggested through Bill that current period for filing Appeals to the Appellant Tribunal to be extended from 30 days to 45 days, starting from the date the decision or order being appealed is communicated. Any stay against the recovery of duties and taxes by the Tribunal will require the aggrieved party to provide a pay order or bank guarantee amounting to at least 50% of the recoverable sum to the registrar of the Tribunal. An appeal cannot be filed if the aggrieved individual failed to appear before the adjudicating authority despite having ample opportunity for a hearing.

#### **Powers of Board or Chief Collector or Collector to pass certain orders**

**[Section 195]**

The Finance Bill aims to grant authority to the Director Generals and Directors to revisit cases within their jurisdictions by requesting and reviewing the records of any proceedings conducted under the Act. Whereas, such powers were assigned to the Board, the Chief Collector, and the Collector of Customs. Additionally, it has been suggested to specify that these powers also apply to adjudication proceedings under the Act.

#### **Reference to the High Court**

**[Section 196]**

The Bill seeks to propose that reference against the Tribunal's order can be submitted to the High Court within 30 days of the Tribunal's decision. The Finance Bill aims to adjust this timeframe to start from the date the order is received, instead of the date the order is issued.

Similar to the appeal process before the Tribunal, it is suggested that any stay on the recovery of duties and taxes by the High Court will require the aggrieved party to provide a pay order or bank guarantee amounting to at least 50% of the recoverable sum to the Nazir of the Court.

---

**Procedure for Sale of Goods and Application of Sale Proceeds.**

**[Section 201]**

The Bill has suggested that stay in auction proceedings will not be permitted unless the individual requesting the stay order provides a pay order or bank guarantee amounting to at least 50% of the goods' reserve price to the nazir of the Court.

**Establishment of Customs Command Fund (CCF)**

**[Section 225]**

The Bill seeks the creation of a Customs Command Fund for anti-smuggling, which will receive funding from the Federal Government derived from the auction proceeds of confiscated smuggled goods. The distribution of these funds will be announced by the Board in agreement with the Finance Division.

**Digital Enforcement Station(s)**

**[Section 226]**

The Bill seeks to ensure combat against smuggling and illegal trade, the Bill suggests granting the Board the authority to designate certain locations as Digital Enforcement Stations, as determined suitable, via a notification in the official Gazette. The Board is also permitted to designate any current customs check-post as a Digital Enforcement Station, in addition it has the ability to establish regulations concerning staffing, operational procedures, and technological support.



## **SECTION 5     ICT (TAX ON SERVICES) ORDINANCE, 2001**

### **Integration with Board Computerized System**

**[Section 3(1), ((2A) (d)(4)]**

The Bill suggests the incorporation new proviso of the operations of any service providers enumerated in Table-1 and Table-2 of the Schedule into the Board's computerized system for the real-time reporting of services, effective from a date and in a manner as may be specified by the general order to be issued by the Board.

The Bill suggests the Insertion of serial nos. 147 and 163 of table-1 of the sixth schedule to the act, 1990 exempt services acquired by the German Development Agency (Deutsche Gesellschaft für Internationale Zusammenarbeit) GIZ, various agencies of the United Nations, Diplomats, Diplomatic missions, privileged persons, and privileged organizations which are covered under various Acts, Orders, rules, regulations made thereunder, and agreements by the Federal Government. This change is proposed to align the sales tax exemption available to these organizations under the Act, 1990.

The Bill suggests to authorize the Board to announce a Negative List of services that are exempt from taxation as outlined in Table-3 of the Schedule to the ICT Ordinance, 2001, whenever it is considered necessary, and this will be subject to specific conditions, restrictions, and limitations through the issuance of a notification in the Official Gazette.

## SECTION 6 The Petroleum Products (Petroleum Levy) Ordinance, 1961

### INTRODUCTION OF CARBON LEVY

[Section 3(4)]

The Bill seeks the introduction of a 'Carbon Levy' on fossil fuels. The Carbon Levy is suggested to be set at Rs. 2.5 per liter for Motor Spirit and High-Speed Diesel for the financial year 2025-26, which will subsequently increase to Rs. 5 per liter for the financial year 2026-27.

Additionally, a Carbon Levy on Furnace Oil is also suggested at a rate of Rs. 2.5 per liter (Rs. 2,665/MT) for the financial year 2025-26, which will similarly rise to Rs. 5 per liter for the financial year 2026-27. It is important to note that this levy is supplementary to the Petroleum Levy.

### [THE FIRST SCHEDULE]

The Bill seeks to add new entry related to the list of petroleum products.

Sr. No.	Column (2)	Column (3)
26.	Furnace Oil	Bunker "C"

### [THE FIFTH SCHEDULE]

Additionally, it is proposed that the Fifth Schedule, which sets the maximum rates for the Petroleum Levy, be eliminated. This effectively removes the upper limit on the levy, granting the Government the authority to impose the levy at any rate without a legally prescribed maximum limit.

## SECTION 7 Digital Presence Proceeds Tax

### Introduction

The Bill seeks to create framework for the digital economy by proposing the "Digital Presence Proceeds Tax Act, 2025" [DPPT].

The rapid digitization of Pakistan's economy has enabled multinational digital firms to earn substantial income in areas where they have little to no physical presence. However, the outdated global tax framework established in the early 1900s fails to sufficiently address the value created by digital engagements, user information, and intangible resources. This disconnection has led to a decline in the tax base as earnings shift to low-tax areas, thus weakening fiscal independence.

### Administration Of DPPT

The FBR will create regulations via a Bill to enforce the stipulations set forth in the previously mentioned Act. The oversight of DPPT will occur alongside the Inland Revenue Department of the FBR and its related offices.

[chapter II]

### Charge Of Digital Presence Proceed Tax

[Section 3]

Concerning the DPPT charge, it is suggested that all foreign vendors with a significant digital footprint in Pakistan should be liable for DPPT on the revenues from each transaction involving digitally ordered goods or services, regardless of whether they are delivered digitally or physically from outside the country.

### Proceeds Subject To DPPT

The revenue from international vendors with a significant online presence connected to Pakistani users is proposed to be subject to DPPT, provided that:

- The transaction takes place through an overseas online marketplace or e-commerce site;
- The revenue comes from products or services requested online; and
- The user from Pakistan participates in the transaction, where a person resides in Pakistan or a company has a fixed establishment in Pakistan. Moreover, payments for digitally purchased products or services are conducted electronically from within Pakistan.

### Schedule

The rates of DPPT are tabulated below:

Description	Rate of Tax
Services	5% of the payment including advertisement on social media platforms
Goods	5% of the payment to foreign provider

### Exceptions From Levy Of DPPT

The exceptions to the charge of DPPT include payments for digitally ordered goods associated with a non-resident's permanent establishment in Pakistan, provided that the goods are supplied within Pakistan, as well as digitally delivered services that are received in Pakistan but rendered through a non-resident's permanent establishment in Pakistan.

### **Significant Digital Presence in PAKISTAN**

**[Section 4]**

A foreign vendor will be regarded as having a significant digital presence in Pakistan if they supply digitally ordered goods and services from outside the country to users within Pakistan, provided that there are more than five (5) transactions in the current financial year, along with the fulfillment of at least one of the following criteria:

1. Maintaining a user base and associated data input.
2. Billing or collecting payments in local currency.
3. Overseeing final delivery to Pakistani consumers.
4. Providing assistance in aftersales support by the foreign vendors.
5. Actively engaging in marketing and promotional activities to attract customers.

### **Responsibility to Collect Digital Presence Proceeds Tax.**

**[Section 5]**

Every payment intermediary, which includes banks, financial institutions, licensed exchange companies, or payment gateways, is proposed to bear the responsibility of deducting tax from payments sent outside Pakistan for digitally ordered goods and services at the specified rates.

The Bill further suggests that payment intermediaries should not hold a bank account for foreign vendors and should not remit funds outside Pakistan unless the tax has been deducted and deposited into the government treasury, except in cases where the tax is collected and deposited at the time of remittance.

The deducted tax must be submitted before the 7th of the month immediately following the deduction. Furthermore, customs will ensure that no courier delivers consignments without proof of tax payment; however, they are not accountable for collecting sales or income tax on consignments for which tax under the DPPT Act, 2025 has already been paid.

### **Responsibility to collect digital presence proceeds tax on advertisement at social media platform.**

**[Section 6]**

In the context of social media or other online advertising platforms, foreign vendors who have a digital presence in Pakistan are obligated to withhold tax from payments at the specified rates. The withheld tax amount must be submitted by the 7th of the month immediately following the payment.

### **Failure to deduct or deposit collected tax and recovery along with default surcharge.**

**[Section 7]**

Failure to deposit DPPT in the government treasury within the designated timeframe will make the individuals accountable for the collection and deposit of DPPT personally liable for the outstanding amount, in addition to a default surcharge of KIBOR +3% per annum for each day of default.

The Authority is authorized to issue an order for the recovery of both the principal amount and the default surcharge. Nevertheless, no recovery actions will be initiated without first providing the individual an opportunity to present their case.

The provisions outlined in Part IV of Chapter X of the Ordinance regarding the recovery of tax demands will be applicable mutatis mutandis.

**[Chapter IV]**

### **Furnishing of information of e-commerce transactions by**

### **Online Payment Intermediaries.**

**[Section 7]**

Concerning the reporting obligations, it is proposed that each payment intermediary submit a quarterly statement to the Commissioner Inland Revenue (CIR). This statement should include detailed information on tax collection related to payments made to foreign vendors for e-commerce transactions, such as the purchaser's name, CNIC, vendor details, transaction date, invoice number, value of goods or services, tax collected, and any other required particulars. Additionally, payment intermediaries that maintain bank accounts for foreign vendors with a digital presence in Pakistan will also be obligated to file a quarterly withholding statement with the CIR. This statement must include the credit amount in the bank account during the reporting period and the amount remitted outside of Pakistan.

### **Furnishing of information by social media and online platforms regarding advertisement.**

**[Section 8]**

Moreover, all social media and online platforms operating within Pakistan will be required to submit a quarterly statement that provides client-wise information regarding both local and foreign vendors, regardless of whether they have a permanent establishment. This statement should detail the advertisements broadcasted in Pakistan through their platform and the corresponding amounts received.

### **Penalty for non-filing of statement.**

**[Chapter V]**

**[Section 9]**

Failure to provide the statement by the payment intermediary and social media platform regarding digitally ordered services, goods, or advertisements disseminated in Pakistan is suggested to incur a penalty of Rs. 1 million for each instance of non-compliance.

### **Suspension of remittances to a Foreign Advertiser.**

**[Section 10]**

The payment intermediary is required to halt the remittances of proceeds from foreign vendors upon the directive of the Commissioner, should these vendors engage in continuous advertising for a duration of 120 days without fulfilling the payment of DPPT.

### **Appeals**

**[Chapter VI]**

**[Section 11]**

Any individual who is unhappy with the recovery order issued under the DPPT Act of 2025 has the right to submit an appeal to the ATIR within 30 days of receiving the recovery order. Additionally, the affected individual or the Commissioner may file a reference application with the High Court challenging the order of the ATIR within 60 days of its receipt.

## **SECTION 8      New Energy Vehicles Adoption Levy**

### **NEW ENERGY VEHICLE LEVY**

**[Section 3]**

In order to encourage the adoption of 'New Energy Motor Vehicles', a new legislative proposal has been introduced for the implementation and collection of a 'New Energy Vehicle Levy' on 'Internal Combustion Engine Motor Vehicles'.

'Internal Combustion Engine Motor Vehicle' refers to a motor vehicle that is powered either entirely or partially by fossil fuels, which include petrol, diesel, compressed natural gas, or liquefied petroleum gas.

'New Energy Motor Vehicle' is defined as a motor vehicle that is powered –

- solely by an electric motor that operates on a rechargeable battery; or
- by a combination of an electric motor powered by a rechargeable battery and an internal combustion engine, which is capable of achieving a minimum range of fifty kilometers under normal conditions while exclusively utilizing the electric motor on a single battery charge; or
- by hydrogen fuel cells or any other technology that results in zero tailpipe emissions.

The proposed levy is intended to be applied to:

- Every manufacturer of every internal combustion engine motor vehicle that is manufactured or assembled and supplied by them; and
- Every individual for every internal combustion engine motor vehicle imported by them into Pakistan.

It is suggested that all revenue generated from this levy will be allocated towards promoting the adoption of new energy vehicles and related matters as determined by the Federal Government periodically.

### **Collection and Refunds**

**[Section 4]**

Proposed levy rates vary from 1% to 3% ad valorem based on the invoice price or assessed value, including duties and taxes, contingent upon the engine capacity and type of vehicle. The Federal Government has the authority to modify these rates or adjust vehicle classifications.



## **SECTION 9      Regulation of Generation, Transmission & Distribution of Electric Power**

### **Enhancement of the Power to Impose Surcharge**

**[Section 31]**

To ensure the timely fulfillment of any financial obligations of the Federal Government or any public sector entity designated by the Federal Government concerning electric power services, and to promote the sustainability and financial viability of the electric power sector, a proposed amendment to section 31 has been introduced.

This amendment would permit the Federal Government: (1) on a case-by-case basis; and; (2) or a specified duration, to raise the total amount of surcharges imposed under the aforementioned Act to the necessary level required to fulfill financial obligations. These obligations encompass the Federal Government's responsibilities to make payments for the purchase of electric power, as well as obligations associated with electric power services that are secured through the issuance of a sovereign guarantee.

This change will provide the Federal Government with greater authority to impose surcharges on electricity consumers in order to recover both the principal and interest related to the Government's financial obligations.

## SECTION 10 Stamp Duty

### [Article 23 | Schedule-I]

The Bill seeks to modify Article 23 of Schedule-I attached to the Stamp Act of 1899, which is applicable solely to the Islamabad Capital Territory.

Change proposed in article 23, which pertains to "conveyance," involve a substitution that redefines the classification of the instrument ("conveyance") into two distinct categories: tax return filers and non-filers. The stamp duty rates for these two categories are as follows:

Filer of Tax Return of Immovable Property	Non-Filer of Tax Return of Immovable Property
1%	2%

Under the current article 23, there are no such categories, and the stamp duty is levied at a uniform rate of 4% of the property's value.

## **SECTION 11 Tax registration**

### **[Section 78(a)]**

Government through Registration Act 1908, was authorized to impose a fee on "registration of documents", but with a limitation that such a fee should not surpass one percent of the value of the property conveyed. The Bill suggests to remove "not exceeding one percent of the value of the property conveyed".



Head Office  
173-W Block 2, P.E.C.H.S. Karachi



+92 21 34322582-3  
+92 21 34322606-7



info@tagco.pk



www.tagco.pk