

Commentary on

Finance Bill, 2026



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Comments on the economy of Pakistan

Budget for 2026 - 2027 in brief

Rupees in billion

Total Tax Revenue	15,264
Not Tax Revenue	5336
Total receipts of FG.	20,600
Allocated to provinces under NFC	8,848
Net Available to FG¹	11,752

FG Expenses

Interest	8054
Pension	1169
Defence	3000
Grants	2680
Subsidies	1091
Civil Government	1071
Others	430
Total	17,495
PSDP etc	1,276
Total Expenditure	18,771
Deficit	(7,019)

Financed by:

Bank Borrowings	4012
Non Bank Borrowings	2034
Other Receipts	813
Privatization	160
Total	(7019)

As is apparent the fiscal account of the country is not in good shape. There is an outstanding debt of over Rs 83 trillion at the average cost of servicing of 10% which absorbs over 50 percent of the total revenue of the country. This is one of the highest ratios in the world. The other top scorers are Egypt, Sri Lanka and Mozambique. The solutions are very serious. The people in power and those in academia and in the financial sector are not ready to catch the bull by the horns. Commercial banks are making money by lending to the government and almost all of the national savings is being used to finance the government's current expenditure. This is not a model for any developing country.

There has been a stagnation in the overall tax to GDP ratio and a large part of retail and wholesale trade depicts a very high level of under-reporting. There is no desire to tap the trading activities in the agricultural produce where the middle men are squeezing both the farmers and the consumers. Tax is an urban subject for the country.

The country has been saved from default in the sense that all the commitments are being honoured however the state has defaulted in providing basic facilities to its people which can only be three by having sustained public sector development programs and spending on infrastructure.

This camouflaged default is very alarming for the reason that there has been a population growth rate of over 2.5% with a very high ratio of young population. This position is not sustainable and there is a need to develop a national consensus of reconstruction of the economy beyond party / political lines. Pakistan has the highest number of children not going to school which ranges around 30 million.

¹ FG: Federal Government

The Daily Dawn in their analysis of the Economic Survey of 2025-26 printed on June 12, 2026 has revealed that all major indicators of the economy being GDP, Agriculture, Manufacturing and Services have substantially gone down in comparison to the time when this government came to power in 2022. This is very alarming. The only positive factor demonstrated by newspapers is a decrease in the rate of inflation. This appears to be a myth also as the prices of all the commodities which are used by the common man have moved upward over the recent period on account of substantial increase in energy prices. It is interesting to note that these figures have been adopted from the Economic Survey of Pakistan published by the government.

Pakistan has maintained a reasonably well managed current account balance and overall deficit is minimal. However this has been achieved at the cost of controlling the imports of raw materials and other such measures. This has affected the growth trajectory of the country.

It is unfortunate that Pakistan has not been able to increase its exports of goods which remained below USD 35 billion. Bangladesh exports around USD 55 billion of goods.

Pakistan's current account balance is not in a position that it can take any major risk on the foreign exchange front. This leads to the continuation of the IMF program, which may not be desired by commonmen. This means that we are in a vicious circle whereby there is no escape from a physician who is asking a young person (Pakistan) to stay in the ICU as the climate outside is not fit for survival on account of continuous infection.

The Middle East war has opened many avenues for Pakistan, however the real economic effect is yet to be realised. The international partners who have been

assisted by Pakistan are morally obliged to let Pakistan out of the spiral of continuous shortage of foreign exchange. There should be some flow for the security guarantee provided to certain states.

The primary task for the government, at this stage, cannot be seeking foreign direct investment. The foreigner will only invest once locals wholeheartedly support Pakistan's business environment. There is an urgent need to build trust and hope in the people in the country and Pakistanis living abroad.

International events have transpired that this lovely country is the only place for us; however our future generation can only live honourably, comfortably and safely if we overcome this economic crisis through united efforts.

[Comments on some of the measures introduced by the Finance Bill are as under:](#)

Capital Value Tax

Capital Value Tax (CVT) was introduced by the Finance Act, 2022. This tax inter alia included tax on foreign assets held by persons resident in Pakistan. CVT is in principle a wealth tax and there is no scope for such taxes under the present tax systems.

In Pakistan this measure had drastic effect for the reason that under a promise by the state undeclared foreign assets were allowed amnesty by special legislations in 2018 and 2019.

A fee/tax/charge on such assets was paid by the declarant on the state's promise that the value of such assets would not be taxed in future. This sovereign promise was miserably broken by the government in 2022. This has

resulted in the movement of substantial assets from Pakistan.

It is deplorable that this disaster has been corrected after an erosion of trust in the state's promise. Nevertheless the action undertaken is correct and timely. It is however suggested that such policy errors are not repeated.

It is proposed that Capital Value tax will not be applicable on foreign assets owned by resident persons.

The capital value tax on local assets is still applicable which is also a counter productive levy. There is no sense of such a tax on assets which have already been taxed at income stage.

Income Tax Ordinance, 2001

General

In general very reasonable provisions have been introduced with respect to Income Tax administration. The provisions which are required to be applauded are:

- a. Introduction of faceless audit;
- b. Filing of references before the High Court and other Superior Court;
- c. The establishment of financial transaction Data Bank within PRAL;
- d. Catering for tax concession for foreign exchange accounts held by resident persons also ;
- e. Settlement mechanism during the process of audit and consequential revision of return; and

- f. Reduction in tax incidence for salaries.

All these measures relate to tax administration.

It however appears that the Government has not given due consideration to the policy issues.

Tax policy is not in line with the present ground realities of the business. The overall tax rate of 39% which has been slightly reduced to 37% on account of reduction in the super tax rate from 10 to 8% for higher levels of income is not comparable with regional and international economies. It should not be more than 30% in any case.

The government has not considered the fact that after the incorrect interpretation relating to super tax on dividend which has been endorsed by the Federal Constitutional Court the rate tax on dividend for cases other than treaties, is now 15 plus 8% which is totally unjustified.

There appears to be a policy to attract foreign exchange in Pakistan however for tax the window of investment has been opened in Roshan Digital Account and Real Estate Sector only. This is not totally correct. Investment is direly needed in the manufacturing sector for which no incentive has been provided in the budget.

The traders scheme which has been introduced recently is like almost all the earlier schemes in the last forty years. It is not expected to encourage registration of retailers and 'arthis'. The bulk of the trade activity in Pakistan is highly under reported and it is wrongly presumed that there is non-declaration. The problem is huge and insurmountable under-declaration. It appears that the government is not

serious in directly confronting the traders' lobby. Instead it is trying to catch the under declared business through banking transactions etc. Which is also a correct step. However it should not be ignored that Pakistan has a huge cash economy which is outside the tax net and such measures if not properly handled may be counter-productive.

This means that proposals have been made after a compromise within the very tight constraints of the IMF. This does not serve Pakistan on the policy side.

The comments on important changes are given in the following paragraphs.

1. Surcharge

Surcharge on salary income of Rs ten (10) million has been abolished.

2. Tax on digital transactions

Under Section 6A, where turnover exceeds Rs 200 million has been made adjustable. Now the amount withheld will not be the final tax.

3. Tax on deemed property

income under Section 7E has been abolished. This tax was already held ultra vires by the Federal Constitutional Court.

4. Tax on Insurance Receipts:

A new tax has been introduced on certain payments by life insurance business to a person who receives any payout, benefit, surrender value, maturity proceeds or similar payment (hereinafter referred to as payout) from a life insurance business on account of insurance policy, family takaful certificate, plan or any similar or any similar arrangement.

For this purpose the amount received shall be reduced by the aggregate amount of premiums or contributions paid by the policy holder or participant.

There had been a debate in the tax jurisprudence to the effect that receipt in the nature referred above is not an income chargeable under the Ordinance. The new provision will not apply to receipt.

- a. on account of death of the insured or participant;
- b. on account of disability of the insured or participant;
- c. after completion of seven years from the date of issuance of the policy, certificate or plan.

Tax is to be deducted by insurance companies at the rate of 15% in the case where payouts or benefit is made within 1 year and 10% where payout or benefit is made after 1 year but before completion of 7 years The tax deducted shall be treated as final tax on the income arising from such payout or benefit.”

5. Expenditure Not allowed:

Expenses up to five percent (5%) of the expenditure claimed by any person, who fails to install electronic resources or to act as an integrated enterprise as required by law, subject to the method, manner, and procedure as may be prescribed.”

6. Power of the Federal Government to Reduce the Minimum Tax Rate:

Enabling powers have been prescribed for reduction in the rate of any of the withholding taxes in the nature of minimum tax as given in the First Schedule of the Ordinance, other than minimum tax chargeable under section

113 of the Ordinance up to 1%, on the basis of economic viability in cases of persons or class of persons, subject to such restrictions and limitations as the Federal Government may specify.

The provision was required on account of an amendment made in 2019 when withholding tax was changed to minimum tax. At times, the incidence is more than the burden that can be borne by that class of taxpayers.

7. Tax Credit for expenditure incurred on Integration:

Any person required, under Income tax Ordinance, 2001, the Sales Tax Act, 1990 or the Federal Excise Act, 2005, to integrate with the computerized system of the Board for real-time production monitoring, or for the recording or reporting of sales or receipts, shall be entitled to a tax credit in respect of expenditure incurred exclusively on the purchase, acquisition, installation or implementation of such equipment, hardware, software or other electronic components as are directly and exclusively utilized for the purposes of such integration.

8. Value of Immovable Property acquired on inheritance or family settlement:

An amendment has been made in the law to the effect that the cost of immovable property acquired shall be taken at fair market value at the time of inheritance. This provision is effectively a concession as under Section 79 of the Ordinance the acquisition of property by way of inheritance is not a taxable event and the value for all purposes is the original cost at which the property was acquired.

9. Limited Liability Partnership

Limited Liability Partnership which is registered as such by the Securities & Exchange Commission of Pakistan has been treated at par with general partnership.

This means that such entities would not be subject to tax as companies. There was no confusion on the matter, however, some professionals were not interpreting such entities correctly. Now this has been settled.

10. Special Procedure for Small Traders and Shopkeepers:

The schedule for tax payment of such persons shall also include rate and payment of tax including fixed tax, filing of return and audit”.

11. Special Provision for Capital Gain tax under Section 100B

These provisions have been limited to mutual funds, insurance companies and banking companies only. Non-banking finance companies, modaraba and debt security companies have been taken out of this ambit.

A corrective entry has been made to the effect that this schedule shall also apply in case of banking company, insurance company and mutual funds. NCCPL shall compute and determine the capital gain as per the mechanism prescribed under section 37A, however, these entities shall continue to deposit tax on amount of capital gain as per the applicable provisions of this Ordinance.”;

12. Algorithmic settlement mechanism:

This is a mechanism whereby the tax department using a certain basis can determine the income of the taxpayer.

This system is available in almost all developed jurisdictions including the United Kingdom.

- (1) Under the newly inserted section 134A the Board may establish digitally operated algorithmic settlement mechanism (hereinafter referred to as "the mechanism") for settlement of tax proceedings at any stage before any assessment or amendment of assessment order under sections 121, 122 or 122E of the Ordinance through revision of return under sub-section (6) of section 114 in certain cases.
- (2) In case, the mechanism calculates and presents to the taxpayer a settlement offer for voluntary revision of return as per the criteria provided under sub-section (3), the taxpayer may avail the offer as provided in sub-section (4).
- (3) The system generated settlement offer shall be calculated on the basis including but not limited to –
 - (a) the stage of proceedings at which settlement is offered;
 - (b) the taxpayer's compliance history, as maintained in FBR's data;
 - (c) the nature and character of the discrepancy,

including whether it involves a valuation or legal interpretation dispute, unexplained income or assets, or concealment; and

- (d) any other basis the Board may consider relevant to ensure revenue adequacy and equitable treatment of taxpayers.
- (4) A taxpayer who opts to avail this mechanism shall within ten days from the date of settlement offer to –
 - (a) accept the settlement offer on IRIS;
 - (b) deposit the settlement offer amount along with revised return; and
 - (c) revise the relevant return of income to incorporate the settled amount.
 - (5) The issues confronted to the taxpayer through notice of selection of audit, a notice under section 111, an audit report under sub-section (6) of section 177, a notice under sub-section (9) of section 122, as the case may be, shall stand abated, if the taxpayer revises the return by accepting the offer as provided in sub-section (4).
 - (6) Revision of return consequent upon acceptance of offer under sub-section (4) of this section shall not preclude proceedings in respect of any other issue or discrepancy not covered by the settlement offer, nor shall it affect

proceedings for any other tax year.”

13. Filing of Revised Return if mechanism is availed.

If a taxpayer avails a settlement offered by the algorithmic settlement mechanism, he may file a revised return, and the —

- a. approval of Commissioner shall not be required to file the revised return;
- b. taxpayer shall pay the amount of tax determined by the mechanism and no separate penalty or default surcharge shall be payable; and
- c. return so filed shall be accompanied by such documents as required under sub-section (6) and shall be treated as revised return under this section.”

14. Electronic Filing of Return:

“A return of income shall be filed electronically on IRIS as may be prescribed by the Board for the purpose of sub-section (1) and sub-section (1A) of section 114 and the Board may, by notification in the official Gazette, make rules for such filing and determine the process of verification, digital signatures and other matters relating to electronic filing of returns, statements or documents, etc.

In case of companies for tax year 2026 and onwards the financial statements accompanying the return shall only be filed in electronically readable file format.”;

15. Faceless Assessment, and Appeals and Jurisdictions:

There has been a general complaint that one of the reasons for corruption and harassment by the tax officer is the inevitable personal contact. A new scheme and procedure has been introduced whereby there can be a faceless appeal and assessment. This system has been working perfectly in India for the last five years. It is also there in many developed countries. The new law provides as under:

There can be faceless audit under sections 177 or 214C or any order made under section 111, any assessment under and rectification under section 221, with respect to the cases referred to in sub-section (2) in the manner as may be prescribed by the Board.

The faceless assessment shall be made in respect of such persons or class of persons, or incomes or class of incomes, or cases or class of cases, as may be specified by the Board.

The provisions of section 177 shall apply to the audit conducted in faceless manner under this section:

Provided that where opportunity of being heard is to be provided to the taxpayer during the course of this audit or a statement under oath is required to be obtained from a taxpayer or any other person under section 176 of this Ordinance, the same shall be done through E-hearing under section 227E of the Ordinance:

Provided further that the identity of the officer, including facial and voice identity, conducting such E-hearing shall be kept confidential.”;

Faceless appeals: Any appeal filed under section 127 may be processed through the National faceless center as may be prescribed by the Board.

Faceless Jurisdictions: The Inland Revenue tax authorities appointed in National faceless center shall perform all or such functions, and exercise all or such powers under this Ordinance as may be assigned to them in respect of such persons, or classes of persons, for such tax years of a person through algorithms developed by the Board.

The jurisdiction so assigned under this Ordinance may be exclusive or concurrent. In case of concurrent jurisdiction, the powers and functions not assigned to the National faceless centre shall remain with the Commissioner having jurisdiction under section 209 of this Ordinance.

The Chief Commissioner appointed in the National faceless center may request the Board to direct the Commissioner having jurisdiction under section 209 or any other Income Tax Authority, as it may deem fit to conduct physical verification including nature and size of the business, assets, investments, expenditures, and any other information or verification required by the Chief Commissioner for conducting any proceedings assigned to the National faceless centre. The Board may exercise its power of allocation of verification through an algorithm-based system.

The identity of the authority exercising jurisdiction in the National faceless centre shall be kept confidential from the taxpayer, the authorized representative of the taxpayer, and any unauthorized person.

No notice, order, demand, or assessment passed by an authority appointed at the National faceless centre shall be called in question or set aside merely on the ground that such authority did not have jurisdiction over the taxpayer under section 209 of this Ordinance, or lack of notified delegation of power under section 210 of this Ordinance, or because of the fact that identity of the authority has been kept confidential from the taxpayer as per sub-section (5).”

Faceless Centre

The Board may, for the purposes of proceedings under this Ordinance in faceless manner, establish a National faceless center (hereinafter referred to as “the centre”) and specify its jurisdiction, powers and functions.

The centre shall comprise a Director General and as many Chief Commissioners, Commissioners, Additional Commissioners, Deputy Commissioners, Assistant Commissioners, and any of the Income Tax Authorities mentioned in section 207 along with support staff, as the Board may deem fit for the purposes of this section.

The Board may design algorithms for assigning any function or jurisdiction under this section to any of the authorities mentioned above. .

All communications, among the units, or with the taxpayer, or an authorized representative of the taxpayer, or with any other person with respect to the information or documents or evidence or any other details, as may be necessary, shall be through electronic means.

- c. a senior serving or retired officer of the FBR (BS 20 or above).

16. Departmental Reference

There has been a general complaint that departmental appeals are filed in each and every case on account of the fact that concerned officers do not want to be blamed for negligence if requisite appeal is not filed. In order to overcome this problem a right step has been adopted by instituting a forum to decide about the filing of departmental appeals. The relevant law states is as under:

The Independent case scrutiny committee is to decide about filing a reference under section 133 of this Ordinance before the High Court, or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan

The Board may constitute one or more such committees and assign them cases or classes of cases decided by the Appellate Tribunal Inland Revenue or the High Court, as the case may be.

The Committee shall comprise of the following Members as nominated by the Board –

- a. a retired judge of the Supreme Court of Pakistan, the Federal Constitutional Court, or any of the High Courts of Pakistan who shall also act as Chairman of the Committee;
- b. an Advocate having not less than fifteen years of experience in tax and commercial litigation before the High Court or Supreme Court of Pakistan, to be nominated from a panel notified by the Board from time to time; and

The recommendations of the committee shall be binding upon the Commissioner Inland Revenue having jurisdiction over the case.

No suit, prosecution, or other legal proceedings shall lie against the Members of the committee and the Commissioner Inland Revenue having jurisdiction over the case, in relation to the decisions made under this section.

17. Advance Tax on Exporters

The advance payment of tax on exporters has been abolished.

18. Withholding on Payments to Non-Residents:

Earlier every banking company maintaining a Foreign Currency Value Account (FCVA) or a non-resident Pakistani Rupee Value Account (NRVA) of a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card was required to deduct tax @10% on capital gain arising on the disposal of debt instruments and government securities and certificates (including Shariah compliant variant) invested through FCVA and NRVA such tax withholding was the final tax liability for such persons.

These Provisions have now been extended to include all persons who maintain certain foreign currency accounts through which the investment has been made.

Additional incentives / concessions inter alia include waiver of requirements to

obtain National Tax Number and to file tax return in Pakistan if such person has no income other than income from above-referred investments.

The Scheme has been introduced to cater for inflow of funds from disturbed Middle East.

19. Withholding on Social Media Platform:

- (1) Every banking and non-banking financial institution shall, at the time of credit or receipt of any amount in an account of a person, deduct tax at the rate of 5% where such amount represents revenues received from social media platforms.
- (2) For the purposes of this section -
 - (a) “digital content creator” or “social media influencer” means any individual or entity deriving income from creation, publication, or monetization of content on digital platforms including but not limited to YouTube, Facebook, Instagram, Tik Tok or such others similar platforms; and
 - (b) “payment” includes any inward remittance, transfer, or credit received through banking channels, including through intermediaries such as online payment service providers or digital financial platforms.
- (3) The tax deducted under this section shall be –
 - (a) minimum in the case of a resident person; and

- (b) final tax in the case of a non-resident person not having a permanent establishment in Pakistan.

20. Overcoming practical difficulties

In certain cases practical difficulties were being faced with respect to operation of withholding provisions. These included entities eligible for exemption from tax under Clause 99 of Part 1 of the First Schedule and Section 2(36) of the Ordinance. Corrective amendments have been made as under:

Where a person has distributed ninety percent or more of its accounting income amongst the unit or certificate holders or shareholders, as the case may be, in accordance with the provisions of clause (99) of Part I of the Second Schedule for the last three years, the person shall be eligible for issuance of exemption certificate under sub-section (1) of Section 159 and the certificate shall be issued for the subsequent whole tax year.

Where a person has been issued approval under the provision of sub-clause (c) of clause (36) of section 2 of the Ordinance for a tax year, the person shall be eligible for issuance of exemption certificate under sub-section (1) of Section 159 and the certificate shall be issued for the said whole tax year.”;

21. Banking Transaction and Tax Compliance:

The banking transaction undertaken through the banking system in Pakistan does not commensurate with the tax compliance. Pakistan may be the top scorer if a list is prepared for current accounts maintained as a percentage of total bank accounts maintained in a

country. There have been attempts in the past to align the banking system with the taxation system. However all such attempts have failed to deliver and banking transactions remain out of the total data bank available to the state. One of the reasons for not providing such data is the fear of abuse and blackmail by miscreants. However the gap has widened so much that no practical increase in tax compliance is possible unless a sense prevails in the minds of the account holders that their transaction can be scrutinized by the state. A good attempt has been made in this budget. The salient features of the proposal are as under:

- a. Notwithstanding anything contained in the Banking Companies Ordinance, 1962 (LVII of 1962), the State Bank of Pakistan Act, 1956 (XXXIII of 1956), the Protection of Economic Reforms Act, 1992 (XII of 1992), or any other law for the time being in force, every banking company and Electronic Money Institutions (EMIs) shall electronically upload the information, as mentioned in sub-section (2), to the Central Data Hub, for algorithmic cross-matching of tax and bank information.
- b. Information in respect of an account holders having deposits or withdrawals exceeding one hundred million Rupees during a reporting period in any or all of the bank accounts maintained by the account holder, specifying particulars of deposits or withdrawals, including opening and closing balances, peak credits, and total credits during the reporting period.

- c. This information as shared above shall be digitally processed and shall not be visible to any of the Income Tax Authorities during this cross-matching process.
- d. In case of gross mismatch in the information in respect of an account holder, the digital system of the Board shall feed the information so required into the Compliance Risk Management (CRM) system of the Board and further proceedings shall be conducted by the National faceless centre as provided in this Ordinance.
- e. The Board shall ensure that such information, shared by the banks, remains strictly confidential and in no case is disclosed or misused in a manner to disregard the confidentiality measures provided in the statutes and rules governing commercial banking, save as provided in this section.

For the purpose of this section:

- a. "reporting period" means, in respect of a Financial Year, a period of six months, starting from:
 - i. 1st day of July and ending on 31st day of December; and
 - ii. 1st day of January and ending on 30th day of June,;
- b. "specified date" means the—
 - i. 31st day of January in case of reporting period ending on 31st day of December; and of

- ii. 31st day of July in case reporting period ending on 30th day of June;
- c. “accounts” means bank accounts maintained by a person including current deposits, call deposits, saving deposits, fix deposits, term deposits, or any other such deposits by whatever name called;
- d. “peak credits” means the highest credit balance in all the bank accounts of the account holder on any given date during the reporting period;
- e. “Central Data Hub” means a virtual repository of data and information maintained by the Board through PRAL; and
- f. “compliance risk management (CRM)” means a computer programme for identification and communication of compliance risks, including understatement of sales, overstatement of expenses, non-reporting or under-reporting of incomes, assets, and transactions.”;

22. Integration

The Board may require any person or class of persons to install and use an electronic resource of such type and description as may be prescribed, or to act as an integrated enterprise through a notification in the official Gazette for the purpose of receiving, storing, matching and accessing information regarding any transaction that has a bearing on the tax liability of such person.”;

23. State Bank’s Central Repository: A new provision has been introduced in relation to exchange of information with the financial institution. It has now been proposed that the State Bank of Pakistan may establish, operate and maintain a secure centralized virtual repository of banking data, comprising such information, records, and financial transactions of persons maintained by Scheduled banks on the basis of unique identifiers, as may be prescribed by the Board and collect and provide data and results as prescribed.”

24. Process and Conduct of Audit:

If, at any stage of the proceedings, the Commissioner is of the opinion that having regard to, —

- a. the nature and complexity of the accounts; or
- b. volume of the accounts; or
- c. doubts about the correctness of the accounts; or
- d. multiplicity of transactions in the accounts; or
- e. specialised nature of business activity of the taxpayer; and interests of the revenue, is of the opinion that it is necessary so to do, he may, after giving the taxpayer a reasonable opportunity of being heard, and with the previous approval of the Chief Commissioner, direct the taxpayer to get either or all of the following to get the —
 - i. accounts re-audited by an accountant, and to furnish a report of such audit

duly signed and verified by such accountant including answers to the specific queries as the Commissioner may require;

- ii. inventory re-valued by a cost accountant, and to furnish a report of such inventory valuation duly signed and verified by such cost accountant including answers to the specific queries as the Commissioner may require; and
- iii. actuarial values in the accounts determined by an actuary and to furnish a report of such valuation duly signed and verified by such actuary including answers to the specific queries as the Commissioner may require;

Explanation: The accountant, nominated by the Commissioner for the purposes of this sub-section from amongst the panel of such accountants, valuers, or actuaries nominated by the Board.”;

25. Advance Tax on TV Plays and Advertisements has been abolished.

26. Tax on Salary Income

The schedule for salary taxation has been revised in positive direction however following facts remain the same:

- a. Any income above Rs 600,000 a year is taxable;
- b. The maximum rate of tax for salary income remains at 35% of total income.

The changes made are:

- a. Instead of six (6) slabs now eight (8) slabs have been introduced;
- b. As a result there will be savings at all levels however the maximum savings is for salaries between Rs 3 to 4 million per annum.

The revised table is as under:

S No	Taxable Income	Rate of Tax
1.	Where taxable income does not exceed Rs. 600,000/-	0%
2.	Where taxable income exceeds	1% of the amount exceeding Rs 600,000

	Rs. 600,000/- but does not exceed Rs.1,200,000	
3.	Where taxable income exceeds Rs. 1,200,000/- but does not exceed Rs. 2,200,000	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000/-
4.	Where taxable income exceeds Rs. 2,200,000/- but does not exceed Rs. 3,200,000	Rs. 116,000 + 20% of the amount exceeding Rs. 2,200,000/-
5.	Where taxable income exceeds Rs. 3,200,000/- but does not exceed Rs. 4,100,000	316,000 + 25% of the amount exceeding Rs. 3,200,000/-
6.	Where taxable income exceeds Rs. 4,100,000/- but does not exceed Rs. 5,600,000	Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000/-
7.	Where taxable	Rs. 976,000 + 32% of the

	income exceeds Rs. 5,600,000/- but does not exceed Rs. 7,000,000	amount exceeding Rs. 5,600,000/-
8.	Where taxable income exceeds Rs. 7,000,000/-	Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000/-

27. Reduction in the Rate of Super Tax

The rate of super tax which is presently at 10% for income above Rs 500 million has been reduced to 8%. This is a major step in the budget.

Nevertheless the error in the law (Section 4C of the Ordinance) which has not been properly appreciated by the Federal Constitutional Court with respect to levy of super tax on dividend income has not been corrected. Now dividend above Rs 500 million are taxable at the rate of 15+8 %

28. Correction in Law for Capital Gain on Disposal of Securities:

Present law is as under:

Provided also that no capital gain shall be deducted, if the holding period of the security acquired on or before 30th day of June 2024 is more than six years.

The word 'deducted' has been replaced by the word 'charge'. This means that there cannot be any tax if the holding period is more than six (6) years.

- 29.** Reduced rate for levy of minimum tax on turnover of 0.75% for Sui Southern Gas Company Limited, Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion.) Pakistan International Airlines corporation and Oil refineries have been abolished.
- 30.** Withholding under Section 153 on the following payment is proposed to be increased from 6 to 7% for the gross amount payable, in the cases of transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in section 2, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services including architectural services, warehousing services, services rendered by asset management companies, data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited, inspection, certification, testing and training services, oilfield services, telecommunication services, collateral management services, travel and tour services, REIT management services, services rendered by National Clearing Company of Pakistan Limited.
- 31.** New Withholding Rate for Professionals: 15% in the case of independent professional services such as doctors, lawyers, architects, accountants, software engineers or developers, working independently.”
- 32.** Withholding on Services: A new rate has been prescribed for withholding on services:
- a. 1.5% of the gross amount payable to electronic and print media in case of advertising services; and
 - b. 14% of the gross amount in the case of services other than those specifically mentioned in the law.
- 33.** Gain arising on disposal of certain debt securities has been increased from 15 to 20%
- 34. Withholding Tax on Revenues Received from Social Media Platforms**
- (a) 5% in case of resident persons whose name appearing in the Active Taxpayers’ List; and
 - (b) 5% in case of non-resident person and the tax collected shall be final tax.”;
- 35.** The withholding rate of tax on export proceeds has been increased from 1% to 1.25%.
- 36.** Export proceeds of Computer software or IT services or IT Enabled services by persons registered with Pakistan Software Export Board is subject to tax at the rate of 0.25% of proceeds for tax years 2024 up to tax year 2026. This date is proposed to be extended to 2029.
- 37.** Advance tax on sale or transfer of immovable assets under section 236C shall be 2.75% of the gross amount of the consideration received. Previously it was as under:

- a. Where the gross amount of the consideration received does not exceed Rs. 50 million 4.5%
 - b. Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs 100 million 5%.
 - c. Where the gross amount of the consideration received exceeds Rs. 100 million 5.5%.
- b. Foreign-produced TV play (single episode) Rs.3,000,000
 - c. advertisement starring foreign actor Rs.100,000 per second

38. Advance tax on purchase of immovable property shall be collected under section 236K at the rate of 1.25% of the fair market value of the immovable property.”;

Previously it was as under:

- a. Where the fair market value does not exceed Rs. 50 million 1.5%
- b. Where the fair market value exceeds Rs. 50 million but does not exceed Rs 100 million 2%
- c. Where the fair market value exceeds Rs. 100 million 2.5%]

39. Credit Card Payments: Advance tax on amount remitted abroad through credit, debit or prepaid cards under Section 236Y is proposed to be reduced from 5% to 0.5%.

40. Withholding on following is proposed to be abolished:

- a. Foreign-produced TV drama serial or play Rs.1,000,000 per episode

41. Exemption for Foreign Currency Accounts etc; At present following is exempt from tax:

(78) Any profit on debt derived from foreign currency accounts held with authorised banks in Pakistan, or certificate of investment issued by investment banks in accordance with Foreign Currency Accounts Scheme introduced by the State Bank of Pakistan, by non-resident individuals, non-resident association of persons and non-resident companies.

The word ‘scheme’ in the aforesaid clause is proposed to be substituted by the word ‘schemes’

42. At present under Clause 79 of Part I of the Second Schedule to the Ordinance any profit on debt derived from a rupee account held with a scheduled bank in Pakistan by a non-resident individual holding a Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC)], where the deposits in the said account are made exclusively from foreign exchange remitted into the said account.

This clause has substantially been changed and now the exemption is proposed to be available for any person maintaining a Non-Resident Pakistani Rupee Value Account “NRVA” or Non-Resident Business Value Account “NRBVA” under the scheme introduced by the State Bank of Pakistan” shall be

substituted. This scheme has been introduced to cater for inflow of funds from disturbed Middle East.

43. Reduction in Withholding on Foreign Currency Accounts:

(5AA) The rate of tax to be deducted under sub-section (2) of section 152, in respect of payments to an individual, on account of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident Rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan shall be ten percent of the gross amount paid.

The scope is proposed to be enlarged with the following amendment:

in clause (5AA), for the word "individual", the word "person" shall be substituted and for the expression "or a foreign currency account", the expression "Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA), or Non-Resident Rupee Business Value Account (NRBVA)" shall be substituted;

44. Terminal Operators: The rate of tax under clause (b) of sub-section (1) of section 153 to be deducted from a person rendering terminal or port service shall be twelve percent of the gross amount of payment.”; and

45. Minimum Tax under Section 113 in the case of distributors, dealers, sub-dealers, wholesalers of packaged food, fertilizer, locally manufactured mobile phones, sugar and electronics shall be 0.5%, subject to the conditions that beneficiaries of reduced rate are appearing on the active taxpayers' lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance,

46. The provisions of section 150 shall not apply to dividends paid by Transmission Line Projects under Transmission Line Policy 2015.

47. The provisions of sub-section (3) of section 153 do not apply to any payment received by a manufacturer of iron and steel products relating to sale of goods manufactured by him. This concession is proposed to be withdrawn.

48. Large Trading houses were entitled to special conditions for withholding. This concession is proposed to be withdrawn.

49. The threshold for withholding by traders as withholding agents has been increased from Rs 100 million to 200 million per annum.

50. The right to opt out of Eight Schedule being the special schedule for taxation of capital gains on listed companies has been omitted. At present the Rule states as under:

5. Persons to whom this Schedule shall not apply.— If a person intends not to opt for determination and payment of tax as laid down in this Schedule, he shall file an irrevocable option to NCCPL after

obtaining prior approval of the Commissioner in the manner prescribed. In such cases the provisions of rule 2 shall not apply.

53. Rate of deduction or collection of tax from persons who are appearing on active taxpayers' list with respect to transaction of immovable property has been abolished. Now all persons doing the transaction, whether or not on the active taxpayers' list will be treated at par. .

54. Tax collected under section 37A on disposal of securities acquired on and from 1st day of July, 2025 was not subject to provision relating to Tenth Schedule which relate to the person being on Active Taxpayers' list. This concession has been withdrawn.

Sales Tax Act, 1990

General

Positive amendments in line with Income Tax laws have been made for sales tax administration. There is no effective improvement on the policy side. The general rate of 18% has not been reduced.

The list of items which are subject to sales tax at manufacturing or import stage (items listed in the Third schedule) has been extended substantially. This is a failure of VAT implementation. Pakistan started with a big list in 1990 when sales tax was moved from excise to VAT mode. Over the time the items under the Third Schedule were reduced substantially which was a policy success. Now a defeat has been accepted and there is a move towards 'excise mode' as the number of items subject to retail price at manufacturing or import stage has been enlarged. The government has to decide,

once for all, whether or not VAT is to be implemented for wholesale and retail trade.

- 1. Advance Payment Receipt:** "advance receipt invoice" means an invoice in the format as may be notified by the Board from time to time;
- 2. Algorithmic settlement mechanism"** means algorithmic settlement mechanism provided under section 26AAA of this Act"
- 3. Electronic invoicing system"** means such electronic system or mechanism as may be prescribed or approved by the Board for issuance and recording of sales tax invoices in electronic form;"
- 4. Faceless Audit etc:**

National Faceless Centre:

Notwithstanding anything to the contrary contained in any of the provisions of this Act, the Board may, for the purposes of proceedings under this Act in faceless manner, establish a National faceless center (hereinafter referred to as "the Centre") and specify its jurisdiction, powers, and functions.

The functions of audit, assessment, and quality control in a specific case for a specific tax period shall be performed by separate officers.

All communications, among the units, or with the registered person, or an authorized representative of the registered persons, or with any other person with respect to the information or documents or

evidence or any other details, as may be necessary, shall be through

Audit: Notwithstanding anything to the contrary contained in any other provision of this Act, any audit under sections 25 and 72B, any order made under section 11E, and rectification under section 57 with respect to the cases referred to in sub-section (2), may be made in a faceless manner as may be prescribed by the Board from time to time.

The faceless assessment shall be made in respect of such persons or class of persons, or incomes or class of incomes, or cases or class of cases, as may be specified by the Board.

The provisions of section 25 shall apply to the audit conducted in faceless manner under this section: Provided that where opportunity of being heard is to be provided to the taxpayer during the course of this audit or a statement under oath is required to be obtained from a taxpayer or any other person under section 37 of this Act, the same shall be done through E-hearing: Provided further that the identity of the officer, including facial and voice identity, conducting such E-hearing shall be kept confidential.”;

Jurisdiction: Notwithstanding anything contained in this Act, the Inland Revenue tax authorities appointed in National faceless center shall perform all or such functions, and exercise all or such powers under this Act as may be

assigned to them in respect of such persons, or classes of persons, for such tax periods of a person through algorithms developed by the Board.

The jurisdiction so assigned may be exclusive or concurrent

The Board may transfer jurisdictions in respect of persons or classes of persons, for a specific tax period, for which the jurisdiction has already been assigned under this section, from National faceless center to the officer of Inland Revenue having jurisdiction under section 30 of this Act, on the recommendation of the Chief Commissioner or on its own accord.

The Chief Commissioner appointed in the National faceless center may request the Board to direct the officer of Inland Revenue having jurisdiction under section 30 or any other Authority under this Act, as it may deem fit, to conduct physical verification including nature and size of the business, assets, investments, expenditures, and any other information or verification required by the Chief Commissioner for conducting any proceedings assigned to the National faceless centre:

The Board may exercise its power of allocation of verification through an algorithm based system.

Notwithstanding anything contained in any law for the time being in force, the identity of the authority exercising jurisdiction in the National faceless centre shall be kept confidential from the

registered person, the authorized representative of the registered person, and any unauthorized person.

No notice, order, or other communication by an authority appointed at the National faceless centre shall be called in question or set aside merely on the ground that such authority did not have jurisdiction over the taxpayer under section 30 of this Act, or lack of notified delegation of power under section 32 of this Act, or because of the fact that identity of the authority has been kept confidential from the taxpayer

Faceless Appeals Notwithstanding anything contained in this Act, any appeal filed under section 45B of this Act may be processed through the National faceless center as may be prescribed by the Board.

5. Production monitoring system”

means any system or technology, used for the purposes of monitoring production and sale of goods, whether in real-time or otherwise, including such systems or technologies as may be prescribed by the Board from time to time;

6. Tier 1 Retailer: The tier retailer is defined as under:

“(43A)“Tier-1 retailer” means a retailer falling in any one or more of the following categories, namely:-]

(a) a retailer operating as a unit of a national or international chain of stores;

(b) a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks;

(c) a retailer whose cumulative electricity bill during the immediately preceding twelve consecutive months exceeds Rupees twelve hundred thousand;

(d) a wholesaler-cum-retailer, engaged in bulk import and supply of consumer goods on wholesale basis to the retailers as well as on retail basis to the general body of the consumers”;]

(f) a retailer who has acquired point of sale for accepting payment through debit or credit cards from banking companies or any other digital payment service provider authorized by State Bank of Pakistan;

g) a retailer whose deductible withholding tax under sections 236G or 236H of the Income Tax Ordinance, 2001(XLIX of 2001) during the immediately preceding twelve consecutive months has exceeded the threshold as may be specified by the Board through notification in the official Gazette; and

(h) any other person or class of persons as prescribed by the Board.

Following amendment are proposed:

It is proposed to introduce the following amendments:

- a. Wholesaler-cum-retailer”, to include the person having turnover more than two hundred million
- 7. Clauses (f) and (g) are to be excluded and a retailer having turnover exceeding two hundred million rupees either by way of declaration or from worked back value of turnover from tax deduction under section 236G or 236H of Income Tax Ordinance, 2001 (XLIV of 2001) during the immediately preceding twelve consecutive months is to be included in Tier 1 Retailer;**
- 8. Time of Supply:** The following explanation shall be added, namely:—“Explanation.— For the removal of doubt, the term goods are delivered or made available mean the goods become ready for dispatch from the business premises including but not limited to factory, warehouse, godown or branch.”
- 9. Value of Supply:** In case of valuation of used vehicles the Board may use the valuation of such goods as notified by Pakistan Bureau of Statistics immediately before the start of tax period. The Board may also where deems fit outsource the functions of valuation of goods to third party in the mode and manner as may be prescribed.”;
- 10. Steel Melters:** in the case of steel melters, steel re-rollers and composite units, the tax shall be collected on the basis of per unit electricity consumption at the rate as prescribed by the Board, through notification in the official Gazette. The tax collected shall be adjustable and the excess amount, if any, shall be refunded on monthly basis through Board’s automated refund system to those registered persons who integrate with the Board’s prescribed production monitoring and digital invoicing systems.”
- 11. Input Tax to be Allowed:** The Board has been empowered to by notification in the official Gazette, reduce or enhance the limit provided in Section 8B of the Act for any registered person on the basis of compliance or non-compliance with the production monitoring, digital invoicing, e-bility, POS, or any other electronic system prescribed by the Board for digital integration of data.”;
- 12. Debit and Credit Notes:** The issuance of debit and credit notes shall be governed by the mechanism including electronic adjustments, as may be prescribed by the Board.”;
- 13. Invoice for Exempt Supply:** Now there is a requirement to issue an invoice for exempt supply also including an advance receipt invoice, bearing a verifiable and unique FBR invoice number. The Board may notify any person or class of persons who may be allowed to issue an advance receipt invoice within the notified system:
- 14. Use of Experts:** If, at any stage of the proceedings before him, if the Commissioner is of the opinion that having regard to, —
 - (a) the nature and complexity of the accounts; or
 - (b) volume of the accounts; or

(c) doubts about the correctness of the accounts; or

(d) multiplicity of transactions in the accounts; or

(e) specialized nature of business activity of the registered person, and interests of the revenue, is of the opinion that

it is necessary so to do, he may, after giving the registered person a reasonable opportunity of being heard, and with the previous approval of the Chief Commissioner, direct the registered person to get either any or all of the following:—

(i) accounts re-audited by an accountant, and to furnish a report of such audit duly signed and such accountant including answers to the specific queries as the Commissioner may require; or

(ii) inventory re-valued by a cost accountant, and to furnish a report of such inventory valuation duly signed and verified by such cost accountant including answers to the specific queries as the Officer of Inland Revenue may require;

Explanation:- The accountant or the cost accountant, as referred to in this sub-section shall be nominated by the Commissioner for the purposes of the said sub-section from amongst the panel of such accountants or cost accountants nominated by the Board.”; and

After completion of the audit, the officer of Inland Revenue shall, after obtaining the registered person’s explanation on all the issues raised in the audit, issue an audit report containing audit observations and finding.”

15. Algorithmic settlement mechanism.-

Notwithstanding anything contained in this Act, the Board may establish a digitally operated algorithmic settlement mechanism (hereinafter referred to as "the mechanism") for settlement of tax proceedings at any stage before any order under sections 11D or 11E of the Act.

In case, the mechanism calculates and presents to the registered person a settlement offer as per the criteria provided the registered person may avail the offer.

The system generated settlement offer shall be calculated on the basis including but not limited to:

- (a) the stage of proceedings at which settlement is offered;
- (b) the registered person’s compliance history, as maintained in FBR’s data;
- (c) the nature and character of the discrepancy; and
- (d) any other basis the Board may consider relevant.

A registered person who opts to avail this mechanism shall within ten days from the date of settlement offer to accept the settlement offer on IRIS and deposit the settlement offer amount.

The issues confronted to the registered person, if any, through a notice or an audit

report under this Act shall stand abated if the registered person deposits the settlement amount

(c) a senior serving or retired officer of the FBR (BS 20 or above).

Payment of tax consequent upon acceptance of offer of this section shall not preclude proceedings in respect of any other issue or discrepancy not covered by the settlement offer, nor shall it affect proceedings for any other tax period.

The powers, functions, and procedure of the Committee along with remuneration of its Members shall be governed as prescribed.

16. Unnecessary Litigation:

A correct measure has been introduced to avoid unnecessary litigation at a higher level. An Independent case scrutiny committee shall recommend filing of reference under section 47 before the High Court, or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan, as the case may be.

Recommendations of the committee shall be binding upon the Commissioner Inland Revenue having jurisdiction over the case. (6) Notwithstanding anything contained in any other law for the time being in force, no suit, prosecution, or other legal proceedings shall lie against the Members of the Committee and the Commissioner Inland Revenue having jurisdiction over the case, in relation to the decisions made under this section.;

The Board may constitute one or more such committees and assigned them cases or classes of cases decided by the Appellate Tribunal Inland Revenue or the High Court as the case may be.

17. Power to share information:

The Board shall have the power to share data contained in Sales Tax returns of registered persons belonging to a sector amongst all registered persons of the same sector under strict non-disclosure agreements to create market equity and to enhance tax compliance subject to such limitations, restrictions and conditions as may be specified by the Board.”;

The Committee shall comprise of the following Members as nominated by the Board –

(a) a retired judge of Supreme Court of Pakistan, the Federal Constitutional Court, or any of the High Courts of Pakistan who shall also act as Chairman of the Committee;

(b) an Advocate having not less than fifteen years of experience in tax and commercial litigation before the High Court or Supreme Court of Pakistan, to be nominated from a panel notified by the Board from time to time; and

18. Products subject to Sales Tax at Retail Price at the manufacturing or import stages:

- a. Vegetable and animal fats and oils, sold in retail packing.
- b. Sugar Confectionary, sold in retail packing.
- c. Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli,

cannelloni; couscous, whether or not prepared, sold in retail packing.

- d. Sauces, ketchup and other preparations therefore; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard, sold in retail packing.
- e. Fermented beverages, sold in retail packing.
- f. Petroleum jelly, paraffin wax, micro-crystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or by other processes, whether or not coloured, sold in retail packing.
- g. Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles put up in forms or packings for retail sale.
- h. Plates, sheets, film, foil, tape, strip and other flat shapes of plastics, whether or not in rolls, sold in retail packing.
- i. Tableware, kitchenware, plastic furniture, storage items, hygienic or toilet articles, and allied other household articles of plastics, sold in retail packing.
- j. Trunks, suit-cases, vanity-cases, executive-cases, briefcases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar

containers; travelling-bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping-bags, wallets, purses, map-cases, cigarette-cases, tobacco-pouches, tool bags, sports bags, bottle-cases, jewellery boxes, powder-boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials or with paper, put up for retail sale.

- k. Footwear (all types)
- l. Bathroom accessories and bath items, sanitaryware including taps, showerheads, fittings, mixers, valves and other washroom accessories and fixtures, sold in retail packing
- m. Crockery Items, sold in retail packing
- n. Car and automobile accessories, sold in retail packing
- o. Milk, fat filled milk, preparations suitable for infants, and other products of milk, sold in retail packing
- p. Preparations for use on the hair, sold in retail packing
- q. Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorisers, whether or not

perfumed or having disinfectant properties, sold in retail packing

- r. Toilet or facial tissue stock, towel or napkin stock and similar paper of a kind used for household or sanitary purposes, cellulose wadding and webs of cellulose fibres, whether or not creped, crinkled, embossed, perforated, surface-coloured, surface-decorated or printed, in rolls or sheets, put up for retail sale. 4803.0000, 48.18
- s. Jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter, other fruit and vegetable preparations, sold in retail packing 20.07, 20.08
- t. Household utensils, including Stainless steel, aluminum, melamine and other utensils and tableware.
- u. Ceramic Products including wash basins, commodes, tiles and allied ceramic sanitary products, put up for retail sale.

Note: Where the Federal Government has notified that the sales tax shall be charged, levied and paid at a rate higher than eighteen percent, the same rate shall continue to be charged, levied and paid after their inclusion under the Third Schedule.

19. Exemption from Sales Tax

- a. Newsprint, books, and magazines but excluding brochures, leaflets and directories limited to code 4902.1000, and 4902.9000”

- b. Import of CKD (in kit form) of following electric vehicles (4 wheelers) by local manufacturers till 30th June, 2026: (i) Small cars/SUVs with 50 Kwh battery or below; and (ii) Light commercial vehicles (LCVs) with 150 kwh battery or below. The date extended to 2027

- c. Import or lease of aircrafts and parts thereof by Pakistan International Airlines Corporation Limited (PIACL) Provided that the custom authorities shall ensure that the quantities of things imported are limited to the requirements of materials and articles to be used in operations and maintenance of the aircrafts operated by the airline: Provided further that the ground handling equipment, service and operation vehicles, catering equipment and fuel trucks, not manufactured locally, and imported shall be used within airport premises as aforesaid.
8801.0000, 8802.2000, 8804.0000
8805.2900 8807.3000 9104.0010
8544.2000 7007.1900 and 9931.”

- d. Contraceptives 3926.9020 and 4014.1000

- e. Female Sanitary Pads / Tampons 9619.0030

- f. Import of: – Tankers, – Dredgers, – Floating or submersible drilling, or production platforms, – Others floating structures and vessels.– Other vessels for the transportation of goods Excluding Cruise ships, excursion boats and similar vessels principally designed for the

transport of persons; ferry- boats of all kinds Provided that the quantity of imported goods under this entry shall be approved by Ministry of Maritime Affairs 8901.2000 8905.1000 8905.2000 8905.9000 8901.9000

- g. Import of bullet proof vehicles by the Federal Government for logistic arrangements for Shanghai Cooperation Organization (SCO) summit subject to the prior approval from the Ministry of Foreign Affairs and the Ministry of Interior and Narcotics Control. By the Federal Government or Provincial Government for threat of terrorism against a public functionary as determined by the Ministry of Interior and Narcotics Control, subject to approval by the Federal Government.

20. Reduced Rate of Sales tax for EV transport buses of 25 seats or more and electric trucks in CBU condition 8702.4090 8704.6030 of 1%” For other the date extended to 2027.

21. Withholding Sales Tax:

Under the Eleventh Schedule the withholding sales tax of 5% was applicable as under: This Section is governed by:

3[(7) The tax shall be withheld at the rate as specified in the Eleventh Schedule, by any person or class of persons being purchaser of goods or services , other than the services liable to pay sales tax under a Provincial enactment,] as withholding agent for the purpose of depositing the same, in such manner and subject to such conditions or restrictions as

the Board may prescribe in this behalf through a notification in the official Gazette

(7A) The tax withheld as provided in the Eleventh Schedule by the payment intermediary or the courier, as the case may be, shall be final discharge of tax liability in respect of taxable supplies of digitally ordered goods by; (i) cottage industry as defined in clause (5AB) of section 2 of this Act; and (ii) retailers other than tier-I retailers”

Previously only Companies as defined in the Income Tax Ordinance, 2001 (XLIX of 2001)[excluding companies exporting surgical instruments] persons other than Active Taxpayers 5% of gross value of supplies

Now it is proposed that the word “companies”, a comma shall be added, and thereafter the words “association of persons and individuals”

This is one of the most constructive amendments for corporatisation as there was clear discrimination in the past.

A new category of registered persons engaged in toll manufacturing with respect to transaction with person other than registered person at the rate of four times of the tax charged on conversion charges.”;

22. Twelfth Schedule Levy and collection of tax on specified goods on value addition. – Notwithstanding anything contained in this Act or the rules made there under, the 10[Federal Government] may specify, by notification in the official Gazette, that sales tax chargeable on the supply of goods of such description or class shall, with such limitations or

restrictions as may be prescribed, be levied and collected on the difference between the value of supply for which the goods are acquired and the value of supply for which the goods, either in the same state or on further manufacture, are supplied.

Following procedure and conditions have also been introduced: The manufacturer shall be liable to pay 3% value addition tax on ad valorem basis, along with default surcharge in case the imported goods are supplied in the same state whether in the same packing, repacked, or in bulk; Provided further that where-

(i) benefit of waiver of 3% value addition tax is availed, declaring that the goods are imported for in-house consumption in manufacturing process;

(ii) such imported goods are not used for in-house consumption;

iii) imported goods are supplied in the same state whether in the same packing, repacked, or in bulk; and

(iv) such supply exceeds 50% of total imports in a financial year;