FINANCE ACT 2025

Riaz Ahmad & Company
Chartered Accountants
Member of Nexia

INDEX

INTRODUCTION

This Memorandum has been prepared to facilitate our clients in better understanding of the changes made through Federal and Provincial Finance Acts, 2025 in Income Tax, Sales Tax, Federal Excise Duty and Provincial Sales Tax on Services. The changes have been explained in a concise manner and insignificant changes of consequential, administrative, procedural or editorial nature have been ignored for the sake of brevity.

Included under the heading of Income Tax Ordinance, 2001 is a dedicated portion, titled "General", which covers complete rates of income tax, schedule of filing of various periodical statements, rates for deduction of income tax at source, filing date of income tax return, computation of advance tax, etc., for convenience and ready reference of our clients.

The Federal and Provincial Finance Acts, 2025, unless otherwise stated, shall come into force on 01 July 2025.

This Memorandum may be accessed on our web-site: www.racopk.com

It is recommended that the text of the Finance Acts, 2025 as published in the Official Gazette and the relevant laws and notifications, wherever applicable should be referred to in considering the interpretation of any provision. This Memorandum contains only general comments. Final decision on any issue should not be taken without detailed consideration and professional advice.

This Memorandum should not be published in any manner without the consent of the firm. For professional advice, you may contact our following tax experts:

• Sarfraz Mahmood • Muhammad Arshad	• Muhammad Waqas • Junaid Ashraf	• Liaqat Ali Panwar • Moazzam Ali	• Raheel Arshad • Bilal Ahmad
Lahore Office	Karachi Office	Faisalabad Office	Islamabad Office

LAHORE: 16 July 2025

EXECUTIVE SUMMARY

Income tax

- Recreational clubs where the joining fee for membership for any class of new members exceeds one million rupees has been excluded from the scope of the non-profit organization. **[Section 2(36)]**
- Rate of surcharge for individuals deriving income chargeable under the head "Salary" has been reduced to 9% from 10%. **[Section 4AB]**
- Supply of digitally ordered goods or services which are delivered from within Pakistan using locally operated online platforms including online marketplace or websites shall be subject to final tax. Such goods or services are also subject to withholding tax. **[Sections 6A & 153]**
- Pension exceeding ten million rupees received by an individual below the age of seventy years shall be chargeable to tax @ 5% of the amount exceeding ten million rupees. Further, pension of an individual who continues to work for former employer or its associates shall be chargeable to tax at the normal tax rates for individuals. The employer shall withhold tax on pension along with surcharge. **[Section 12 & 149]**
- 10% of expenditure in respect of purchases from persons who are not NTN holders will be disallowed. However, in case of agricultural produce, this provision shall be applicable where the same has been purchased from middlemen. **[Section 21]**
- 50% of expenditure shall be disallowed in respect of sale where the amount exceeding two hundred rupees against a single invoice containing one or more than one transaction is received otherwise than trough banking channel or digital means. **[Section 21]**
- Depreciation expense shall not be allowed in respect of additions to capital asset, where tax has not been deducted and deposited on payments to a non-resident or a resident person. **[Section 22]**
- For amortization purpose, the useful life of an intangible which does not have ascertainable useful life, has been reduced from 25 years to 15 years. **[Section 24]**
- Business loss can no longer be set off against income from property. **[Section 56]**
- Companies whose business income is chargeable to tax other than normal tax shall not be entitled to avail group relief. **[Section 59B]**
- Tax credit on profit paid by individuals on loans used to construct or acquire personal house or flat has been reintroduced with certain modifications. **[Section 63A]**
- Period of carry forward and adjustment of minimum tax has been reduced to two years from three years. **[Section 113]**
- 'Ineligible person' shall not be allowed to make certain economic transactions above the respective threshold provided under newly inserted Fifteenth Schedule. **[Section 114C]**
- Time limit to make an order under section 122 has been extended from one hundred and eighty days to one year from the issuance of the show cause notice. **[Section 122(9)]**
- System of filing appeal has been reinstated without any pecuniary thresholds as was prior to Tax Laws (Amendment) Act, 2024. **[Section 126A]**
- Taxpayer excluding State-Owned Enterprises either can file appeal to Commissioner (Appeals) or to forgo the right of appeal before the Commissioner (Appeals) and directly file appeal to the Appellate Tribunal. **[Sections 127 & 131]**
- Reference to High Court can now be filed on a question of law only. Further, time limit for filing reference to the High Court has been extended to sixty days from thirty days. **[Section 133]**

EXECUTIVE SUMMARY

- The Commissioner has been empowered to immediately recover tax demand from the taxpayer or from the persons holding money on behalf of the taxpayer where the amount of tax payable exceeds two hundred million rupees and the case has been decided in favour of the tax department at three appellate forums including the High Court. **[Sections 138 & 140]**
- Tax @ 15% shall be deducted, on capital gains from disposal of debt securities including government securities where disposal of debt securities has not been made through registered stock exchange and which are not settled through NCCPL. **[Section 151A]**
- 'Payment intermediaries' and 'courier service' shall also file quarterly withholding statements for tax deduction regarding sale of digitally ordered goods and services, containing particulars mentioned in section 165C. **[Section 165C]**
- FBR has been empowered to exchange information obtained from tax declarations, with schedule banks for the purpose of cross matching with the bank data. **[Section 175AA]**
- A person selling digitally ordered goods or services from within Pakistan using online marketplace or a courier service shall apply for registration. On failure, penalty of five hundred thousand rupees for the first default and one million rupees for every subsequent default shall be paid. **[Section 181 & 182]**
- Where a banking company or payment gateway or a courier service provider, fails to deduct tax at the time of making payment to a seller in respect of digitally ordered goods or services it shall pay a penalty equal to hundred percent of the amount of tax involved. **[Section 182]**
- Rate of tax on daily cash withdrawals exceeding fifty thousand rupees by non-filers has been increased from 0.6% to 0.8%. **[Section 231AB]**

The First Schedule

- Rates of tax on income of salaried individuals have been slightly reduced. Pension income exceeding ten million rupees received by a person below the age of seventy years shall now be chargeable to tax @ 5% of the amount exceeding ten million rupees. **[Division I, Part I]**
- Rates of super tax on high earning persons have been reduced as compare to previous tax rates. **[Division IIB, Part I]**
- Rate of tax on dividend income has been revised based on the nature of the income of the company paying dividend. **[Division III, Part I]**
- 15% flat rate of tax on profit on debt under section 7B has been increased based on the nature of the investment / deposit. **[Division IIIA, Part I]**
- Fee for offshore digital services shall now be taxed @ 15%. **[Division IV, Part I]**
- Reduced rate of 4% for tax to be withheld on payments to a permanent establishment in Pakistan in respect of certain services except IT services and IT enabled services, has been enhanced to 8%. **[Division II, Part III]**
- Certain rates of tax to be deducted on payments to a resident person have been enhanced. Further, new tax on payments made for digitally ordered goods or services has been introduced. **[Division III, Part III]**
- Slab rates of tax to be deducted on sale of immoveable property under section 236C have been enhanced. **[Division X, Part III]**
- Slab rates of tax to be collected on purchase of immoveable property under section 236K have been reduced. **[Division XVIII**, **Part III]**

EXECUTIVE SUMMARY

The Second Schedule

- Exemptions from tax available on pension received by a citizen of Pakistan from a former employer and pension received in respect of services rendered by a member of the Armed Forces of Pakistan or Federal Government or a Provincial Government have been withdrawn. **[Clauses 8 & 9, Part I]**

- 25% tax relief for full-time teachers and researchers has been restored from 01 July 2022 till 30 June 2025. **[Clause 3A, Part III]**

- Capital gain on the disposal of one residential immoveable property has been exempted from super tax under section 4C subject to certain conditions. **[Clause 104A, Part IV]**

- A person shall not be selected for audit whose income tax affairs have been selected for audit in any of the preceding three tax years. **[Clause 105A, Part IV]**

The Seventh Schedule

- Banking companies shall capitalize expenditure in respect of leasehold improvements on rented or leased property and shall amortize the same @ 10% per annum, starting from the date of use. **[Rule, 1 Clause (aa)]**

- Retrospectively from tax year 2020, banking companies instead of claiming depreciation on right-of-use assets, the actual rent expense shall be allowed subject to furnishing a certificate from the auditor. **[Rule 1(ba)]**

The Tenth Schedule

- Slab rates of advance tax to be collected on purchase of immovable property in case of persons not appearing in active taxpayers' list have been reduced ranging from 10.5% to 18.5% of the fair market value. **[Rule 1]**

- Rate of tax to be collected on sale or transfer of immoveable property in case of a person not appearing in the active taxpayers' list has been increased to 11.5% from 10% of the gross amount of consideration received. **[Rule 1]**

- Slab rates of advance tax on sale or transfer of immovable property in case of persons who are appearing on active taxpayers' list but have not filed return by the due date have been increased ranging from 7.5% to 9.5% of the gross amount of consideration received. **[Rule 1A]**

- Slab rates of advance tax on purchase of immovable property in case of persons who are appearing on active taxpayers' list but have not filed return by the due date have been reduced ranging from 4.5% 6.5% of the fair market value. **[Rule 1A]**

- Rate of tax on disposal of securities acquired on and from 1st day of July 2025 in case of a person not appearing in active taxpayers' list shall not be increased by one hundred percent. **[Rule 10]**

The Fifteenth Schedule

- Threshold of the economic transactions is provided in this schedule to impose restrictions on an ineligible person under section 114C.

Sales Tax

- Abettor has been defined to identify the person who intentionally facilitates the tax fraud or any offence warranting prosecution under the Act. **[Section 2(1)]**

EXECUTIVE SUMMARY

- Cargo Tracking System has been introduced for electronic monitoring and tracking the goods transported to control tax evasion. **[Section 2(4A)]**

- To bring online transactions in the tax net, the term courier is defined as any entity engaged in delivery of goods and collection of cash on behalf of a seller including logistic and ride-hailing services. **[Section 2(5ABA)]**

- E-bilty means a digital transport document generated through cargo tracking system to accompany goods during their movement. **[Section 2(9B)]**

- E-commerce means sale or purchase of goods conducted over computer networks having digital ordering features by using mobile phones, automated computer to computer system or any similar device. **[Section 2(9C)]**

- Chilling charges for reduction in price has been restricted to 5% of the price of aerated water, beverages, mineral water or fruit juices. **[Section 2(27)]**

- Retail price of imported goods shall not be less than 130% of the assessed value. **[Section 2(27)]**

- The scope of tax fraud has been enhanced to cover any act or abetting actions to cause loss using false documents, fictitious transactions, manipulation of return filing, fake entries, suppression of withholding tax, etc. **[Section 2(37)]**

- In the case of supply of digitally ordered goods from within Pakistan payment intermediary and courier shall be liable to collect and pay sales tax. **[Section 3]**

- FBR has been empowered to use data based automated risk management system to defer certain input tax or fix higher or lower limits of input tax adjustments. **[Section 8B(4)]**

- Powers to the extent of arrest and prosecute shall not be applicable in case of order passed to determine and recover the tax not paid or erroneously refunded. **[Section 11E(1)]**

- The time limit to pass the assessment order under section 11D, best judgement assessment, 11E, recovery of tax not levied or short levied and 11F, failure to withhold sales tax has been extended from 120 days to 180 days of issuance of show cause notice. **[Section 11G(2)]**

- Commissioner shall have the powers to direct banking companies, scheduled banks and other financial institutions, to intermittently suspend operation of the bank account of specified person for three working days if the certain conditions are present and if default continues, the Commissioner may repeat the suspension / permanently bar operations of the bank accounts. **The provisions shall come into force on the date specified by the FBR. [Section 14AC]**

- Bar can be imposed on the transfer of immovable property for persons who fail to obtain tax registration within 15 days of an order issued under section 14AC. **[Section 14AD]**

- The Chief Commissioner shall have the powers to seal the business premises, seize movable property and appoint a receiver for management of the taxable activity of the person who fails to get itself registered. **[Section 14(AE)]**

- Within 10 days of order of suspension, the Commissioner shall issue notice to registered person. If reply is satisfactory, the Commissioner shall revoke the suspension otherwise speaking order of black listing shall be passed within 30 days of notice. **[Section 21(2A)]**
- The registered person has been obligated to ensure the generation and linkage of the tax invoice with the e-bilty. **[Section 23]**

- The officer of inland revenue shall have the powers of civil court trying a suit under the Code of Civil Procedure, 1908 in respect of 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. **[Section 37(4)]**

- Arrests can be authorized by a three-member committee if the fraud meets certain thresholds i.e. the amount involved in tax fraud exceeds fifty million rupees and it has been established that the accused is evading investigation or tampering with evidence. **[Section 37A(8)]**

- Where the person suspected of tax fraud is a company, responsible officers or directors may also be arrested, though the company still remains liable for tax dues and penalties. **[Section 37A(10)]**

- Procedure to be followed on arrest of a person has been explained in detail in **Section 37B**.

- The amendments made in filing of appeal in view of pecuniary limits, through Tax Laws (Amendment) Act, 2024, stands withdrawn. **[Section 43A]**

- The registered person may opt to file an appeal directly before Appellate Tribunal without availing right of appeal before Commissioner (Appeals). **[Section 45B(1)]**

- If Chief Commissioner believes that the audited accounts do not reflect the true and fair view of sales and purchases and related tax liability, he may with the approval of the Board, refer the matter for inspection to Audit Oversight Board. **[Section 58C]**

- The restriction on input tax claimed on supplies to non-registered persons exceeding Rs. 10m in a tax period and Rs. 100m in a financial year have been abolished and now the registered person can claim the input tax in a financial year or in a tax period, as may be prescribed by the Board, with the approval of Federal Government. **[Section 73(4)]**

Federal excise duty

- Dutiable goods sold without affixing counterfeited tax stamps, barcodes, banderoles, stickers, labels or bar codes on which excise duty remains unpaid, have been made liable to seizure. **[Section 26(1)]**

- A registered person shall now have the option to directly file an appeal before the Appellate Tribunal Inland Revenue without availing right of appeal before Commissioner (Appeals). **[Section 33(5)]**

- The pecuniary jurisdiction in appeals which were inserted by Tax Laws (Amendment) Act, 2024 has been withdrawn. **[Section 33A]**

- The time limit for filing of reference to the High Court along with a statement has been increased from thirty days to sixty days. **[Section 34A(1)]**

Punjab Sales Tax on Services Act, 2012

- The definition of "services" has been revised to encompass services listed in the both First and Second Schedules. **[Section 2(38)]**

- Subject to section 3A (tax-free services)**,** all services are taxable under this Act, including but not limited to the services listed in Second Schedule. **[Section 3(1)]**

- Tax credit shall not be allowed on tax free services including rendering and consumption of goods or services, telecommunication services in excess of nineteen and a half percent ad valorem, carriage of goods by rail or road in excess of fifteen percent ad valorem and other services in excess of sixteen percent ad valorem. **[Section 16B (nn) & (rr)]**

Sindh Sales Tax on Services Act, 2011

- CPC Code means classification code based on Central Product Classification (CPC) Version 2.1 as published by the United Nations and as adapted by the Board for the purposes of this Act. **[Section 2(19A)]**

- "Service" as reworded means any activity, facility, utility or advantage, including the granting, assignment, cession or surrender of any right. **[Section 2(79)]**

- Taxable service means a service, which is provided by the person from his office or place of business in Sindh in the course of an economic activity, including the commencement or termination of the activity. **[Section 3]**

- Services provided by any court, Tribunal or similar institution, services performed by Members of Majlis-e-Shoora, Provincial Assemblies, Local Government and by any individual holding a position under Constitution have been excluded from the scope of economic activity. **[Section 4(3)]**

- Services specified in the First Schedule shall, subject to such conditions and restrictions as may be specified therein, be exempt from tax under this Act. **[Section 10(1)]**

- Registered person shall not be entitled to claim, adjust input tax in relation to the amount of sales tax paid on the telecommunication services in excess of nineteen and a half per cent ad valorem and on other taxable goods or services in excess of fifteen per cent ad valorem. **[Section 15A]**

Islamabad Capital Territory (Tax on Services) Ordinance, 2001

- FBR may require any service provider mentioned in Tables 1 and 2 of the Schedule to integrate his businesses with the computerized system for real-time reporting of provision of services. **[Section 3(1)]**

Digital Presence Proceeds Tax Act, 2025

- Digital Presence Proceeds Tax Act, 2025 has been enacted for the purpose to tax digital sector generating substantial revenues and profits from jurisdictions where multinational enterprises maintain little or no physical presence but having significant digital presence in Pakistan.

- Every foreign vendor with a significant digital presence in Pakistan shall be charged to Digital Presence Proceeds Tax on proceeds from supply made from outside Pakistan @ 5% regardless whether the delivery is digital or physical. **[Section 3]**

Banking company – Definition **Section 2(7)**

The definition of "banking company" has been amended to bring the same in line with the definition given under the Banking Companies Ordinance, 1962.

Digitally delivered services **Section 2(17C)**

A new term "Digitally delivered services" has been defined as under:

> "**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."

E-commerce **Section 2(19AA)**

New term "e-commerce" has been defined as under:

> "**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 2(36)**

The definition of "non-profit organization" has been revised whereby recreational clubs where the joining fee for membership for any class of new members exceeds one million rupees has been excluded from the scope of the non-profit organization.

Online marketplace **Section 2(38B)**

The definition of the term "marketplace" has been broadened which now includes "online interfaces" that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers via digital orders for supply of goods and services, with or without the platform taking economic ownership of the goods or providing or rendering the services that are being sold.

Surcharge **Section 4AB**

New section 4AB inserted through Finance Act, 2024 whereby surcharge @ 10% of the income tax imposed under Division I of Part I of the First Schedule has been levied on every individual and association of persons having taxable income exceeding rupees ten million.

Now, by inserting proviso to this section, the rate of surcharge for an individual deriving income chargeable under the head "Salary" has been reduced to 9% if taxable income exceeds ten million rupees in a tax year.

Tax on payments for digital transactions in e-commerce platforms **Section 6A**

By inserting new section 6A, final tax has been imposed on every person who receives payment for supply of digitally ordered goods or services which are delivered from within Pakistan using locally operated online platforms including online marketplace or websites at following rates:

- 1% of gross amount paid or payable in case of payment through Digital Means or banking channels.
- 2% of gross amount paid or payable in case of Cash on Delivery.

Corresponding amendment in this regard has also been made in section 8 which deals in income subject to final taxation.

Similar arrangement for collection of tax by the prescribed persons i.e. 'payment intermediary' and 'courier service' under section 153 has been made.

However, it is provided that the export proceeds subjected to withholding tax on exports under section 154 and exports of services under section 154A shall not fall within the ambit of this section.

Salary **Section 12(2A)**

New sub-section (2A) has been introduced under this section whereby now, the pension received by an individual below the age of seventy years shall be charged to tax @ 5% on the amount exceeding ten million rupees.

However, the pension of an individual who continues to work for former employer or its associate shall be charged to tax at the normal tax rates applicable for individuals specified under clause (1) or (2) of Division I of Part I to First Schedule as the case may be.

Purchase from persons not holding NTN **Section 21(q)**

Clause (q) of this section has been substituted whereby ten percent of the expenditure claimed shall be disallowed which are attributable to purchases made from persons who are not National Tax Number holders.

However, in case of purchase of agricultural produce, it is provided that such disallowance shall only apply to the purchase made from middle man.

Deductions not allowed **Section 21(s)**

Clause (s) of section 21 has been inserted to disallow fifty percent of the expenditure claimed in respect of sale where the amount exceeding two hundred thousand rupees against a single invoice containing one or more than one transaction of supply of goods or provision of services is received otherwise than through banking channel or digital means.

Depreciation **Section 22**

A new proviso has been inserted to sub-section (1) of this section providing that depreciation expense shall not be allowed for addition of capital assets if the person fails to deduct and deposit tax on payment to a non-resident person under section 152 or a resident person under section 153.

Intangibles **Section 24**

By amendment in sub-section (4) of this section useful life of an intangible that does not have an ascertainable useful life has been reduced to fifteen years from twenty-five years for the purpose of claiming amortization.

Set off of losses **Section 56(1)**

Through Finance Act, 2021, business loss was allowed to set off against income from property. Now, by adding proviso to sub-section (1) of this section, business loss has again been restricted to set off against the income from property for the tax year.

Group relief **Section 59B(2)(ba)**

Clause (ba) has been inserted under sub-section (2) of this section whereby a company or companies within the group whose income from business is chargeable to tax other than normal tax under Division II of Part I of First Schedule shall not be entitled to avail group relief.

Tax credit for interest paid on low-cost housing loan **Section 63A**

By inserting new section 63A, tax credit on the profit on debt paid in the year on the loan obtained for construction or acquisition of one personal house or flat has been reintroduced with certain modifications. Earlier, such tax credit was available under section 64 which was omitted through Finance Act, 2015 and deductible allowance was provided till tax year 2022 under section 60C.

New section 63A is reads as under:

> "**63A. Tax credit for interest paid on low-cost housing loan.__** (1) An individual shall be entitled to a tax credit for a tax year in respect of any profit on debt or share in rent or share in appreciation for value of house paid by the person in the year on a loan by a scheduled bank or any other financial institution regulated by the Securities and Exchange Commission of Pakistan or advanced by Government or the Local Government or a statutory body or a public company listed on a registered stock exchange in Pakistan where the person utilizes the loan for the construction (including land) or acquisition of one personal house having land area up to two thousand five hundred square feet or flat having total area up to two thousand square feet.
>
> (2) The amount of a person's tax credit allowed under sub section (1) for a tax year shall be computed according to the following formula, namely:
>
> $$(A/B) \times C$$
>
> Where __
>
> A is the amount of tax assessed to the person for the tax year before allowance of any tax credit under this Part
>
> B is the person's taxable income for the tax year; and
>
> C is the lesser of —
>
> (a) the total profit on debt referred to in sub-section (1) paid by the person in the year or;
>
> (b) thirty percent of the person's taxable income for the year.
>
> (3) The person shall not be entitled to tax credit under this section for any profit deductible under section 15A.
>
> (4) Where an individual has claimed tax credit under this section, he shall not be entitled to claim tax credit for another house or flat under this section during the subsequent fifteen tax years."

Minimum tax on income of certain person **Section 113(2)**

The period for carry forward and adjustment of minimum tax under this section has been reduced to two tax years from three tax years.

Restriction on economic transactions by certain persons **Section 114C**

Section 114C has been inserted for imposition of restrictions on certain persons on economic transactions exceeding the threshold given in newly inserted Fifteenth Schedule subject to notification by the Federal Government in the official gazette. Such restrictions are as follows:

(a) Application by an ineligible person for booking, purchase or registration of a motor vehicle of the value exceeding seven million rupees shall not be accepted or processed by any manufacturer of a motor vehicle or vehicle registering authority of Excise and Taxation Department, as the case may be.

(b) Application or request by and ineligible person, to any authority responsible for registering, recording or attesting transfer of any immovable property of the value exceeding one hundred million rupees, shall not be accepted or processed by such authority.

(c) Any person authorized to open and maintain an account in respect of securities, units of mutual fund or similar investment, shall not open or maintain such account if the total investment by an ineligible person in any such account exceeds fifty million rupees.

(d) A banking company shall not allow annual cash withdrawal from any of the bank account of any person, exceeding one hundred million rupees.

However, the above restrictions shall not apply on transactions made by a non-resident person or a public company except that mentioned in (d) above.

The sources of investment and expenditure statement filed by the person and sufficient resources mentioned in sub-section (5), shall not be construed as nature and source of income for the purpose of section 111.

For the purpose of this section, followings have been defined as under:

(a) 'eligible person' shall mean a person who has filed-

(i) A return of income for the tax year immediately preceding the year of transaction mentioned in sub-section (1) of this section and has sufficient resources in the wealth statement in case of an individual, or financial statement in case of an individual, or financial statement in case of a company or an association of persons, as the case may be, for such transaction; or

(ii) Sources of investment and expenditure statement declaring sufficient resources and furnishing explanation thereof for a particular purchase or investment transaction covered in clauses (a), (b) and (c) of sub-section (1) of this section:

Provided that in case of an individual, the eligible person shall include his immediate family members.

(b) 'immediate family members' in respect of an individual, shall include his parents, spouse and dependent children;

(c) 'ineligible person' shall mean a person who is not an eligible person as defined in clause (a) of this sub-section;

(d) 'sources of investment and expenditure statement' shall mean a declaration by a person filed on the FBR's web portal, specifying the sources of funds for making such transaction;

(e) 'sufficient resources' shall mean one hundred and thirty percent of the cash and equivalent assets comprising cash denominated in local or foreign currency, fair market value of gold, net realizable value of stocks, bonds, receivables or any other cash equivalent asset as may be prescribed, declared by a person either in his sources of investment and expenditure statement, or wealth statement filed for the latest tax year and in the case of a company or association of persons, cash and equivalent assets declared in the financial statements attached with the income tax return for the latest tax year:

Provided that where an asset mentioned in sub-section (1) of this section, other than clause (d) of this sub-section has been purchased by way of exchange of capital assets already declared in the wealth statement or financial statement or sources of investment and expenditure statement, the disposal of such capital assets shall be treated to be part of cash equivalent assets to the extent of the value mentioned in the agreement.

However, restrictions or limitations imposed on the ineligible person under this section shall come into force on such date as the Federal Government may, by notification in official Gazette.

Amendment of assessment **Section 122(9)**

Earlier, the Commissioner was required to make order under this section within one hundred and eighty days from the issuance of show cause notice or within such extended period maximum of ninety days.

Now, such time limitation has been extended to one year of issuance of show cause notice or within such extended period maximum of ninety days.

Assessment giving effect to an order **Section 124(4A) & (4B)**

By inserting new sub-section (4A), now, appeal effect order is not required to be issued in case where Commissioner (Appeals), Appellate Tribunal, High Court or Supreme Court has confirmed the tax payable as determined in the order and the Commissioner shall proceed to effect recovery of the tax demand.

Further, new sub-section (4B) has been inserted, providing that where the Appellate Tribunal, High Court or Supreme Court has partly set aside the order and confirmed or modified the order on some other issues, the Commissioner shall issue appeal effect order determining the tax payable on the basis of the issues that have been confirmed or modified which shall be paid or recovered under the provisions of the Ordinance.

Pecuniary jurisdiction in appeals **Section 126A**

Section 126A was introduced through the Tax Laws (Amendment) Act, 2024 specifying pecuniary thresholds for filing of appeals before appellate forums. Now, by omitting this section, previous system of appeals has been restored.

Appeals to the Commissioner (Appeals) and Appellate Tribunal **Section 127 & 131**

By adding proviso to sub-section (1) of this section option has been provided to a taxpayer, other than a State-Owned Enterprise, either to prefer an appeal before the Commissioner (Appeals), or to forgo the right of appeal before the Commissioner (Appeals) and directly file an appeal before the Appellate Tribunal Inland Revenue.

Further, amendments regarding filing appeal directly to the Appellate Tribunal Inland Revenue against the order of Officer Inland Revenue, have also been made in section 131.

Similar amendments have also been made in Sales Tax Act, 1990 and Federal Excise Act, 2005.

Reference to High Court **Section 133**

Earlier, reference to High Court could be filed on a question of law, or a mixed question of law and facts. Now, the reference to High Court against order of the Appellate Tribunal Inland Revenue can be filed on a question of law only.

Further, time limit for filing reference to High Court has been extended to sixty days from thirty days.

Similar amendments have also been made in Sales Tax Act, 1990 and Federal Excise Act, 2005.

Alternative Dispute Resolution **Section 134A(11A) & (11B)**

New sub-sections (11A) and (11B) have been inserted under this section whereby, in case of a State-Owned Enterprise (SOE), if the Committee fails to decide within a period of sixty days, the Board shall reappoint a Committee that shall decide the dispute in further period of sixty days. If the reappointed Committee also fails to decide, the matter shall be decided by the court of law or the appellate authority where the dispute is pending under litigation.

Recovery of tax out of property and through arrest of taxpayer / from persons holding money on behalf of a taxpayer — **Sections 138(3A) & 140(6A)**

New sub-section (3A) has been inserted under this section empowering the Commissioner to recover the tax demand immediately irrespective of the time provided under any other provision of this Ordinance, any other law or the decision or the judgment of any court / forum / authority, subject to following conditions:

(a) The case has been decided in favour of the tax department at three appellate forums including the High Court;

(b) The recovery shall only be made to the extent of lowest amount of tax demand which has been confirmed by any of the three appellate forums; and

(c) The amount of tax payable exceeds rupees two hundred million rupees.

Further, by inserting new sub-section (6A), similar amendments have also been made in section 140 for recovery of tax demand from persons holding money on behalf of a taxpayer.

Imports — **Section 148(1)**

By inserting proviso to sub-section (1) of this section, the Collector of Customs shall not collect tax on imports under section 148 where the recipient of goods is also liable under the Digital Presence Proceeds Tax Act, 2025 and the tax has been collected by the payment intermediary as defined under section 153.

Salary — **Section 149(1A)**

Now, the pension received by an individual below the age of seventy years shall be charged to tax under section 12 at the rate of 5% on the amount exceeding ten million rupees.

New section (1A) has been inserted under this section for the purpose of deduction of tax by the person responsible for paying pension to a former employee on pension along with surcharge under section 4AB. However, such tax will be deducted after making adjustment of tax withheld from former employee under other heads and tax credit admissible on charitable donations under section 61 and contribution to an approved pension fund under section 63 during the tax year after obtaining documentary evidence, as may be necessary for-

(i) tax withheld from the former employee under the Income Tax Ordnance, 2001 during the tax year;
(ii) any excess deduction or deficiency arising out of any previous deduction; or
(iii) failure to make deduction during the year.

Gain arising on disposal of certain debt securities — **New Section 151A**

New section 151A has been introduced whereby now, every custodian of debt securities, including a banking company maintaining Investor Portfolio Securities (IPS) Account, shall deduct tax @ 15% at the time of disposal of debt securities including government securities on the gross amount of capital gain arising to the holder of such securities. Capital gain arising to the holder on disposal of security shall be computed with the following formula given in sub-section (1A) of section 37A, namely:-

A - B

Where-

A is the consideration received by the person on disposal of the security; and
B is the cost of acquisition of the security.

However, tax under this section shall not be deducted on disposal of debt securities made through registered stock exchange and which are settled through NCCPL.

Payment to non-residents **Section 152(1C) & (1D)**

Every banking company or a financial institution is required to deduct tax under sub-section (1C) of this section while remitting amount outside Pakistan on account of fee for offshore digital services to a non-resident person on behalf of a resident person.

Now, it is provided that the banking company and financial institution shall not deduct tax where the recipient is also liable to Digital Presence Proceeds Tax Act, 2025 and the tax has been collected thereunder.

Further, previously capital gain arising on the disposal of debt instruments and Government securities including treasury bills and Pakistan investment bonds invested through special convertible rupee account (SCRA) were subject to withholding tax @ 10% under sub-section (1D) of this section. Now, by virtue of amendment in the said sub-section (1D), tax shall be deducted on such capital gain as follows:

(i) 10% where the special convertible rupee account (SCRA) is maintained for a period not less than six months.

(ii) 20% where holding period of securities is less than six months.

Payment for goods, services and contracts **Section 153(2A), (4) & (7)**

New sub-section (2A) has been introduced under this section whereby now:

(i) every payment intermediary at the time of processing payment through digital means, on behalf of a seller of digitally ordered goods or services through locally operated e-commerce platforms (including websites); and

(ii) every courier business providing courier services collecting cash from a buyer under Cash on Delivery (CoD) payment terms on behalf of a seller for the supply of digitally ordered goods and services through e-commerce platforms (including websites)

shall collect tax from the gross amount payable (including sales tax, if any) to the seller at following rates:

- 1% of gross amount paid or payable in case of payment through Digital Means or banking channels.

- 2% of gross amount paid or payable in case of Cash on Delivery.

For this purpose, ‘payment intermediary’ and ‘courier service’ have been added in the list of prescribed persons under sub-section (7) of this section and the same have also been defined under the said sub-section as under:

‘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) Logistics services;
(b) ride-haling services;
(c) food delivery platforms; and
(d) and e-commerce services

“payment intermediary” means any third party 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.

Further, through Finance Act, 2024, by substituting sub-section (4), the power of the Commissioner to issue full exemption certificate was withdrawn. However, he was empowered to issue reduced rate certificates and such reduction shall not exceed eighty percent of the specified rates.

Now, public companies have been excluded from the said restriction of percentage and the Commissioner may allow payment without deduction of any tax in such cases.

Exemption or lower rate certificate **Section 159(1B)**

New sub-section (1B) has been introduced under this section empowering the Commissioner to issue exemption certificate for collection of advance tax under section 236C in cases where capital gain is not chargeable to tax under section sub-section (1A) of section 37 in respect of residential immovable property, which-

(i) has been in personal use for the last fifteen years;

(ii) has been declared by the person in his wealth statement for the last fifteen years;

(iii) appears as residence for personal use in tax record of the person.

However, it is provided that the exemption certificate under this section shall be issued once in fifteen years.

Furnishing of information by online marketplace, payment intermediary and courier service **Section 165C**

New section 165C has been inserted whereby every payment intermediary and courier service shall file a quarterly withholding statement to the Commissioner for tax deduction regarding sale of digitally ordered goods and services under newly inserted sub-section (2A) of section 153 in the prescribed form setting out –

(a) name, identification number (NTN/CNIC) and address of the seller;

(b) transaction date, unique identifier (invoice number) and total transaction value;

(c) the total amount of tax deducted at the time of payments to the seller; and

(d) any other particular may be prescribed.

Further, every online marketplace in Pakistan shall submit a monthly statement containing name, address, Sales Tax and Income Tax registration number of every vendor registered on its platform supplying digitally ordered goods and services in e-commerce, transactional and aggregated quantum of seller's monthly turnover and the amount deposited into the vendor's bank account against such sale transactions.

All the provisions of the section 165 excluding in respect of quarterly statement to be filed by other persons under sub-sections (1), (1A) and (6), shall mutatis mutandis apply with respect to the due date of the filling of the withholding statements, revision of the statements, power to call for statement by the Commissioner, extension of time to furnish the statement after due date, power of the Board, filing of annual statement and reconciliation of the withholding statement with the annual income tax return.

Exchange of banking and tax information related to high risk persons **Section 175AA**

By inserting this new section, the FBR has been empowered to exchange information obtained from the tax declarations with schedule banks in Pakistan in respect of persons or classes of persons for the purpose of cross matching with the bank data through the data-based algorithms as may be prescribed. The Scheduled banks shall provide to FBR, the final results where the banking data is at variance with the algorithms provided as above.

All information received under this section shall be used only for tax and related purposes and kept confidential.

The provisions of this section shall have overriding effect over the provisions of other laws including but not limited to the Banking Companies Ordinance, 1962, section 216 of the Income Tax Ordinance, 2001 and any regulations made under the State Bank of Pakistan Act, 1956.

Posting of Officer of Inland Revenue **Section 175C**

By inserting new section 175C, the FBR or the Chief Commissioner has been empowered to post an Officer of Inland Revenue or such other officials with any designation working under the control of the FBR or the Chief Commissioner, to the business premises of any person or class of such persons, to monitor production, supply of goods or rendering of services and the stock of goods not sold at any time for determining tax payable under this Ordinance.

Taxpayer's registration **Section 181(1)**

Now, a person selling digitally ordered goods or services from within Pakistan using online marketplace or a courier service shall apply for registration in a prescribed form and manner.

Further, new sub-section (1A) has been inserted whereby every online marketplace or courier service involved in e-commerce by supplying or delivering digitally ordered goods or services from within Pakistan shall not allow any vendor to use its platform services to carry out e-commerce transactions unless such vendors have been registered under the Income Tax Ordinance, 2001.

Offences and penalties **Section 182**

Where a payment intermediary and courier service responsible for deducting tax under newly inserted sub-section (2A) of section 153 fails to file a statement under section 165C shall pay a penalty of Rupees 50,000 if the person had already paid the tax collected by him within the due date and the statement is filed within ninety days from the due date. In all other cases, a penalty of Rupees 2,500 for each day of default from the due date subject to a minimum penalty of Rupees 10,000 shall be paid.

Provided that where it stands established that no tax was required to be deducted or collected during the relevant period, minimum amount of penalty shall be ten thousand rupees.

Following new entries have been inserted under this section to impose penalties in respect of the following offences:

S. No.	Offences	Penalties	Section of the Ordinance to which offence has reference
(1)	**(2)**	**(3)**	**(4)**
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 goods or rendering or providing of digitally delivered services using e-commerce platform.	Such person shall pay a penalty equal to hundred percent of the amount of tax involved.	153(2A)

15A	Any seller supplying digitally ordered goods and digitally delivered services through online marketplace who is required to be registered under the Income Tax Ordinance, 2001, fails to register.	Such seller shall pay a penalty of five hundred thousand rupees for the first default and one million rupees for every subsequent default.	181

Condonation of time limit **Section 214A**

New proviso has been added under this section providing that regardless of anything stipulated in this section, or any provision of the Ordinance, or any other applicable law currently in force, and notwithstanding any decision, order or judgment issued by any forum, authority or court, the maximum period of extension under this section by the FBR or the Commissioner, as the case may be, shall not exceed two years in aggregate.

It is also provided that where there are reasons to believe that significant loss to exchequer or the taxpayer has been caused by an act of omission or commission by the person or by the Commissioner, a committee of members as notified by the Board may further condone the limitation specified for a period as it may deem fit, after providing a reasonable opportunity of being heard to the concerned person.

Advance tax on cash withdrawals **Section 231AB**

Rate of tax to be deducted by banking companies on cash withdrawals exceeding fifty thousand rupees in a day by a person not appearing in the active taxpayers' list, has been enhanced from 0.6% to 0.8% of the amount of cash withdrawals.

THE FIRST SCHEDULE

Part I – RATES OF TAX

Division I – Rates of tax for Individuals and Association of Persons

- **Rates of tax for individuals (other than salaried individuals) and association of persons:**

S. No.	Taxable income	Rate of tax
1.	Where the taxable income does not exceed Rs. 600,000	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	15% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,600,000	Rs. 90,000 + 20% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 1,600,000 but does not exceed Rs. 3,200,000	Rs. 170,000 + 30% of the amount exceeding Rs. 1,600,000
5.	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 5,600,000	Rs. 650,000 + 40% of the amount exceeding Rs. 3,200,000
6.	Where taxable income exceeds Rs. 5,600,000	Rs. 1,610,000 + 45% of the amount exceeding Rs. 5,600,000

Provided that in the case of an association of persons that is a professional firm prohibited from incorporating by any law or the rules of the body regulating their profession, the 45% rate of tax mentioned against serial No. 6 of the above Table shall be 40%.

- **Rates of tax for salaried individuals** (where income under the head "salary" exceeds **seventy-five percent** of taxable income):

S. No.	Taxable income	Rate of tax
1.	Where the taxable income does not exceed Rs. 600,000	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	1% of the amount exceeding Rs. 600,000
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 + 23% 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	Rs. 346,000 + 30% of the amount exceeding Rs. 3,200,000
6.	Where taxable income exceeds Rs. 4,100,000	Rs. 616,000 + 35% of the amount exceeding Rs. 4,100,000

INCOME TAX ORDINANCE, 2001 – THE FIRST SCHEDULE

- **Rates of tax for individuals receiving pension from a former employer**

S. No.	Description	Rate of tax
1.	Where the amount of pension received does not exceed rupees ten million	0%
2.	Where the amount of pension received exceeds rupees ten million	5% of the amount exceeding rupees ten million

Division IIB – Super tax on high earning persons

S. No.	Income under section 4C	Rate of tax		
		Tax year 2022	Tax year 2023, 2024 and 2025	Tax year 2026 and onwards
1.	Where income does not exceed Rs. 150 million	0%	0%	0%
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1%	1%	1%
3.	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	2%	2%	1.5%
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3%	3%	2.5%
5.	Where income exceeds Rs. 300 million but does not exceed Rs. 350 million	4%	4%	3.5%
6.	Where income exceeds Rs. 350 million but does not exceed Rs. 400 million	4%	6%	5.5%
7.	Where income exceeds Rs. 400 million but does not exceed Rs. 500 million	4%	8%	7.5%
8.	Where income exceeds Rs. 500 million	4%	10%	10%

Division III – Rate of tax on dividend

Now, in case of mutual funds, contingent upon proportional income derived from average annual investments in debt securities and equities, rate of tax on dividend shall be 25% and 15%, respectively.

However, it is provided that where the corporate entity is recipient of dividend, the component derived from the debt securities shall be taxed at the rate of twenty-nine percent.

Division IIIA – Rate for Profit on Debt

The rate of tax on profit on debt under section 7B have been revised as follows:

(a) 20% of the yield or profit paid by a banking company or financial institution on an account or deposit maintained with such banking company or financial institution.

(b) 20% of the yield or profit paid by the Federal Government, a Provincial Government or a Local Government on Government securities to any person other than an individual.

(c) 15% in cases other than mentioned in clauses (a) and (b), above.

Division IV – Rate of Tax on Certain Payments

Now, a fee for offshore digital services shall also be subject to tax @ 15% under section 6. Previously, only royalty and fee for technical services were taxed @ 15%, while other payments were taxed @ 10%.

Division IVA – Rate of Tax on Payments for Digital Transactions in E commerce Platforms

Tax is applicable on payments received for the supply of digitally ordered goods or services delivered from within Pakistan through locally operated e-commerce platforms (including websites and marketplaces).

The applicable rates are:

(i) 1% of the gross amount when the payment is processed through digital means or banking channels by a payment intermediary.

(ii) 2% of the gross amount when payment is collected as cash on delivery (CoD) by a courier service.

Part III – DEDUCTION OF TAX AT SOURCE

Division I – Advance tax on dividend

Now, rate of advance tax to be deducted on dividend under section 150 in case of mutual funds, contingent upon proportional income derived from average annual investments in debt securities and equities, shall be 25% and 15%, respectively.

However, where the corporate entity is recipient of dividend, the component derived from the debt securities shall be taxed at the rate of twenty-nine percent.

Division IA – Profit on Debt

The rate of withholding tax on profit on debt to be deducted under section 151 has been revised as follows:

(a) 20% of the yield or profit paid by a banking company or financial institution on an account or deposit maintained with such banking company or financial institution.

(b) 20% of the yield or profit paid by the Federal Government, a Provincial Government or a Local Government on Government securities to any person other than an individual.

(c) 15% in cases other than mentioned in clauses (a) and (b), above.

Division II – Payments to non-residents

Rate of tax deduction from a permanent establishment in Pakistan of a non-resident person on payments for certain services specified under sub-paragraph (i) of paragraph 5 of this Division has been increased to 8% from 4%.

However, rate of tax for IT services and IT enabled services remained unchanged i.e. 4%.

Further, previously in case of payment to a permanent establishment in Pakistan of a non-resident person for services other than those mentioned in sub-paragraph (i) above, the rate of tax to be deducted was 9% in case of a company and 11% for other cases. Now, such rate of tax has been increased to 15% both for a company or other case.

Furthermore, the rate of tax to be deducted on payments for execution of contract with a non-resident sportsperson has been increased to 15% from 10%.

Division III – Payments for goods or services

Rate of tax deduction from a resident person on payments for certain services specified under sub-paragraph (i) of paragraph 2 of this Division has been increased to 6% from 4%.

However, rate of tax for IT services and IT enabled services remained unchanged i.e. 4%.

Previously, in case of payment to a resident person for services other than those mentioned in sub-paragraph (i) above, the rate of tax to be deducted was 9% in case of a company and 11% for other case. Now, such rate of tax has been increased to 15% both for a company and other case.

Further, the rate of tax to be deducted on payments for execution of contract with a resident sportsperson has been increased to 15% from 10%.

Moreover, new withholding tax rates have been introduced on payments made for digitally ordered goods or digitally delivered services through locally operated e-commerce platforms (including websites) as follows:

(i) 1% of the gross amount paid or payable where payment is processed through digital means or banking channels by payment intermediary.

(ii) 2% of gross amount paid or payable where payment is collected as Cash on Delivery by courier service.

Division IIIAA – Gain on disposal of certain debt securities

From now onward, tax @ 15% shall be deducted under section 151A on capital gain arising from disposal of debt securities where the disposal is made other than through a registered stock exchange and settled through NCCPL.

Part IV – DEDUCTION OR COLLECTION OF ADVANCE TAX

Division X – Advance tax on sale or transfer of immovable property

Rates of advance tax to be collected on sale or transfer of immoveable property under section 236C have been increased in case of a person appearing in active taxpayers' list as follows:

S. No.	Amount	Previous rate of tax	Present rate of tax
1	Where the gross amount of the consideration received does not exceed Rupees 50 million	3%	4.5%
2	Where the gross amount of the consideration received exceeds Rupees 50 million but does not exceed 100 million	3.5%	5%
3	Where the gross amount of the consideration received exceeds Rupees 100 million	4%	5.5%

Division XVIII – Advance tax on purchase of immovable property

Rates of advance tax on purchase of immovable under section 236K have been revised in case of a person appearing in the active taxpayers' list as follows:

S. No.	Amount	Previous rate of tax	Present rate of tax
1	Where the fair market value does not exceed Rupees 50 million	3%	1.5%
2	Where the fair market value exceeds Rupees 50 million but does not exceed 100 million	3.5%	2%
3	Where the fair market value exceeds Rupees 100 million	4%	2.5%

THE SECOND SCHEDULE

Part I – EXEMPTIONS FROM TOTAL INCOME

Pension **Clauses (8) & (9)**

From now onward, pension exceeding ten million rupees by an individual below the age of seventy years has been made taxable and also subject to surcharge under section 4AB and super tax under section 4C if applicable.

Consequently, Clause 8 providing tax exemption for any pension received by a citizen of Pakistan from a former employer, except where the individual continued to work for that employer and Clause (9) providing exemption on any pension received in respect of services rendered by a member of the Armed Forces of Pakistan or Federal Government or a Provincial Government have been omitted.

Exemptions for specified funds, institutions and trusts **Clause (57)(4)**

Earlier any income of funds, institutions, foundations and trusts mentioned in Table 1 of Clause (66) were exempt from tax without any restriction / condition. Most of the entities mentioned in Clause (66) have been shifted to newly inserted sub-clause (4) of Clause (57) providing such exemption from tax. List of the entities under this Clause is as under:

Sr. No.	Name
(i)	Pension of a former President of Pakistan and his widow.
(ii)	State Bank of Pakistan and State Bank of Pakistan Banking Services Corporation.
(iii)	Federal Board of Revenue Foundation.
(iv)	Pakistan Council of Scientific and Industrial Research.
(v)	The Pakistan Water and Power Development Authority established under the Pakistan Water and Power Development Authority Act, 1958 (W. P. Act XXXI of 1958).
(vi)	Pakistan Agricultural Research Council.
(vii)	The corporatized entities of Pakistan Water and Power Development Authority from the date of their creation upto the date of completion of the process of corporatization i.e. till the tariff is notified.
(viii)	The Prime Minister's Special Fund for victims of terrorism.
(ix)	Chief Minister's (Punjab) Relief Fund for Internally.
(x)	Supreme Court of Pakistan – Diamer Bhasha & Mohmand Dams – Fund.
(xi)	National Disaster Risk Management Fund.
(xii)	The Prime Minister's COVID-19 Pandemic Relief Fund-2020.
(xiii)	National Endowment Scholarship for Talent (NEST).

(xiv)	Securities and Exchange Commission of Pakistan.
(xv)	Privatisation Commission of Pakistan.
(xvi)	Fauji Foundation.
(xvii)	Audit Oversight Board.
(xviii)	Supreme Court Water Conservation Account.
(xix)	Baluchistan Education Endowment Fund (BEEF).
(xx)	Army Welfare Trust.
(xxi)	Public Private Partnership Authority for tax year 2022 and subsequent four tax years.
(xxii)	The Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities with effect on and from the 5th August, 2022.
(xxiii)	Export-Import Bank of Pakistan
(xxiv)	Deposit Protection Corporation established under subsection (l) of section 3 of Deposit Protection Corporation Act, 2016 (XXXVII of 2016).
(xxv)	WAPDA First Sukuk Company Limited.
(xxvi)	Pakistan Domestic Sukuk Company Ltd.
(xxvii)	WAPDA on issuance of twenty billion rupees TFC's/SUKUK certificates for consideration of Diamer Bhasha Dam Projects.
(xxviii)	WAPDA Second Sukuk Company Limited.
(xxix)	Pakistan International Sukuk Company Limited.
(xxx)	Second Pakistan International Sukuk Company Limited.
(xxxi)	Third Pakistan International Sukuk Company Limited.
(xxxii)	Islamic Naya Pakistan Certificates Company Limited (INPCCL).
(xxxiii)	Pakistan Mortgage Refinance Company Limited.;
(xxxiv)	The Pakistan Global Sukuk Programme Company Limited.
(xxxv)	Shaheed Mohtarma Benazir Bhutto Institute of Trauma, Karachi
(xxxvi)	National Memorial Bab-e-Pakistan Trust.
(xxxvii)	Pakistan Poverty Alleviation Fund.
(xxxviii)	National Rural Support Programme.
(xxxix)	Karandaaz Pakistan from Tax Year 2015 onwards
(xl)	The Institutions of the Agha Khan Development Network (Pakistan) as contained in Schedule 1 of the Accord and Protocol, dated November 13, 1994, executed between the Government of the Islamic Republic of Pakistan and the Agha Khan Development Network.
(xli)	International Finance Corporation established under the International Finance Corporation Act, 1956 (XXVIII of 1956) and provided in section 9 of Article VI of Articles of Agreement 1955 as amended through April 1993.
(xlii)	Asian Infrastructure Investment Bank and persons as provided in Article 51 of Chapter IX of the Articles of Agreement signed and ratified by Pakistan and entered into force on the 25th December, 2015.
(xliii)	SAARC Energy Centre.
(xliv)	The Asian Development Bank established under the Asian Development Bank Ordinance, 1971
(xlv)	International Islamic Trade Finance Corporation.
(xlvi)	Islamic Corporation for Development of Private Sector.
(xlvii)	ECO Trade and Development Bank.
(xlviii)	The Islamic Chamber of Commerce and Industry under the Organization of Islamic Conference (OIC).
(xlix)	Commission on Science and Technology for Sustainable Development in the South (COMSATS) formed under International Agreement signed on 5th October, 1994.
(l)	Saarc Arbitration Council (SARCO).
(li)	International Parliamentarians' Congress.
(lii)	Army Officers Benevolent Fund/Benevolent Fund/Bereaved Family Scheme.

INCOME TAX ORDINANCE, 2001 – THE SECOND SCHEDULE

Exemption for Olympic Medalist **Clause (65B)**

By inserting new Clause 65B, exemption from tax year 2025 onwards has been provided on any monetary award received by a sportsperson from the Federal Government, Provincial Government, or a Public Office holder, for winning a medal in the international Olympic Games while representing Pakistan.

Exemptions specified in Clause 66 **Clause (66)**

Previously, Clause (66) was consisting of Table 1 and Table 2. Any income derived by the institutions, foundations, societies, boards, trust and funds mentioned in Table 1 were exempt from tax without any restrictions / conditions whereas income of entities mentioned in Table 2 were exempt from tax subject to the provisions of section 100C.

By substituting Clause 66, most of the entities mentioned under Table-1 have been shifted to newly inserted sub-clause (4) of Clause 57. Now, income of entities mentioned in Table under Clause (66) shall be exempt subject to the provisions of section 100C. List of such entities is as follows:

Sr. No.	Name
(1)	**(2)**
(i)	Al-Shifa Trust.
(ii)	Fatimid Foundation.
(iii)	Pakistan Engineering Council.
(iv)	The Institution of Engineers.
(v)	Liaquat National Hospital Association.
(vi)	Greenstar Social Marketing Pakistan (Guarantee) Limited.
(vii)	Gulab Devi Chest Hospital.
(viii)	National Academy of Performing Arts.
(ix)	Pakistan Bar Council.
(x)	Pakistan Centre for Philanthropy.
(xi)	Aziz Tabba Foundation.
(xii)	The Kidney Centre Post Graduate Training Institute.
(xiii)	Pakistan Disabled Foundation.
(xiv)	Forman Christian College.
(xv)	Habib University Foundation.
(xvi)	Begum Akhtar Rukhsana Memorial Trust Hospital.
(xvii)	Al-Khidmat Foundation.
(xviii)	Sardar Trust Eye Hospital, Lahore.
(xix)	Akhuwat.
(xx)	Al-Shifa Trust Eye Hospital.
(xxi)	Sarmaya-E-Pakistan Limited.
(xxii)	Lahore University of Management Sciences, Lah
(xxiii)	Ghulam Ishaq Khan Institute of Engineering Sciences and Technology.
(xxiv)	Society for the Promotion of Engineering Sciences and Technology in Pakistan (SOPREST).
(xxv)	Businessmen Hospital Trust.
(xxvi)	Baitussalam Welfare Trust.
(xxvii)	Alamgir Welfare Trust International.
(xxviii)	Foundation University.
(xxix)	Burhani Qarzan Hasnan Trust
(xxx)	Saifee Hospital Karachi
(xxxi)	Saifiyah Girls Taalim Trust
(xxxii)	Balochistan Bar Council

Sr. No.	Name
(xxxiii)	Islamabad Bar Council
(xxxiv)	Khyber Pakhtunkhwa Bar Council
(xxxv)	Punjab Bar Council
(xxxvi)	Sindh Bar Council
(xxxvii)	Shaheed Zulfikar Ali Bhutto Foundation (SZABF)]
(xxxviii)	Pakistan Sweet Homes Angels and Fairies Place.
(xxxix)	Sindh Institute of Urology and Transplantation, SIUT Trust and Society for the Welfare of SIUT.
(xl)	Shaukat Khanum Memorial Trust.
(xli)	Abdul Sattar Edhi Foundation.
(xlii)	Patient's Aid Foundation.
(xliii)	Indus Hospital and Health Network.
(xliv)	Sundus Foundation.
(xlv)	Ali Zaib Foundation
(xlvi)	Layton Rahmatullah Benevolent Trust (LRBT).
(xlvii)	Dawat-e-Hadiya, Karachi.
(xlviii)	The Citizens Foundation.
(xlix)	Make a Wish Foundation
(l)	Saylani Welfare International Trust.
(li)	Dawat-e-Islami Trust
(lii)	Chiniot Anjuman Islamia.
(liii)	Hamdard Laboratories (Waqf) Pakistan
(liv)	Film and Drama Finance Fund
(lv)	Shaheed Zulfikar Ali Bhutto Institute of Science and Technology
(lvi)	Beaconhouse National University
(lvii)	Federal Ziauddin University
(lviii)	Punjab Police Welfare Organization, Lahore.

Tax Exemption for ICC Trophy **Clause (98AA)**

Exemption under this Clause has been provided for any income derived by the ICC Business Corporation (IBC), the International Cricket Council (ICC), their employees, officials, agents, and representatives, as well as officials from ICC member boards, players, coaches, medical doctors, officials of member countries, IBC partners, and media representatives, in connection with the ICC Champions Trophy 2025 hosted in Pakistan, provided that such persons are not residents of Pakistan.

Income derived by a zone enterprise **Clause (126E)**

Exemption of tax under this Clause is available on income derived by zone enterprises as defined in Special Economic Zones Act, 2012 for a period of ten years starting from the date of commencement of commercial operation.

Now, by amendment in this Clause, the said exemption shall be available for ten years starting from the date of commencement of commercial operation or up to 30th day of June 2035, whichever is earlier.

Profits and gains derived by a zone enterprise **Clause (126EA)**

Exemption of tax under this Clause is available on profits and gains derived by zone enterprises 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.

Now, the said exemption shall be available for a period of ten years from the date of issuance of license by the Special Technology Zone Authority or up to 30th day of June 2035, whichever is earlier.

INCOME TAX ORDINANCE, 2001 – THE SECOND SCHEDULE

Income of specified persons **Clause (145A)**

Exemption from tax available to any income which was not chargeable to tax prior to the commencement of the Constitution (Twenty-fifth Amendment) Act, 2018 of any individual domiciled or company and association of persons resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution, has been extended to 30th June 2026. Earlier, the exemption was available upto 30 June 2025.

Income derived from cinema operations **Clause (151)**

Exemption of tax under this Clause is available on any income derived by a person from cinema operations for a period of five years from the date of commencement of cinema operations.

Now, the said exemption has been made available for a period of five years from the date of commencement of operations or up to 30th day of June 2030, whichever is earlier.

Profits and gains derived by venture capital companies and venture capital funds **Clause (152)**

This Clause, allowing exemption from tax on profits and gains earned by venture capital companies and venture capital funds from 01 July 2022 to 30 June 2025, has been omitted and thereby the exemption allowed earlier for the tax 2025 has been withdrawn.

Part II – REDUCTION IN TAX RATES

Rate of tax on import of raw sugar **Clause (9AC)**

Reduced rate of tax at 0.25% to be collected on import of raw sugar by sugar mills was provided under this Clause for the period from 26 January 2021 to 30 June 2021. Now, this Clause being redundant, has been omitted.

Supply of certain goods to Utility Stores Corporation of Pakistan **Clause (24CA)**

Reduced rate of tax at 1.5% to be deducted on supply of certain goods to Utility Stores Corporation of Pakistan by a person other than a company was provided under this Clause for the period from 07 April 2020 to 30 September 2020. Now, this Clause being redundant, has been omitted.

Tax rates for National Logistics Corporation on services, contracts and sale by auction **Clause (24CB)**

New Clause (24CB) has been inserted whereby tax shall be deducted / collected at reduced rate of 3% on payments to National Logistics Corporation (NLC) on account of services and contracts under section 153 and sale by auction under section 236A.

However, it is provided that the tax so collected shall be minimum tax and if normal tax chargeable under Division II, of Part I of the First Schedule, is higher than the amount of tax under this Clause, NLC shall be liable to pay normal tax.

Part III – REDUCTION IN TAX LIABILITY

Tax payable by full time teacher or researcher **Clause (3A)**

Earlier, the tax relief allowing a 25% reduction in tax liability for full-time teachers and researchers employed in recognized non-profit educational or research institutions was withdrawn. Now, by inserting this Clause, the said relief has been restored retrospectively from 01 July 2022 and shall remain available till tax year 2025.

Part IV – EXEMPTION FROM SPECIFIC PROVISIONS

Withholding tax on import of certain goods **Clauses (12F), (12G) and (12J)**

Clauses (12F), (12G) and (12J) providing exemptions from withholding tax at import stage under section 148, which were earlier granted in pursuant to Cabinet Decisions for import of wheat and white sugar, have now been omitted.

Withholding tax on import of medicines **Clause (56)(xx)**

By inserting new sub-clause (xx) under this Clause, exemption from withholding tax at the import stage under section 148 has been provided on import of Cystagon, Cysta Drops, and Trientine capsules.

Exemption from super tax under section 4C **Clause (104A)**

New clause (104A) has been inserted providing exemption from super tax under section 4C in respect of capital gain derived from the disposal of one residential immovable property, if the property-

(a) has been in the seller's personal use for the last fifteen years;

(b) has been declared by the person in his wealth statement for the last fifteen years; and

(c) appears as residence for personal use in tax record of the person.

However, it is provided that exemption can be availed once in fifteen years.

Immunity from selection for audit under section 177 and 214C **Clause (105A)**

Previously, a person was provided immunity from the provisions of section 177 and 214C (selection for audit) whose income tax affairs had been audited in any of the last four tax years.

Now by amendment in this Clause, such immunity has been curtailed. Now, a person shall not be selected for audit whose income tax affairs have been selected for audit in any of the preceding three tax years.

Exemption from provisions of withholding tax for specified persons **Clauses (109A) & (110)**

Exemption from provisions of sections in Division III of Part V of Chapter X and Chapter XII for deduction or collection of withholding tax available to an individual domiciled or company and association of persons resident in the Tribal Areas forming part of the Provinces of Khyber Pakhtunkhwa and Balochistan under paragraph (d) of Article 246 of the Constitution up to 30th day of June 2025 has now been extended to 30th day of June 2026.

THE SEVENTH SCHEDULE

RULES FOR THE COMPUTATION OF THE PROFITS AND GAINS OF A BANKING COMPANY AND TAX PAYABLE THEREON

Amortization of leasehold improvements by banking companies **Rule 1 Clause (aa)**

Now a banking company shall capitalize expenditure in respect of leasehold improvements on leased or rented property and tax amortization @ 10% per annum shall be allowed. Amortization shall commence from the date on which the leasehold improvements are first put to use by the taxpayer.

In the event of termination of the lease prior to the completion of the amortization period, the unamortized balance of the capitalized leasehold improvements shall be allowed as a deduction in the tax year in which such termination occurs after setting off any proceeds received from the disposal or transfer of such leasehold improvements.

Depreciation on right-of-use assets **Rule 1 Clause (ba)**

Effective from tax year 2020, depreciation against right-of-use assets and finance cost relating thereto under IFRS 16 was allowed. Now, instead of depreciation on right-of-use assets, the actual rent expense incurred during the tax year shall be allowed as an expense subject to the condition that the banking company furnishes a certificate from its external auditor to the effect that such rent expense has been actually incurred during the tax year.

Further, it is provided retrospectively from tax year 2020 that where a banking company has claimed excess deduction on account of depreciation on right-of-use assets and related finance cost thereto, the differential amount being excess of such deduction over the actual rent expense incurred shall be offered to tax in tax year 2025.

It is also provided that where the deduction claimed in respect of right-of-use asset is less than the actual rent expense incurred, the differential amount shall be allowed as an expense in tax year 2025.

The above adjustments shall be duly certified by the external auditor of the banking company.

Provisions for advances and off balance sheet items **Rule 1(c)**

Banking companies are allowed to claim provisions against non-performing loans (NPLs) or bad debts under the 'loss' category up to 1% of total corporate advances and 5% of total consumer advances for consumers and small and medium enterprises (SMEs) regardless of the actual provisioning provided that a certificate from the external auditor is furnished by the banking company.

Now, it has is provided that the said certificate of the external auditors should be complete in all respects and shall be on prescribed format and containing the followings:

(i) the amount of provision, category-wise, allowed in accordance with the Prudential Regulations issued by the State Bank of Pakistan;

(ii) the amount of provision, category-wise, recognized under the International Financial Reporting Standard (IFRS) 9;

(iii) the amount of provision, category-wise, as disclosed in the annual accounts of the banking company; and

(iv) the amount of provision, category-wise, which is eligible for deduction under clauses (c), (d), (da), (e) and (f) of Rule 1 of this Schedule and the certificate shall specifically identify and certify such amount, confirming its consistency with the applicable regulatory framework, the Seventh Schedule, and financial reporting standards.

It is clarified that in case of non-filing of the certificate or incomplete filing of the certificate at the time of filing of return, the provisions under rule 1(c) shall not be admissible and **requirements specified above, shall apply in respect of tax year 2025 and onwards.**

It is also provided that only such provisions shall be admissible as an expense under clause (c) of Rule 1 of this Schedule for which non-performing advances are classified as loss, in accordance with and based upon the Prudential Regulations issued by the State Bank of Pakistan.

Moreover, it is further provided that any provision including general provision made otherwise than in accordance with the aforesaid Prudential Regulations shall not be admissible as a deduction in computing the taxable income of a banking company under this Schedule.

INCOME TAX ORDINANCE, 2001 – THE SEVENTH / TENTH SCHEDULE

Auditor's certificate **Rule 1(fa)**

New clause (fa) has been inserted under Rule 1 providing that the external auditor's certificate required under clause (c) of rule 1 shall be on the letterhead of external auditor and on the required format as inserted in this schedule. In this regard, format of auditor's certificate has been given under this clause.

Adjustments to be excluded in arriving at taxable income **Rule 1(g)**

Previously, any adjustment made in the annual accounts on account of the application of any applicable accounting standards was to be excluded in respect of arriving at taxable income.

Now, such exclusion has been restricted only to the extent of adjustments made under IFRS 9. Further, it is provided that the amendment **shall be applicable from 2025 onwards.**

THE TENTH SCHEDULE

RULES FOR PERSONS NOT APPEARING IN THE ACTIVE TAXPAYERS' LIST

Rate of deduction or collection of tax **Rule 1**

Progressive rates of advance tax on purchase of immovable property under section 236K have been reduced for persons not appearing in the active taxpayers' list as follows:

S. No.	Fair market value of immovable property	Previous rate of tax	Present rate of tax
1	Where the fair market value does not exceed Rupees 50 million	12%	10.5%
2	Where the fair market value exceeds Rupees 50 million but does not exceed Rupees 100 million	16%	14.5%
3	Where the fair market value exceeds Rupees 100 million	20%	18.5%

Previously, withholding tax on profit on debt under section 151 in case of a person not appearing in the active taxpayers' list was 35%. Now, rate of tax in case of such person shall be increased by one hundred percent of the rate provided under section 151.

Further, the rate of tax for sale or transfer of immoveable property in case of a person not appearing in the active taxpayers' list has been increased to 11.5% from 10%.

Rate of deduction or collection of tax from persons who are appearing on active taxpayers' list but have not filed return by the due date **Rule 1A**

Rates of advance tax on sale or transfer of immovable property under section 236C in case of persons who are appearing on active taxpayers' list but have not filed return by the due date (late filers) have been increased as follows:

S. No.	Gross amount of consideration received	Previous rate of tax	Present rate of tax
1	Where the gross amount of consideration received does not exceed Rupees 50 million	6%	7.5%
2	Where the gross amount of consideration received exceeds Rupees 50 million but does not exceed Rupees 100 million	7%	8.5%
3	Where the gross amount of consideration received exceeds Rupees 100 million	8%	9.5%

INCOME TAX ORDINANCE, 2001 – THE TENTH / FIFTEENTH SCHEDULE

Rates of advance tax on purchase of immovable property under section 236K in case of persons who are appearing on active taxpayers' list but have not filed return by the due date (late filers) have been reduced as follows:

S. No.	Fair market value of immovable property	Previous rate of tax	Present rate of tax
1	Where the fair market value does not exceed Rupees 50 million	6%	4.5%
2	Where the fair market value exceeds Rupees 50 million but does not exceed Rupees 100 million	7%	5.5%
3	Where the fair market value exceeds Rupees 100 million	8%	6.5%

Non applicability of this Schedule **Rule 10**

Now, rate of tax on disposal of securities acquired on and from 1st day of July 2025 in case of a person not appearing in active taxpayers' list shall not be increased by one hundred percent.

THE FIFTEENTH SCHEDULE
(See section 114C)
Threshold for Economic Transactions

Concept of 'eligible person' and 'ineligible person' has been introduced for imposition of restrictions on certain persons on economic transactions exceeding a specified threshold by inserting new section 114C. For this purpose, Fifteenth Schedule has been introduced specifying threshold in respect of such economic transactions:

The threshold of the economic transactions specified therein to be applied in respect of ineligible persons shall be determined as follows:

S. No.	Transaction Reference	Description	Transaction Value Specification	Threshold limitation for ineligibility
(1)	(2)	(3)	(4)	(5)
1.	114C(1)(a)	In relation to an application for booking, purchase or registration of motor vehicle.	The invoice value for locally manufactured vehicle; or the import value as assessed by the Customs Authority inclusive of all applicable taxes, duties, levies and charge.	Exceeding seven million rupees
2.	114C(1)(b)	In relation to an application for registering, recording or attesting transfer of any immoveable property	Fair Market Value as defined in clause (22AA) of section 2 of the Ordinance	Exceeding one hundred million rupees.

INCOME TAX ORDINANCE, 2001 – THE TENTH / FIFTEENTH SCHEDULE

S. No.	Transaction Reference	Description	Transaction Value Specification	Threshold limitation for ineligibility
(1)	**(2)**	**(3)**	**(4)**	**(5)**
3.	114C(1)(c)	In relation to the investment in securities, debt securities, units of mutual funds or money market instruments subject to the condition that the investment amount up to rupees fifty million shall be new investment in any financial year excluding reinvestment either by liquidation of similar type of securities and or reinvestment of returns earned on already held securities	Acquisition cost of securities or debt securities or unit of mutual funds or money market instruments	Exceeding fifty million rupees
4.	114C(1)(d)	Annual cash withdrawal limit		One hundred million rupees in all bank accounts held by an individual

INCOME TAX ORDINANCE, 2001 – GENERAL

Important provisions regarding income tax rates, withholding tax rates, deposit of tax withheld / collected, advance tax, filing dates of various periodical statements and returns of income, etc. are given in this part for convenience of our clients.

INCOME TAX RATES – TAX YEAR 2025

Rates of Tax for Companies - (Division II, Part I, First Schedule)

S. No.	Type of company	Rate of Tax
1	Small Company	20%
2	Banking Company	43%
3	Any other company	29%

Rates of Tax for Small and Medium Enterprises – (Rule 3 & 4, Fourteenth Schedule)

The rate of tax imposed under section 100E, on Small and Medium Enterprises shall be:

Sr. No.	Category	Rate of Tax Under Normal Tax Regime	Rate of Tax On Opting Final Tax Regime
1	Where annual business turnover does not exceed Rs. 100 million	7.5% of taxable income	0.25% of gross turnover
2	Where annual business turnover exceeds Rs. 100 million but does not exceed Rs. 250 million	15% of taxable income	0.5% of gross turnover

Super Tax on High Earning Persons - (Division IIB, Part I, First Schedule)

The rate of tax under section 4C shall be as follows:

S. No.	Income under section 4C	Rate of Tax
1.	Where income does not exceed Rs. 150 million	0%
2.	Where income exceeds Rs. 150 million but does not exceed Rs. 200 million	1%
3.	Where income exceeds Rs. 200 million but does not exceed Rs. 250 million	1.5%
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	2.5%
5.	Where income exceeds Rs. 300 million but does not exceed Rs. 350 million	3.5%
6.	Where income exceeds Rs. 350 million but does not exceed Rs. 400 million	5.5%
7.	Where income exceeds Rs. 400 million but does not exceed Rs. 500 million	7.5%
8.	Where income exceeds Rs. 500 million	10%

INCOME TAX ORDINANCE, 2001 – GENERAL

Exemption from super tax on capital gain derived from disposal of immovable property [Clause (104A), Part IV, Second Schedule]

Super tax shall not be charged on capital gain derived from the disposal of one residential immovable property, if the property-

(a) has been in the seller's personal use for the last fifteen years;

(b) has been declared by the person in his wealth statement for the last fifteen years; and

(c) appears as residence for personal use in tax record of the person.

However, it is provided that exemption can be availed once in fifteen years

MINIMUM TAX ON INCOME OF CERTAIN PERSONS UNDER SECTION 113 - (Division IX, Part I, First Schedule)

Sr. No.	Person(s)	Minimum Tax as percentage of the person's turnover for the year
1.	(a) Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited (for the cases where annual turnover exceeds rupees one billion); (b) Pakistan International Airlines Corporation; and (c) Poultry industry including poultry breeding, broiler production, egg production and poultry feed production.	0.75%
2.	(a) Oil refineries; (b) Motorcycle dealers registered under the Sales Tax Act, 1990; (c) Oil marketing companies.	0.5%
3.	(a) Distributors of pharmaceutical products, fast moving consumer goods and cigarettes; (b) Petroleum agents and distributors who are registered under the Sales Tax Act, 1990; (c) Rice mills and dealers; (d) Tier-1 retailers of fast moving consumer goods who are integrated with FBR or its computerized system for real time reporting of sales and receipts; (e) Person's turnover from supplies through e-commerce including from running an online marketplace as defined in clause (38B) of section 2. (f) Persons engaged in the sale and purchase of used vehicles; and (g) Flour mills.	0.25%
4.	In all other cases.	1.25%

INCOME TAX ORDINANCE, 2001 – GENERAL

- Rate of minimum tax u/s 113 in case of distributors, dealers, sub-dealers, wholesalers and retailers of fast moving consumer goods, fertilizer, locally manufactured mobile phones, sugar, electronics excluding imported mobile phones, cement, steel and edible oil shall be 0.25% subject to the condition that beneficiaries of reduced rate are appearing on the active taxpayers' lists issued under the provisions of the Sales Tax Act, 1990 and Income Tax Ordinance, 2001:

  Provided that the benefit under this clause shall be available to only those Tier-1 retailers as defined under Sales Tax Act, 1990 who are integrated and configured with FBR or its computerized system for real time reporting of sales or receipts. [Clause (24D), Part II, 2nd Schedule]

TAX RATES FOR INDIVIDUALS AND ASSOCIATION OF PERSONS - (Division I, Part I, 1st Sch.)

- **Rates of tax for individuals (other than salaried individuals) and association of persons:**

S. No.	Taxable income	Rate of tax
1.	Where the taxable income does not exceed Rs. 600,000	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	15% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 1,600,000	Rs. 90,000 + 20% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 1,600,000 but does not exceed Rs. 3,200,000	Rs. 170,000 + 30% of the amount exceeding Rs. 1,600,000
5.	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 5,600,000	Rs. 650,000 + 40% of the amount exceeding Rs. 3,200,000
6.	Where taxable income exceeds Rs. 5,600,000	Rs. 1,610,000 + 45% of the amount exceeding Rs. 5,600,000

Provided that in the case of an association of persons that is a professional firm prohibited from incorporating by any law or the rules of the body regulating their profession, the 45% rate of tax mentioned against serial No. 6 of the above Table shall be 40%.

- **Rates of tax for salaried individuals** (where income under the head "salary" exceeds **seventy-five percent** of taxable income):

S. No.	Taxable income	Rate of tax
1.	Where the taxable income does not exceed Rs. 600,000	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	1% of the amount exceeding Rs. 600,000
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 + 23% 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	Rs. 346,000 + 30% of the amount exceeding Rs. 3,200,000
6.	Where taxable income exceeds Rs. 4,100,000	Rs. 616,000 + 35% of the amount exceeding Rs. 4,100,000

Provided that pension received by an individual from a former employer in a tax year, the rate of tax on such income shall be as follows:

S. No.	Description	Rate of Tax
1.	Where the amount of pension received does not exceed rupees ten million	0% of the amount
2.	Where the amount of pension received exceeds rupees ten million	5% of the amount exceeding rupees ten million

The person responsible for paying pension to a former employee who is below the age of seventy years and deriving pension income exceeding rupees ten million during a tax year, shall deduct tax from the amount along with surcharge under section 4AB after making adjustment of tax withheld under other heads and tax credit on charitable donations (section 61) and contribution to an approved pension fund (section 63) after obtaining documentary evidence.

SURCHARGE UNDER SECTION 4AB

A surcharge at the rate of ten percent shall be payable by every individual and association of persons having taxable income exceeding ten million rupees, computed under the provisions of the Ordinance, on the amount of income tax payable under Division I of Part I of the First Schedule.

Provided that in case of an individual deriving income chargeable to tax under the head "Salary", the rate of surcharge shall be nine percent of the income tax imposed under Division I of Part I of the First Schedule, where taxable income exceeds ten million rupees in a tax year.

Furthermore, every person responsible for making payment under the head "Salary" shall, at the time of deduction of tax under section 149, also deduct the amount of surcharge computed under section 4AB.

REDUCTION IN TAX LIABILITY OF TEACHERS OR RESEARCHERS – [Cl. (2), Part III, 2nd Sch.]

Tax liability of a full time teacher or a researcher, employed in a non-profit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government research institution, shall be reduced by an amount equal to 25% of the tax payable on income from salary.

However, this reduction in tax liability will not be available to teachers of medical profession who derive income from private medical practice or who receive share of consideration received from patients.

Further, the provision of this clause shall be deemed to have been in force with effect from the first day of July, 2022 and shall cease to have effect after tax year 2025.

ADJUSTMENT OF TAX CREDIT BY EMPLOYER

Every person, while deducting tax on the income chargeable under the head salary of employees, shall allow tax credit on charitable donations (section 61) and contribution to an approved pension fund (section 63) and make adjustments of tax withheld from employee under other heads during the tax year after obtaining evidences regarding:

i) tax withheld from the employee under this Ordinance during the tax year;

ii) any excess deduction or deficiency arising out of any previous deductions; or

iii) failure to make deduction during the year.

The employers will, however, be responsible to obtain documentary evidences along with declaration from employees on prescribed form "IT-3", for correct application of relevant provisions of law.

The said declaration and evidences are required to be retained by the employer for at least 6 years after the end of the tax year to which they relate. [Section 174(3)]

VALUATION OF PERQUISITES, ALLOWANCES AND BENEFITS

In case of salaried taxpayers, medical allowance is exempt from tax under Clause (139) of Part I of Second Schedule. However, value of other perquisites, allowances and benefits provided by the employer shall be included in income of the employee in accordance with the Rules 4 to 6 of Part I of Chapter II of Income Tax Rules, 2002 as reproduced below:

4. **Valuation of Accommodation -** The value of accommodation provided by an employer to the employee shall be taken equal to the amount that would have been paid by the employer in case such accommodation was not provided.

   Provided that the value taken for this purpose shall, in any case, not be less than forty-five percent of the minimum of the time scale of the basic salary or the basic salary where there is no time scale.

   Provided further that where House Rent Allowance is admissible @ thirty percent, the value taken for the purpose of this rule shall be an amount not less than thirty per cent of minimum of the time scale of basic salary or the basic salary where there is no time scale.

5. **Valuation of conveyance -** The value of conveyance provided by the employer to the employee shall be taken equal to an amount as below:-

(i)	Partly for personal and partly for official use	5% of: (a) the cost to the employer for acquiring the motor vehicle; or (b) the fair market value of the motor vehicle at the commencement of the lease, if the motor vehicle is taken on lease by the employer;
(ii)	For personal use only	10% of: (a) the cost to the employer for acquiring the motor vehicle; or, (b) the fair market value of the motor vehicle at the commencement of the lease, if the motor vehicle is taken on lease by the employer; and

6. For the purpose of this part, "employee" includes a director of a company."

INCOME TAX ORDINANCE, 2001 – GENERAL

INCOME FROM PROPERTY UNDER SECTIONS 15 AND 155

The rate of tax to be deducted under section 155 and tax to be paid on "Income from property" u/s 15 shall be as follows:

- **For individual and association of persons:**

Rate of tax to be deducted under section 155 shall be:

Sr. No.	Gross amount of rent	Rate of tax
1.	Where the gross amount of rent does not exceed Rs. 300,000	Nil
2.	Where the gross amount of rent exceeds Rs. 300,000 but does not exceed Rs. 600,000	5% of the gross amount exceeding Rs. 300,000
3.	Where the gross amount of rent exceeds Rs. 600,000 but does not exceed Rs. 2,000,000	Rs. 15,000 + 10% of the gross amount exceeding Rs. 600,000
4.	Where the gross amount of rent exceeds Rs. 2,000,000	Rs. 155,000 + 25% of the gross amount exceeding Rs. 2,000,000

An individual or association of persons shall pay income tax on "Income from property" under section 15 at normal rates specified in Division I of Part I of the First Schedule, after deduction of admissible expenses under section 15A.

- **For Company:**

Rate of tax to be deducted under section 155 shall be 15% of the gross amount of rent. Income tax under section 15 shall be charged as per rates under Division II, Part I, First Schedule applicable to a company under normal tax regime.

INCOME TAX RATES ON DIVIDEND – (Division III, Part I, First Schedule)

The rate of tax imposed under section 5, on dividend received from a company shall be:

(a) 7.5% in case of dividend paid by Independent Power Producers where such dividend is a pass through item under an Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be re-imbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity.

(b) 15% in case of Real Estate Investment Trusts and cases other than those mentioned in clauses (a), (ba), (c) and (d). However, the rate of tax on dividend received from mutual funds deriving fifty percent or more income from profit on debt shall be 25%.

(ba) 25% and 15% in case of mutual funds, contingent upon proportional income derived from average annual investments in debt securities and equities, respectively.

Provided that where the corporate entity is recipient of dividend, the component derived from the debt securities shall be taxed at the rate of twenty-nine percent.

(c) 0% in case of dividend received by a REIT scheme from Special Purpose Vehicle and 35% in case of dividend received by others from Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015.

(d) 25% in case of a person receiving dividend from a company where no tax is payable by such company, due to exemption of income or carry forward of business losses or claim of tax credits.

Income from dividend received by a banking company shall be taxed @ 43%. [Rule 7B, 7^{th} Schedule]

RATE OF TAX ON CAPITAL GAIN ON SALE OF SECURITIES – (Section 37A)

The rate of tax on the disposal of securities acquired **on or before 30 June 2024** shall be as follows:

S. No.	Holding Period	Securities acquired before 01-07-2013	Securities acquired on or after 01-07-2013 till 30-06-2022	Securities acquired on or after 01-07-2022 till 30-06-2024
1.	Where the holding period does not exceed one year	0%	12.5%	15%
2.	Where the holding period exceeds one year but does not exceed two years	0%	12.5%	12.5%
3.	Where the holding period exceeds two years but does not exceed three years	0%	12.5%	10%
4.	Where the holding period exceeds three years but does not exceed four years	0%	12.5%	7.5%
5.	Where the holding period exceeds four years but does not exceed five years	0%	12.5%	5%
6.	Where the holding period exceeds five years but does not exceed six years	0%	12.5%	2.5%
7.	Where the holding period exceeds six years	0%	12.5%	0%
8.	Future commodity contracts entered into by members of Pakistan Mercantile Exchange	5%	5%	5%

INCOME TAX ORDINANCE, 2001 – GENERAL

In case the securities are acquired on or after 01 July 2024 the rate of tax shall be as under:

S. No.	Category	Rate of tax on disposal of securities acquired on or after 01-07-2024
1.	Persons appearing on Active Taxpayers' List on the date of acquisition and disposal of securities.	15%
2.	Persons not appearing on Active Taxpayers' List on the date of acquisition and disposal of securities:	
	- In case of Individuals and AOPs	Higher of 15% or normal slab rates as prescribed in Division I, Part I, First Schedule
	- In case of Companies	Normal rate of tax as prescribed under Divisions II, Part I, First Schedule

- Provided that in case of debt securities, the rate of tax for companies shall be 20% for small company, 43% for banking company and 29% for any other company.

- Provided further that a mutual fund or a collective investment scheme or a REIT scheme shall deduct capital gains tax on redemption of securities as specified below:

S. No.	Category	Rate of tax	
		Stock Funds	Other Funds
1.	Individual and association of persons	15%	15%
2.	Company	15%	25%

However, in case of a stock fund, rate of tax deduction will be 15%, if the dividend receipts of the fund are less than capital gains.

No capital gain tax shall be deducted, in case where security is issued under a mutual fund or collective investment scheme or a REIT scheme, if the holding period of the security acquired on or before 30th day of June 2024 is more than six years.

Moreover, income from capital gains in case of banking company shall be taxed at the rate of 43%. [Rule 7B, 7th Schedule].

INCOME TAX ORDINANCE, 2001 – GENERAL

RATE OF TAX ON CAPITAL GAIN ON DISPOSAL OF IMMOVABLE PROPERTY – (Division VIII, Part I, First Schedule)

The rate of tax to be paid under sub-section (1A) of section 37 on disposal of immovable property **acquired on or before 30 June 2024** shall be as follows:

S. No.	Holding Period	Rate of tax on properties acquired on or before 30-06-2024		
		Open Plots	**Constructed Property**	**Flats**
1.	Where the holding period does not exceed one year	15%	15%	15%
2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	-
5.	Where the holding period exceeds four years but does not exceed five years	5%	0	-
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	-	-
7.	Where the holding period exceeds six years	0%	-	-

The rate of tax to be paid under sub-section (1A) of section 37 on disposal of immovable property **acquired on or after 01 July 2024** situated in Pakistan shall be as follows:

S. No.	Category	Rate of tax on properties acquired on or after 01-07-2024
1.	Persons appearing on Active Taxpayers' List on the date of disposal of property.	15%
2.	Persons not appearing on Active Taxpayers' List on the date of disposal of property:	
	- In case of Individuals and AOPs	Higher of 15% or normal slab rates as prescribed in Division I, Part I, First Schedule
	- In case of Companies	Normal rate of tax as prescribed under Divisions II, Part I, First Schedule

- Profits and gains accruing to persons mentioned in proviso to sub-section (1) of section 236C in respect of first sale of immovable property acquired from or allotted by the Federal Government or Provincial Government or any authority duly certified by the official allotment authority and the property acquired or allotted is in recognition of services rendered by the persons specified in the said proviso shall be exempt from tax. [Clause (114B), Part I, Second Schedule]

- The amount of tax payable on income chargeable under the head, "Capital Gains" on disposal of immovable property shall be reduced by 50% on the first sale of immovable property acquired or allotted to ex-servicemen and serving personnel of Armed Forces or ex-employees or serving personnel of Federal and Provincial Governments, being original allottees of the immovable property, duly certified by the allotment authority. [Clause (9A), Part III, Second Schedule]

  Moreover, capital gains arising after completion of three years from the date of acquisition of immovable property, the amount of tax payable shall be reduced by 75%. [Provisio, Clause (9A), Part III, Second Schedule]

ADVANCE TAX UNDER SECTION 147

Every taxpayer whose income was charged to tax for the latest tax year under this Ordinance excluding the following shall pay advance tax for the year under section 147 of Income Tax Ordinance, 2001 as reduced by the tax already paid/deducted at source in the year:

i) Dividend received from a company (Section 5)

ii) Income of a non-resident from Pakistan-source royalty, fee for offshore digital services, fee for money transfer operations, card network services, payment gateway services, interbank financial telecommunication services or fee for technical services and shipping and air transport (Sections 6 & 7)

iii) Salary income subject to deduction of tax (Section 149)

iv) All income where the tax collected or deducted is considered as final tax (Section 168)

Advance tax due for a quarter in case of an individual, will be calculated in accordance with the following formula:

(A / 4) - B

Where —

A is the tax assessed to the taxpayer for the latest tax year under the Ordinance; and

B is the tax paid in the quarter for which a tax credit is allowed under section 168, other than tax deducted on salary income.

Individual whose latest assessed income excluding incomes referred to in items (i) to (iv) above is less than Rupees 1,000,000 is not required to pay advance income tax under section 147.

Where the taxpayer is an association of persons or a company, advance tax due for a quarter will be computed according to the following formula:

(A x B / C) – D

Where —

A is the taxpayer's turnover for the quarter

B is the tax assessed of the taxpayer for the latest tax year

C is turnover of the taxpayer for the latest tax year

D is the total amount of tax paid/deducted in the quarter other than tax collected/deducted which is considered as final tax.

Where the taxpayer fails to provide turnover or the turnover for the quarter is not known as stated in component A above, it shall be taken to be one-fourth of 120% of the turnover of the latest tax year for which return has been filed.

The provisions of Super tax on high earning persons under section 4C, Minimum tax under section 113 and Alternative Corporate Tax under section 113C will also be taken into account while computing advance tax liability.

In case the taxpayer is an association of persons or a company including a banking company, it shall estimate the tax payable by it for the relevant tax year at any time before the 2nd installment is due. In case the tax payable is likely to be more than the amount that the taxpayer is required to pay under sub-section (4), the taxpayer shall furnish to the Commissioner on or before the due date of the 2nd quarter an estimate of the amount of tax payable by the taxpayer and pay 50% of such amount by the due date of the 2nd quarter of the tax year after making adjustment for the amount, if any, already paid in terms of sub-section (4). The remaining 50% of the estimate shall be paid in two equal installments payable by the due date of the 3rd and 4th quarter of the tax year.

Similarly, according to the provisions of sub-section (6), if the tax payable is less than the tax due on the said basis, every taxpayer who is required to pay advance tax, after furnishing the estimates to Commissioner, will pay such estimated amount after adjustment of tax already paid. Where the payable advance tax is estimated at lower side, such estimate of the amount of tax payable shall contain turnover for the completed quarters of the relevant tax year, estimated turnover of the remaining quarters along with reasons for any decline in estimated turnover, documentary evidence of estimated expenses or deductions which may result in lower payment of advance tax and the computation of the estimated taxable income of the relevant tax year.

Where the Commissioner is not satisfied with the documentary evidence provided or where an estimate of the amount of tax payable is not accompanied by details mentioned in sub-section 6B, the Commissioner may reject the estimate after providing opportunity of being heard to the taxpayer and the taxpayer shall pay advance tax according to the formula set out in sub-section (4) or sub-section (4B) as the case may be.

According to sub-section (6C), every authorized dealer, banking company, Export Processing Zone Authority, direct exporter or an export house and Collector of Customs shall, at the time of realization of foreign exchange proceeds, or realization of the proceeds on account of sale of goods, or export of goods, or at the time of making payment to an indirect exporter, or clearing of goods exported, respectively, deduct or collect, as the case may be, advance income tax under this section at the rate of one percent of such foreign exchange proceeds, or export proceeds, or exports, or payment, in addition to tax collectable or deductible on exports under section 154 of the Ordinance.

New company or an association of persons, are required to pay advance income tax even in the first year of their operation. The taxpayer will estimate the amount of advance tax payable on quarterly income basis and thereafter pay such amount after taking into account minimum tax payable under section 113 and Alternate Corporate Tax u/s 113C. If minimum tax payable comes more than the advance tax calculated on the basis of quarterly income, then advance tax will be paid equal to minimum tax calculated under section 113 on aggregated turnover of the quarter after adjustment of the amount already paid during the quarter, if any.

Where the advance tax paid on the basis of estimation under sub-section (4A) or (6) of section 147 is less than 90% of the tax chargeable for the relevant tax year, the taxpayer shall be liable to pay default surcharge under section 205(1B) at the rate of 12% or KIBOR plus three percent per annum whichever is higher on the amount by which the tax paid by him falls short of the 90%. Such default surcharge shall be calculated from 1st day of April in that year to the date on which the assessment is made or the 30th day of June of the financial year next following whichever is earlier. [Sub-section (1B) of Section 205]

As required u/s 147A, provincial sales tax registered person, whose name was not appearing in active taxpayers' list on 30 June of previous tax year, shall also pay advance tax at the rate of three percent of the turnover declared before the provincial revenue authority.

Adjustable advance tax on capital gain from sale of securities will be computed at following rates: [Section 147(5B)]

Period	Rate of advance tax
• Where holding period of a security is less than 6 months	2% of the capital gains derived during the quarter
• Where holding period of a security is 6 months or more but less than 12 months	1.5% of the capital gains derived during the quarter

However, provisions regarding advance tax on capital gain from sale of securities are not applicable to individual investors.

Advance tax on persons deriving income from the business of construction of buildings and development of plots: [Section 147(5C)]

Every person deriving income from the business of (i) construction and disposal of residential, commercial or other buildings; or (ii) development and sale of residential, commercial or other plots for itself or otherwise, shall be liable to pay adjustable advance tax on Project-by-Project basis, as may be prescribed, for the tax year in four equal installments at the rates as follows:

	Rate in respect of		
(1)	**(2)**	**(3)**	**(4)**
Area in	**Karachi, Lahore and Islamabad**	**Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Sialkot, Bahawalpur, Peshawar, Mardan, Abbottabad, Quetta**	**Urban Areas not specified in columns (2) and (3)**
FOR COMMERCIAL BUILDINGS			
Sq. ft.	-	-	-
Any size	Rs.250 per Sq. ft.	Rs.230 per Sq. ft.	Rs.210 per Sq. ft.
FOR RESIDENTIAL BUILDINGS			
Sq. ft.	-	-	-
Upto 3000	Rs. 80 per Sq. ft.	Rs. 65 per Sq. ft.	Rs. 50 per Sq. ft.
3000 and above	Rs. 125 per Sq. ft.	Rs. 110 per Sq. ft.	Rs. 100 per Sq. ft.

	FOR DEVELOPMENT OF RESIDENTIAL, COMMERCIAL OR OTHER PLOTS		
Sq. Yds.	-	-	-
Any size	Rs. 150 per Sq. yd.	Rs. 130 per Sq. yd.	Rs. 100 per Sq. yd.
	FOR DEVELOPMENT OF INDUSTRIAL AREA		
Sq. Yds.	-	-	-
Any size	Rs. 20 per Sq. yd.	Rs. 20 per Sq. yd.	Rs. 10 per Sq. yd.

For the computation of advance tax, in case of mixed use buildings having both commercial and residential areas, respective rates mentioned above shall apply and in case of development of plots and constructing buildings on same plots as one project, both rates given above shall apply.

DATE OF PAYMENT OF ADVANCE TAX UNDER SECTION 147

Tax Payable For	On or Before	
	Individuals	**Companies and AOPs (excluding Banking Company)**
September quarter	15 September	25 September
December quarter	15 December	25 December
March quarter	15 March	25 March
June quarter	15 June	15 June

Advance tax on capital gain from sale of securities is payable within 21 days after the close of each quarter. [Section 147(5b)]

Banking company will be required to pay advance tax under section 147 in twelve installments by 15th of every month. [Rule 5(1), 7th Schedule]

PAYMENT OF TAX COLLECTED / DEDUCTED (RULE 43 OF INCOME TAX RULES, 2002)

Tax collected / deducted by	Deposit into Government treasury
Federal / Provincial Government	On the same day
Other persons	- Within 7 days from the end of each week ending on Sunday. - In case of remittance abroad to a non-resident through State Bank of Pakistan or any other banking company, prior to remitting abroad of the amount from which tax is to be deducted or collected.

INCOME TAX ORDINANCE, 2001 – GENERAL

DATE OF FILING OF STATEMENTS U/S 165 - [Section 165(2)]

Every prescribed person shall furnish quarterly statements under sub-section (1) or (1A) of section 165 within the time frame set out as follows:

Quarterly Statement Period	Date Of Filing (On or Before)
• Quarter ending on the 31 March	20 April
• Quarter ending on the 30 June	20 July
• Quarter ending on the 30 September	20 October
• Quarter ending on the 31 December	20 January

DATE OF FILING OF ANNUAL STATEMENT U/S 165(6) & 165(7) - [Rule 44(5) of Income Tax Rules, 2002]

Annual Statement	Date Of Filing (On or Before)
• Salary - 149 - Statement u/s 165(6)	31 July after the end of financial year
• Statement u/s 165(7)	Within 30 days of the end of tax year

DATE OF FILING OF RECONCILIATION STATEMENT U/S 165(8):

Every prescribed person shall e-file a reconciliation statement in the prescribed form reconciling the amounts mentioned in annual statement (Other than salary) filed under 165(7) with the amounts declared in the return, audited accounts or financial statements by the due date of filing of return of income as provided under section 118 of the Ordinance.

DATE OF FILING OF RETURN OF INCOME:

Category of Taxpayer	Date Of Filing (On or Before)
Companies: [Section 118(2)]	
• Having tax year ending between 01 January to 30 June	31 December
• Other cases	30 September
Persons other than Companies: [Section 118(3)]	
• In case of an individual and association of persons	30 September

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
148	1. Persons importing goods classified in Part I of the Twelfth Schedule	1% of import value as increased by customs – duty, sales tax and federal excise duty	2% of import value as increased by customs- duty, sales tax and federal excise duty	Collector of customs	**Minimum** – except in case of import of goods by an industrial undertaking for its own use (other than edible oil, packaging material, paper and paper board or plastic) on which tax is required to be collected under this section. [Sec. 148(7) & 148(7A)] - Tax shall not be collected where the recipient of goods is liable to tax under the Digital Presence Proceeds Levy Act, 2025, and the tax has been duly collected by the payment service provider at the time of transaction.
	2. Persons importing goods classified in Part II of the Twelfth Schedule:			Collector of customs	**Minimum**
	- In case of person other than commercial importer	2% of import value as increased by customs – duty, sales tax and federal excise duty	4% of import value as increased by customs – duty, sales tax and federal excise duty		
	- In case of commercial importer	3.5% of the import value as increased by customs duty, sales tax and federal excise duty	7% of the import value as increased by customs duty, sales tax and federal excise duty		

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees – Active	Withholding / Collection Rate % / Rupees – Non-active	Responsibility for Deduction / Deposit	Remarks
	3. Persons importing goods classified in Part III of the Twelfth Schedule:			Collector of customs	**Minimum** - Rate of tax in case of manufacturers covered under rescinded Notification No. S.R.O. 1125(I)/2011 dated 31 December 2011 as it stood on the 28 June, 2019 on import of items covered under the aforementioned S.R.O. shall be 1% and 2% in case of active and non-active taxpayer, respectively. - Rate of tax in case of persons importing finished pharmaceutical products that are not manufactured otherwise in Pakistan, as certified by the Drug Regulatory Authority of Pakistan shall be 4% and 8% in case of active and non-active taxpayer, respectively. - Rate of tax in case of importers of CKD kits of electric vehicles for small cars or SUVs with 50 kwh battery or below and LCVs with 150 kwh battery or below shall be 1% and 2% in case of active and non-active taxpayer, respectively.
	- In case of person other than commercial importer	5.5% of import value as increased by customs – duty, sales tax & federal excise duty	11% of import value as increased by customs – duty, sales tax & federal excise duty		
	- In case of commercial importer	6% of import value as increased by customs – duty, sales tax & federal excise duty	12% of import value as increased by customs – duty, sales tax & federal excise duty		
	Persons importing mobile phones. [Proviso, Part II, 1st Sch.]:			Collector of customs	**Minimum**
	C&F value (in USD) of mobile phone [In CBU condition under PCT Heading 8517.1219]:	**(Rupees)**	**(Rupees)**		
	1. Up to 30 except smart phones	70	140		
	2. Exceeding 30 and up to 100 and smart phones up to 100	100	200		
	3. Exceeding 100 and up to 200	930	1,860		
	4. Exceeding 200 and up to 350	970	1,940		
	5. Exceeding 350 and up to 500	5,000	10,000		
	6. Exceeding 500	11,500	23,000		

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active (Rupees)	**Non-active (Rupees)**		
	C&F value (in USD) of mobile phone [In CKD/SKD condition under PCT Heading 8517.1211]:				
	1. Up to 30 except smart phones	-	-		
	2. Exceeding 30 and up to 100 and smart phones up to 100	-	-		
	3. Exceeding 100 and up to 200	-	-		
	4. Exceeding 200 and up to 350	-	-		
	5. Exceeding 350 and up to 500	3,000	6,000		
	6. Exceeding 500	5,200	10,400		
149(1)	Basic salary and taxable allowances	Average rate		Employer / person responsible for paying salary to an employee	**Adjustable.** - Tax shall not be deducted where the taxable income does not exceed Rupees 600,000. [Division I, Part I, 1st Sch.] - Surcharge as imposed u/s 4AB shall also be deducted by employer u/s 149. - Payment of salary more than Rupees 32,000 per month should be through crossed cheques or direct transfer of funds to the employee's bank account or through digital means. [Sec. 21(m)].
(1A)	Pension exceeding ten million rupees in a tax year paid to a former employee who is below the age of seventy years	5% on the amount exceeding Rs. 10 million		Any person responsible for paying pension	**Final** - Surcharge as imposed u/s 4AB shall also be deducted by the former employer u/s 149.
(3)	Directorship fee or fee for attending board meeting or such fee by whatever name called	20%	20%	Employer / person responsible for making payment	**Adjustable**

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
150	i – Dividend paid by Independent Power Producers where such dividend is a pass through item under and Implementation Agreement or Power Purchase Agreement or Energy Purchase Agreement and is required to be re-imbursed by Central Power Purchasing Agency (CPPA-G) or its predecessor or successor entity.	7.5%	15%	Every person paying dividend	**Final -** Following are exempt: - any income derived from inter-corporate dividend within the group companies entitled to group taxation under section 59AA subject to the condition that return of the group has been filed for the tax year. [Cl. (103A), Part I, 2nd Sch.] - Payment to approved Pension fund, recognized provident fund, approved superannuation fund or an approved gratuity fund or REIT Scheme including Special Purpose Vehicle, etc. [Cl. (47B), Part IV, 2nd Sch.] - Tax shall not be deducted in case of dividend paid to Transmission Line Projects under Transmission Line Policy 2015. [Clause (12A), Part IV, 2nd Sch.] - In case of payment of dividend to non-resident persons, rates as applicable for Active person will be applied, even if such person is not appearing in active taxpayers' list (ATL). [Clause (111A), Part IV, 2nd Sch.]
	ii – Person receiving dividend from a company where no tax is payable by such company, due to exemption of income or carry forward of business losses under Part VIII of Chapter III or claim of tax credits under Part X of Chapter III	25%	50%	Every person paying dividend	
	iii – Dividend received from Special Purpose Vehicle as defined under the Real Estate Investment Trust Regulations, 2015:			-do-	
	• In case of REIT scheme	0%	0%		
	• Others	35%	70%		

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees – Active	Withholding / Collection Rate % / Rupees – Non-active	Responsibility for Deduction / Deposit	Remarks
	iv – In case of recipient of dividend from a mutual fund contingent upon proportional income derived from average annual investments in debt securities and equities:			-do-	However, it is provided under Division I, Part III, 1st Schedule that a corporate entity deriving dividend from the component of debt securities shall be taxed @ 29%.
	• Dividend derived from debt securities	25%	50%		
	• Dividend derived from equities	15%	30%		
	v – In case of Real Estate Investment Trusts and cases other than mentioned in (i), (ii), (iii) and (iv) above	15%	30%	-do-	
	- In case of mutual funds deriving fifty percent or more income from profit on debt.	25%	50%	-do-	
151(1): (a)	Yield on an account, deposit or a certificate under the National Saving Scheme or post office saving account	15%	30%	Every person making payment	**Minimum -** except where taxpayer is a company or profit on debt is taxable under section 7B.

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
(b)	Profit on a debt, being an account or deposit maintained with the banking company or financial institution	20%	40%	Banking company or financial institution	**No tax will be deducted in following cases:** - Yield or profit on investment in Bahbood Saving Certificate or Pensioner's Benefit Account and *Shuhada* Family Welfare Account. [Cl. (36A), Part IV, 2nd Sch] - If monthly installment in monthly income Savings Accounts Scheme does not exceed Rs. 1,000 - [Cl. (59)(iv)(b), Part IV, 2nd Sch.]. - Payment to approved Pension fund, recognized provident fund, approved superannuation fund or an approved gratuity fund or REIT Scheme including Special Purpose Vehicle, etc. [Cl. (47B), Part IV, 2nd Sch.]
(c)	Profit on any security other than that referred in Clause (a), issued by Federal Government, Provincial Government or Local Government:			Federal Government, Provincial Government or Local Government	- Any yield from National Saving Schemes of Directorate of National Savings where investment was made on or before 30 June 2001 and any income derived from Mahana Amdani Account where monthly installment does not exceed Rupees 1,000 shall continue to remain exempt and any person paying such yield or income shall not deduct tax u/s 151. The recipient of such yield or income is not required to produce an exemption certificate in this regard [S. 239(14)] - The rate of tax to be deducted under section 151 shall be 0% of the gross amount of profit on debt paid to a non-resident person, covered under clauses (78) and (79) of Part I of the Second Schedule. [Cl.
	- In case of individual	15%	30%		
	- Others	20%	40%		
(d)	Profit on bond, certificate, debenture, security or instrument of any kind (other than a loan agreement between a borrower and a banking company or a development finance institution) to any person other than financial institution	15%	30%	Banking company, financial institution, etc.	

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees – Active	Withholding / Collection Rate % / Rupees – Non-active	Responsibility for Deduction / Deposit	Remarks
					(5AC), Part II, 2nd Sch.] - **Final tax** @ 10% shall be deducted on account of profit on debt from a debt instrument, whether conventional or Shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 (XVIII of 1944) or its wholly owned special purpose company, purchased by a resident citizen of Pakistan who has already declared foreign assets to the FBR through a Foreign Currency Value Account (FCVA) maintained with authorized banks in Pakistan under the foreign exchange regulation issued by the State Bank of Pakistan. [Cl. (5AB), Part II, 2nd Sch.]
(1A)	Return on investment in sukuks - Company - Individual and AOP: (i) Return on investment is more than 1 million rupees (ii) Return on investment is less than 1 million rupees	 25% 12.5% 10%	 50% 25% 20%	Every special purpose vehicle or a company	**Minimum -** Adjustable against tax imposed u/s 5AA. - Tax u/s 151 shall not be deducted in case of "The Second Pakistan International Sukuk Company Limited" and "The Third Pakistan International Sukuk Company Limited" and "The Pakistan Global Sukuk Programme Company Limited" as a payer / recipient. [Cl. (95) & (96), Part IV, 2nd Sch.]
151A	Gain on disposal of debt securities including government securities	15%	30%	Every custodian of debt securities including banking company	No tax shall be deducted in case disposal of debt securities made through registered stock exchange and which is settled through NCCPL.
152 (1)	Royalty or fee for technical services to non-resident	15%	15%	Every person making payment	**Final**
(1A)	Payment to non-resident persons on account of certain contracts	7%	7%	Every person making payment	**Minimum**

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
(1AA)	Payments to non-resident person on account of insurance or re-insurance premium	5%	5%	Every person making payment	**Minimum**
(1AAA)	Payment for advertisement services to non-resident media person relaying from outside Pakistan	10%	10%	Every person making payment	**Minimum**
(1BA)	Payment to non-resident for foreign produced commercial for advertisement	20%	20%	Every prescribed person making payment	**Final**
(1C)	Payment of fee for offshore digital services to a non-resident person on behalf of any resident or a permanent establishment of a non-resident in Pakistan	15%	15%	Every banking company or financial institution remitting outside Pakistan	**Final –** Tax shall not be deducted where the recipient is liable to the Digital Presence Proceeds Tax and the same has been collected.
(1D)	Capital gain of a non-resident company having no permanent establishment in Pakistan arising on the disposal of debt instruments and Government securities including treasury bills and Pakistan investment bonds invested through Special Convertible Rupee Account (SCRA):			Every banking company or financial institution	**Final**
	- In case where banking company or financial institution maintaining SCRA of non-resident company having no permanent establishment in Pakistan for a period not less than six months	10%	10%		
	- In case the holding period of securities is less than six months	20%	20%		

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
(1DA)	Capital gain (of a non-resident individual) arising on the disposal of debt instruments and government securities and certificates (including Shariah compliant variant) invested through Foreign Currency Value Account (FCVA) or Non-resident Pakistani Rupee Value Account (NRVA)	10%	10%	Every banking company	**Final**
(1DB)	Return on investment in sukuks paid to non-resident sukuk holder:			Every special purpose vehicle or a company	**Final**
	- Company	25%	25%		
	- Individual and AOP:				
	(i) Return on investment more than 1 million rupees	12.5%	12.5%		
	(ii) Return on investment less than 1 million rupees	10%	10%		
(1DC)	Payment of service charges or commission or fee by whatever name called to the global money transfer operators, international money transfer operators or such other persons engaged in international money transfers or cross-border remittances for facilitating outward remittances.	10%	10%	Every exchange company licensed by State Bank of Pakistan	**Final** - Where such person retains service charges or commission or fee, by whatever name called from the amount payable to the exchange company on any account, the exchange company shall be deemed to have paid the service charges or commission or fee, by whatever name called and the exchange company shall collect the tax accordingly.

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
(1DD)	Payment to card network company or payment gateway or any other person, of any transaction fee or licensing fee or service charges or commission or fee by whatever name called or interbank financial telecommunication services.	10%	10%	Every banking company	**Final** - Where card network company or payment gateway or any other person retains money in relation to aforementioned services from the amount payable to the banking company on any account, the banking company shall be deemed to have paid the amount and the banking company shall collect the tax accordingly.
(2)	Payment to non-resident other than amount to which sub-section (1), (1A), (1AA), (1AAA), (1C) or (2A) applies	20%	20%	Every person making payment	**Adjustable**
(2)	Payment to non-resident having no PE in Pakistan, in respect of profit on debt other than those covered under clause (78) and (79) of Part I of the Second Schedules. [Cl. (5A), Part II, 2nd Sch.]	10%	10%	Every person making payment	**Final -** Subject to proviso of clause (5A) of Part II of 2nd Schedule. - Profit on debt paid under clause (78) and (79) of Part I of the Second Schedule shall be 0%. [Cl. (5AC), Part II, 2nd Sch.]
(2)	Payment to an individual, in respect of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under Public Debt Act, 1944 [Cl. (5AA), Part II, 2nd Sch.]	10%	10%	Every person making payment	**Final**
(2A)(a)	Payment to PE for sale of goods: – In case of company - In other cases	 5% 5.5%	 10% 11%	Every person making payment	**Minimum -** No tax shall be deducted in case where the sale of goods is made by importer of the goods and tax u/s 148 in respect of such goods has been paid and the goods are sold in same condition as they were when imported. - Tax deductible shall be adjustable where payments are received for sale of goods by a company being a manufacturer of such goods.

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
(2A)(b)	i) Payment to PE for transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services, oilfield services	8%	16%	Every person making payment	**Minimum**
	– IT services and IT enabled services as defined in section 2	4%	8%		**Minimum**
	ii) Payment to PE for services other than mentioned in (i)	15%	30%	Every person making payment	**Minimum**
(2A)(c)	Payment to PE in case of execution of contract:			Every person making payment	**Minimum** – Execution of contract does not include contracts for sale of goods or the rendering of or providing service.
	– In case of sportsperson	15%	30%		
	– In other cases	8%	16%		

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit		Remarks
		Active	**Non-active**			
153 (1)(a)	- Sale of rice, cotton seed oil or edible oils [Div III, Part III, 1st Sch.]	1.5%	3%	Every prescribed person making payment	**Minimum** (Adjustable for manufacturing company and listed company)	Gross amount payable for sale of goods shall include the sales tax. [S.153(1)] **Tax will not be deducted on account of payments made for:**
	- Sale of other goods other than toll manufacturing: [Div III, Part III, 1st Sch.]			Every prescribed person making payment	**Minimum** (Adjustable for manufacturing company and listed company)	• Sale of goods less than Rs. 75,000 in a financial year.
	- In case of companies	5%	10%			• Services less than Rs. 30,000 in a financial year. Provided that where the total payments in a financial year, are Rs. 75,000 / 30,000 or above, the taxpayer will deduct tax from the payments including the payments made earlier without deduction of tax during the same financial year.
	- In case of other taxpayers	5.5%	11%			
	- Sale of other goods in case of toll manufacturing: [Div III, Part III, 1st Sch.]					
	- In case of companies	9%	18%			
	- In case of other taxpayers	11%	22%			• Tax @ 0.25% shall be deducted in case of payment made to distributors, dealers, sub-dealers, wholesalers and retailers of fast moving consumer goods, fertilizer, electronics excluding mobile phones, sugar, cement, steel and edible oil. [Cl. 24C, Pt.II,2nd Sch.]
	- Sale of pharmaceutical products by distributors of pharmaceutical. [Cl. (24A), Part II, 2nd Sch.]	1%	2%	Every prescribed person making payment	**Minimum** (Adjustable for manufacturing company and listed company)	
	- Sale of cigarettes by distributors of cigarettes. [Cl. (24A), Part II, 2nd Sch.]	2.5%	5%			• Provisions of section 153 shall not apply on purchase of used motor vehicles from general public. [Cl. (45B), Part IV, 2nd Sch.]
	Local sales, supplies to taxpayers as per clause (45A) of Part IV of 2nd Schedule.			Every person making payment	**Minimum**	
	- In case of traders of yarn	0.5%	1%			
	- In other cases	1%	2%			

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees Active	Non-active	Responsibility for Deduction / Deposit	Remarks	
	- Sale of gold and silver and articles thereof. [Cl. (31), Part II, 2nd Sch.]	1%	2%	Every prescribed person	**Adjustable**	
(1)(b)	Rendering or providing of services: [Cl. (2), Div III, Part III, 1st Sch.]			Every prescribed person making payment	**Minimum**	Where the recipient of the payment for services receives the payment through an agent or any other third person by whatever name called, the agent or the third person shall be treated to have been paid the service charges or fee by the recipient and the recipient shall collect tax along with the payment received. [Proviso 153(1)].
	- Transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services 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.	6%	12%			

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
	- IT services and IT enabled services as defined in section 2	4%	8%	Every prescribed person making payment	**Minimum**
	- electronic and print media for advertising services.	1.5%	3%	-do-	**Minimum**
	- other services	15%	30%	-do-	**Minimum**
	Services provided or rendered to taxpayers as per clause (45A) of Part IV of 2nd Schedule:			Every person making payment	**Minimum**
	- In case of traders of yarn	0.5%	1%		
	- In other cases	1%	2%		
	Services provided or rendered to National Logistics Corporation	3%	6%		**Minimum**
(1)(c)	Execution of a contract (Residents) [Cl. (3), Div III, Part III, 1st Sch.]			Every prescribed person making payment	**Minimum** (Adjustable for listed company) [Sec153(3)]
	- in case of companies	7.5%	15%		
	- in case of other taxpayers	8%	16%		
	- in case of sportsperson	15%	30%		
(2)	Payments made by every exporter or an export house to a resident person or permanent establishment in Pakistan of a non-resident person, on account of rendering of or providing of services of stitching, dyeing, printing etc. [Cl. (3), Division IV, Part III, 1st Sch.]	1%	2%	Every exporter or export house	**Minimum**

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
(2A)	Digitally ordered goods or services through e-commerce platforms (including websites):				**Final**
	- In case of payment through digital means or banking channels	1%	2%	Every payment intermediary	
	- In case of Cash on Delivery (CoD)	2%	4%	Every courier business / service	
154(1)	Realization of foreign exchange on account of export of goods by exporter	1%	1%	Every authorized dealer in foreign exchange	**Minimum**
(3)	Sale of goods to an exporter under an inland back-to-back L/C	1%	1%	Every banking company	**Minimum**
(3A)	Export of goods by an industrial undertaking – Export Processing Zone	1%	1%	Export Processing Zone Authority	**Minimum**
(3B)	Indirect exporter	1%	1%	Direct exporter, export house registered under DTRE Rules, 2001 and Export Facilitation Scheme, 2021	**Minimum**
(3C)	Clearing of goods exported	1%	1%	Collector of customs	**Minimum**

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
154A					
(1)(a)	Exports of computer software or IT services or IT enabled services where the exporter is registered with and duly certified by the Pakistan Software Export Board (PSEB).	0.25%	0.25%	Every authorized dealer in foreign exchange	**Final.** Tax deductible shall not be final, if the taxpayer opts not to be subject to final tax at the time of filing of return or the taxpayer does not fulfil the conditions specified in subsection (2) of section 154A.
(1)(b)	Services or technical services rendered outside Pakistan or exported from Pakistan	1%	1%	Every authorized dealer in foreign exchange	-do-
(1)(c)	Royalty, commission or fees derived by a resident company from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise.	1%	1%	Every authorized dealer in foreign exchange	-do-
(1)(d)	Construction contracts executed outside Pakistan	1%	1%	Every authorized dealer in foreign exchange	-do-
(1)(da)	Foreign commission due to an indenting commission agent	1%	1%	Every authorized dealer in foreign exchange	-do-
(1)(e)	Other services rendered outside Pakistan as notified by the FBR	1%	1%	Every authorized dealer in foreign exchange	-do-

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
155	Payment in full or part (including advance) on account of rent of immovable property (including rent of furniture and fixture and amount for services relating to such property):			Prescribed persons as mentioned in sub-section (3) of section 155	
	Individuals and AOPs where the gross amount of rent is:				**Adjustable**
	Up to Rs. 300,000	Nil			– Where an individual / AOP is not appearing in active taxpayer's list then the withholding tax rate u/s 155 shall be increased by 100%
	Rs. 300,001 – Rs. 600,000	5% of the gross amount exceeding Rs. 300,000			
	Rs. 600,001 – Rs. 2,000,000	Rs. 15,000 + 10% of the gross amount exceeding Rs. 600,000			– It is clarified that the sub-section (1) of section 155 shall apply when a payment is made on account of rent of immoveable property irrespective of head of income. [Explanation, Section 155(1)]
	Over Rs. 2,000,000	Rs. 155,000 + 25% of the gross amount exceeding Rs. 2,000,000			
	Company	15%	30%		**Adjustable** - Tax shall not be deducted in case of The Second Pakistan International Sukuk Company Ltd. and The Third Pakistan International Sukuk Company Ltd. and the Pakistan Global Sukuk Programme Company Ltd [Cl. (96), Part IV, 2nd Sch.]
156	- Payment of prize on a prize bond or cross word puzzle.	15%	30%	Every person making payment	**Final** - Where the prize is not in cash, the person while giving the prize shall collect tax on the fair market value of the prize. [Sec.156(2)]
	– Payment on winning from a raffle, lottery, prize on winning a quiz, prize offered by a company for sale promotion.	20%	40%	Every person making payment	- Any monetary award received by a sportsperson from the Federal Govt., Provincial Govt., or a Public Office holder, for winning a medal in the international Olympic Games while representing Pakistan, shall be exempt from tax. [Cl. (65B), Pt. I, 2nd Sch.]

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
156A	Commission paid or discount allowed to petrol pump operator	12%	24%	Every person selling petroleum products	**Final**
	TRANSITIONAL ADVANCE TAX - Advance tax under this chapter shall not be collected or deducted from the Federal Government, Provincial Government, foreign diplomat or a diplomatic mission in Pakistan or a person who produces a certificate from the Commissioner that his income during the tax year is exempt. (Section 236O)				
231AB	Cash withdrawal from a bank	-	0.8%	Every banking company	**Adjustable -** Tax shall not be deducted where cash withdrawals in a day does not exceed fifty thousand rupees in aggregate.
231B (1)	Registration of a new locally manufactured motor vehicle:	**Percentage of the value**	**Percentage of the value**	Motor vehicle registration authority of Excise and Taxation Department	**Adjustable –** No tax shall be collected at the time of registration of a motor vehicle after five years from the date of first registration in case the vehicle is acquired from the Armed Forces of Pakistan or from a foreign diplomats or a diplomatic mission in Pakistan or from the Federal or Provincial Government. - Tax will not be deducted if a person produces evidence that tax at time of sale u/s 231B(3) in case of locally manufactured vehicle or tax u/s 148 in the case of imported vehicle was collected from the same person in respect of the same vehicle. - Value of motor vehicle having engine capacity of 2001cc and above for the purpose of collection of tax u/s 231B(1) & (3) shall be- (i) imported in Pakistan, the import value assessed by the Customs authorities as increased by customs duty, federal excise duty and sales tax payable at import stage;
	upto 850 cc	0.5%	1.5%		
	851 cc to 1000 cc	1%	3%		
	1001 cc to 1300 cc	1.5%	4.5%		
	1301 cc to 1600 cc	2%	6%		
	1601 cc to 1800 cc	3%	9%		
	1801 cc to 2000 cc	5%	15%		
	2001 cc to 2500 cc	7%	21%		
	2501 cc to 3000 cc	9%	27%		
	Above 3000 cc	12%	36%		

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees Active	Withholding / Collection Rate % / Rupees Non-active	Responsibility for Deduction / Deposit	Remarks
					(ii) manufactured or assembled locally in Pakistan, the invoice value inclusive of all duties and taxes; or (iii) auctioned, the auction value inclusive of all duties and taxes. - Where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and FED in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles.
(1A)	Leasing of motor vehicle	-	4%	Leasing company, scheduled bank, non-banking financial institutions, investment bank, modaraba and development finance institution.	**Adjustable –** Tax will not be collected in case of light commercial vehicles leased under Prime Minister's Youth Business Loan Scheme. [Cl. (102), Pt. IV, 2nd Sch.]
(2)	Transfer of registration or ownership of a motor vehicle:			Motor vehicle registration authority of Excise and Taxation Department	**Adjustable** - Tax will not be collected if vehicle is transferred after five years from the date of first registration in Pakistan. - Where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be Rupees twenty thousand. - Rate of tax to be collected shall be reduced by 10% each year from the date of first registration in Pakistan. [Proviso Cl. (2), Div. VII, Pt. IV, 1st Sch.]
	Engine Capacity	**(Rupees)**	**(Rupees)**		
	upto 850 cc	-	-		
	851 cc to 1000 cc	5,000	15,000		
	1001 cc to 1300 cc	7,500	22,500		
	1301 cc to 1600 cc	12,500	37,500		
	1601 cc to 1800 cc	18,750	56,250		
	1801 cc to 2000 cc	25,000	75,000		
	2001 cc to 2500 cc	37,500	112,500		
	2501 cc to 3000 cc	50,000	150,000		
	Above 3000 cc	62,500	187,500		

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
(2A)	Registration of a motor vehicle, if the locally manufactured motor vehicle has been sold prior to registration by the person who originally purchased it from the local manufacturer:			Motor vehicle registration authority of Excise and Taxation Department	**Adjustable**
	Engine Capacity	**(Rupees)**	**(Rupees)**		
	upto 1000 cc	100,000	300,000		
	1001 cc to 2000 cc	200,000	600,000		
	2001 cc and above	400,000	1,200,000		
(3)	Sale of motor vehicle:			Manufacturer of motor vehicle	**Adjustable**
	Engine Capacity	**Percentage of the value**	**Percentage of the value**		
	upto 850 cc	0.5%	1.5%		
	851 cc to 1000 cc	1%	3%		
	1001 cc to 1300 cc	1.5%	4.5%		
	1301 cc to 1600 cc	2%	6%		
	1601 cc to 1800 cc	3%	9%		
	1801 cc to 2000 cc	5%	15%		
	2001 cc to 2500 cc	7%	21%		
	2501 cc to 3000 cc	9%	27%		
	Above 3000 cc	12%	36%		
231C	Advance tax on agency, sponsor or the person, employing the services of a foreign national as a domestic worker	Rs. 200,000	Rs. 400,000	Authority issuing or renewing domestic aide visa to any foreign national	**Adjustable**

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees Active	Non-active	Responsibility for Deduction / Deposit	Remarks
233	Payment on account of brokerage or commission made to a person: (i) Advertising agents (ii) Life insurance agents where commission received is less than Rs. 0.5 million per annum (iii) Commission agents (other than (i) and (ii) above	 10% 8% 12%	 20% 16% 24%	Federal Government, Provincial Government, Local Government, a Company or an AOP or an individual having turnover of Rupees 100 million or more (termed as principal)	**Minimum –** In case of payment to advertising agent, directly or through electronic or print media the principal shall deduct tax on the amount equal to "**A x 15/85**". Where **A** is the amount paid or to be paid to electronic or print media for advertising services (excluding commission) on which tax is deductible u/s 153(1)(b).
234	Advance tax will be collected at the time of collecting motor vehicle tax: (1) In the case of goods transport vehicles	 Rs. 2.50 per kg. of the laden weight	 Rs. 5 per kg. of the laden weight	Motor vehicle tax Collecting Authority	**Adjustable** - No advance tax will be collected after 10 years from the date of first registration in Pakistan on vehicle with registered laden weight less than 8120 Kgs. [S. 234(4)]. - In case of goods transport vehicles with laden weight 8120 Kgs. or more, tax will be collected Rs. 1,200 and Rs. 2,400 per annum in case of active and non-active taxpayer, respectively. [Cl. (1A), Div. III, Pt. IV, 1ST Sch.]
	(2) In the case of passenger transport vehicles plying for hire with registered seating capacity of: • Non Air Conditioned:	**Rupees per seat per annum**		Motor vehicle tax Collecting Authority	**Adjustable** - Advance tax on passenger transport vehicles with registered seating capacity of ten or more persons, shall not be collected after a period of 10 years from 1st day of July of the year of make of the vehicle. [S. 234(3)]. - In case of motor cars used for more than 10 years in Pakistan, no advance tax shall be collected after a period of 10 years. [S. 234(2A)]
	a) Four or more persons but less than ten persons	200	400		
	b) Ten or more persons but less than twenty persons	500	1,000		
	c) Twenty persons or more	1,000	2,000		

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
	• Air Conditioned:				
	a) Four or more persons but less than ten persons	375	750		
	b) Ten or more persons but less than twenty persons	750	1,500		
	c) Twenty persons or more	1,500	3,000		
	(3) Other motor vehicles with engine capacity of:	**(Rupees)**	**(Rupees)**	Motor vehicle tax Collecting Authority	**Adjustable**
	a) up to 1000 cc	800	1,600		
	b) 1001 - 1199 cc	1,500	3,000		
	c) 1200 - 1299 cc	1,750	3,500		
	d) 1300 - 1499 cc	2,500	5,000		
	e) 1500 - 1599 cc	3,750	7,500		
	f) 1600 – 1999 cc	4,500	9,000		
	g) 2000 cc and above	10,000	20,000		
	(4) Where the motor vehicle tax is collected in lump sum:	**(Rupees)**	**(Rupees)**	Motor vehicle tax Collecting Authority	**Adjustable**
	a) up to 1000 cc	10,000	20,000		
	b) 1001 - 1199 cc	18,000	36,000		
	c) 1200 - 1299 cc	20,000	40,000		
	d) 1300 - 1499 cc	30,000	60,000		
	e) 1500 - 1599 cc	45,000	90,000		
	f) 1600 – 1999 cc	60,000	120,000		
	g) 2000 cc and above	120,000	240,000		

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
235 (1)	Rate of collection of advance tax on gross amount of electricity bill of commercial or industrial consumer:	**(Rupees)**		The person preparing electricity bills	- No tax shall be collected from the taxpayers who are registered with sales tax as exporter or manufacturers of carpets, leather and articles thereof including artificial leather footwear, surgical goods, sports goods and textile and articles thereof. [Cl. (66) Part IV, 2nd Sch.].
	(a) Where gross amount of bill is upto Rs. 500	-			
	(b) Where gross amount of bill exceeds Rs. 500 but does not exceed Rs. 20,000	10% of the amount			- No advance tax shall be collected from a person who produces a certificate from Commissioner that his income during the tax year is exempt from tax or that he has discharged advance tax liability under section 147 or whose entire income is subject to final tax regime or minimum tax regime under any provisions of this Ordinance other than section 235. [S. 235(3)]
	(c) Where gross amount of bill exceeds Rs. 20,000	- Rs. 1,950 plus 12% of the amount exceeding Rs.20,000 for commercial consumers. - Rs. 1,950 plus 5% of the amount exceeding Rs.20,000 for industrial consumers.			
	Rate of tax to be collected on domestic electricity consumption shall be:				As per section 235(4), tax collected will be: - In case of company or domestic consumer, **adjustable**. - In case of other than Company: -**minimum tax** up to bill of Rs. 360,000 per annum -**adjustable tax** if monthly bill exceeds Rs.30,000
	- In case the amount of monthly bill is less than Rs. 25,000	-	0%		
	- In case the amount of monthly bill is Rs. 25,000 or more	-	7.5%		
236	Advance tax shall be collected on account of the following:			The person preparing telephone or internet bills / issuing or selling prepaid cards	**Adjustable**
	a) in case of telephone subscriber (other than mobile phone subscriber) where the amount of monthly bill exceeds Rs. 1,000	10% of the exceeding amount of bill.			

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
	b) in case of subscriber of internet, mobile telephone and prepaid internet or telephone card:				The rate of 75% and 15% in case of subscriber of internet, mobile telephone and prepaid internet or telephone card shall applied on the amount of bill or sales price of internet prepaid card or prepaid telephone card or sale of units through any electronic medium or whatever form.
	- In case of a person mentioned in income tax general order issued under section 114B	75%			
	- In other cases	15%			
236A	Collection of advance tax at the time of sale by public auction or auction by a tender:			Any person making sale by public auction or auction by a tender.	**Adjustable** - However, tax collected on lease of the right to collect tolls shall be final. [Sec. 236A(3)]
	- In case of immovable property sold by auction and sale by auction of train management services by Pakistan Railways.	5%	10%		- Where payment is received in installments, advance tax will be collected with each installment. [Sec. 236A(1)] - Tax shall not be deducted in case of The Second Pakistan International Sukuk Company Limited and The Third Pakistan International Sukuk Company Limited and The Pakistan Global Sukuk Programme Company Limited as payer. [Cl. (95) PartIV, 2nd Sch]
	- In case of any property (excluding immovable property) or goods sold by auction	10%	20%		
	- In case of National Logistics Corporation	3%	6%		**Minimum –** If the actual income tax calculated on total income of the taxpayer under Division II of Part I of the First Schedule is higher, then taxpayer shall pay the normal income tax. [Cl. (24CB) Part II, 2nd Sch]

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees			Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**			
236C	Advance tax on sale or transfer of immovable property:				The person responsible for registering, recording or attesting the transfer, including the person responsible for registering or attesting transfer for local authority, housing authority, housing society, co-operative society, public and private real estate projects registered / governed under any law, joint ventures, private commercial concerns and registrar of properties	**Adjustable** - The enhanced rates for active but late filers shall not apply to a person who has filed returns for all three preceding tax years within the due dates or by the extended dates. - However, tax collected shall be minimum tax if immovable property is acquired and disposed of within the same tax year. - No tax shall be collected, if the seller is dependent of a *Shaheed* belonging to Pakistan Armed Forces or a person who dies while in the service of the Pakistan Armed Forces or the service of Federal or Provincial Government or a war wounded person while in service of Pakistan Armed Forces or Federal or Provincial Government or an ex-serviceman and serving personnel of armed forces or ex-employees or serving personnel of Federal and Provincial Government in respect of first sale of immovable property acquired from or allotted by the Federal Government or Provincial Government or any authority duly certified by the official allotment authority and the property acquired or allotted is in recognition of or for services rendered by the *Shaheed* or the person who dies in service or a war wounded person while in service of Pakistan Armed Forces or Federal or Provincial Government or an ex-serviceman and serving personnel of armed forces or ex-employees or serving personnel of Federal and Provincial Government.
		active	**non-active**	**Active but late filer**		
	-Where the gross amount of the consideration received does not exceed Rs. 50 million	4.5%	11.5%	7.5%		
	-Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs. 100 million.	5%	11.5%	8.5%		
	-Where the gross amount of the consideration received exceeds Rs. 100 million	5.5%	11.5%	9.5%		

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees Active	Non-active	Responsibility for Deduction / Deposit	Remarks
					- Provided further that if the seller or transferor is a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) who had acquired the said immovable property through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan, the tax collected under this section from such persons shall be final discharge of tax liability in lieu of capital gains taxable under section 37 earned by the seller or transferor from the property so disposed of. - No tax shall be deducted where an exemption certificate has been issued by Commissioner to a person whose income from capital gain is not chargeable to tax in respect of a residential property that has been in the personal use for the last fifteen years, has been declared in the wealth statement for the same period and appears as residence for personal use in person's tax record. Provided that such exemption certificate shall be issued once in fifteen years. - Rate of tax shall not be increased by 100% in case of a non-resident individual not appearing in active taxpayer's list who is holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP). [Cl.(111AC)PartIV, 2nd Sch.]

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees Active	Withholding / Collection Rate % / Rupees Non-active	Responsibility for Deduction / Deposit	Remarks
236CA	Advance tax on foreign produced TV drama serial or play dubbed in Urdu or any other language and any commercial for advertisement starring foreign actor:	(Rupees)		Any licensing authority	**Minimum**
	1. Foreign-produced TV drama serial or play	1,000,000 per episode			– Where the person is not appearing in active taxpayer's list then the withholding tax rate u/s 236CA shall be increased by 100%.
	2. Foreign-produced TV play (single episode)	3,000,000			
	3. Advertisement starring foreign Actor	100,000 per second			
236CB	Advance tax on functions and gatherings	10%	20%	Every prescribed person as per section 236CB(4)	**Adjustable** - Where the food, service or any other facility is provided by any other person, the prescribed person shall also collect advance tax on the payment of such food, service or facility from the person arranging or holding the function.
236G(1)	Advance tax on sales to distributors, dealers and wholesalers:			Manufacturer, commercial importer	**Adjustable** - The rate of advance tax on sale to distributors, dealers or wholesalers of fertilizer shall be 0.25%, if they are already appearing on both the Active Taxpayers' Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001. [Div. XIV, Pt. IV, 1ST Sch.]
	- Fertilizers	0.7%	1.4%		
	- Other than fertilizers	0.1%	2%		
236H(1)	Advance tax on sale to retailers:			Manufacturer, distributor, dealer, wholesaler or commercial importer	**Adjustable**
	- In case of sale to retailers	0.5%	2.5%		
	- In case of sale to another wholesaler	0.5%	1%		

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees			Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**			
		active	**non-active**	**Active but late filer**		
236K(1)	Advance tax on purchase or transfer of immovable property:				The person responsible for registering, recording or attesting transfer, including the person responsible for registering, recording or attesting transfer for local authority, housing authority, housing society, co-operative society, public and private real estate projects registered / governed under any law, joint ventures, private commercial concerns and registrar of properties	**Adjustable** - The enhanced rates for active but late filers shall not apply to a person who has filed returns for all three preceding tax years within the due dates or by the extended due dates. - Tax collected shall be final, if the buyer or transferee is a non-resident individual holding a Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) who has acquired the said immovable property through a Foreign Currency Value Account (FCVA) or NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan, [Proviso, Section 236K(2)] **-** Tax shall not be collected from a scheme introduced by the Federal Government, or Provincial Government or an Authority established under a Federal or Provincial law for expatriate Pakistanis provided that the mode of payment by the expatriate Pakistanis in the said scheme or schemes shall be in the foreign exchange remitted from outside Pakistan through normal banking channels. [Section 236K(4)] - Tax shall not be deducted in case of The Second Pakistan International Sukuk Company Limited, The Third Pakistan International Sukuk Company Limited and The Pakistan Global Sukuk Programme Company Limited. [Cl. (95) Part IV, 2nd Sch.]
	-Where the fair market value does not exceed Rs. 50 million	1.5%	10.5%	4.5%		
	-Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million.	2%	14.5%	5.5%		
	-Where the fair market value exceeds Rs. 100 million	2.5%	18.5%	6.5%		

INCOME TAX ORDINANCE, 2001 – GENERAL - SUMMARY OF WITHHOLDING TAX AND TRANSITIONAL ADVANCE TAX PROVISIONS

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees Active	Non-active	Responsibility for Deduction / Deposit	Remarks
					- Advance tax shall be collected on installments by any person responsible for collecting payments in installments for purchase or allotment of any immovable property from the allotee or transferee where the transfer is to be effected after making payment of all installments. Moreover, where tax has been collected along with installments, no further tax under section 236K shall be collected at the time of transfer of property in the name of buyer from whom tax has been collected in installments which is equal to the amount payable under section 236K. [Section 236K(3)] - Rate of tax shall not be increased under Tenth Schedule.. in case of a non-resident individual not appearing in active taxpayer's list who is holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP). [Cl. (111AC) Part IV, 2nd Sch]
236Y	Advance tax on persons remitting amounts abroad through credit, debit or prepaid cards	5% of gross amount remitted abroad	10% of gross amount remitted abroad	Every banking company	**Adjustable**
236Z	Advance tax on bonus shares issued by company to a shareholder	10% of the value of the bonus shares	20% of the value of the bonus shares	Company issuing bonus shares	**Final** -Tax collected under this section shall be deposited by the company, within fifteen days of closure of books, whether or not tax has been collected by the company.

Abettor **Section 2(1)**

New definition of abettor has been inserted to identify the person who facilitates the tax fraud or any offence warranting prosecution under the Act. The newly inserted definition is read as under:

"abettor" means a person who intentionally abets or connives in tax fraud as defined in clause (37) of section 2 or in the commission of any offence warranting prosecution under this Act and includes a person who–

(a) prepares, or cause to be prepared with or authorization of the registered person, invoices for false claim of input tax adjustment; or

(b) allows use of bank account held or operated by him for abetting tax fraud or other offence warranting prosecution under this Act or unauthorizedly or illegally maintains or operates business bank account in other registered person's name."

Cargo tracking system **Section 2(4A)**

New definition of the Cargo Tracking System has been introduced for the purposes of tax enforcement, compliance, and preventing tax evasion as under:

"Cargo Tracking System means a digital system notified by the Board for electronic monitoring and tracking of goods transported within or across the territory of Pakistan, for the purpose of tax enforcement, compliance and prevention of tax evasion."

Courier **Section 2(5ABA)**

New definition of 'courier' has been inserted which means any entity engaged in the delivery of goods and collection of cash on behalf of a seller including logistic and ride-hailing services.

E-intermediary **Section 2(9A)**

This clause has been substituted with the two new clauses (9B) and (9C) as under:

E-bilty **Section 2(9B)**

'E-bilty' has been defined as digital transport document generated through the Cargo Tracking System as prescribed by the Board, to accompany goods during their movement.

E-Commerce **Section 2(9C)**

According to new definition, "e-commerce' means sale or purchase of goods conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders either through websites, mobile applications or online marketplace having digital ordering features by using mobile phones, automated computer-to computer ordering system or any similar device.

Online marketplace **Section 2(18A)**

Definition of online marketplace has now been redrafted to means online interfaces that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers via digital orders for supply of goods, with or without the platform taking economic ownership of the goods that are being sold.

Payment intermediary **Section 2(20A)**

New definition of the "payment intermediary' has been introduced which means a banking company, any financial institution including a licensed foreign exchange company or payment gateway that facilitate the transfer of funds or payment instructions between two or more parties to enable, process, route, or settle payments in a financial transaction, without being the ultimate source or recipient of the payment.

Retail price **Section 2(27)**

Three provisos have been added in this sub-section whereby reduction in price on account of chilling or any other similar charges have now been restricted to a maximum of 5% of the price inclusive of sales tax, federal excise duty and all taxes other than income tax for aerated water, beverages, mineral water, and fruit juices on which such goods are actually sold to the general body of consumers. Further, the Federal Board of Revenue (FBR) has been empowered to fix the retail prices of goods listed in the Third Schedule, where deemed necessary. Moreover, for imported goods covered under the Third Schedule, it is now stipulated that their retail price cannot be less than 130% of the value determined under Section 25 of the Customs Act, 1969, inclusive of customs duties and federal excise duty.

Tax fraud **Section 2(37)**

The scope of tax fraud has been enhanced by substituting its definition as under:

"tax fraud" means knowingly, intentionally, or dishonestly doing any act or abetting any action to cause loss of tax under this Act, including

(a) using or preparing false, forged, and fictitious documents, including returns, statements, annexures, and invoices;

(b) false claim of input tax credit including based on fictitious transactions;

(c) issuance of any tax invoice without supply of goods;

(d) tampering with or destroying of any material evidence or documents required to be maintained under this Act or the rules made thereunder;

(e) generating fake input through manipulation of return filing system of the Board and making fake entries in the sales tax returns or in the annexures;

(f) making fictitious compliance of section 73, including routing of payments back to the registered person, or for the benefit of the registered person, through a bank account held by a supplier or a purported supplier;

(g) suppression of supplies that are chargeable to tax under this Act;

(h) making taxable supplies of goods without issuing any tax invoice;

(i) suppression and nonpayment of withholding tax in the prescribed manner beyond a period of three months from due date of payment of tax;

(j) acquisition, possession, transportation, disposal or in any way removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner dealing with, any goods in respect of which there are reasons to believe that these are liable to confiscation under this Act or the rules made thereunder; or

(k) making of taxable supplies without getting registration under this Act."

Scope of tax **Section 3**

New clause (c) has been added in sub-section (3) prescribing that in the case of supply of digitally ordered goods by online market place, website and software application from within Pakistan during the course of e-commerce, the liability to collect and pay tax shall be:

- of payment intermediary including a banking company, a financial institution, licensed exchange company or payment gateway in case the payment is made digitally and
- of the courier delivering the goods where those are supplied on Cash on Delivery (COD) basis

at the rate of 2% of values of supplies (Eleventh Schedule). Previously the operator of online marketplace facilitating the sale of third-party goods is required to withhold sales tax at the rate of 1% of the value of supplies made by the non-active taxpayer.

Previous sub-section (7) regarding withholding tax for the purpose of this section, being redundant is omitted and according to newly inserted sub-section (7A), now, the tax withheld as above shall be the 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

Adjustable input tax **Section 8B(4)**

Existing sub-section (4) authorizes the FBR to prescribe any other limit of input tax adjustment for any person or class of persons. Now, it is added that for this purpose the FBR may also use data based automated risk management system to defer certain input tax or fix higher or lower limits of input tax adjustment. However, it is provided that the registered person may contest the action by filling application and documents with the Commissioner who shall decide the case within thirty days of such application.

Best judgement assessment **Section 11D(5)**

New sub-section (5) has been added in section 11D prescribing that in case of person who is liable to be registered based on tax withheld under section 236G of Income Tax Ordinance, 2001 and does not furnish a return upon notice, an officer of Inland Revenue may assess sales tax liability on the value addition on reasonable grounds including information obtained from the purchase data under section 236G of Income Tax Ordinance, 2001.

Assessment of tax and recovery of tax not levied or short levied or erroneously refunded **Section 11E(1)**

The sub-section (1) of section 11E deals in the recovery of tax not paid or short paid or erroneously refunded to the taxpayer. Now, it is provided that this section shall not be applicable to the extent of proceedings initiated under section 37A of the Act which empowers to arrest and prosecute.

Limitation for assessment **Section 11G(2)**

The time limit to pass the assessment order under section 11D, best judgement assessment, 11E, recovery of tax not levied or short levied and 11F, failure to withhold sales tax has been extended from 120 days to 180 days of issuance of show cause notice.

Registration **Section 14**

Two new sub-sections (1A) and (1B) has been inserted in this section whereby every person including a non-resident person except who is running a cottage industry and the retailers who are required to pay sales tax through electricity bills under sub-section (9) of section 3, selling digitally ordered goods from within Pakistan through online marketplace, website or software application as the case may be, shall apply for registration. Moreover, every online marketplace or a courier, involved in e-commerce by supplying digitally ordered goods from within Pakistan shall not allow any person to use their services to carryout e-commerce transactions unless it holds NTN and in case sub-section (1A) of this section applies also holds sales tax registration.

Another new sub-section (2A) has been inserted in this section stating that if a person, who is required to be registered under the Act, does not apply for registration and the Commissioner Inland Revenue or any other officer, as may be authorized by the Board, after such inquiry as deemed appropriate, having reason to believe that a person is liable to register, he shall compulsorily register such person after providing an opportunity of being heard.

Bar on operation of bank accounts **Section 14AC**

According to this new section, notwithstanding anything contained in this Act or any other law for the time being in force, the Commissioner shall have the powers to direct banking companies, scheduled banks and other financial institutions, through an order in writing, to intermittently suspend operation of the bank account of such a person for three working days if the following conditions are present

a) where the Commissioner has reasons to believe that a person is engaged in supply of taxable goods without having registration;

b) the Commissioner has provided three consecutive opportunities of being heard to the person to obtain registration; and

c) the person has failed to obtain registration.

The Commissioner shall, if the contravention continues under this section, repeat suspension specified above, for two more times with an interval of one week between the suspensions.

If the contravention still continuous, the Commissioner shall direct the banking companies, scheduled banks and other financial institutions through an order in writing to permanently bar operation of the bank accounts.

However, upon registration of such person, the Commissioner shall issue and convey order for removal of bar on operation of his bank accounts not later than two working days. Moreover, the aggrieved person may within thirty days of the date of receipt of such decision or order prefer an appeal before the Chief Commissioner Inland Revenue.

The provisions of this section shall come into force on such date as FBR may notify in the official Gazette.

Bar on transfer of immoveable property **Section 14AD**

New section has been inserted to impose a bar on the transfer of immovable property for persons who fail to obtain tax registration within 15 days of an order issued under section 14AC. In such cases, the Chief Commissioner shall form a committee consisting of himself, a Commissioner, and a representative from a Chamber of Commerce or Trade Association. The committee shall issue a notice to the unregistered person, which shall also prominently displayed at their business premises.

After providing personal hearing, the committee may recommend either to impose the bar on property transfer or remove bar imposed under section 14AC. If the person still does not obtain registration after being given 15 days opportunity, the Commissioner shall issue a written order to the property registration authority to bar transfer of the person's immovable property. Once the person got itself registered, the Commissioner must lift the bar within two working days. The person affected by such order may file an appeal within 30 days to Chief Commissioner who is not part of the committee. The provisions shall become effective from a date as may be notified by the Board.

Other measures for non-registration **Section 14AE**

New section has been inserted whereby subject to prior action under section 14AC and 14AD, any person who fails to get registered for the purposes of this Act, the Chief Commissioner shall have the powers to;

a) seal the business premises;

b) seize moveable property; or

c) appoint a receiver for the management of the taxable activity of the person.

However, the above actions shall not be carried out, unless:

a) a public notice is issued specifying the date from which the premises shall be sealed, or movable property is seized, or a receiver is appointed for the management of the taxable activity;

b) a committee comprising the Chief Commissioner, the Commissioner concerned, and a representative from the Chambers of Commerce or Trade Associations, provides an opportunity of being heard to the person through an open court; and

c) such decision is made public by placement on the Board's website and newspaper as well.

Upon registration, of such person the Chief Commissioner shall reverse the order issued under sub-section (1) not later than two working days. Any person, aggrieved by any decision or order passed under this section may within thirty days of the date of receipt of such decision or order prefer representation before the Board. All or any of the provisions of this section shall come into force on such date as the board may notify in the official gazette.

De-Registration, blacklisting and suspension of registration **Section 21(2A)**

By virtue of this new sub-section (2A) the Commissioner shall, within ten days of issuance of order of suspension, issue a show cause notice to the registered person. Upon receipt of reply to the notice and after giving an opportunity of hearing to the registered person, if the Commissioner is satisfied, he may order for revoking of suspension of the registered person or issue an appealable speaking order for blacklisting of the registered person within thirty days of receipt of the reply to the notice.

Previously the Chief Commissioner was empowered either of his own motion or an application made by the registered person to call for and examine record of proceeding, orders of suspension and blacklisting and modify such order as may deem fit. These powers have been withdrawn by omitting the sub-section (5) of this section, being redundant.

Tax Invoices **Section 23**

By adding new proviso in clause (g) of sub-section (1) the registered person has been obligated to ensure the generation and linkage of the tax invoice with the e-bilty generated under section 40C of this Act and section 83C of the Customs Act, 1969.

After sub-section (4), new sub-section (5) has been inserted which stated that the Board through notification in the official Gazette, may require any person or class of persons to integrate their electronic invoicing system with the Board 's Computerized System for real time reporting of sales in such mode and manner and from such date as may be specified therein.

After that sub-section (6) has been inserted which requires licensed integrator shall integrate electronic invoicing system of registered persons referred to in sub-section (5) in such mode and manner as may be prescribed.

The proviso to this sub-section has also been inserted which requires that from such date, and in such mode and manner, as prescribed by the Board, all Tier-1 retailers shall integrate their retail outlets with Board's computerized system for real-time reporting of sales.

Return **Section 26(1) & (3A)**

New proviso in sub-section (1) provides that every online marketplace shall furnish not later than the due date a true, complete and correct monthly statement in the prescribed form, indicating the supplier-wise amount paid and tax due and such other information of the taxable supplies of digitally ordered goods irrespective of the economic ownership of the supplies from within Pakistan.

Through another new proviso it is further required that every payment intermediary and courier shall furnish not later than the due date a true, complete and correct monthly statement in the prescribed form, indicating the supplier-wise amount paid and tax due and such other information for taxable supplies of digitally ordered goods from within Pakistan through an online market place, website and software application and delivering goods using its payment platform or courier service as the case may be.

The proviso to sub-section (3) has been replaced by new sub-section (3A) stating that unless restricted by the compliance risk management system of the Board, the approval to revise return shall not be required if it is filed within sixty days of filing of return and the tax payable therein is more than the amount paid or the refund claimed therein is less than the amount as claimed, under the return sought to be revised.

Appointment of experts and auditors **Section 32B**

New section has been inserted empowering the Board or the Commissioner to appoint as many experts as it or the Commissioner considers necessary for the purposes of assistance in audit, investigation, litigation or valuation. The Board has also been empowered to appoint as many auditors as it may deem fit through direct engagement or through a third party including a payroll firm for the purposes of this act and confer such powers as may be deemed necessary to assist the authorities mentioned in clauses (a) to (f) of sub-section (1) of section 30 of the Act and clauses (a) to (f) of sub-section (1) of section 29 of the Federal Excise Act, 2005, as per the terms, conditions, limitations and restrictions as may be prescribed.

Offences, penalties and punishment **Section 33(1)**

Following new serial numbers 1A, IB, 13A, 25B have been added as under:

Sr. No.	Offences	Penalties and Punishment	Section of the Act to which offence has reference
	(1)	**(2)**	**(3)**
1A	Where any online marketplace, payment intermediary or courier fails to furnish prescribed monthly statement within due date.	Such person shall be liable to pay: (i) Penalty of three lac rupees for first default if he fails to furnish prescribed statement for two consecutive months. (ii) Penalty of one million rupees for each subsequent default within one year.	26
1B	Where any online marketplace, courier allow use of its services in the course of e-commerce by unregistered persons.	Such person shall be liable to pay: (i) Penalty of five lac rupees for first default; (ii) Penalty of one million rupees for each subsequent default.	14
13A	Any person who abets or connives in committing tax fraud as defined in section 2(37) or any offence warranting prosecution under the Act.	Such person shall be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years or with fine which may extend to ten million rupees, or with both.	2(1), 2(37), 50A
25B	Where any person fails to generate an e-bilty, or tampers with, misuses, or forges such document in contravention of sub section (6) of section 40C.	Such person shall be liable to a penalty of fifty thousand rupees and recovery of any tax evaded through such contravention.	Sub-section (6) of 40C

Serial No. 13 has been substituted as under:

Sr. No.	Offences	Penalties and Punishment	Section of the Act to which offence has reference
	(1)	**(2)**	**(3)**
13	(i) Any person who commits, or causes to commit tax fraud as defined under subclauses (a), (b), (c), (d),	Such person shall be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years. Such person shall also be liable to pay the amount equal to the loss of tax caused as confirmed by the	2(37)

Sr. No.	Offences	Penalties and Punishment	Section of the Act to which offence has reference
	(1)	(2)	(3)
	(e) or (f) of clause (37) of section 2. (ii) Any person who commits or, causes to commit tax fraud as defined under sub clauses (g), (h), (i), (j) or (k) of clause (37) of section 2	Special Judge from such amount reported under sub section (11) of section 37B, including one hundred percent penalty of tax loss and default surcharge under section 34 of the Act. (ii) Such person shall be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend upto five years. Such person shall also be liable to pay the amount equal to the loss of tax caused as confirmed by the Special Judge from such amount reported under sub section (11) of section 37B, including one hundred percent penalty of tax loss and default surcharge under section 34 of the Act.	

Following offences, penalties and punishment stated in serial No. 11 and 22 of the table have been omitted.

Sr. No.	Offences	Penalties and Punishment	Section of the Act to which offence has reference
	(1)	(2)	(3)
11	Any person who,- (a) submits a false or forged document to any officer of Inland revenue]; or. (b) destroys, alters, mutilates or falsifies the records including a sales tax invoice; or (c) Knowingly or fraudulently makes false statement, false declaration, false representation, false personification, gives any	Such person shall pay a penalty of twenty-five thousand rupees or one hundred per cent of the amount of tax evaded or sought to be evaded, whichever is higher. Without prejudice to the above, he shall also be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to five years if the tax evaded or sought to be evaded is less than one billion, and which may extend to ten years if the tax evaded or sought to be evaded is one billion and above and fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded, or with both.	2(37) and general

Sr. No.	Offences	Penalties and Punishment	Section of the Act to which offence has reference
	(1)	(2)	(3)
	false information or issues or uses a document which is forged or false.		
22	Any person who- (a) knowingly and without lawful authority gains access to or attempts to gain access to the computerized system; or (b) unauthorizedly uses or publishes or otherwise disseminates information obtained from the computerized system; or (c) falsifies any record or information stored in the computerized system; or (d) knowingly or dishonestly damages or impairs the computerized system; or (e) knowingly or dishonestly damages or impairs any duplicate tape or disc or other medium on which any information obtained from the computerized system is kept or stored; or (f) unauthorizedly uses unique user identifier of any other registered user to authenticate a transmission of information to the computerized system; or (g) fails to comply with or contravenes any of the conditions prescribed for security of unique user identifier.	Such person shall pay a penalty of twenty-five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by the Special Judge, to imprisonment for a term which may extend to one year, or with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded, or with both.	50A

Powers to summon persons to give evidence and produce documents in inquiries under the Act **Section 37(4)**

New sub-section (4) has been inserted and thereby the officer of inland revenue shall have the powers of civil court trying a suit under the Code of Civil Procedure, 1908 in respect of the following matters.

(a) summoning and enforcing the attendance of any person and examining him on oath; and

(b) requiring the discovery and production of documents and receiving evidence on affidavits.

Powers to inquire, investigate offences warranting prosecution under this Act and Arrest of a person **Section 37A**

The reworded section 37A empowers Inland Revenue officers, with the Commissioner's prior approval, to initiate an inquiry of tax fraud or prosecutable offences under the Act. These officers of at least Assistant Commissioner rank or otherwise authorized by the Board, can act based on credible material evidence. During the inquiry, they are vested with civil court powers such as summoning individuals, recording statements under oath, demanding documents, and accepting affidavits. The inquiry must be completed within six months, allowing the accused an opportunity to be heard and confronted with evidence. After concluding the inquiry, the officer shall submit report detailing findings and tax fraud amount to the Commissioner, who may either approve a formal investigation, seek more information, or close the inquiry.

If the Commissioner authorizes an investigation, it must be completed within three months, followed by submission of a report to the competent court. Arrests can be authorized by a three-member committee (if the fraud meets certain thresholds i.e. the amount involved in tax fraud exceeds fifty million rupees and it has been established during investigation that the accused is evading investigation or tampering with evidence), or by a Special Judge. Where the person suspected of tax fraud is a company, responsible company officers or directors may also be arrested, though the company still remains liable for tax dues and penalties. Offences can be settled ("compounded") before or after inquiry if the accused pays the tax, default surcharge, and penalty. Arrested individuals must be informed in writing of the reasons and can apply for bail under criminal procedure law provided that no arrest under this section shall be made before the completion of inquiry.

Procedure to be followed on arrest of a person **Section 37B**

This substituted section provides that when a person is arrested under section 37A by an officer of Inland Revenue, the officer must immediately inform the Special Judge, who may then issue directions for the production of the arrested individual at a specified time and place. Regardless of this intimation, the arrested person must be produced before the Special Judge, or if one is not reasonably available, before the nearest Judicial Magistrate, within twenty-four hours of the arrest, excluding travel time. Upon appearance before the Special Judge, the accused may be granted bail upon request, subject to the judge's satisfaction and execution of a bond, with or without sureties. The Special Judge retains the authority to cancel bail at any later stage if necessary, after affording the accused an opportunity of being heard unless recording such reasons justifies immediate action without such opportunity.

When presented before a Judicial Magistrate instead, the Magistrate may authorize temporary custody to ensure the earliest production before the Special Judge, or may direct immediate transfer to the Special Judge. Both the Special Judge and Judicial Magistrate may remand the accused to Inland Revenue custody for up to fourteen days, upon a written request by the officer and after reviewing the case records and hearing the accused. The arresting officer must promptly initiate an investigation and maintain a "Register of Arrests and Detentions" containing detailed particulars of the arrest, evidence collected, witnesses, explanations offered by the accused, and the daily progress of the investigation. This register must be presented to the Special Judge when required.

The officer of Inland Revenue, while investigating, shall exercise powers similar to those of a police officer under the Code of Criminal Procedure, 1898, but within the constraints of this section. If, after investigation, the officer finds insufficient evidence or reasonable suspicion, the person must be released on bond and a report for discharge is submitted to the Special Judge, along with an internal report to the officer's superior. The Special Judge may either accept this report and discharge the accused or direct the prosecution to proceed with trial if sufficient grounds exist. Once the investigation is concluded, the officer must submit a final report to the Special Judge in the same format used by police officials under the Code of Criminal Procedure. Moreover, a Magistrate of the first class is authorized to record any statement or confession under Section 164 of the Code of Criminal Procedure during the investigation. Finally, the Federal Board of Revenue (FBR), with the Minister-in-Charge's approval, may authorize any other officer under its control to exercise these powers, subject to prescribed conditions through a notification in the official Gazette.

Obligation to produce documents and provide information **Section 38B(5)**

New sub-section (5) states that Commissioner may, by notice in writing, require any Internet Service Providers, Telecommunication Companies and Pakistan Telecommunication Authority, to furnish subscriber's information pertaining to the Internet Protocols in connection with any inquiry or investigation in cases of tax fraud, as may be specified in such notice.

Pecuniary jurisdiction in appeals **Section 43A**

This section has been omitted and thereby the amendments made in filing of appeal before Commissioner (Appeals) or Appellate Tribunal in view of pecuniary limits, through Tax Laws (Amendment) Act, 2024, stands withdrawn.

Appeals **Section 45B(1)**

Sub-section (1) of this section has been substituted which states that any person other than State Owned Enterprises, aggrieved by any order passed under sections 10, 11A, 11D, 11E, 11F, 21, 33, 34 and 66 by an officer of Inland Revenue within thirty days of the date of receipt of such decision or order prefer appeal to the Commissioner Inland Revenue (Appeals). However, it is provided that registered person shall have an option to directly file an appeal before Appellate Tribunal Inland Revenue without availing right of appeal before Commissioner Appeals Inland Revenue (Appeals) under this section.

Appeals to Appellate Tribunal **Section 46(1)**

Sub-section (1) of this section has been substituted which states that any person including an officer of inland revenue not below the rank of Additional Commissioner aggrieved by an order of the Commissioner (Appeals) under this Act or the rules made thereunder; or any person other than SOE aggrieved by an order passed by officer of inland revenue when second proviso to section 45B applies, may within thirty days of the receipt of such order, prefer an appeal to the Appellate Tribunal.

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

Reference to the High Court **Section 47(1)**

Sub-section (1) of this section has been substituted to state, within sixty days (extended from 30 days) of communication of the order of the Appellate Tribunal, the aggrieved person or the Commissioner may submit a reference in the prescribed form along with a statement of the case and complete record of the Appellate Tribunal to the High Court, stating any question of law arising out of such order.

Disclosure of information by a public servant **Section 56B(1)**

By virtue of amendment in sub-section (1) of this section restriction has been imposed on experts or auditors for not disclosing the information obtained under this act except as provided under section 216 of the Income Tax Ordinance, 2001. Previously this restriction was just imposed on public servants.

Inspection of audit firm **Section 58C**

This new section speaks that in case of a registered person, whose accounts are subject to audit under the Companies Act, 2017, Chief Commissioner Inland Revenue has reason to believe that the audited accounts do not reflect the true and fair view of sales and purchases and related sales tax liability, he or she may with the approval of the Board, refer the audit firm, who has issued audit certificate to that registered person, for inspection to Audit Oversight Board.

Certain transactions not admissible **Section 73(4)**

Amendment has been made in sub-section (4) of this section whereby the restriction on input tax claimed on supplies to non-registered persons exceeding Rs. 10m in a tax period and Rs. 100m in a financial year has been abolished and now the registered person can claim the input tax in a financial year or in a tax period, as may be prescribed by the Board, with the approval of Federal Government.

Condonation of Time Limit **Section 74**

For extension of time limits following provisos have been added in this section:

Provided further that regardless of anything stipulated in this section, or any provision of this Act, or any other applicable law currently in force, and notwithstanding any decision, order or judgement issued by any forum, authority or court, the maximum period of extension under this section by the Board or the Commissioner, as the case may be, shall not exceed two years in aggregate.

Provided also that where there are reasons to believe that significant loss to exchequer or taxpayer has been caused by an act of omission or commission by the registered person or by any authority mentioned in section 30, a committee of members as notified by the Board may further condone the limitation specified for a period as it may deem fit, after providing a reasonable opportunity of being heard to the registered person concerned.

THE THIRD SCHEDULE
[See Section 3(2)(a)]

Following new serial numbers and related columns have been introduced in the Third Schedule to charge to tax at the rate of eighteen percent.

Serial No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
(1)	(2)	(3)
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.

THE SIXTH SCHEDULE
[See section 13(1)]

Table-1
(Imports or Supplies)

The Sixth Schedule pertains to the import or supply of goods that are exempt from taxation under this Act. Following entries have been omitted from the purview of exemption of sales tax:

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 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 heading

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
(1)	(2)	(3)
	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: 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.	
164	Photovoltaic cells whether or not assembled in modules or made up into panels	8541.4200 and 8541.4300

Now the import and supply of photovoltaic cells whether or not assembled in modules or made up into panels will be taxable under Eighth Schedule at the reduced rate of 10%.

Further, under Sixth Schedule, Serial No. 152, supply of electricity as made from the day of assent to the Constitution Act, 2018 till 30th June 2025 was exempt to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before 31 May 2018 excluding steel and ghee or cooking oil industries. This exemption has been extended till 30 June 2026.

Furthermore, in Serial No. 179, the exemption on the import of Cystagon, Cysta Drops, and Trientine Capsules was previously limited to personal use. However, the phrase "for personal use" has now been omitted, thereby extending the exemption to all types of imports of the aforementioned products.

Following entry has been inserted in the Sixth Schedule to be exempted from sales tax:

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
(1)	(2)	(3)
181	Import or lease of aircrafts and parts thereof by Pakistan International Airlines Corporation Limited (PIACL)	8802.1200, 8802.3000, 8802.4000

Table-2
(Local Supplies only)

The serial No. 57 whereby the local supplies of iron and steel scrap excluding supplied by manufacturer-cum-exporter of recycled copper, authorized under Export Facilitation Scheme, 2021 was exempted has now been substituted with the following:

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
(1)	(2)	(3)
57	Iron and steel scrap excluding: (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 (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.	7204.4100 7204.3000 7204.4990

[THE EIGHTH SCHEDULE]
[See clause (aa) of sub-section (2) of section 3]
Table – 1

Following entries have been omitted from the Eighth Schedule of Sales Tax Act, 1990 to charge to tax at reduced rates:

Sr. No	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	Rate of Tax	Condition
53.	The following cinematographic equipment imported during the period commencing on the 1st day of July, 2018 and ending on the 30th day of June, 2023.		5%	Subject to same limitations and conditions as are specified in Part-1 of Fifth Schedule to the Customs Act, 1969 for availing 3% concessionary rate of customs duty on the import of these equipment.
	(i) Projector	9007.2000		
	(ii) Parts and accessories for projector	9007.9200		
	(iii) Other instruments and apparatus for cinema	9032.8990		
	(iv) Screen	9010.6000		

Sr. No	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	Rate of Tax	Condition
	(v) Cinematographic parts and accessories	9010.9000		
	(vi) 3D Glasses	9004.9000		
	(vii) Digital Loud Speakers	8518.2200		
	(viii) Digital Processor	8519.8190		
	(ix) Sub-woofer and Surround Speakers	8518.299		
	(x) Amplifiers	8518.5000		
	(xi) Audio rack and termination board	7326.9090 8537.1090		
	(xii) Music Distribution System	8519.8990		
	(xiii) Seats	9401.7100		
	(xiv) Recliners	9401.7900		
	(xv) Wall Panels and metal profiles	7308.9090		
	(xvi) Step Lights	Respective headings		
	(xvii)Illuminated Signs	9405.6000		
	(xviii) Dry Walls	6809.1100		
	(xix) Ready Gips	3214.9090		
72	Motorcars	87.03	12.5%	Locally manufactured or assembled motorcars of cylinder capacity up-to 850cc

The following entries have been added in the Eighth Schedule to be taxed at reduced rate:

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	Rate of Sales Tax	Condition
(1)	**(2)**	**(3)**	**(4)**	**(5)**
89.	(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 (ii) and supplies within the tribal areas Provided that, in case of imports, the same shall be allowed clearance by	Respective heading	10% (for 2025-26) 12% (for 2026-27) 14%(for 2027-28)	

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	Rate of Sales Tax	Condition
(1)	**(2)**	**(3)**	**(4)**	**(5)**
	the Customs authorities in accordance with quota determined by IOCO. 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.		16% (for 2028-29)	
90.	Photovoltaic cells whether or not assembled in modules or made up into panels	8541.4200 and 8541.4300	10%	

[THE ELEVENTH SCHEDULE]
[See sub-section (7) & (7A) of section 3]

The Eleventh Schedule relates to the withholding of tax by any person or class of persons being purchaser of goods or services.

Previously the operator of online marketplace facilitating the sale of third-party goods is required to withhold sales tax at the rate of 1% of the value of supplies made by the non-active taxpayer. Now under new sub-section (7A) tax shall be withheld at the rate of 2% of gross value of supplies by the payment intermediary or the courier. This shall be the 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-1 retailers

Table

Following entry has been substituted in the Eleventh Schedule:

S. No.	Withholding agent	Supplier category	Rate or 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 of Pakistan through online market place, website, software applications.	2% of gross value supplies.

Duties specified in the First Schedule to be levied **Section 3(e)**

New clause (e) has been inserted in sub-section (5) of this section which states that the liability to pay the federal excise duty in any case other than specified in clauses (a) to (d), shall be of the person including any middle man as may be specified under the provisions of this Act.

Power to seize **Section 26(1)**

Earlier, only counterfeited cigarettes or beverages produced unlawfully and other dutiable goods on which excise duty was not paid remained liable to seizure.

Now, the amended sub-section (1) enhances the power to seize or confiscate the dutiable goods that are being sold without affixing or affixing counterfeited tax stamps, bar codes, banderoles, stickers, labels or bar codes as required under section 45A of this Act.

Confiscation of goods subject to federal excise duty **Section 27(1) & (4)**

Corresponding amendment in sub-section (1) has been made whereby the scope of Confiscation of goods subject to federal excise duty has been expanded by adding the goods without affixing or affixing counterfeited tax stamps, banderoles, stickers, labels or barcodes, as required under section 45A of this Act.

Further, a new sub-section (4) has been inserted which is read as under:

> "(4) Without prejudice to the foregoing provisions of this section, the Board in case of goods subject to monitoring under section 45A of this Act and counterfeited goods, may authorize any officer of Revenue department not below the rank of Naib Tehsildar or Excise and Taxation Officer not below the rank of BPS-16 to exercise the powers and perform the functions of the Officer of Inland Revenue under section 26 and sub-section (1) of section 27, by notification in the official Gazette subject to such conditions, if any, it may deem fit to be imposed."

Appeals to Commissioner (Appeals) **Section 33(1) & (4)**

Section 33(1) has been amended whereby the time limit allowing a person to file an appeal before the Commissioner (Appeals), if the value of the assessment of tax or refund of tax does not exceed five million rupees has been withdrawn.

Further a new sub-section (4) has been inserted in this section, providing that a registered person shall now have the option to directly file an appeal before the Appellate Tribunal Inland Revenue without availing right of appeal under this section.

Pecuniary jurisdiction in appeals **Section 33A**

The pecuniary jurisdiction in appeals which were originally inserted by Tax Laws (Amendment) Act, 2024 and subsequently modified by the Finance Act, 2024 has been withdrawn by omitting this section.

Appeals to the Appellate Tribunal **Section 34(1)**

Sub-section (1) of section 34 has been substituted to be read as under:

> "(1) Any person, other than an SOE, aggrieved by any order passed by the Board or the Commissioner Inland Revenue under section 35 or an order passed by an Officer of Inland Revenue where sub section (5) of section 33 applies or the Commissioner (Appeals) under this

Act or the rules made thereunder may, within thirty days of the receipt of such order, prefer an appeal to the Appellate Tribunal."

Provided that where sub-section (11) of section 134A of the Income Tax Ordinance, 2001 applies when Alternative Dispute Resolution Committee fails to decide the issue and Committee is dissolved, an SOE may prefer an appeal under this sub-section.

Reference to the High Court **Section 34A(1)**

By substituting the sub-section (1) of this section the aggrieved person or the Commissioner may file a reference in the prescribed form along with a statement of the case and complete record of the Appellate Tribunal to the High Court, stating any question of law arising out of such order within sixty days instead of thirty days of the order of the Appellate Tribunal.

FIRST SCHEDULE
Table-I

Table-I deals in levy, collection and payment of excise duty. A new serial No. 64 and entries relating thereto has been inserted to levy duty as under:

S. No.	Description of Goods	Heading/ sub-heading Number	Rate of Duty
(1)	(2)	(3)	(4)
64	Day Old Chick (DOC)	Respective Heading	Rs.10 Per DOC

Table-III

In Table-III of the first schedule the serial No. 1 and entries relating thereto has been omitted. Serial No. 1 inserted by Finance Act, 2024 according to which the allotment or transfer of commercial property, as well as the first allotment or first transfer of open plots or residential property by any developer or builder was subjected to FED at varying rates.

S. No.	Description of Items	Heading/ sub-heading Number	Rate of Duty
(1)	(2)	(3)	(4)
1	Allotment or transfer of commercial property and first allotment or first transfer of open plots or residential property by any developer or builder in such mode and manner and subject to such conditions and restrictions as may be prescribed by the Board	Respective Heading	(i) 3% of gross amount of consideration involved where the buyer is appearing on active taxpayer list maintained under section 181A of the Income Tax Ordinance, 2001 on the date of acquisition of property; (ii) 5% of gross amount of consideration involved where the buyer has not filed the income tax return by due date as specified in proviso to Rule 1A of Tenth Schedule to the Income Tax Ordinance, 2001; and (iii) 7% of gross amount of consideration involved where the buyer is not appearing on active taxpayer list maintained under section 181A of the Income Tax Ordinance, 2001 on the date of acquisition of property.

Services **Section 2(38)**

The definition of "services" has been revised to encompass services listed in the both First and Second Schedules, whereas earlier it referred solely to the First Schedule. Previously, the First Schedule included all types of services, but now services are bifurcated into tax-free and taxable categories, as outlined in the First and Second Schedules, respectively.

Taxable service **Section 3(1), (2) & (6)**

Definition of taxable service has been amended whereby it is stated that subject to section 3A, all services are taxable under this Act, including but not limited to the services listed in Second Schedule, which is provided by a person from his office or place of business in the Punjab in the course of an economic activity, including the commencement or termination of the activity.

Further, if a service including but not limited to the services listed in Second Schedule is provided to a resident person by a non-resident person in the course of an economic activity, including the commencement or termination of the activity, it shall be treated as a taxable service.

The sub-section (6) has been omitted because it is no more relevant due to bifurcation of services in tax free and taxable services specified in the First and Second Schedule, respectively.

Tax-free services **Section 3A**

New section 3A has been inserted whereby it is provided that all services listed in the First Schedule shall be tax-free under this Act, subject to any condition and to the extent specified therein.

Amendment in Schedule **Section 5(1)**

By virtue of amendment in sub-section (1) of this section, the Government may, make an amendment in First or Second Schedule by modifying, adding or deleting any entry or entries with reference to the classification, if any, description of any service or class of services and the rate or rates of tax chargeable on any service or class of services not exceeding the maximum rate of 16% as prescribed in serial No. 1 of the Part-1 of the Second Schedule.

Tax credit not allowed **Section 16B(nn) & (rr)**

This section provides list of services against which the input tax credit shall not be allowed. Now following two clauses have been added in this section to restrict input tax credit:

(nn) tax free services including rendering and consumption of goods or services.

(rr) amount of sales tax paid on:

- (i) telecommunication services in excess of nineteen and a half percent ad valorem;
- (ii) carriage of goods by rail or road in excess of fifteen percent ad valorem; and
- (iii) other services in excess of sixteen percent ad valorem.

Offences and penalties **Section 48(2)**

The penalty on the following offence stated in serial No. 15 has been amended to be read as under:

Sr. No	Offences	Penalty	Section
15	Where any person: (a) avoids, denies or obstructs installation of electronic invoice monitoring system at a business premises; or (b) fails to comply with the electronic invoice monitoring system or issues invoices bypassing the system	Such person shall be liable to pay a penalty of up to one million rupees, but not less than four hundred thousand rupees. In case of three acts of commission or omission, the business premises of such person may further be liable to be sealed for a period which may extend to one month.	59A

Further, a new entry has been inserted under this section to impose penalty in respect of following offence:

Sr. No.	Offences	Penalty	Section
25	Where any person refuses to accept payments through digital means i.e. (debit/credit cards, mobile wallets or QR scanning).	Such person shall be liable to pay a penalty of up to one million rupees: Provided that the penalty shall not be less than four hundred thousand rupees on first and three hundred thousand rupees on each subsequent default: Provided further that in case of three acts of commission or omission, the business premises of such person may further be liable to be sealed for a period which may extend to one month.	General

First and Second Schedules have been substituted as under:

FIRST SCHEDULE
Tax Free Services
(see section 3A)

Sr. No.	Description	Conditions
(1)	**(2)**	**(3)**
1	Services related to healthcare provided by the Federal or Provincial Governments or local governments including consultation or visit fee of doctors, medical practitioners and medical specialists, bed or room charges, in public sector hospitals.	None
2	Services provided by skin and laser clinics, cosmetic and plastic surgeons and hair transplant services including consultation services.	Only to the extent of services provided to acid or burn victims.
3	(i) General education services; and (ii) Education provided by the Federal, or Provincial Governments or local governments in public sector educational institutions.	None

Sr. No.	Description	Conditions
(1)	**(2)**	**(3)**
4	Public transport service provided by the Federal or Provincial Governments or local Governments.	None
5	Postal and courier services provided by the Federal or Provincial Governments or local governments.	Only to the extent of services provided to the Federal, Provincial Government Departments or local governments.
6	Registration services provided by Federal or Provincial Governments or local governments including passport and identity cards services	None
7	Services relating to religion, art, culture and sports provided by the Federal or Provincial Governments or local governments	None
8	Services relating to physical fitness, entertainment, amusement and learning provided by the Federal or Provincial Governments or local governments, such as gymnasiums, sports clubs, playgrounds, zoological and botanical gardens, museums, libraries, parks, etc.	None
9	Services provided by property developers, builders and promoters, including their allied services.	Only to the extent of affordable housing services provided under Government sponsored housing programs or any area notified for an Affordable Private Housing Scheme by the Punjab Housing and Town-Planning Agency (PHATA) covered under Rule 2(1)(k), Rule 35 and Rule 36 of the Punjab Housing and Town-Planning Agency (Affordable Private Housing Schemes Rules), 2020.
10	Services provided by: (i) a religious or charitable institution for the benefit of public registered under any law for the time being in force; (ii) international non-governmental organizations (INGOs) approved by the Federal Government; and (iii) international agencies.	Subject to exemption from federal taxes by the Federal Board of Revenue.
11	Services provided in respect of insurance.	Only to the extent of: (a) marine insurance for export; and (b) crop insurance.
12	Construction services and services provided by contractors of building (including water supply, gas supply and sanitary works), roads and bridges, electrical and mechanical works (including air conditioning), horticultural works, multi-discipline works (including turn-key projects) and similar other works.	Only to the extent: (i) where the tax is otherwise paid by registered persons as property developers, builders or promoters for building construction; or (ii) where the construction work is funded under an agreement of foreign grant-in-aid or involves construction of consular buildings; or (iii) residential construction projects where the covered area does not exceed 10,000 square feet for a

Sr. No.	Description	Conditions
(1)	**(2)**	**(3)**
		house and 20,000 square feet for an apartment except where construction services are provided to construct more than one house or more than one apartment building; or (iv) where the construction services are provided to any registered person who is otherwise liable to pay sales tax as a property developer, builder and promoter.
13	Services provided for personal care by beauty parlors, salons, clinics, sliming clinics, spas (including saunas, Turkish baths and Jacuzzi) and similar other services.	Only to the extent of services provided in a parlour, salon or clinic where the facility of air-conditioning is not installed or is not available in the premises on any day of the financial year.
14	Services provided by tour operators and travel agents including all their allied services or facilities.	Only to the extent of Hajj and Umrah purposes including 'Ziyarat'.
15	Facilities for travel originating from Punjab by Air for domestic and international travel.	Only to the extent of Air travel services provided to Hajj or Umrah passengers, diplomats and supernumerary crew.
16	Services provided by warehouses or depots for storage or cold storages including letting of space for storages.	Only to the extent of storage of agriculture produce for the person's own consumption.
17	Services provided by photography studios and event or occasion photographers or film-makers.	Only to the extent of non-corporate (individual) photographers operating from small road-side shops declared as such by the Authority.
18	Services provided by diplomatic missions.	None
19	Renting of personal dwellings for residential use.	None
20	Services provided by persons engaged in contractual execution of works or furnishing supplies.	Only to the extent of services related to the contracts involving supplies or printing of books
21	Advertisement on television and radio or advertisement services showcasing of any product or service in video programmes, television programmes or motion pictures or music albums.	Only to the extent of: (a) sponsored by an agency of the Federal or Provincial Government for health education; or (b) financed out of funds provided by a Government under an agreement of foreign grant-in-aid; or (c) conveying public service message, if telecast on television by the World Wide Fund for Nature (WWF) or United Nations Children's Fund (UNICEF).
22	Services relating to pathological or diagnostic tests exclusively for medical treatment purposes.	None
23	Services provided in respect of manufacturing or processing on toll or job basis (against processing on conversion charges) [including industrial and	None

Sr. No.	Description	Conditions
(1)	**(2)**	**(3)**
	commercial packaging services and similar outsourcing of industrial or commercial processes].	
24	Advertisement including classified ads in newspapers, magazines, journals and periodicals.	None
25	Services provided by a foreign exchange dealer or exchange company or money changer or money exchanger.	None
26	Services provided by port operators (including airports and dry-ports) and allied services provided at ports and services provided by terminal operators including services in respect of public bonded warehouses.	Only to the extent of the amounts received by way of fee under any law or bye-law.

SECOND SCHEDULE
(Taxable Services)
(see section 3)
Part I

Sr. No.	Description	Classification Code, if Applicable	Rate of Tax
(1)	**(2)**	**(3)**	**(4)**
1	All services, except those specified in serial numbers 2 and 3 of this Part, Part-II and Part-III.	Respective headings	Sixteen percent
2	Services provided by persons for carriage of goods by rail or road.	98.04 9804.2000 9804.9000 and respective headings	15% with input tax adjustment for service provider and service recipient.
3	Telecommunication services: (a) telephone services; (b) fixed line voice telephone service; (c) wireless telephone; (d) cellular telephone; (e) wireless local loop telephone; (f) video telephone; (g) payphone cards; (h) pre-paid calling cards; (i) voice mail service; (j) messaging service; (k) short message service (SMS); (l) multimedia message service (MMS); (m) bandwidth services used for voice and video telecommunication services: (i) copper line based; (ii) fiber-optic based; (iii) co-axial cable based; (iv) microwave based; (v) satellite based;	98.12 [9857.0000, 9858.0000]	Nineteen and a half percent

Sr. No.	Description	Classification Code, if Applicable	Rate of Tax
(1)	(2)	(3)	(4)
	(n) telegraph; (o) telex; (p) telefax; (q) store and forward fax services; (r) audio-text services; (s) tele-text services; (t) trunk radio services; (u) paging services; (v) voice paging services; (w) radio paging services; (x) vehicle and other tracking services; and (y) burglar and security alarm services; (z) (i) internet services, whether dialup or broadband, including email services, data communication network services (DCNS) and value added data services; (ii) such charges payable on the international leased lines or bandwidth services used by: (a) software exporting firms registered with Pakistan Software Export Board; and (b) data and internet service providers licensed by the Pakistan Telecommunication Authority; and (iii) such charges payable on the international leased lines used by the software exporting firms registered with Pakistan Software Export Board for software exports.		

PART II
FIXED-TAXED SERVICES

The services enumerated below, shall be fixed rate, subject to the conditions, if any, specified hereunder:

Sr. No.	Description	Classification Code, if Applicable	Rate of Tax
(1)	(2)	(3)	(4)
1	Services provided by property developers, builders and promoters (including their allied services);	9807.0000 and respective sub-headings of heading 98.14	Rs.100 per square yard for land development and Rs.50 per square feet for building construction.
2	Freight forwarding agents.	9805.3000	Rs. 1000 per bill of lading

PART III
REDUCED RATE SERVICES

The services enumerated below, shall be reduced rate, subject to the conditions, if any, specified hereunder:

Sr. No.	Description	Classification code, if applicable	Rate of tax
(1)	**(2)**	**(3)**	**(5)**
1	Hotels, motels and guest houses	9801.1000	(i) Five percent without input tax adjustment for non-corporate, non-franchise, non-chain businesses with less than 20 rooms; and (ii) Sixteen percent for others
2	Marriage halls and lawns (by whatever name called) including pandal and shamiana services. Catering services (including all ancillary/allied services such as floral or other decoration, furnishing of space whether or not involving rental of equipment and accessories).	9801.3000 9801.5000	Five percent without input tax adjustment.
3	Services provided in respect of insurance to a policy holder by an insurer, including a re-insurer for: (a) fire insurance; (b) goods insurance; (c) health insurance; (d) life insurance; (e) marine insurance; (f) theft insurance; and (g) any other insurance.	98.13	(a) Zero percent without input tax adjustment for health insurance for individuals; and (b) Five percent for insurance agents and insurance brokers; (c) Sixteen percent of gross premium paid, for others.
4	Services provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc.	9801.2000 [9801.9000]	(a) Five percent without input tax adjustment where payment against services is received through debit or credit cards, mobile wallets or QR scanning; and (b) Sixteen percent for others.
5	Franchise services including intellectual property rights and licensing	9823.0000 9839.0000 and respective headings	(a) Zero percent without input tax adjustment for services relating to educational institutions for information technology; and (b) Five percent without input tax adjustment for services relating to educational institutions other than educational institutions for information technology; and (c) Sixteen percent for others.

Sr. No.	Description	Classification code, if applicable	Rate of tax
(1)	(2)	(3)	(5)
6	[Construction services and services provided by contractors of building (including water supply, gas supply and sanitary works), roads and bridges, electrical and mechanical works (including air conditioning), horticultural works, multi-discipline works (including turn-key projects) and similar other works) **Explanation:** Notwithstanding the rate of 5% fixed in column 4, the following further reduced rates shall be applicable: (a) one per cent for all services specified at S.No.14 without input tax credit or adjustment to the extent of Government civil works including those of cantonment boards involved in the ongoing development schemes and projects launched during Financial Year 2016-17 and funded under the Annual Development Plan of the Punjab Government or funded through foreign loans where the negotiations were finalized after 1st of July 2016 or funded under Public Sector Development Program of the Federal Government or funded by the Cantonment Boards; and (b) zero per cent for all services specified at S.No.14 without input tax credit/adjustment to the extent of Government civil works including those of cantonment boards involved in the ongoing development schemes and projects launched prior to Financial Year 2016-17 and funded under the Annual Development Plan	9824.0000 and 9814.2000	Five percent without input tax credit or adjustment in respect of Government civil works and sixteen percent with input tax credit or adjustment for others.

Sr. No.	**Description**	**Classification code, if applicable**	**Rate of tax**
(1)	**(2)**	**(3)**	**(5)**
	of the Punjab Government or funded through foreign loans where the negotiations were finalized as on 1st of July 2016 or funded under Public Sector Development Program of the Federal Government or funded by Cantonment Boards.		
7	Services provided for personal care by beauty parlors, salons, clinics, sliming clinics, spas (including saunas, Turkish baths and Jacuzzi) and similar other establishments.	9810.0000 9848.0000 9847.0000 9821.4000 9821.5000 9815.7000 and respective headings	Five percent without input tax adjustment.
8	Information technology-enabled or information technology based services including software development, software customization, software maintenance, system support, system assembly, system integration, system designing and architecture, system analysis, system development, system operation, system maintenance, system up-gradation and modification, data warehousing or management, data entry operations, data migration or transfer, system security or protection, web designing, web development, web hosting, network designing, services relating to enterprise resource or management planning (including marketing of products), development and sale of smart phone applications or games, graphics designing, medical transcription, remote monitoring, telemedicine, insurance claim processing, online retrieval and database access or retrieval service.] [**Explanation:** This entry includes and shall be deemed to have always included real estate	9815.6000 and respective heading	(a) Zero percent without input tax adjustment for services provided by software or IT-based system development persons; and (b) Five percent without input tax adjustment for others.

PUNJAB SALES TAX ON SERVICES ACT, 2012

Sr. No.	Description	Classification code, if applicable	Rate of tax
(1)	**(2)**	**(3)**	**(5)**
	aggregators and streaming/over-the-top (OTT) services.]		
9	[Services provided by other consultants (by whatever name called or treated, whether as consultant or otherwise) including human resource and personnel development services, exhibition or convention services including provision of space, equipment, accessories and other allied services, event management services (whole range and variety of their services regardless of separate or individual classification thereof), valuation services, evaluation services (including competency and eligibility testing services), certification, verification and equivalence services, market research services, marketing or sales services (including marketing agencies and on line marketing or sales services), surveyors services, training or coaching services (other than general education services) and credit rating services.	9815.9000 [9832.0000, 9827.0000, 9818.3000, 9818.2000, 9819.9300, 9852.0000, 9859.0000, 9825.0000, 9819.5000, 9849.0000, 9818.9000, 9853.0000, 9856.0000 and respective headings.	(a) Zero percent without input tax adjustment for training services related to Information Technology; and (b) Sixteen percent for others.
10	Services provided by tour operators and travel agents including all their allied services or facilities.	9805.5100, 9805.5000, 9803.9000.	Five percent without input tax adjustment.
11	Manpower recruitment agents, including labour and manpower supplies.	9805.6000	(a) Five percent without input tax adjustment for services where the value of service is fixed by the Bureau of Emigration and Overseas Employment; and (b) Sixteen percent for others.
12	Services provided by property dealers and realtors.	9806.2000, 9844.0000.	Five percent without input tax adjustment.
13	Services provided by fashion designers, including use of brand name, logo or house mark (whether or not registered) in the manufacturing or trading of products whether relating to textile, leather, jewellery or other product regimes including allied services such as cutting, stitching, printing, manufacturing, fabrication, assembly, embellishment,	9834.0000, 9819.6000, 9839.0000 and respective headings	Five percent without input tax adjustment.

Sr. No.	Description	Classification code, if applicable	Rate of tax
(1)	(2)	(3)	(5)
	adornments, display (including marketing, packing and delivery etc.)		
14	Services provided by architects, town planners, landscapers, landscape designers, [interior decorators and interior designers.	9814.1000, 9814.9000, 9814.4000 and respective headings.	Five percent without input tax adjustment.
15	Rent-a-car (including renting of all categories of vehicles meant for transportation of persons)	9819.3000 and respective headings	(a) Five percent without input tax adjustment for services provided to end consumers; and (b) Sixteen percent for others.
16	Car/automobile dealers	9806.3000 9845.0000	(a) Sixteen percent for services provided by companies or authorized dealers; and (b) Five percent without input tax adjustment, for others.
17	Brokerage (other than stock) and indenting services including agents, brokers, under-writers and auctioneers	9829.0000 9819.1200 9819.1100 9819.1300 9819.9100	(a) Five percent without input tax adjustment for services provided in respect of agricultural produce and home chefs; and (b) Sixteen percent for others.
18	Services provided in specified fields such as health care, gym, physical fitness, indoor sports, games, amusement parks, arcades and other recreation facilities, and body or sauna massage etc.	9821.1000 9821.2000 9821.4000	Five percent without input tax adjustment.
19	Services provided by Laundries and dry cleaners	9811.0000	Five percent without input tax adjustment.
20	Services provided by Cable TV operators	9819.9000	Five percent without input tax adjustment.
21	Services in relation to supply of tangible goods including machinery, equipment and appliances for use, without transferring right of possession and effective control of such machinery, equipment and appliances.	Respective headings	Five percent without input tax adjustment.
22	Services provided by accountants (including practicing chartered or cost accountants), auditors, actuaries, tax consultants (by whatever name called), practicing company secretaries, receivers, liquidators, auctioneers and corporate law consultants, whether	9815.2000 9815.3000 9850.0000 9851.0000 9855.0000 and respective headings	(a) Five percent without input tax adjustment for services relating to accountancy, audit, tax or corporate law consultancy; and (b) Sixteen percent for others.

Sr. No.	Description	Classification code, if applicable	Rate of tax
(1)	**(2)**	**(3)**	**(5)**
	individual or otherwise.		
23	Facilities for travel originating from Punjab by Air for domestic and international travel.	9803.1000 9803.1100	Five percent without input tax adjustment.
24	Services provided by skin and laser clinics, cosmetic and plastic surgeons and hair transplant services including consultation services.	9847.0000 and respective headings	Five percent without input tax adjustment
25	Services provided by warehouses or depots for storage or cold storages including letting of space for storages.	9833.0000 and respective headings	Five percent without input tax adjustment.
26	(i) Medical consultation/visit fee exceeding Rs.1500 per consultation/visit of doctors, medical practitioners and medical specialists (ii) Bed/Room charges of hospitals exceeding Rs.6,000/- per day per bed/room.	9815.1000 and other Respective headings	Zero percent without input tax adjustment.
27	Services provided by photography studios and event or occasion photographers/film-makers.	9819.7000 and respective headings	Five percent without input tax adjustment.
28	Parking services	Respective headings	Five percent without input tax adjustment.
29	Dress designing and stitching services.	Respective headings	Five percent without input tax adjustment.
30	Rental of bulldozers, excavators, cranes, construction equipment, Scaffolding, framework and shuttering, generators, storage containers, Refrigerator, shelf or rack renting, etc	Respective heading	Five percent without input tax adjustment.
31	Services in respect of treatment of textile, leather but not limited to Dyeing services, Edging and cutting, cloth treating, water proofing, Embroidery, Engraving, Fabric bleaching, Knitting, Leather staining, Leather working, Pre shrinking, Colour separation services, pattern printing and shoe making services.	Respective heading	Five percent without input tax adjustment.
32	Apartment house management, real estate management and services of rent collection.	Respective heading	Five percent without input tax adjustment.
33	Ride-Hailing Services Explanation: This entry includes	Respective heading	Five percent without input tax adjustment.

PUNJAB SALES TAX ON SERVICES ACT, 2012

Sr. No.	Description	Classification code, if applicable	Rate of tax
(1)	**(2)**	**(3)**	**(5)**
	and shall be deemed to have always included cab aggregators.		
34	Entertainment services (including cinemas, theatres, concerts, circus, sports events, races, film, fashion shows and mobile stage shows)		Zero percent without input tax adjustment.

CPC code **Section 2(19A)**

New clause (19A) has been inserted to define CPC code as under:

"CPC Code" means classification code based on Central Product Classification (CPC) Version 2.1 as published by the United Nations and as adapted by the Board for the purposes of this Act."

Services **Section 2(79)**

The definition of "services" has been substituted as under:

"service" means any activity, facility, utility or advantage, including the granting, assignment, cession or surrender of any right.

Previously, the service or services were defined as anything which is not goods and shall include but not limited to the services listed in the First Schedule of this Act.

Taxable services **Section 3**

The definition of "taxable services" has been amended. Previously, a service listed in the Second Schedule to the Sindh Sales Tax on Service Act, 2011 [Act] was taxable in Sindh. The new definition broadens its scope including all the services instead of services listed in the Second Schedule as follows:

"Taxable service means a service, which is provided by the person from his office or place of business in Sindh in the course of an economic activity, including the commencement of termination of the activity."

Further, it is explained that "terminal taxes on goods or passengers carried by railway, sea or air; taxes on their fares and freights" shall not be considered a taxable service where Parliament shall have exclusive power to make laws with respect to any matter in the Federal Legislative List.

Economic activity **Section 4(3)**

Following services have been added in sub-section (3) to exclude the same from the definition of economic activity for the purposes of section 4.

c) services provided by any court, Tribunal, or similar institution established under any law for the time being in force, in the performance of judicial or quasi-Judicial functions;

d) services performed by Members of the Majlis-e-Shoora (Parliament), Members of Provincial Assemblies, and Members of Local Government bodies in the course of their official duties; and

e) services performed in the course of official duties by any individual holding a position under the Constitution of the Islamic Republic of Pakistan in that capacity.

Scope of tax **Section 8(1)**

Sub-section (1) of this section has been substituted whereby, sales tax shall be charged, levied, and collected at the standard rate of fifteen percent of the value of the taxable service. However, the rate of tax on the services listed in the Second Schedule shall be as specified in the Schedule, subject to conditions and restrictions, if any, mentioned therein.

Previously the Second Schedule to the Act provides list of taxable services on which sales tax was charged, levied and collected at specified rate.

Exemptions — Section 10(1)

Substituted sub-section (1) provides that notwithstanding the provisions of section 8, the services specified in the First Schedule shall, subject to such conditions and restrictions as may be specified therein, be exempt from tax under this Act.

Input tax credit not allowed — Section 15A

Clause (k) of this section has been substituted whereby a registered person shall not be entitled to claim, reclaim, adjust or deduct input tax in relation to the amount of sales tax paid on the telecommunication services in excess of nineteen and a half per cent ad valorem and the amount of sales tax paid on other taxable goods or services in excess of **fifteen per cent ad valorem** instead of thirteen per cent ad valorem.

Registration — Section 24(1)(b)

Sub-section (1)(b) of section 24 has been substituted whereby the registration will be required for all persons who "provide any taxable service."

Previously, registration under this clause was required for all persons if the services were listed in the Second Schedule and provided from their registered office or place of business in Sindh.

Offences and penalties — Section 43

The following entries of the Table have been substituted to be read as under:

S. No.	Offences	Penalties	Section of the Act to which offence has reference
(2)	Where any person fails to furnish a return within the due date	Such person shall be liable to pay penalty of 100 rupees for each day of default in filing of the return beyond the prescribed due date.	30
(3)	Where any person fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Act or the rules made there under	a) Such person shall be liable to pay a penalty of 10,000 rupees or five per cent of the total tax payable for that period if default is more than 5 days) whichever is higher.	8, 17 and 66
(7)	Where any person who denies or obstructs the access of an authorized officer to the business promises, registered office or to any other place where records are kept, or otherwise refuses access to accounts or records	Such person shall be liable to pay a penalty of 100,000 rupees or hundred per cent of the tax payable for the tax period to which the offence relates, whichever is higher. Such persons shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years, or with a fine which may extend to an amount equal to the tax payable for the tax period(s) to which the offence relates, or with both.	27, 28 and 51

Appointment of the Appellate Tribunal **Section 60(4)(b)**

Sub-section (4)(b) has been amended whereby a person may be appointed as a Technical Member of the Appellate Tribunal, if he has been a Commissioner of SRB for a period not less than eight years during which he performed the functions of Commissioner (Appeals) for not less than three years.

Previously, a person was eligible to be appointed as a Technical Member of the Appellate Tribunal if he was Commissioner SRB or Commissioner (Appeals) of SRB on a regular basis for a period of not less than five years.

Power to issue license or permission **Section 72A**

Section 72A has been amended wherein an additional requirement has been introduced, stipulating that the issuance or renewal of licenses or permissions is contingent not only on the applicant being a registered person but also on being an active taxpayer as defined in section 2(1A) of the Act.

Classification of services **Section 72B**

By inserting this new section, the Board has been empowered to prescribe a code for classifying services by notification in the official Gazette. However, the inclusion or exclusion of any service from a particular code shall not determine the taxability or otherwise of such service.

Further, if there is a disagreement about how a service is classified under this code, the Board will settle the issue, and its decision shall be final.

Taxability of services at the end of financial year **Section 72C**

New section 72C has been introduced which provides that despite the changes introduced through the Sindh Finance Act, 2025, the services that were being taxed under this Act as of 30th June 2025 will continue to be taxed at the same rate, unless they are specifically exempted or subject to reduced rate.

Removal of difficulties **Section 74**

Section 74 has been substituted to provide that the Board, with the approval of the Government, may issue orders for implementing the provisions of this Act in the manner specified in such orders. These provisions may be adjusted as needed including changes, additions, or removals as the Board considers appropriate during the specified period.

However, the Board’s power to issue these orders will expire after the expiry of period of three years (earlier eight years) from the date of commencement of the Sindh Finance Act, 2025.

FIRST SCHEDULE
(List of exempt services)
[See section 10(1)]

First Schedule has been substituted as under:

S. No.	CPC Code	Description	Conditions and Restrictions
1	54	Construction services except those falling under CPC code 546	The exemption shall be applicable to services provided or rendered in relation to:- (1) Construction and development of Export Processing Zone (EPZ), Special Economic Zone (SEZ) and diplomatic and consular buildings; (2) Construction of an independent private residential house,

S. No.	CPC Code	Description	Conditions and Restrictions
			having total covered area not exceeding 10,000 square feet meant for own use by the recipient of the services; (3) Construction relating to such of the low-cost affordable public housing projects as are sponsored and funded by the Federal Government or by the Government of Sindh, subject to the condition that the houses are built or constructed on plot of up-to 125 square yards or covered area of the apartment and flats so built or constructed under the project, does not exceed 900 square feet (4) Maintenance and repair in relation to agriculture, horticulture, animal husbandry and dairy farming (5) Construction services related to construction work undertaken by a person whose annual turnover does not exceed four million rupees in a financial year
2	611	Wholesale trade services, except on a fee or contract basis	The exemption shall not be applicable to services provided or rendered by ship chandlers
3	62	Retail trade services except those falling under CPC code 625	The exemption shall not be applicable to services provided or rendered on fee or contract basis.
4	63	Accommodation, food and beverage services	The exemption shall be applicable to services provided or rendered in relation to: (1) Clubs, whose initiation fee for members does not exceed thirty thousand rupees and whose monthly fee/subscription for the members also does not exceed five hundred rupees (2) Room or unit accommodation services for students in student residences attached to educational institutions (3) Food served by flight-kitchen on board the conveyance leaving for a destination outside Pakistan (4) Restaurants and caterers whose annual turnover does not exceed five million rupees in a financial year except those which are – (i) air-conditioned on any day in a financial year or located within the building or premises of air conditioned shopping malls or shopping plazas; or (ii) located within the building, premises or precincts of any hotel, motel, guest house, farmhouse or club whose services are liable to sales tax; or (iii) providing or rendering services in the building, premises or precincts, hall or lawn of any hotel, motel, guest house, farmhouse, marriage hall and lawn or club whose services are liable to sales tax; or (iv) franchisers or franchisees; or (v) having more than one branch or outlet in Sindh; or (vi) having total utility bills (gas, electricity and telephone) exceeding rupees forty thousand (Rs.40,000/) in any month during a financial year.
5	64	Passenger	The exemption shall not be applicable to services provided or

S. No.	CPC Code	Description	Conditions and Restrictions
		transport services	rendered in relation to – (1) Rent a car and vehicle rental services; (2) Services provided or rendered by the owners or drivers of the vehicles using the cab aggregator services; and (3) Chartered flight services within Sindh or originating from any air field in Sindh.
6	672	Storage and warehousing services	The exemption shall be applicable to services provided or rendered in relation to food and agricultural commodities.
7	673	Supporting services for railway transport	Nil
8	69	Electricity, gas and water distribution (on own account) except those falling in CPC Code 69111	Nil
9	71110	Central banking services	Nil
10	713	Insurance and pension services (excluding reinsurance services), except compulsory social security services	The exemption shall be applicable to services provided or rendered in relation to – (1) Life insurance, other than group life insurance, of individuals for insurance policy coverage of up-to five hundred thousand rupees; (2) Crop Insurance; (3) Health insurance services, other than group health insurance services, provided or rendered to individuals covered within the meaning of sub clause (a) of clause (63) of section 2; and (4) Marine insurance for exports.
11	71552	Financial market regulatory services	The exemption shall be applicable to services provided or rendered by the State Bank of Pakistan, Competition Commission of Pakistan and Securities and Exchange Commission of Pakistan.
12	7211	Rental or leasing services involving own or leased property	The exemption shall be applicable to services provided or rendered in relation to – (1) Renting of immovable property by a religious body to another religious body; (2) Renting of vacant land or premises solely used for agriculture, aquaculture, farming, forestry or animal husbandry purposes; and (3) Renting of buildings solely used for residential purposes or solely used as hostels and boarding homes of a recognized educational institution.
13	7212	Trade services of building	Nil
	7213	Trade services of vacant and subdivided land	
14	7331	Licensing services for the right to use	The exemption shall be applicable to services exported and delivered outside Pakistan, subject to the condition that the

S. No.	CPC Code	Description	Conditions and Restrictions
		computer software and databases	value of export of the services is received in foreign exchange through banking channels in the business bank accounts of the registered person exporting the services and is also reported to the State Bank of Pakistan in the manner prescribed by the State Bank of Pakistan.
	8313	Information technology (IT) consulting and support services	
	8314	Information technology (IT) design and development services	
	8315	Hosting and information technology (IT) infrastructure provisioning services	
	8316	IT infrastructure and network management services	
15	81	Research and development services	The exemption shall be applicable to the services provided or rendered educational institutions recognized by the Higher Education Commission of Pakistan (HEC) and/or Sindh Higher Education Commission.
16	822	Accounting, auditing and bookkeeping services	The exemption shall be applicable to services exported and delivered outside Pakistan, subject to the condition that the value of export of the services is received in foreign exchange through banking channels in the business bank accounts of the registered person exporting the services and is also reported to the State Bank of Pakistan in the manner prescribed by the State Bank of Pakistan.
17	835	Veterinary services	Nil
18	8363	Sales of advertising space or time (except on commission)	The exemption shall be applicable to services provided or rendered in relation to – 1. Advertisements financed out of the funds provided by a government under grant in aid agreements; 2. Advertisements conveying public service message in relation to polio eradication programme by UNICEF; and 3. Sale of advertising space in print media (except on commission) falling under CPC Code 83631 and 4. Sale of internet advertising space (except on commission) on the website of such of the newspapers and periodicals as are published in Sindh.
19	844	News agency services	Nil
20	845	Library and archive services	Nil
21	853	Cleaning services	The exemption shall be applicable to the services provided or rendered in relation to fumigation and cleaning services for the purpose of agriculture, horticulture, animal husbandry or

S. No.	CPC Code	Description	Conditions and Restrictions
			dairy farming
22	855	Travel arrangement, tour operator and related services	The exemption shall be applicable to tour operators' services provided or rendered in relation to – (1) to Hajj and Umrah; and (2) a journey organized or arranged for use by an educational institution other than a commercial, training or coaching centre, for imparting skill or knowledge or lesson on any subject or field.
23	85931	Telephone call centre services	The exemption shall be applicable to call centre services exported and delivered outside Pakistan, subject to the condition that the value of export of the services is received in foreign exchange through banking channels in the business bank accounts of the registered person exporting the services and is also reported to the State Bank of Pakistan in the manner prescribed by the State Bank of Pakistan
	85999	Other support services n.e.c.	
24	85961	Convention assistance and organization services	The exemption shall be applicable to such convention assistance and organizing services as are provided or rendered by such marriage halls and lawns which are located on plots measuring 800 square yards or less; provided that they are not – (1) located in air-conditioned premises; or (2) located within the building, premises or precincts of a hotel, motel, guest house, farmhouse, restaurant or club whose services are liable to tax; or (3) owned, managed or operated by caterers whose services are liable to tax; or (4) franchisers or franchisees; or (5) having branches or more than one hall or lawn in Sindh.
25	861	Support and operation services to agriculture, hunting, forestry and fishing	The exemption shall not be applicable to the services provided or rendered in relation to "Support and operation services to hunting" falling under CPC Code 8613.
26	871	Maintenance and repair services of fabricated metal products, machinery and equipment	The exemption shall be applicable to services provided or rendered – (1) in relation to machinery and equipment used for the purpose of agriculture, horticulture, animal husbandry and dairy farming; (2) by auto workshop including authorized service station, whose annual turnover does not exceed rupees four million in a financial year; (3) by workshops for electric or electronic equipment or appliances, including computer hardware, whose annual turnover does not exceed rupees four million in a financial year; and (4) by car or automobile washing or similar stations, whose annual turnover does not exceed rupees four million in a financial year.
27	88	Manufacturing services on physical inputs	The exemption shall be applicable to services provided or rendered in relation to such manufacturing or processing for others on toll basis (as are levied to Federal sales tax under

S. No.	CPC Code	Description	Conditions and Restrictions
		owned by others	the Sales Tax Act, 1990) except the services provided to non-industrial consumer
	892	Moulding, pressing, stamping, extruding and similar plastic manufacturing services	
	893	Casting, forging, stamping and similar metal manufacturing services	
28	8912	Printing and reproduction services of recorded media, on a fee or contract basis	The exemption shall be applicable to the services provided in respect of newspapers, periodicals, journals and text books
29	91	Public administration and other services provided to the community as a whole; compulsory social security services	The exemption shall be applicable to services provided or rendered by the Federal Government, Government and the Local Governments.
30	92	Education services	The exemption shall not be applicable to – (1) the services where the amount of fee/charges for such services exceed rupees five hundred thousand per annum per student; and (2) sports education services falling in CPC Code 92912 provided by a person other than an individual.
31	931	Human health services	The exemption shall not be applicable to – (1) the services of cosmetic and plastic surgery for aesthetic purposes; (2) the services provided by medical practitioners and consultants where consultation fee or charges exceed rupees three thousand per session or visit; and (3) bed/room services of hospitals where per day charges for such rooms/beds, including all fixed charges, exceed rupees twenty five thousand per room/bed
32	931	Human health services	The exemption shall be applicable to services provided or rendered by beauty parlours, beauty clinics and slimming clinics whose annual turnover does not exceed rupees two and a half million in a financial year, except those which are (1) located within the building, premises and precincts of a hotel, motel, guest house or club whose services are liable to tax; or (2) franchisers or franchisees; or (3) having more than one branch or outlet in Sindh; or (4) having total utility (electric, gas and telephone) bill
	972	Beauty and physical well-being services	

S. No.	CPC Code	Description	Conditions and Restrictions
			exceeding rupees twenty five thousand in any month during a financial year
33	932	Residential care services for the elderly and disabled	Nil
	933	Other social services with accommodation	
	934	Social services without accommodation for the elderly and disabled	
	935	Other social services without accommodation	
34	944	Remediation services	The exemption shall be applicable to services provided or rendered by Government.
	949	Other environmental protection services n.e.c.	
35	95	Services of membership organizations	The exemption shall not be applicable to the services provided against charges and fees except against fixed membership fee.
36	96150	Motion picture projection services	Nil
37	963	Services of performing and other artists	The exemption shall not be applicable to services provided or rendered by stage designers, set designers, lighting designers and costume designers.
38	964	Museum and preservation services	Nil
39	966	Services of athletes and related support services	Nil
40	971	Washing, cleaning and dyeing services	The exemption shall be applicable to services provided or rendered by laundries and dry cleaners whose annual turnover does not exceed rupees two and a half million in a financial year except those which are – (1) located within the building, premises and precincts of a hotel, motel, guest house or club whose services are liable to tax; or (2) franchisers or franchisees; or (3) having more than one branch or outlet in Sindh; or (4) having total utility (electric, gas and telephone) bill exceeding rupees twenty five thousand in any month during a financial year.
41	973	Funeral, cremation and undertaking	Nil

S. No.	CPC Code	Description	Conditions and Restrictions
		services	
42	98	Domestic services	Nil
43	99	Services provided by extraterritorial organizations and bodies	Nil
44	Respective CPC Codes	All services	The exemption shall be available to the services provided by a person whose total annual turnover does not exceed rupees four million in a financial year, excluding the following: - (1) Services provided to withholding agents as notified under section 13; (2) Services provided to persons registered with SRB and businesses registered with FBR under the Sales Tax Act, 1990 or the Income Tax Ordinance, 2001; (3) Services under the service categories where different exemption threshold based on annual turnover is provided under this Act; and (4) Services which were not exempt on account of annual turnover threshold basis as on 30th June, 2025

SECOND SCHEDULE
PART-I
List of Services subject to a rate higher than standard rate)
[See proviso to section 8(1)]

Part 1 of the Second Schedule outlines the list of services that are subject to a rate higher than the standard rate as under:

S. No.	CPC code	Description	Rate
(1)	(2)	(3)	(4)
1	83159	Other hosting and IT infrastructure provisioning services provided in respect of collocation services	19.50%
2	841	Telephony and other telecommunications services	19.50%
3	842	Internet telecommunications services	19.50%
4	85230	Security systems services including vehicle tracking services and other tracking	19.50%
5	87340	Installation services of radio, television and communications equipment and apparatus provided by telephony, internet and security system service providers	19.50%

PART-II
(List of Services liable to tax at a rate lower than standard rate)
[See proviso to section 8(1)]

Part II of the Second Schedule outlines the list of services that are subject to a rate lower than the standard rate, subject to conditions and restrictions specified therein.

For the services specified against S. Nos. 1, 7, 9, 19, 20 and 32 in the table below to avail the reduced rate, the service provider shall e-file an option to charge, collect and pay sales tax at the rates specified herein in the manner as prescribed. If this option is not exercised, the services will be taxed at the standard rate of 15%.

TABLE

S. No.	CPC Code	Description	Rate	Conditions and Restrictions
(1)	(2)	(3)	(4)	(5)
1	54	Construction services	8%	Nil
2	54	Construction services	5%	The rate shall apply to construction services in relation to Government Civil Works for which the expenditure is paid out of the expenditure budget of the Federal Government, Government or the Local Government or the Cantonment Board
3	612	Wholesale trade services on a fee or contract basis	(a) 8%	(a) The rate shall apply to the services provided or rendered by – (1) Auctioneer; or (2) Car or automobile dealer
	62	Retail trade service	(b) 3%	(b) The rate shall apply to the services provided or rendered by an Indenter from a place of business in Sindh for which the registered person receives the value of the services from a place outside Pakistan in foreign exchange through banking channels in the business bank account of the registered person in the manner prescribed by the State Bank of Pakistan.
4	633	Food serving services	8%	The rate shall apply to the services provided or rendered by restaurants including the restaurants located in hotels, motels, guest houses or farmhouses, where payment against tax invoices for restaurant services is received through debit or credit cards, mobile wallets or QR scanning.
	634	Beverage serving services		
5	64115	Taxi services	5%	The rate shall apply to the services provided or rendered by the owners or drivers of the vehicles using the cab aggregator services.
6	64116	Rental services of passenger cars with operator	8%	The rate shall apply to the services provided or rendered by rent-a-car and vehicle rental service.
	64118	Local bus and coach charter services		
	660	Rental services of transport vehicles with operators		
7	6511	Road transport services of freight	8%	Nil
8	6511	Road transport services of freight	3%	The rate shall apply to the services provided or rendered by truck addas or through bus or wagon stands excluding transportation or carriage of – (a) petroleum oils through oil tankers;

S. No.	CPC Code	Description	Rate	Conditions and Restrictions
(1)	(2)	(3)	(4)	(5)
				(b) automotive vehicles, classified under tariff headings of Chapter 87 of the First Schedule to the Customs Act, 1969 as are transported or carried through specialized vehicle carriers; and (c) goods and cargo through vehicles operated by Fleet Logistic Companies having not less than 25 vehicles in its fleet.
9	6513	Transport services via pipeline	8%	Nil
10	67410	Bus station services	5%	Nil
11	6742	Highway, bridge and tunnel operation services	5%	Nil
12	67430	Parking lot services	5%	Nil
	67440	Towing services for commercial and private vehicles		
13	67910	Freight transport agency services and other freight transport services	Rs.1,000 (Rupees one thousand) per bill	The rate shall apply to the services provided or rendered by freight forwarding agents in respect of issuance of bill of lading, house bill of lading, airway bill and house airway bill
14	71331	Motor vehicle insurance services	5%	This rate shall apply to motor vehicle third-party insurance as required under the Provincial Motor Vehicle Ordinance, 1965 (West Pakistan Ordinance No. XIX of 1965).
15	71592	Foreign exchange services	3%	The rate shall apply to the services involving consideration of "spread" charges as permitted by the State Bank of Pakistan in relation to the buying and selling of foreign currencies
16	71610	Insurance brokerage and agency services	5%	Nil
17	7211	Real estate services involving own or leased property including rental or leasing services involving own or leased property	3%	The rate shall apply to the rental or leasing services including renting, letting, sub-letting, leasing, sub-leasing, licensing or similar other arrangements of immovable property for use in the course or furtherance of business or commerce.
18	722	Real estate services on a fee or contract basis	8%	The rate shall not apply to services falling under CPC code 7224.
19	733	Licensing services for the right to use intellectual property and similar products	8%	The rate shall not apply to services falling under CPC code 7331 and 7335.
	83960	Trademarks and franchises		

S. No.	CPC Code	Description	Rate	Conditions and Restrictions
(1)	**(2)**	**(3)**	**(4)**	**(5)**
20	7331	Licensing services for the right to use computer software and databases	3%	The rate shall not apply to the services falling under CPC Code 83159
	83131	IT consulting services		
	83132	IT support services		
	8314	Information technology (IT) design and development services		
	8315	Hosting and information technology (IT) infrastructure provisioning services		
	8316	IT infrastructure and network management services		
	843	On-line content		
21	81	Research and development services	8%	Nil
22	82	Legal and accounting services	8%	Nil
23	83117	Business process management services including distribution services	5%	The rate shall apply to the supply chain management and distribution services provided or rendered by a registered person in relation to the drugs registered under the Drugs Act, 1976 (Act No. XXXI of 1976).
24	83214	Historical restoration architectural services	8%	Nil
25	838	Photography services and photographic processing services	8%	Nil
26	83919	Other specialty design services	5%	The rate shall apply to the services provided or rendered by Fashion Designers
	83920	Design originals		
27	8461	Radio and television broadcast originals	8%	Nil
	8462	Radio and television channel programmes		
	9612	Motion picture, videotape, television and radio programmes production services		
	96139	Other post-production services		

S. No.	CPC Code	Description	Rate	Conditions and Restrictions
(1)	**(2)**	**(3)**	**(4)**	**(5)**
28	8463	Broadcasting services and multi-channel programme distribution services except PCP code 84631	8%	Nil
			2%	The rate shall apply to the services provided or rendered by "Stand-alone Cable TV Operators", for this purpose "Stand-alone Cable TV Operator" means a person whose principal activity is the provision of services of "Cable TV Operators" and whose other service related business activity, if any, is restricted to the provision of the taxable services of "advertisement on cable TV network".
29	85240	Armoured car services	8%	Nil
	85250	Guard services		
	85290	Other security services		
30	853	Cleaning services	8%	Nil
31	855	Travel arrangement, tour operator and related services	5%	Nil
32	85931	Telephone call centre services	3%	The rate shall apply to the services provided or rendered by call centres.
	85991	Other information services		
33	85999	Other support services n.e.c.	8%	The rate shall apply to the services provided or rendered by an auctioneer.
34	871	Maintenance and repair services of fabricated metal products, machinery and equipment	8%	Nil
	872	Repair services of other goods		
35	88	Manufacturing services on physical inputs owned by others	8%	The rate shall apply to the services provided or rendered to non-industrial consumers.
36	891	Publishing, printing and reproduction services	5%	Nil
37	892	Moulding, pressing, stamping, extruding and similar plastic manufacturing services	8%	The rate shall apply to the services provided or rendered to non-industrial consumers.
	893	Casting, forging, stamping and similar		

S. No.	CPC Code	Description	Rate	Conditions and Restrictions
(1)	(2)	(3)	(4)	(5)
		metal manufacturing services		
38	92	Education services	3%	The rate shall apply to – (1) the services where the amount of fee/charges for such services does not exceed rupees five hundred thousand per annum per student; or (2) the training services
39	931	Human health services	3%	The rate shall apply to:- (1) the services provided or rendered by medical practitioners and consultants, other than the services in relation to cosmetic and plastic surgery, where consultation fee or charges exceed rupees three thousand per session or visit and (2) the bed/room services of hospitals where per day charges for such rooms/beds, including all fixed charges exceed twenty five thousand per room/bed
40	961	Audio-visual and related services	8%	Nil
41	965	Sports and recreational sports services	Rs. 200 per person	The rate shall apply to the services of entry in race club for witnessing race event
42	965	Sports and recreational sports service	8%	Nil
43	969	Other amusement and recreational services	8%	Nil
44	971	Washing, cleaning and dyeing services	5%	Nil
45	972	Beauty and physical well-being services	8%	Nil
			5%	The rate shall apply to the services provided or rendered subject to conditions that 1. The registered person integrates his POS with SRB's Computerized System for real-time reporting of each sale; and 2. No such service is provided without getting SRB's invoice number and printing the same along with SRB QR code.
46	97990	Other miscellaneous services n.e.c	5%	Nil

ISLAMABAD CAPITAL TERRITORY (TAX ON SERVICES) ORDINANCE, 2001

Scope of Tax **Section 3(1), (2A) & (4)**

The FBR is empowered to require any service provider as mentioned in Table 1 and Table 2 of the Schedule to integrate his businesses with the FBR's computerized system for real-time reporting of provision of services from such date and in such mode and manner as may be prescribed through the general order.

Exemptions has been granted on services rendered to German Development Agency (Deutsche Gesellschaft für Internationale Zusammenarbeit) GIZ and agencies of the United Nations, diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts and, Orders, rules and regulations made thereunder, and agreements by the Federal Government.

It has been provided that the FBR may, whenever deem necessary, subject to such conditions, restrictions and limitations, specify a Negative List of services exempt from tax under this Ordinance in Table-3 to the Schedule, by notification in the official Gazette.

New law named "Digital Presence Proceeds Tax Act, 2025" has been enacted for the purpose to tax digital sector generating substantial revenues and profits from jurisdictions where multinational enterprises maintain little or no physical presence but having significant digital presence in Pakistan.

DEFINITIONS:

Authority **Section 2(a)**

The Commissioner Inland Revenue shall be the authority who has been assigned jurisdiction for the purposes of this Act by the Federal Board of Revenue.

Board **Section 2(b)**

"**Board**" means the Central Board of Revenue established under the Central Board of Revenue Act, 1924 (IV of 1924), and on the commencement of Federal Board of Revenue Act, 2007, the Federal Board of Revenue established under section 3 thereof and includes a Member of the Federal Board of Revenue to whom powers of the Board have been delegated under section 8 of the Federal Board of Revenue Act, 2007.

Digitally Delivered Services **Section 2(c)**

"digitally delivered services" means any service delivered over the internet or electronic networks, where the delivery is automated and required minimal or no human intervention including music, audio and video streaming services, cloud services, online software application services, services delivered through online inter-personal interaction i.e. tele-medicine, 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.

E-Commerce **Section 2(d)**

"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 phones or automated computer-to-computer ordering system;

E-Store **Section 2(e)**

"e-store" means the online platform including websites and software applications used to conduct e-commerce, which involves buying and selling goods or services including digital products, through electronic transactions over the internet or other computer networks.

Online Marketplace **Section 2(f)**

"Online marketplace" means Online interfaces that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers for digital orders for supply of goods and services, without the platform taking economic ownership of the goods or rendering the services that are being sold.

Payment Intermediary **Section 2(g)**

"Payment Intermediary" means any third part entity including a banking company, financial institution, a licensed foreign exchange company or payments gateway that facilitate the transfer of funds or payment instructions between two or more parties to enable, process, route or settle payments in a financial transaction, without being the ultimate source or recipient of the payment.

Charging of Digital Presence Proceeds Tax **Section 3**

In this section, it is provided that every foreign vendor with a significant digital presence in Pakistan shall be charged to Digital Presence Proceeds Tax on proceeds of every supply made from outside Pakistan of digitally ordered goods or services to users in Pakistan at the rate of 5%, regardless of whether the delivery is digital or physical. Proceeds of foreign vendors are attributable to Pakistani users based on their significant digital presence in Pakistan as provided in section 4 of this Act. This applies when the transaction is through a foreign online store or marketplace, involves a digital order, and includes a Pakistani user. A Pakistani user is one who normally resides in Pakistan in case of individual and in case of company, is established or has a permanent establishment in Pakistan and the payment is made electronically from within Pakistan. The tax does not apply if the goods are supplied from within Pakistan through a local branch of the foreign vendor, or if the services are received in Pakistan and are rendered through a branch office of foreign vendor in Pakistan of the non-resident person.

Significant digital presence in Pakistan **Section 4**

A foreign vendor shall be considered to have a significant digital presence in Pakistan if it supplies digitally ordered goods or services from outside Pakistan to users within the country, and the total value of such supplies exceeds one million rupees in a financial year, along with at least one of the following additional factors:

a) existence of a user base and the associated data input;

b) billing or collection in local currency or with a local form of payment;

c) responsibility for the final delivery of goods and services to Pakistani consumers;

d) responsibility for the provision by the foreign vendors of other support services (aftersales services, repairs and maintenance); and

e) continued marketing and sales promotion activities, online or not, to attract customers.

Responsibility to Collect Digital Presence Proceeds Tax **Section 5**

It is provided that payment intermediaries including a banking company, financial institutions, licensed exchange company or payment gateways responsible for making a payment in whole or part remitting outside Pakistan, the proceeds chargeable to tax under section 3 of this Act to a foreign vendor for digitally ordered goods or services shall deduct tax from the gross amount paid at the rate of 5% as specified in Schedule to this Act.

The payment intermediary shall not maintain any bank account for a foreign vendor and remit funds unless this tax is deducted and deposited with the government. The deducted tax is required to be deposited before the 7th of immediately succeeding month. Notwithstanding anything stated in any other law, Customs shall ensure that no courier delivers any consignment unless evidence of tax payment is provided at the time the payment has been settled between the buyer and seller under sub-section (1) of this section.

Responsibility to collect digital presence proceeds tax on advertisement at social media platform. **Section 6**

Every foreign vendor having digital presence in Pakistan making any payment in whole or part to social media platforms or any other online platform for online advertisements in Pakistan which is chargeable to tax under section 3, shall deduct tax from the gross amount paid at the rate of 5% of payment. The deducted tax shall be deposited into the government treasury before the 7th of the following month.

Failure to deduct or deposit collected tax and recovery along with default surcharge. **Section 7**

It is provided that a person who fails to collect, comply with, or deposit tax as required under sections 5 and 6 is personally liable to pay the tax along with a default surcharge at KIBOR + 3% per annum for the days of default. However, no recovery shall be made unless the person is granted opportunity of being heard and provisions of Income Tax Ordinance, 2001 regarding tax recovery shall apply accordingly.

Furnishing of information of e-commerce transactions by Online Payment Intermediaries. **Section 8**

Every payment intermediary responsible for collecting tax in respect of remitting proceeds to foreign vendors shall file quarterly statements in the manner as prescribed with the Commissioner Inland Revenue containing foreign vendor wise information regarding all payments related to e-commerce transactions of sale of digitally ordered services and goods including as follows:

a) name of the purchaser, its identification number (CNIC) and address of the foreign vendor to whom payments have been made from which tax has been collected under sections 5 and 6;

b) transaction date, unique identifier (invoice number) and total transaction value from which tax has been collected under sections 5 and 6;

c) the total amount of tax deducted from the seller under sections 5 and 6; and

d) any other particular may be prescribed.

Moreover, every payment intermediary maintaining bank account for foreign vendors with digital presence in Pakistan shall file a quarterly statement in the manner as prescribed to the Commissioner Inland Revenue containing information regarding total credit amount in the bank account during this period in the account of foreign vendor and the amount remitted outside Pakistan.

Furnishing of information by social media and online platforms regarding advertisement. **Section 9**

Every social media and online platforms with a digital presence in Pakistan shall file quarterly statements providing client-wise information of local or foreign vendors, with or without permanent establishment whose advertisement are relayed in Pakistan through its platform along with the amount received.

Penalty for non-filing of statement **Section 10**

In case the payment intermediaries and social media platforms fail to submit the required statements under the above sections 8 and 9 shall be subjected to a penalty of one million rupees for each default.

Suspension of remittances to a Foreign Advertiser **Section 11**

The payment intermediary shall suspend the remittances of proceeds of such foreign vendors if it is reported to them by Commissioner that such vendors are advertising continuously for one hundred and twenty days without the payment of this tax by the foreign vendor.

It is provided that this suspension shall be in addition to the recovery under section 7 for violation of section 6.

Appeals **Section 12**

Any person dissatisfied with any order of recovery under this Act can file an appeal with the Appellate Tribunal Inland Revenue within thirty days from the receipt of the order.

Further, within sixty days of the receipt of the order of the Appellate Tribunal Inland Revenue an aggrieved person or the Commissioner may prefer a reference in the prescribed along with the statement of the case and complete record of the appellate tribunal to the High Court stating any question of law arising out of such order.

Administration of this Act **Section 13**

The Inland Revenue Department and its subordinate offices shall act as tax administrator for the carrying out the purposes under this Act.

Power to make rules **Section 14**

The FBR may prescribe rules for the purposes of giving effect to the provisions of this Act and for the removal of any difficulty or matter ancillary thereto.

Power to grant exemption **Section 15**

The Federal Government may, by notification in the official Gazette, subject to such conditions and restrictions as may be specified therein, exempt any country, any class of goods or services and class of persons from the chargeability under this Act, as deemed appropriate.

SCHEDULE
[See Section 3(2)]

The tax rate for collection for cross-border transactions of digitally ordered goods and services shall be as under:

S. No.	Description	Rate of tax
1.	Services	5% of the payment including of advertisement on social media platforms
2.	Goods	5% of the payment made to foreign provider

New law named "New Energy Vehicle Adoption Levy Act, 2025" has been enacted to provide for imposition and collection of levy on internal combustion engine vehicles to promote adoption of new energy vehicles.

DEFINITIONS:

Internal combustion engine motor vehicle — Section 2(c)

"Internal combustion engine motor vehicle" means a motor vehicle powered wholly or partially by fossil fuels including petrol, diesel, compressed natural gas or liquefied petroleum gas.

Motor Vehicle — Section 2(f)

"Motor vehicle" means a vehicle propelled mechanically, electrically or other zero emission based technology either partially or completely, adapted for use upon roads and includes motorcycles, rickshaws, cars, vans, SUVs, Jeeps, sedans, sub urban vehicles, buses, loaders, and trucks.

New energy motor vehicle — Section 2(g)

"new energy motor vehicle" means a motor vehicle that is powered

(i) exclusively by an electric motor run on a rechargeable battery; or

(ii) by both an electric motor run on a rechargeable battery and an internal combustion engine, capable of achieving a range of no less than fifty kilometers under normal conditions exclusively running on electric motor by a single battery charge; or

(iii) hydrogen fuel cells or any other technology that produces zero tailpipe emission.

Truck — Section 2(h)

"truck" means a motor vehicle designed or adapted primarily for the carriage of goods or materials, having a payload capacity exceeding fifteen hundred kilograms and includes a rigid or articulated truck, loader, delivery van, pickup and any other vehicle equipped with a goods-carrying body or container.

New energy vehicle levy — Section 3

A levy is to be collected and paid to the Federal Government, subject to sub-section (3) by

(a) every manufacturer on every internal combustion engine motor vehicle manufactured or, as the case may be, assembled and supplied by him; and

(b) every person on every internal combustion engine motor vehicle imported by him into Pakistan.

The levy shall not apply to any motor vehicle of the following categories, namely

a) a new energy vehicle;

b) an internal combustion engine motor vehicle manufactured or imported exclusively for export purposes under an order of the Federal Government

c) an internal combustion engine motor vehicle owned by a diplomatic mission or consulate, and an international organization enjoying privileges under the Diplomatic and Consular Privileges Ordinance, 1972 (Ordinance IX of 1972); and

d) any other internal combustion engine motor vehicle or category of internal combustion engine motor vehicle that the Federal Government may, by a notification in the official Gazette, exempt from application of the levy with or without any and conditions.

Collection and refund etc. of levy **Section 4**

The levy shall be imposed and collected in respect of an internal combustion engine motor vehicle

(a) imported in Pakistan, in the same manner as an import duty payable under the Customs Act, 1969 is collected; and

(b) manufactured or assembled in Pakistan, in the same manner as a sales tax leviable under the Sales Tax Act, 1990 is collected.

The provisions of the Customs Act, 1969, or, of the Sales Tax Act, 1990 shall, apply to the imposition, collection, recovery and refund of the levy.

FIRST SCHEDULE
Rate of New Energy Vehicle Adoption Levy
(See section 3)

The levy shall be paid at the rates and by such persons as under:

S. No.	Motor vehicle category	Levy to be paid by	Rate of Levy
(1)	(2)	(3)	(4)
1	All internal combustion engine motor vehicles assembled or manufactured in Pakistan with engine capacity less than thirteen hundred cubic centimeters	Manufacturer	One percent ad valorem of invoice price inclusive of duties and taxes
2	All internal combustion engine motor vehicles imported in Pakistan with engine capacity less than thirteen hundred cubic centimeters	Person importing internal combustion engine motor vehicle	One percent ad valorem of assessed value inclusive of duties and taxes
3	All internal combustion engine motor vehicles assembled or manufactured in Pakistan with engine capacity from thirteen hundred cubic centimeters to eighteen hundred cubic centimeters	Manufacturer	Two percent ad valorem of invoice price inclusive of duties and taxes
4	All internal combustion engine motor vehicles imported in Pakistan with engine capacity from thirteen hundred cubic centimeters to eighteen hundred cubic centimeters	Person importing internal combustion engine motor vehicle	Two percent ad valorem of assessed value inclusive of duties and taxes
5	All internal combustion engine motor vehicles assembled or manufactured in Pakistan with engine capacity of more than eighteen hundred cubic centimeters	Manufacturer	Three percent ad valorem of invoice price inclusive of duties and taxes
6	All internal combustion engine motor vehicles imported in Pakistan with engine capacity of more than eighteen hundred cubic centimeters	Person importing internal combustion engine motor vehicle	Three percent ad valorem of assessed value inclusive of duties and taxes
7	A bus and truck with an internal combustion engine assembled or manufactured in Pakistan	Manufacturer	One percent ad valorem of invoice price inclusive of duties and taxes
8	A bus and truck with an internal combustion engine imported in Pakistan	Person importing internal combustion engine motor vehicle	One percent ad valorem of assessed value inclusive of duties and taxes

CONTACT PARTNERS

For further explanations, please contact following partners:

LAHORE:	**Principal Office** 10-B, Saint Mary Park Main Boulevard, Gulberg-III LAHORE-54660 Phones : (042) 35718137-9 Fax : (042) 35718136 E-Mail : racolhr@racopk.com	Mr. Sarfraz Mahmood FCA, FITM, FICS Syed Mustafa Ali FCA Mr. Muddassar Mehmood FCA, ACA (England & Wales) Mr. Mubashar Mehmood FCA Mr. Atif Anjum FCA Mr. Muhammad Amjad ACA
Other offices at:		
ISLAMABAD:	2-A, ATS Centre, 30-West Fazal-e-Haq Road, Blue Area ISLAMABAD Phones : (051) 2274121-22 Fax : (051) 2278859 E-Mail : racoisd@racopk.com	Mr. Raheel Arshad FCA Mr. Bilal Ahmad FCA
FAISALABAD:	FS Tower, Outside Al-Fateh Garden, East Canal Road, FAISALABAD-38000 Phones : (041) 5488081, 5488082 Fax : (041) 8863611 E-Mail : racofsd@racopk.com	Mr. Liaqat Ali Panwar FCA, FITM, FICS Mr. Moazzam Ali ACA
KARACHI:	Office No. 5, 20th Floor Bahria Town Tower, Block 2 P.E.C.H.S., Karachi Phones : (021) 34310826-7 E-Mail : racokhi@racopk.com	Mr. Muhammad Waqas FCA Mr. Junaid Ashraf ACA
Website	www.racopk.com	