



# FINANCE ACT 2024

**Riaz Ahmad & Company**

Chartered Accountants

Member of  **Nexia**

**INDEX**

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## **INTRODUCTION**

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This Memorandum has been prepared to facilitate our clients in better understanding of the changes made through Federal and Provincial Finance Acts, 2024 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, 2024, unless otherwise stated, shall come into force on 01 July 2024.

This Memorandum may be accessed on our web-site: [www.racopk.com](http://www.racopk.com)

It is recommended that the text of the Finance Acts, 2024 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This Memorandum should not be published in any manner without the consent of the firm.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 • Pirzada M. Khurram	• Raheel Arshad • Bilal Ahmad
Lahore Office	Karachi Office	Faisalabad Office	Islamabad Office

**LAHORE: 13 July 2024**

## **EXECUTIVE SUMMARY**

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### **Income tax**

- Every individual and association of persons having taxable income exceeding rupees ten million shall pay surcharge @ 10% of the income tax imposed. Further, employer shall deduct the amount of surcharge from salary of the employee. **[Section 4AB & 149(1)]**
- Special provisions in respect of taxation for builders and developers have been introduced whereby such persons shall pay tax on actual / presumed 'taxable profit' as defined in section 7F. **[Section 7F]**
- Person acquiring the shares of a company is required to deduct advance adjustable tax from the gross amount paid as consideration for the shares @ 10% of the fair market value of such shares. **[Section 37(6)]**
- A member's share of an association of persons (AOP) having turnover of three hundred million rupees or more during the tax year or any of the preceding tax years, shall only be exempt if the AOP has filed audited financial statements with the return of income. **[Section 92]**
- Persons appearing as active taxpayers but have not filed return on the due date or the extended date, shall be subject to the specified rates of collection of advance income tax in respect of purchase or sale or transfer of immovable property. **[Section 100BA]**
- FBR has been empowered to impose restriction on foreign travel for a citizen of Pakistan who is not appearing on active taxpayers' list but is liable to file return, with certain exceptions. **[Section 114B]**
- Commissioner has been empowered to make best judgment assessment on the basis of sectoral benchmark ratios prescribed by the FBR. **[Section 121]**
- Procedure and time limit of filing appeals / reference have been revamped. **[Section 126A]**
- The limit of tax liability or admissibility of refund to apply for dispute resolution has been reduced to fifty million rupees from one hundred million rupees or above. **[Section 134A]**
- FBR has been empowered to determine the minimum value of goods through notification for collection of advance tax on imports. **[Section 148]**
- Power of the Commissioner to issue exemption certificate has been withdrawn. However, he may issue a reduced rate certificate, which shall not exceed eighty percent of the applicable rates. **[Section 152 & 153]**
- Exports have been excluded from final tax regime. Tax collected / deducted on exports shall now be minimum tax. Further, in addition to tax collectable or deductible on exports, advance tax shall also be collected / deducted at the rate of one percent. **[Section 154 & 147]**
- Any company and AOP shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both who fails to fully state all the relevant particulars or information or attach documents, etc., as specified in the form of return of income. **[Section 191A]**
- Any small trader or shopkeeper who is required to apply for registration but fail to do so shall commit an offence punishable on conviction with imprisonment for a term not exceeding six months or fine, or both. **[Section 191B]**
- Rate of default surcharge has been revised as 12% or KIBOR plus 3% whichever is higher from 12% per annum. **[Section 205]**
- Tax Fraud Investigation Wing Inland Revenue has been established whose functions shall be to detect, analyze, investigate, combat and prevent tax evasion and tax fraud. **[Sections 230(K)]**
- Scope of collection of advance tax on sale to distributors, dealers, wholesalers and retailers has been extended to all sectors. **[Section 236G & 236H]**

## **EXECUTIVE SUMMARY**

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### **The First Schedule**

- Rates of tax on income of individuals including salaried individuals and association of persons have been enhanced. **[Division I, Part I]**
- Rate of tax on dividend income from mutual fund deriving fifty percent or more income from profit on debt has been introduced at 25%. **[Division III, Part I]**
- Different rates of tax on capital gains on disposal of securities and immovable property acquired on or after 1<sup>st</sup> July 2024 in case of persons appearing / not appearing on active taxpayers' list on the date of acquisition and disposal of securities have been provided. **[Division VII & VIII, Part I]**
- Rate of tax to be deducted on payment for goods or services in respect of toll manufacturing have been increased to 9% from 5% in case of company and 11% from 5.5% in case other than company. **[Division III, Part III]**
- Rate of tax to be collected from a subscriber of internet, mobile telephone, and prepaid internet or telephone card who is not appearing in active taxpayers' list but is liable to file return has been increased to 75% from 15%. **[Division V, Part IV]**
- The rate of tax to be collected on registration and sale of motor vehicles shall be on the basis of the value of the vehicle instead of engine capacity. **[Division VII, Part IV]**
- Progressive rates of tax have been introduced on purchase, sale or transfer of immovable property. **[Division XVIII & Division X, Part IV]**

### **The Second Schedule**

- Rate of tax to be collected u/s 153(1)(a) in case of distributors of cigarettes has been increased to 2.5% from 1% of the gross amount of payment. **[Clause 24(A), Part II]**

### **The Seventh Schedule**

- The amount of "bad debt" classified as "sub-standard" or "doubtful" under the Prudential Regulations issued by the State Bank of Pakistan shall now be allowable expense when the same are reclassified as "loss". **[Rule, 1(d)]**
- Provisions or Expected Credit loss for Advances and off balance sheet items or any other financial asset existing before or after the 1<sup>st</sup> day of January, 2024 under IFRS 09 shall not be allowed as an expense or deduction. **[Rule 1(da)]**
- Any adjustment made in the annual accounts on account of any applicable accounting standard or policy or any guidelines or instruction of State Bank of Pakistan shall be excluded while arriving at taxable income. **[Rule, 1(g)]**
- Where any assets are transferred by the Authorized Dealer, as a consequence of a Diversified Payment Rights transaction, to a Special Purpose Vehicle, it shall be treated as a financing transaction irrespective of the method of accounting adopted by the Authorized Dealer. **[Rule 3A]**
- Provisions of section 4C regarding super tax shall be applicable for a banking company for the tax year 2023 and for all subsequent tax years. **[Rule 7CA]**

### **The Tenth Schedule**

- Application of Tenth Schedule has been extended to whole of the Ordinance for the purpose of increasing the rate of tax by one hundred percent of the rate specified under any withholding tax provision of the Ordinance. **[Rule 1]**

## **EXECUTIVE SUMMARY**

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### **Sales Tax**

- FBR has been empowered to exclude certain services from the definition of 'input tax' which are subject to provincial sales tax, through notification in the official Gazette. **[Section 2(14)(d)]**
- The meanings of tax fraud have been enhanced by restructuring its definition. **[Section 2(37)]**
- The time of supply other than in case of hire purchase agreement shall be the earlier of delivery of goods or receipt of payment by the supplier. **[2(44)(a)]**
- The power of the FBR to fix value of taxable supplies and imported goods has been extended to goods specified in the Third Schedule. **[Section 2(46)(j)]**
- The concept of best judgment assessment has been introduced in case a taxpayer fails to file return in response to notice or fails to produce the required accounts, documents, records etc. **[Section 11D]**
- The Chief Commissioner has been empowered to examine the blacklisting and suspension order and to modify after providing opportunity of hearing to the registered person. **[Section 21(5)]**
- Now, it is mandatory for every registered person making a taxable supply to issue electronic invoices subject to such conditions, restrictions and limitations to be specified by the FBR through notification in the official Gazette. **[Section 23(3)]**
- Tax Fraud Investigation Wing Inland Revenue has been established to detect, analyze, investigate, combat and prevent tax evasion and fraud. **[Section 30AB]**
- The rate of default surcharge has been revised to 12% or KIBOR plus 3% per annum, whichever is higher. Previously it was 12% per annum. **[Section 34(1)]**
- Procedure and time limit of filing appeals / reference have been revamped. **[Section 43A(4)]**
- The limit of tax liability or admissibility of refund to apply for dispute resolution has been reduced to fifty million rupees from one hundred million rupees or above. **[Section 47A]**
- The officer of Inland Revenue shall not issue notice for recovery of tax where the person has filed an appeal before the Commissioner Inland Revenue (Appeals) or Appellate Tribunal if taxpayer has paid 10% of the amount of tax involved. **[Section 48]**
- The limit of payment of fifty thousand rupees through banking channel shall be the limit in aggregate to a single supplier in a tax period. **[Section 73(1)]**

### **Federal excise duty**

- Default surcharge has been revised as 12% or KIBOR plus 3% per annum whichever is higher **[Section 8]**
- Tax Fraud Investigation Wing Inland Revenue has been established to detect, analyze, investigate, combat and prevent tax evasion and fraud. **[Section 29A]**
- Procedure and time limit for filing of appeals / reference has been revamped. **[Section 33, 33A, 34A, 34B & 38]**

### **Sindh Sales Tax on Services Act, 2011**

- Standard rate of tax has been increased to 15% from 13%.
- The activities of an employee engaged by the employer to perform certain activities for a person other than the employer in connection with or in the course or furtherance of business of the employer shall be treated as economic activity of such employer. **[Section 4(3)]**

## **EXECUTIVE SUMMARY**

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- Input tax credit can be claimed only for such goods or services which have been directly used and consumed by a registered person in provision of the taxable services instead of taxable activity. **[Section 15A]**
- For the purpose of assessment of tax, for the tax periods starting from 1<sup>st</sup> July 2025, the time limit for issuance of show cause notice has been reduced to five years from eight years from the end of the respective financial year to which the order pertains. **[Section 23(2)]**
- The power of SRB officers to de-register a person has been withdrawn. **[Section 25A]**
- For the tax periods starting from 1<sup>st</sup> July 2025, the time frame for the maintenance of the record or documents has been reduced to six years from ten years after the end of tax period to which such record or documents relate or till the final decision in any proceeding. **[Section 27]**
- Where any tax or charge has not been levied or short levied due to some inadvertence, error or miscalculation, for the tax periods starting from 1<sup>st</sup> July 2025, the time limit for issuance of show cause notice has been reduced to five years from eight years. **[Section 47]**
- Power of the Commissioner (Appeals) to grant a stay against recovery of tax payable has been extended to 180 days from 120 days. **[Section 58(4)]**
- Cap of 25% has been reduced to 10% of the tax demand to avail stay against recovery till the disposal of appeal by the Commissioner (Appeals). **[Section 66]**

### **Khyber Pakhtunkhwa Sales Tax on Service Act, 2022**

- Now, failing to declare and pay the tax so charged and collected knowingly, dishonestly or fraudulently and without any lawful excuse, shall be considered as tax fraud. **[Section 2(aai)]**
- Registered persons can no longer claim input tax credits for goods or services in respect of which input tax adjustment is barred under the Sales Tax Act, 1990 and services taxed under the Islamabad Capital Territory (Tax on Services) Ordinance, 2001. **[Section 17K]**
- Rate of default surcharge has been enhanced to 24% from 12% in case the amount of tax charged or amount of refund erroneously made and 36% from 24% in case the amount of tax evaded. **[Section 54]**
- Access to business premises or registered offices of a person by officers has been subjected to prior approval from the Collector or Management Committee. **[Section 65]**
- The Management Committee, with the approval of Finance Department, can now reward whistleblowers who report tax evasion, fraud, or misconduct by the officers / officials of the Authority. **[Section 92A]**

### **Balochistan Sales Tax on Services Act, 2015**

- Now, in addition to services mentioned in the First Schedule, Second Schedule, rules and circulars, all services defined in the Act shall also be taxable services. **[Sections 3(6)]**
- Input tax credits can no longer be claimed for services received from a person who is liable to be registered but not registered under this Act and for goods or services acquired from individuals not classified as active taxpayers under this Act or the Sales Tax Act, 1990, or any provincial sales tax law. **[Section 16B]**
- Option has been made available with approval of the Authority to a registered person to adopt standard or general rate of tax for any service or class of services which are chargeable to tax at reduced rate. **[Section 16D]**
- Taxpayers can now claim refunds within one year of payment for taxes paid or overpaid due to inadvertence, error, or misconstruction. However, no refund shall be admissible if incidence of tax has been passed directly or indirectly to the consumer. **[Section 16E]**

## **EXECUTIVE SUMMARY**

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- Now, the taxpayers registered with FBR for Sales Tax / Federal Excise Duty and providing taxable services in Balochistan will automatically be registered under this Act. **[Section 26A]**
- The Commissioner has been empowered to require any person by notice in writing including a banking company to furnish specified information or statements relevant to investigations or inquiries in cases of tax fraud. **[Section 57A]**
- The prescribed fee for filing appeal before the Commissioner (Appeals) has been enhanced to Rupees 10,000 from Rupees 2,000 in case of a company and Rupees 3,000 from Rupees 1,000 in case other than a company. **[Section 63]**
- For the purpose of recovery of tax, the officer of the Authority has been empowered to sell the property of the person, without attachment. **[Section 72]**
- Notices, orders, or requisitions sent electronically via email or to e-folder of the registered person shall now be considered as properly served. Further, a person shall be deemed to have received the notice at the expiry of seventy-two hours of being sent electronically. **[Section 80(1)]**

### **Capital Value Tax, 2022**

- Now, capital value tax has been introduced for the farmhouses and residential houses, within the territorial limits of the Islamabad Capital Territory, on the basis of the area. **[Section 8]**



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**Board – Definition**

**Section 2(8)**

The definition of "Board" has been extended whereby now the "Board" shall also include 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.

**Chief Commissioner**

**Section 2(11B)**

A new wing to be known as Tax Fraud Investigation Wing Inland Revenue has been established by inserting new section 230K which shall consist of a Chief Investigator and other officers. Chief Investigator has been included in the definition of "Chief Commissioner".

**Surcharge**

**New section 4AB**

New section 4AB has been inserted whereby every individual and association of persons having taxable income exceeding rupees ten million shall also pay a surcharge @ 10% of the income tax imposed under Division I of Part I of the First Schedule.

**Tax on builders and developers**

**New section 7F**

By inserting new section 7F, special provisions in respect of taxation for builders and developers have been introduced whereby such persons shall pay tax at the normal rate specified in Division I or II of Part I of the First Schedule on taxable profit. For the purpose of this section, taxable profit has been defined as follows:

- (i) 10% of gross receipts in respect of activities of construction and sale of residential, commercial or other buildings.
- (ii) 15% of gross receipts in respect of activities of development and sale of residential, commercial or other plots.
- (iii) 12% of gross receipts in respect of the above both activities.

Where a taxpayer, while explaining the nature and source of the amount credited or the investment made, money or valuable article owned or the funds from which the expenditure was made, takes into account any source of income which is subject to tax under this section, the taxpayer shall not be allowed to take credit of any sum as is in excess of taxable profit:

Provided that where taxable income under section 9 is more than the taxable profit under this section, taxpayer shall be entitled to take credit of such taxable income subject to the payment of tax at the normal rate specified in Division I or II of Part-I of First Schedule.

The provisions of this section shall not apply to a builder or developer established by an Act of the Parliament or a Provincial Assembly or by a Presidential Order and who is engaged in activities for the benefit of its employees or otherwise including activities for the planning and development of and for providing and regulating housing and ancillary facilities in a specified or notified area.

**Advance tax on purchase of shares**

**Section 37(6)**

Sub-section (6) of section 37 was inserted through Finance (Supplementary) Act, 2023 whereby a person acquiring the shares of a company is required to deduct advance adjustable tax from the gross amount paid as consideration for the shares @ 10% of the fair market value of such shares at the time of payment.

Now, by amendment in this sub-section, such person is required to deduct tax at the time of payment or at the time of registration of the shares by the Securities and Exchange Commission of Pakistan or by the State Bank of Pakistan, whichever is earlier.

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**Loss sustained by Pakistan International Airlines Corporation Limited Section 57(2C)**

New sub-section (2C) under section 57 has been inserted whereby it is provided that a loss relating to a tax year commencing on or after the first day of January, 2017 sustained by Pakistan International Airlines Corporation Limited shall be carried forward for a period of ten years.

**Tax credit for certain persons Section 65F**

By adding explanation under sub-section (1) of this section, it is clarified that hundred percent tax credit under this section to persons engaged in coal mining projects in Sindh supplying coal exclusively to power generation projects shall only be available to the income derived from the operations of coal mining.

**Share in profit of association of persons Section 92**

Where the association of persons has paid tax, the amount received by a member of the association in the capacity as member out of the income of the association is exempt from tax under this section.

A new proviso has been added in sub-section (1) of this section providing that share of a member of an association of persons having turnover three hundred million rupees or above during the tax year or any of the preceding tax years shall not be exempt if financial statements duly audited by a firm of Chartered Accountants or a firm of Cost and Management Accountants have not been filed along with return of income by the association of persons to whom he is a member.

**Special provisions relating to persons not appearing in ATL Section 100BA**

This section, read with the Tenth Schedule, prescribes rules for the collection or deduction of advance income tax, computation of income and tax payable thereon for persons not appearing in the active taxpayers' list.

Rule 1A has been added to the Tenth Schedule introducing separate rates of deduction or collection of tax on sale or transfer of immovable property under section 236C and purchase of immovable property under section 236K for persons who are appearing on active taxpayers' list but have not filed return by the due date.

For this purpose, amendment in this section has been made to include the above new category of persons who appear in the active taxpayers' list but have not filed return by the due date.

**Geographical source of income Section 101(3A) & (3B)**

Clause (d) of sub-section (3) of this section prescribes that business income of a non-resident person shall be Pakistan-source income to the extent to which it is directly or indirectly attributable to any business connection in Pakistan.

By adding new sub-section (3A) under this section, it has been defined that business connection in Pakistan shall include "significant economic presence in Pakistan".

Further, "significant economic presence in Pakistan" has been defined by inserting new sub-section (3B) which states as follows:

"(3B) significant economic presence in Pakistan shall mean—

- (a) transaction in respect of any goods, services or property carried out by a non-resident with any person in Pakistan including provision of download of data or software in Pakistan, if the aggregate of payments arising from such transaction or transactions during the tax year exceeds such amount as may be prescribed; and

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- (b) systematic and continuous soliciting of business activities or engaging in interaction through digital means with such number of users in Pakistan as may be prescribed, irrespective of whether or not—
- (i) the agreement for such transactions or activities is signed in Pakistan;
  - (ii) the non-resident has a residence or place of business in Pakistan; or
  - (iii) the non-resident renders services in Pakistan:

Provided that only so much of income as is attributable to the transactions or activities referred to in clause (a) or clause (b) shall be deemed to accrue or arise from a business connection in Pakistan.”

### **Transactions between associates**

### **Section 108(6)**

New , sub-section (6) has been inserted under this section whereby for the tax year 2024 and onwards, where any amount is claimed as deduction for the tax year or for any of the two preceding tax years on account of royalty paid or payable to an associate directly or indirectly in respect of use of any brand name, logo, patent, invention, design or model, secret formula or process, copyright, trademark, scientific or technical knowledge, franchise, license, intellectual property or other like property or right or contractual right and on a notice issued by the Commissioner, the taxpayer fails to furnish any explanation or evidence that no benefit has been conferred on the associate, twenty five percent of the total expenditure for the tax year in respect of sales promotion, advertisement and publicity shall be disallowed and allocated to the said associate.

### **Unexplained income or assets**

### **Section 111(2A)**

Sub-section (2) of section 111 prescribes that the amount in respect of investment, money valuable article or expenditure shall be included in person’s income chargeable to tax in the tax year immediately preceding the tax year in which the these were discovered by the Commissioner and the same is situated or incurred outside Pakistan or concealed income is foreign source.

Now, a new sub-section 2A has been added in this section to explain that the term “year of discovery” of foreign assets or expenditure or concealed income shall be the year in which the Commissioner has issued the notice requiring the person to explain the nature and source of such foreign assets, expenditure or concealed income.

### **Persons not appearing in active taxpayers’ list**

### **Section 114B(2)(d)**

Section 114B was introduced through Finance Act, 2022 whereby the FBR has been empowered to issue income tax general order to disable mobile phones or mobile phone SIMs, electricity connection or gas connection of persons not appearing on active taxpayers’ list but are liable to file return under the provisions of the Ordinance.

Now by adding new clause (d) under sub-section (2) of this section, the FBR has also been empowered to impose restriction on foreign travel from the country for a citizen of Pakistan who are not appearing on active taxpayers’ list but are liable to file return. However, persons holding National Identity Card for Overseas Pakistanis (NICOP), minors, students, persons proceeding abroad for Hajj or Umrah and other classes of persons as notified by the FBR have been excluded from this newly inserted restriction.

### **Wealth statement**

### **Section 116(1)(b)**

By adding explanation to clause (b) of sub-section (1) of this section, it has been clarified that assets of spouse shall only be included in the wealth statement of the person if the spouse is dependent.

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### **Best judgment assessment**

### **Section 121(1)(ac) & 1A**

New sub-section (1A) has been inserted under section 121 whereby the Commissioner has been empowered to make a best judgment assessment under sub-section (1) to determine taxable income on the basis of sectoral benchmark ratios prescribed by the FBR.

For the this purpose, "sectoral benchmark ratios" has been explained as standard business sector ratios notified by the FBR on the basis of comparative cases and includes financial ratios, production ratios, gross profit ratio, net profit ratio, recovery ratio, wastage ratio, and such other ratios in respect of such sectors as may be prescribed.

Further, clause (ac) has been inserted under sub-section (1) of section 121 whereby the Commissioner has been empowered to make an assessment of the taxable income of the person and tax due thereon where the person fails to furnish return of income in response to notice under sub-section (3) of section 117.

### **Pecuniary jurisdiction in appeals**

### **New section 126A**

Filing of appeals has been revamped by adding this section through Tax Laws (Amendment) Act, 2024. Now, by amendment in this section through Finance Act, 2024, the expressions "Subject to other provisions of this Act" has been replaced with "Not withstanding anything contained in any other provision of this Ordinance" have been added to make the provisions of this section superseding on other provisions of the Ordinance.

This section prescribes procedure for filing appeals and references related to assessments of tax. Summary of newly inserted section 126A with other amendments through Finance Act, 2024 is as follows:

- (i) Where the value of assessment of tax or refund of tax does not exceed twenty million rupees, appeal shall lie before the Commissioner (Appeals) within thirty days.
- (ii) Where the value of assessment of tax or refund of tax exceeds twenty million rupees, appeal shall lie before the Appellate Tribunal Inland Revenue within thirty days.
- (iii) Any person or officer of Inland Revenue aggrieved by an order of the Commissioner (Appeals) or Appellate Tribunal in cases mentioned in (i) and (ii) above, may file a reference before the High Court within thirty days in accordance with section 133.
- (iv) The cases pending before the Commissioner (Appeals) having the value of assessment of tax or refund of tax exceeding twenty million rupees shall on or before 31<sup>st</sup> day of December 2024 stand transferred to the Appellate Tribunal Inland Revenue.
- (v) All cases transferred from the Commissioner (Appeals) to the Appellate Tribunal, shall be decided by the Appellate Tribunal within ninety days as provided under section 132 which period shall commence from 31<sup>st</sup> day of December 2024. However, it is provided that appeals pending before the Appellate Tribunal on the date of commencement of the Tax Laws (Amendment) Act, 2024 shall be decided within one hundred and eighty days.

Further, through Finance Act, 2024, it has been clarified that for the purpose of this section, value of assessment of tax means the net increase in tax liability of a person as a result of order sought to be assailed and value of refund means net reduction in refund as a result of order sought to be assailed.

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**Appellate Tribunal**

**Section 130**

Section 130 has been substituted through the Tax Laws (Amendment) Act, 2024 with certain amendments in respect of appointment of members of the Appellate Tribunal, eligibility criteria for the appointment of technical and judicial members, etc.

**Decision of appeals by the Appellate Tribunal**

**Section 132**

Section 132 has been substituted by Tax Laws (Amendment) Act, 2024 as summarized below:

- (i) The Appellate Tribunal shall decide the appeal within ninety days of its filing. However, appeals pending before the Appellate Tribunal on the date of commencement of the Tax Laws (Amendment) Act, 2024, shall be decided within one hundred and eighty days.
- (ii) Where an appeal is not decided within the aforesaid period, the Appellate Tribunal shall seek condonation from the Minister of Law and Justice which shall not extend beyond ninety days.
- (iii) At the first hearing of appeal, the Appellate Tribunal shall bring to the notice of the taxpayer, the provisions relating to alternative dispute resolution and if the taxpayer declines the option of alternative dispute resolution and wishes to continue with the appeal, the Appellate Tribunal shall fix date or dates for hearing and decision of the appeal in consultation with the taxpayer and Commissioner and in accordance with the rules.
- (iv) The Appellate Tribunal shall ensure strict adherence by the taxpayer and the Commissioner, to the hearing schedule as prescribed, and shall hear and decide the appeal on the date or dates fixed, and no adjournment shall be granted, except —
  - (a) where there are compelling reasons for adjournment, to be recorded by the Appellate Tribunal; and
  - (b) on mandatory payment of such cost as the Appellate Tribunal may deem fit, which shall not be less than fifty thousand rupees.
- (v) Where the appeal relates to an assessment order, the Appellate Tribunal may make an order to —
  - (a) affirm, modify or annul the assessment order.
  - (b) remand the case to the Commissioner for making such enquiry or taking such action as the Tribunal may direct.
  - (c) make such order as the Appellate Tribunal may deem fit.
- (vi) The Appellate Tribunal shall not increase the amount of any assessment or penalty or decrease the amount of any refund unless the taxpayer has been given a reasonable opportunity of showing cause against such increase or decrease, as the case may be.
- (vii) Where, as the result of an appeal, any change is made in the assessment of an association of persons or a new assessment of an association of persons is ordered to be made, the Appellate Tribunal may authorize the Commissioner to amend accordingly any assessment order made on a member of the association and the time limit of five / six years as mentioned in sub-section (2) of section 122 shall not apply to the making of such amended assessment.
- (viii) Where the appeal relates to a decision other than in respect of an assessment, the Appellate Tribunal may make an order to affirm, vary or annul the decision, and issue such consequential directions as the case may require.
- (ix) Save as provided in section 133, the decision of the Appellate Tribunal on an appeal shall be final.

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### **Reference to High Court**

### **Section 133**

Section 133 was substituted by the Tax Laws (Amendment) Act, 2024. Further, certain amendments have also been made in this section through Finance Act, 2024. A brief summary is given below:

Subject to section 126A, within thirty days of the communication of the order of the Appellate Tribunal or the Commissioner (Appeals), the aggrieved person or the Commissioner may file a reference, in the prescribed form along with a statement of the case, before the High Court, stating any question of law or a mixed question of law and facts arising out of such order. The applicant shall also file complete record of the Appellate Tribunal or, the Commissioner (Appeals) within fifteen days of preferring an application under this section.

It is clarified that reference against order of the Commissioner (Appeals), communicated after the date of commencement of the Tax Laws (Amendment) Act, 2024 shall lie before the High Court notwithstanding the proceedings pending prior to the date of commencement of the said Act.

The statement to the High Court shall set out the facts, the determination of the Appellate Tribunal or the Commissioner (Appeals) and the question of law or a mixed question of law and facts which arises out of its order.

If the High Court is satisfied that a question of law or a mixed question of law and facts arises out of such order it may proceed to hear the case.

A reference to the High Court shall be heard by Special Bench or the Special Benches to be constituted by the Chief Justice, as deemed necessary for hearing cases under this section, comprising of not less than two judges of the High Court. The Special Bench shall decide a reference within six months from the date of its filing.

The High Court upon hearing a reference under this section shall decide the question of law or a mixed question of law and facts raised by the reference and pass judgment thereon specifying the grounds on which such judgment is based and the Appellate Tribunal's order or the Commissioner (Appeals)'s order shall stand modified accordingly.

Notwithstanding that a reference has been made to the High Court, the tax shall be payable in accordance with the order of the Appellate Tribunal or the Commissioner (Appeals). It is provided that the tax recovery shall not be made by the Commissioner for thirty days from the date of communication of the order of the Appellate Tribunal or, as the case may be, the Commissioner (Appeals):

It is further provided that, if the amount of tax is reduced as a result of the judgment in the reference by the High Court and some amount of tax is found to be refundable, the High Court may, on application by the Commissioner within thirty days of the receipt of the judgment of the High Court that he wants to prefer petition for leave to appeal to the Supreme Court, make an order authorizing the Commissioner to postpone the refund until the disposal of the appeal by the Supreme Court.

On an application filed in a particular reference and after affording an opportunity of being heard to the Commissioner, the High Court may stay recovery of tax, subject to deposit with the assessing authority of not less than thirty percent of the tax determined by the Appellate Tribunal or the Commissioner (Appeals). Where recovery of tax has been stayed by the High Court by an order, such order shall cease to have effect on the expiration of a period of six months following the day on which it was made unless the reference is decided or such order is withdrawn by the High Court earlier.

Reference application under this section by the aggrieved person other than the Commissioner, shall be accompanied by a fee of fifty thousand rupees.

No reference application filed by the Commissioner shall be entertained unless it is accompanied by a written authorization by the relevant Chief Commissioner.

**INCOME TAX ORDINANCE, 2001**

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**Alternate Dispute Resolution**

**Section 134A(1) & (2)**

By substituting sub-section (1) through Tax Laws (Amendment) Act, 2024, the limit of tax liability or admissibility of refund as the case may be to apply for dispute resolution under this section has been revised as fifty million rupees or above from one hundred million rupees or above.

Further, it is provided that the above limit of fifty million rupees shall not apply where the aggrieved person is a state-owned enterprise (SOE). It shall be mandatory for such aggrieved SOE to apply to the FBR for the appointment of a committee for the resolution of any dispute under this section and no suit, prosecution, or other legal proceedings shall lie against the SOE or the committee in relation to the dispute resolved under this section.

By substituting sub-section (2) of this section, it is provided that the application for dispute resolution shall also be accompanied by an undertaking that the applicant shall accept the decision of the Committee which shall be binding on him in all respects and shall on receipt of the decision immediately withdraw any and all pending litigation or cases of any kind in respect of the dispute, mentioning details thereof.

Further SOE has been allowed to file an appeal to the Appellate Tribunal or a reference to the High Court or a petition for leave to appeal the Supreme Court, as the case may be, where the committee fails to decide the matter.

**Advance Tax**

**Section 147(4), (6B) & (6C)**

Amendment in sub-section (4) of this section has been made and thereby if the taxpayer fails to provide turnover or the turnover for the quarter is not known for the purpose of computation of advance tax liability, it shall be taken to be one-fourth of one hundred and twenty percent (previously one hundred and ten percent) of the turnover of the latest tax year for which return has been filed.

As per sub-section (6) of this section, if the taxpayer estimates at any time before the last installment is due, that the tax payable by him for the relevant tax year is likely to be less than the amount he is required to pay under sub-section (1), the taxpayer may furnish to the Commissioner an estimate of the amount of advance tax.

Now, by adding new sub-section (6B) under this section it is provided that the estimates provided under sub-section (6) shall contain turnover for the completed quarters of the relevant tax year, estimated turnover for the remaining quarters, supporting evidence of expenses or deductions in computing income, evidence of tax payments and tax credits and computation of estimated taxable income. If Commissioner is not satisfied with the documentary evidence provided along with estimates 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.

Sub-section (6C) has been inserted whereby now 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, 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.

**Imports**

**Section 148(6A) & (9)**

Previously, value of goods for the purpose of collection of advance tax on imports was taken as assessed by the customs and increased by custom duty, federal excise duty and sales tax and in case of goods chargeable to sales tax at retail price under third Schedule of Sales Tax Act, 1990, retail price of such goods is taken as the value of supply as increased by sales tax.

## **INCOME TAX ORDINANCE, 2001**

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New sub-section (6A) has been inserted, whereby FBR has now been empowered to determine the minimum value of goods through notification in the official Gazette, for the purpose of collection of advance tax on imports.

For this purpose, 'value of goods' shall also include minimum value as notified by the FBR under sub-section (6A) as if such goods were subject to ad valorem duty as increased by the custom-duty, federal excise duty and sales tax, payable in respect of the import of the goods.

### **Salary** **Section 149(1) & (2)**

Now, every person responsible for paying salary to an employee shall also deduct the amount of surcharge imposed on individuals under newly inserted section 4AB.

### **Payments to non-residents** **Section 152(4A)**

Previously, the Commissioner was empowered to allow any person to make payment to a non-resident person on account of certain contracts and payment to permanent establishment of a non-resident for sale of goods, certain services and execution of contracts, without deduction of tax or deduction of tax at reduced rate of this section except where the tax deductible is minimum tax.

Now, by amendment in sub-section (4A), the power of the Commissioner to issue exemption certificate has been withdrawn. However, the Commissioner may issue reduced rate certificate but such reduction shall not exceed eighty percent of the rates prescribed in the relevant Division.

### **Payment for goods, services and contracts** **Section 153(4)**

Previously, under sub-section (4) of this section, the Commissioner was empowered to issue exemption certificate or a reduced rate certificate on application made by the recipient except where the tax deductible is not a minimum tax.

Now, by substituting sub-section (4) of this section, the power of the Commissioner to issue exemption certificate has been withdrawn. However, the Commissioner may issue reduced rate certificates and such reduction shall not exceed eighty percent of the specified rates.

It has been provided that the Commissioner shall issue a reduced rate certificate within fifteen days of receiving the application from a company, provided its advance tax liability has been discharged. If the Commissioner does not issue certificate within fifteen days, it shall be deemed to have issued the reduced rate certificate upon expiry of fifteen days and the certificate shall be automatically processed by Iris. It is further provided that the Commissioner may modify or cancel the certificate issued automatically by Iris on the basis of reasons to be recorded in writing after providing an opportunity of being heard.

### **Exports** **Section 154(4) & (5)**

Previously, the exports of goods were taxed under the final tax regime, unless the person opts to be taxed under the normal tax regime under sub-section (5) of this section. Now, the tax deductible under this section shall be minimum tax on the income arising from the export of goods.

As a result of this amendment, now the exporters will compute their taxable income under normal tax regime in accordance with the provisions of the Ordinance and shall also pay super tax u/s 4C on such income, if applicable.

### **Credit for tax collected or deducted on exports** **Sections 168(3) & 169(1)**

As a result of amendment in section 154, now tax deductible on export of goods is minimum tax on income arising from such exports. Therefore, corresponding amendment has been made in section 169. Further, amendment in sub-section (3) of section 168 has been made to allow credit of such tax collected under section 154.



**INCOME TAX ORDINANCE, 2001**

**Offences and penalties**

**Sections 182**

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

<b>S. No.</b>	<b>Offences</b>	<b>Penalties</b>	<b>Section of the Ordinance to which offence has reference</b>
1B.	Where any person fails to furnish a return of income as required under sub-section (3) of section 117 within the time specified in the notice	Such person shall pay a penalty equal to higher of – (a) 0.1% of the tax payable in respect of that tax year for each day of default; or (b) Rs. 1,000 per day of default:  Provided that minimum penalty shall be (i) Rs.10,000 in case of an individual and (ii) Rs.50,000 in all other cases.	117(3)
3A.	Where any person being a trader or a shopkeeper who is required to apply for registration under this Ordinance but fails to register or fails to pay advance tax as specified in a scheme of special procedure prescribed under section 99B	The shop of such person shall be sealed for seven days for first default and for twenty one days for each subsequent default.	99B
10A.	Any person who fails to comply with income tax general order issued by the FBR within fifteen days of issue of such order.	Such person shall pay penalty of fifty million rupees for first default and one hundred million for each subsequent default.  Provided that said penalty shall be imposed effective from such date as the FBR may notify.	114B
12A.	Where any person fails to pay tax at the time of making payment as consideration of shares or at the time of registration of shares by the Securities and Exchange Commission of Pakistan or the State Bank of Pakistan, whichever is earlier.	Such person shall pay a penalty equal to fifty percent of the amount of tax involved.	37(6)
35.	Any company and an association of persons who: (a) fails to fully state all the relevant particulars or information as specified in	Such company, including a banking company and an association of persons shall pay a penalty of Rs.500,000 or 10% of the tax chargeable on the taxable income, whichever is higher."	114(2)

**INCOME TAX ORDINANCE, 2001**

S. No.	Offences	Penalties	Section of the Ordinance to which offence has reference
	<p>the form of return, including a declaration of the records kept by the taxpayer;</p> <p>(b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or</p> <p>(c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.</p>		

**Offences and prosecutions**

**Section 191**

Section 191 states various forms of statutory non-compliance that can lead to penalties such as fines or imprisonment.

As per sub-section (1) of section 117, any person discontinuing a business is required to give notice to the Commissioner in writing to that effect within fifteen days of the discontinuance. In case no such notice is given and the Commissioner has reasonable grounds to believe that a business has discontinued or is likely to discontinue, the Commissioner may serve a notice under sub-section (3) of section 117 on the person to furnish a return of income within time and for the period specified in the notice. Now, if the person without reasonable excuse, fails to furnish the return of income, such person shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year, or both.

**Prosecution for failure to furnish information in return of income**

**New section 191A**

Now, any company, including a banking company and association of persons shall commit an offence punishable on conviction with a fine or imprisonment for a term not exceeding one year or both who -

- (a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer;
- (b) furnishes blank or incomplete particulars or information as specified in the return of income; or
- (c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed.

**Prosecution for non-registration**

**New section 191B**

Now, any small traders and shopkeepers as specified in section 99B who are required to apply for registration but fail to do so shall commit an offence punishable on conviction with imprisonment for a term not exceeding six months or fine, or both.

**Default surcharge**

**Section 205(1)**

Rate of default surcharge under this section has been revised as 12% or KIBOR plus 3% per annum whichever is higher (previously 12% per annum).

## **INCOME TAX ORDINANCE, 2001**

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### **Disclosure of information by a public servant**

### **Section 216(2)(ac)**

Now, by adding the clause (kc) under sub-section (2) of this section disclosure of information by a public servant to NADRA has once again been allowed to process and analyze such data for the purpose of broadening of tax base. Earlier, the similar clause (kb) was omitted by Finance Act, 2022.

### **Tax Fraud Investigation Wing Inland Revenue**

### **New section 230K**

New section 230K has been inserted whereby a new wing to be known as Tax Fraud Investigation Wing Inland Revenue has been established.

The functions of the Tax Fraud Investigation Wing Inland Revenue shall be to detect, analyze, investigate, combat and prevent tax evasion and fraud.

The Tax Fraud Investigation Wing Inland Revenue shall comprise Fraud Intelligence and Analysis Unit, Fraud Investigation Unit, Legal Unit, Accountants Unit, Digital Forensic and Scene of Crime Unit, Administrative Unit or any other Unit as may be approved by the FBR or the Federal Government.

### **Advance Tax on sale or transfer of immovable Property**

### **Section 236C**

By amendment in proviso to sub-section (1) of this section, immunity from collection of advance tax on first sale or transfer of immovable property has also been provided to 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.

### **Advance tax on sales to distributors, dealers and wholesalers**

### **Section 236G**

Previously, every manufacturer or commercial importer of specified sectors mentioned in sub-section (1) of this section was required to collect advance tax on sale to distributors, dealers, and wholesalers.

Now, by omitting the specified sectors, the scope of collection of advance tax under this section has been extended to all manufacturers or commercial importers.

### **Advance tax on sales to retailers**

### **Section 236H**

Previously, every manufacturer, distributor, dealer, wholesaler or commercial importer of specified sectors mentioned in sub-section (1) of this section was required to collect advance tax on sale to retailers and every distributor or dealer to another wholesaler.

Now, by omitting the specified sectors, the scope of collection of advance tax under this section has been extended to all manufacturers, distributors, dealer, wholesalers or commercial importers.

### **Savings**

### **Section 239(18)**

By inserting new sub-section (18) under this section, it has been clarified that time limitation for filing of appeals before the Appellate Tribunal Inland Revenue under section 131 or reference to the High Court under section 133 in respect of the orders of the Commissioner (Appeals) or Appellate Tribunal received prior to the commencement of Tax Laws (Amendment) Act, 2024, shall be as applicable prior to the introduction of Tax Laws (Amendment) Act, 2024.

**INCOME TAX ORDINANCE, 2001 – THE FIRST SCHEDULE**

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**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	5% 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. 30,000 + 15% 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. 180,000 + 25% 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. 430,000 + 30% of the amount exceeding Rs. 3,200,000
6.	Where taxable income exceeds Rs. 4,100,000	Rs. 700,000 + 35% of the amount exceeding Rs. 4,100,000

**INCOME TAX ORDINANCE, 2001 – THE FIRST SCHEDULE**

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**Division III – Rate of tax on dividend**

The rate of tax on dividend received from mutual funds deriving fifty percent or more income from profit on debt has been increased to 25% from 15%.

**Division VII – Capital Gains on Disposal of Securities**

Rates of tax on capital gains on securities acquired on or after 1st day of July 2024 have been amended as follows:

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

Rates of tax to be deducted on capital gains by a mutual fund or a collective investment scheme or a REIT scheme on redemption of securities have been enhanced as follows:

Category	Rate of tax (Old)	Rate of tax (New)
<b>Individual and association of persons:</b>		
- for stock funds	10%	15%
- for other funds	10%	15%
<b>Company:</b>		
- for stock funds	10%	15%
- for other funds	25%	25%

Further, in case of a stock fund if dividend receipts of the fund are less than capital gains, the rate of tax deduction has been enhanced to 15% from 12.5%.

Previously, no capital gains tax was to be deducted if the holding period of the security is more than six years. Now, this exception has been restricted to securities acquired on or before 30<sup>th</sup> day of June 2024 and tax will be deducted irrespective of holding period on securities acquired on or after 01 July 2024.

**INCOME TAX ORDINANCE, 2001 – THE FIRST SCHEDULE**

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**Division VIII – Tax on Capital Gain on disposal of Immoveable property**

Rates of tax on capital gains on disposal of immovable property acquired on or after 1st day of July 2024 have been amended 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

**Part III – DEDUCTION OF TAX AT SOURCE**

**Division I – Advance tax on dividend**

The rate of tax to be deducted on dividend received from mutual funds has been increased to 25% on the gross amount of dividend in case fifty percent or more of the total income is derived from profit on debt.

**Division III – Payment for Goods or Services**

By way of amendment in this Division, the rates of tax to be deducted under section 153(1)(a) in case of toll manufacturing have been increased to 9% from 5% in case of a company and 11% from 5.5% in case other than a company.

**Part IV – DEDUCTION OR COLLECTION OF ADVANCE TAX**

**Division V – Telephone users**

Section 114B was introduced through Finance Act, 2022 whereby the FBR has been empowered to issue income tax general order to disable mobile phones or mobile phone SIMs, electricity connection or gas connection of persons not appearing on active taxpayers' list but are liable to file return under the provisions of the Ordinance.

Now, by adding proviso to this Division, rate of tax to be collected in case of a person mentioned in the aforesaid income tax general order has been increased from 15% to 75% of the amount of bill or sale price of internet pre-paid card or prepaid telephone card or sale of units to any electronic medium or whatever form.

**Division VII – Advance tax on purchase, registration and transfer of motor vehicles**

Previously, advance tax / rates of advance tax to be collected on registration and sale of motor vehicles were based on engine capacity of the motor vehicles. Now, by amendment in this Division,

**INCOME TAX ORDINANCE, 2001 – THE FIRST SCHEDULE**

rates of tax to be collected on registration and sale of motor vehicle under sub-sections (1) and (3) of section 231B shall be based on the value of vehicles. New rates are as follows:

S. No.	Engine capacity	Rate of tax
1	Upto 850 cc	0.5% of the value
2	851 cc to 1000 cc	1% of the value
3	1001 cc to 1300 cc	1.5% of the value
4	1301 cc to 1600 cc	2% of the value
5	1601 cc to 1800 cc	3% of the value
6	1801 cc to 2000 cc	5% of the value
7	2001 cc to 2500 cc	7% of the value
8	2501 cc to 3000 cc	9% of the value
9	Above 3000 cc	12% of the value

Further, value of vehicles for the purpose of the above table shall be in case of motor vehicle –

- (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;
- (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.

It is further provided that in cases where engine capacity is not applicable and the value of vehicle is five million rupees or more, the rate of tax collectable shall be 3% of the import value as increased by customs duty, sales tax and federal excise duty in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles.

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

Rate of advance tax on sale or transfer of immovable under section 236C was 3% in case of a person appearing in the active taxpayers' list. Now, progressive rates of advance tax for a person appearing in the active taxpayers' list have been provided on the basis of consideration received as follows:

S. No.	Amount	Rate of tax
1	Where the gross amount of the consideration received does not exceed Rupees 50 million	3%
2	Where the gross amount of the consideration received exceeds Rupees 50 million but does not exceed 100 million	3.5%
3	Where the gross amount of the consideration received exceeds Rupees 100 million	4%

**INCOME TAX ORDINANCE, 2001 – THE SECOND SCHEDULE**

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**Division XVIII – Advance tax on purchase of immovable property**

Rate of advance tax to be collected on purchase of immovable property under section 236K was 3% in case of a person appearing in active taxpayers' list. Now, progressive rates of advance tax for a person appearing in the active taxpayers' list have been provided on the basis of fair market value as follows:

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

**THE SECOND SCHEDULE**

**Part I – EXEMPTIONS FROM TOTAL INCOME**

**Special Purpose Vehicle buying Diversified Payment Rights** **Clause (99B)**

New Clause (99B) has been added whereby exemption from tax has been provided on income of a Special Purpose Vehicle buying Diversified Payment Rights from the Authorized Dealer in Pakistan.

For the purpose of this Clause, it has been clarified that Diversified Payment Rights, Special Purpose Vehicle and Authorized Dealers shall mean as referred in the State Bank of Pakistan's Circular(s) or Regulations on Diversified Payment Rights.

**Tax exemption on subsidy granted by Federal Government** **Clause (102A)**

By omitting this Clause, exemption available on subsidy granted to any person by Federal Government for the purpose of implementation of any orders of the Federal Government has been withdrawn.

**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 30<sup>th</sup> June 2025. Earlier, the exemption was available upto 30 June 2024.

**Part II – REDUCTION IN TAX RATES**

**Rate of tax to be deducted u/s 153 from distributors of cigarette** **Clause (24A)**

The rate of tax to be deducted u/s 153(1)(a) in case of distributors of cigarette has been increased to 2.5% from 1% of the gross amount of payment.

**Part IV – EXEMPTION FROM SPECIFIC PROVISIONS**

**Exemption from minimum tax under section 113** **Clause (11A)**

Exemption from minimum tax under section 113 has been provided to zone enterprise whose income is exempt under Clause (126E), Part I of this Schedule.



**INCOME TAX ORDINANCE, 2001 – THE SECOND / SEVENTH SCHEDULE**

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**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 30<sup>th</sup> day of June 2024 has now been extended to 30<sup>th</sup> day of June 2025.

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

**Bad debts, provisions for advances, off-balance sheet items or any other financial assets in case of banks** **Rule 1(d)**

The amount of "bad debt" classified as "sub-standard" or "doubtful" under the Prudential Regulations issued by the State Bank of Pakistan are not allowable expense until the same are reclassified as "loss".

This sub-rule has been substituted whereby provisions for advances, off-balance sheet items or any other financial assets classified in stage I, II or III as performing, under-performing or non-performing under any applicable accounting standard including under International Financial Reporting Standard (IFRS) 9 shall also not be allowed as expense.

**Expected credit losses for Advances and off balance sheet items** **Rule 1(da)**

New sub-rule (da) has been inserted under Rule 1, whereby it is provided that provisions or Expected Credit loss for Advances and off balance sheet items or any other financial asset existing before or after the 1<sup>st</sup> day of January, 2024 under IFRS 09 shall not be allowed as an expense or deduction.

**Certain adjustments in the annual accounts to be excluded in arriving at taxable income** **Rule 1(g)**

Earlier, adjustment made in the annual accounts, on account of application of international accounting standards 39 and 40 were to be excluded in arriving at taxable income.

Now, scope of this rule has been enhanced and thereby any adjustment made in the annual accounts on account of any applicable accounting standard or policy or any guidelines or instruction of State Bank of Pakistan shall be excluded while arriving at taxable income.

**Diversified Payment Rights** **Rule 3A**

New Rule 3A has been added whereby it is provided that where any assets are transferred by an Authorized Dealer, as a consequence of a Diversified Payment Rights transaction, to a Special Purpose Vehicle, it shall be treated as a financing transaction irrespective of the method of accounting adopted by the Authorized Dealer.

For this purpose, it is provided that 'Diversified Payment Rights', 'Special Purpose Vehicle' and 'Authorized Dealer' shall mean the same as referred in the State Bank of Pakistan's Circular(s) or Regulations on Diversified Payment Rights.

**Super tax on high earning persons under section 4C** **Rule 7CA**

By adding explanation to this Rule, it has been clarified that provisions of section 4C shall be applicable for a banking company for the tax year 2023 and for all subsequent tax years.

**INCOME TAX ORDINANCE, 2001 – THE TENTH SCHEDULE**

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**THE TENTH SCHEDULE**

**RULES FOR PERSONS NOT APPEARING IN THE ACTIVE TAXPAYERS' LIST**

**Rate of deduction or collection of tax**

**Rule 1**

Previously, rate of tax to be deducted or collected was required to be increased by one hundred percent of the rate specified in the First Schedule in case of persons not appearing in the active taxpayers' list.

Now, application of Tenth Schedule has been extended to whole of the Ordinance whereby rate of tax in case of persons not appearing in the active taxpayers' list subject to provisos given under this Rule shall be increased by one hundred percent of the rate specified under any withholding tax provision of the Ordinance.

Further, by substituting second proviso to this Rule, progressive rates of advance tax on purchase of immovable property under section 236K have been provided in case of persons not appearing in the active taxpayers' list on the basis of fair market value of immovable property as follows:

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

By adding another proviso to this Rule, rates of tax have been enhanced under following sections in case of persons not appearing in the active taxpayers' list:

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

**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**

A new category of persons who are appearing on active taxpayers' list but have not filed return by the due date or extended due date has been introduced for the purpose of collection of advance tax on sale or transfer of immovable property under section 236C and purchase of immovable property under section 236K.

**INCOME TAX ORDINANCE, 2001 – THE TENTH SCHEDULE**

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Rates of advance tax on sale or transfer of immovable property under section 236C have been set out as follows:

<b>S. No.</b>	<b>Gross amount of consideration received</b>	<b>Rate of tax</b>
1	Where the gross amount of consideration received does not exceed Rupees 50 million	6%
2	Where the gross amount of consideration received exceeds Rupees 50 million but does not exceed Rupees 100 million	7%
3	Where the gross amount of consideration received exceeds Rupees 100 million	8%

Rates of advance tax on purchase of immovable property under section 236K have been set out as follows:

<b>S. No.</b>	<b>Fair market value of immovable property</b>	<b>Rate of tax</b>
1	Where the fair market value does not exceed Rupees 50 million	6%
2	Where the fair market value exceeds Rupees 50 million but does not exceed Rupees 100 million	7%
3	Where the fair market value exceeds Rupees 100 million	8%

Further, it is provided that the provisions of this rule shall not apply to a person who has filed return by the due date or by the due date as extended or where the late filing is condoned under section 214A for all of the last three tax years preceding the tax year for which the return has not been filed by the due date specified in section 118 or by the due date as extended under section 119 or 214A.

**Non applicability of this Schedule**

**Rule 10(y)**

New sub-rule (y) has been inserted under this Rule whereby withholding tax in respect of capital gains on sale of securities under section 37A shall also not be enhanced by one hundred percent.

**INCOME TAX ORDINANCE, 2001 – GENERAL**

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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	39%
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	2%
4.	Where income exceeds Rs. 250 million but does not exceed Rs. 300 million	3%
5.	Where income exceeds Rs. 300 million but does not exceed Rs. 350 million	4%
6.	Where income exceeds Rs. 350 million but does not exceed Rs. 400 million	6%
7.	Where income exceeds Rs. 400 million but does not exceed Rs. 500 million	8%
8.	Where income exceeds Rs. 500 million	10%

**INCOME TAX ORDINANCE, 2001 – GENERAL**

**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%

- 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]

**INCOME TAX ORDINANCE, 2001 – GENERAL**

**TAX RATES FOR INDIVIDUALS AND ASSOCIATION OF PERSONS - (Division I, Part I, 1<sup>st</sup> 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	5% 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. 30,000 + 15% 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. 180,000 + 25% 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. 430,000 + 30% of the amount exceeding Rs. 3,200,000
6.	Where taxable income exceeds Rs. 4,100,000	Rs. 700,000 + 35% of the amount exceeding Rs. 4,100,000

## **INCOME TAX ORDINANCE, 2001 – GENERAL**

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### **SURCHARGE UNDER SECTION 4AB**

Every individual and association of persons having taxable income exceeding Rupees 10 million shall pay a surcharge @ 10% of the income tax imposed under Division I of Part I of the First Schedule. Further, employers are required to withhold tax on salary income under section 149 from their employees including the amount of surcharge imposed under section 4AB.

### **REDUCTION IN TAX LIABILITY OF TEACHERS OR RESEARCHERS – [Cl. (2), Part III, 2<sup>nd</sup> 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.

### **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 per cent, 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.

**INCOME TAX ORDINANCE, 2001 – GENERAL**

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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 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 ORDINANCE, 2001 – GENERAL**

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**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 mutual funds, Real Estate Investment Trusts and cases other than those mentioned in clauses (a), (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%.
- (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 @ 39%. [Rule 7B, 7<sup>th</sup> 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**

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**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, 39% 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 30<sup>th</sup> 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 39%. [Rule 7B, 7<sup>th</sup> 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

**INCOME TAX ORDINANCE, 2001 – GENERAL**

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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:

$$(A \times B / C) - D$$

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.

**INCOME TAX ORDINANCE, 2001 – GENERAL**

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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 2<sup>nd</sup> 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 2<sup>nd</sup> quarter an estimate of the amount of tax payable by the taxpayer and pay 50% of such amount by the due date of the 2<sup>nd</sup> 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 3<sup>rd</sup> and 4<sup>th</sup> 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

**INCOME TAX ORDINANCE, 2001 – GENERAL**

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 1<sup>st</sup> day of April in that year to the date on which the assessment is made or the 30<sup>th</sup> 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)
<b>FOR COMMERCIAL BUILDINGS</b>			
Sq. ft.	-	-	-
Any size	Rs.250 per Sq. ft.	Rs.230 per Sq. ft.	Rs.210 per Sq. ft.
<b>FOR RESIDENTIAL BUILDINGS</b>			
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.

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**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**

<b>Tax Payable For</b>	<b>On or Before</b>	
	<b>Individuals</b>	<b>Companies and AOPs (excluding Banking Company)</b>
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 15<sup>th</sup> of every month. [Rule 5(1), 7<sup>th</sup> Schedule]

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

<b>Tax collected / deducted by</b>	<b>Deposit into Government treasury</b>
Federal / Provincial Government	On the same day
Other persons	<ul style="list-style-type: none"> <li>- Within 7 days from the end of each week ending on Sunday.</li> <li>- 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.</li> </ul>

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**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)
<b>Companies: [Section 118(2)]</b>	
• Having tax year ending between 01 January to 30 June	31 December
• Other cases	30 September
<b>Persons other than Companies: [Section 118(3)]</b>	
• In case of an individual and association of persons	30 September



**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
		<u>Active</u>	<u>Non-active</u>		
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	<b>Minimum</b> – 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)]
	2. Persons importing goods classified in Part II of the Twelfth Schedule:			Collector of customs	<b>Minimum</b>
	- 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		Responsibility for Deduction / Deposit	Remarks
		<b><u>Active</u></b>	<b><u>Non-active</u></b>		
	3. Persons importing goods classified in Part III of the Twelfth Schedule:			Collector of customs	<b>Minimum</b>
	- 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		- 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.
	- 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		- 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.
	Persons importing mobile phones. [Proviso, Part II, 1 <sup>st</sup> Sch.]:			Collector of customs	<b>Minimum</b>
	C&F value (in USD) of mobile phone [In CBU condition under PCT Heading 8517.1219]:	<b>(Rupees)</b>	<b>(Rupees)</b>		
	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
	C&F value (in USD) of mobile phone [In CKD/SKD condition under PCT Heading 8517.1211]:	<u>Active</u> (Rupees)	<u>Non-active</u> (Rupees)		
	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	<p><b>Adjustable.</b> - Tax shall not be deducted where the taxable income does not exceed Rupees 600,000. [Division I, Part I, 1st Sch.]</p> <p>- Surcharge as imposed u/s 4AB shall also be deducted by employer u/s 149.</p> <p>- Tax deducted at source of the employee, short / excess tax deducted from salary and tax credits under sections 61 and 63, can be adjusted by the employer. [Sec. 149(1)].</p> <p>- 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)].</p>
(3)	Directorship fee or fee for attending board meeting or such fee by whatever name called	20%	20%	Employer / person responsible for making payment	<b>Adjustable</b>

**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
150	i – 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.	<u>Active</u> 7.5%	<u>Non-active</u> 15%	Every person paying dividend	<p><b>Final</b> - Following are exempt:</p> <ul style="list-style-type: none"> <li>- 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.]</li> <li>- 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.]</li> <li>- 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.]</li> <li>- 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.]</li> </ul>
	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%		
	iv – In case of mutual funds, Real Estate Investment Trusts and cases other than mentioned in (i), (ii) and (iii) above	15%	30%	-do-	
- In case of mutual funds deriving fifty percent or more income from profit on debt.	25%	50%	-do-		

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate		Responsibility for Deduction / Deposit	Remarks
		% / Rupees			
		<b><u>Active</u></b>	<b><u>Non-active</u></b>		
151(1):					
(a)	Yield on an account, deposit or a certificate under the National Saving Scheme or post office saving account	15%	35%	Every person making payment	<b>Minimum</b> - except where taxpayer is a company or profit on debt is taxable under section 7B.
(b)	Profit on a debt, being an account or deposit maintained with the banking company or financial institution	15%	35%	Banking company or financial institution	<p><b>No tax will be deducted in following cases:</b></p> <ul style="list-style-type: none"> <li>- Yield or profit on investment in Bahbood Saving Certificate or Pensioner's Benefit Account and <i>Shuhada</i> Family Welfare Account. [Cl. (36A), Part IV, 2nd Sch]</li> <li>- If monthly installment in monthly income Savings Accounts Scheme does not exceed Rs. 1,000 - [Cl. (59)(iv)(b), Part IV, 2nd Sch.].</li> <li>- 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.]</li> </ul>
(c)	Profit on any security other than that referred in Clause (a), issued by Federal Government, Provincial Government or Local Government	15%	35%	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)]
(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%	35%	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		Responsibility for Deduction / Deposit	Remarks
		<u>Active</u>	<u>Non-active</u>		
					<p>- 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. (5AC), Part II, 2nd Sch.]</p> <p>- <b>Final tax @ 10%</b> 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.]</p>
(1A)	Return on investment in sukuks				
	- Company	25%	50%	Every special purpose vehicle or a company	<b>Minimum</b> - Adjustable against tax imposed u/s 5AA.
	- Individual and AOP:				- 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.]
	(i) Return on investment is more than 1 million rupees	12.5%	25%		
	(ii) Return on investment is less than 1 million rupees	10%	20%		
152					
(1)	Royalty or fee for technical services to non-resident	15%	15%	Every person making payment	<b>Final</b>

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate		Responsibility for Deduction / Deposit	Remarks
		% / Rupees	% / Rupees		
		<b><u>Active</u></b>	<b><u>Non-active</u></b>		
(1A)	Payment to non-resident persons on account of certain contracts	7%	7%	Every person making payment	<b>Minimum</b>
(1AA)	Payments to non-resident person on account of insurance or re-insurance premium	5%	5%	Every person making payment	<b>Minimum</b>
(1AAA)	Payment for advertisement services to non-resident media person relaying from outside Pakistan	10%	10%	Every person making payment	<b>Minimum</b>
(1BA)	Payment to non-resident for foreign produced commercial for advertisement	20%	20%	Every prescribed person making payment	<b>Final</b>
(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	10%	10%	Every banking company or financial institution remitting outside Pakistan	<b>Final</b>
(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)	10%	10%	Every banking company or financial institution	<b>Final</b>

**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
		<u>Active</u>	<u>Non-active</u>		
(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	<b>Final</b>
(1DB)	Return on investment in sukuks paid to non-resident sukuk holder:			Every special purpose vehicle or a company	<b>Final</b>
	- 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	<b>Final</b> - 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
		<u>Active</u>	<u>Non-active</u>		
(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	<b>Final</b> - 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	<b>Adjustable</b>
(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	<b>Final</b> - 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	<b>Final</b>
(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	<b>Minimum</b> - 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
		<u>Active</u>	<u>Non-active</u>		
(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, IT services and IT enabled services as defined in section 2, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, 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	4%	8%	Every person making payment	<b>Minimum</b>
	ii) Payment to PE for other services:				<b>Minimum</b>
	- In case of company	9%	18%	Every person making payment	
	- In other case	11%	22%		
(2A)(c)	Payment to PE in case of execution of contract			Every person making payment	<b>Minimum</b>
	- In case of sportsperson	10%	20%		- Execution of contract does not include contracts for sale of goods or the rendering of or providing service.
	- 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
		<u>Active</u>	<u>Non-active</u>			
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	<b>Minimum</b> (Adjustable for manufacturing company and listed company)	Gross amount payable for sale of goods shall include the sales tax. [S.153(1)] <b>Tax will not be deducted on account of payments made for:</b>
	- Sale of other goods other than toll manufacturing: [Div III, Part III, 1 <sup>st</sup> Sch.]			Every prescribed person making payment	<b>Minimum</b> (Adjustable for manufacturing company and listed company)	<ul style="list-style-type: none"> <li>• Sale of goods less than Rs. 75,000 in a financial year.</li> <li>• 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.</li> </ul>
	- In case of companies	5%	10%			
	- In case of other taxpayers	5.5%	11%			
	- Sale of other goods in case of toll manufacturing: [Div III, Part III, 1 <sup>st</sup> Sch.]					<ul style="list-style-type: none"> <li>• 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.]</li> </ul>
	- In case of companies	9%	18%			
	- In case of other taxpayers	11%	22%			
	- Sale of pharmaceutical products by distributors of pharmaceutical. [Cl. (24A), Part II, 2nd Sch.]	1%	2%	Every prescribed person making payment	<b>Minimum</b> (Adjustable for manufacturing company and listed company)	<ul style="list-style-type: none"> <li>• Provisions of section 153 shall not apply on purchase of used motor vehicles from general public. [Cl. (45B), Part IV, 2nd Sch.]</li> </ul>
	- Sale of cigarettes by distributors of cigarettes. [Cl. (24A), Part II, 2nd Sch.]	2.5%	5%			

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate		Responsibility for Deduction / Deposit	Remarks
		% / Rupees			
		<b><u>Active</u></b>	<b><u>Non-active</u></b>		
	Local sales, supplies to taxpayers as per clause (45A) of Part IV of 2nd Schedule.			Every person making payment	<b>Minimum</b>
	- In case of traders of yarn	0.5%	1%		
	- In other cases	1%	2%		
	- Sale of gold and silver and articles thereof. [Cl. (31), Part II, 2nd Sch.]	1%	2%	Every prescribed person	<b>Adjustable</b>
(1)(b)	Rendering or providing of services: [Cl. (2), Div III, Part III, 1st Sch.]				
	- Transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in section 2, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services including architectural services, warehousing services, services rendered by asset management companies, data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) services, car rental services,	4%	8%	Every prescribed person making payment	<b>Minimum</b>
					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)].

**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
		<u>Active</u>	<u>Non-active</u>		
	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.				
	- electronic and print media for advertising services.	1.5%	3%	Every prescribed person making payment	<b>Minimum</b>
	- other services:				
	- in case of companies	9%	18%	-do-	<b>Minimum</b>
	- in case of other taxpayers	11%	22%		
	Services provided or rendered to taxpayers as per clause (45A) of Part IV of 2nd Schedule:			Every person making payment	<b>Minimum</b>
	- In case of traders of yarn	0.5	1%		
	- In other cases	1%	2%		
(1)(c)	Execution of a contract (Residents) [Cl. (3), Div III, Part III, 1st Sch.]			Every prescribed person making payment	<b>Minimum</b> (Adjustable for listed company) [Sec153(3)]
	- in case of companies	7.5%	15%		
	- in case of other taxpayers	8%	16%		
	- in case of sportsperson	10%	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
		<u>Active</u>	<u>Non-active</u>		
(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	<b>Minimum</b>
154(1)	Realization of foreign exchange on account of export of goods by exporter	1%	1%	Every authorized dealer in foreign exchange	<b>Minimum</b>
(3)	Sale of goods to an exporter under an inland back-to-back L/C	1%	1%	Every banking company	<b>Minimum</b>
(3A)	Export of goods by an industrial undertaking – Export Processing Zone	1%	1%	Export Processing Zone Authority	<b>Minimum</b>
(3B)	Indirect exporter	1%	1%	Direct exporter, export house registered under DTRE Rules, 2001 and Export Facilitation Scheme, 2021	<b>Minimum</b>
(3C)	Clearing of goods exported	1%	1%	Collector of customs	<b>Minimum</b>
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	<b>Final.</b> 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.

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate		Responsibility for Deduction / Deposit	Remarks
		% / Rupees	% / Rupees		
		<b><u>Active</u></b>	<b><u>Non-active</u></b>		
(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		Responsibility for Deduction / Deposit	Remarks
		% / Rupees			
		<b><u>Active</u></b>	<b><u>Non-active</u></b>		
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):  <b>Individuals and AOPs where the gross amount of rent is:</b> Up to Rs. 300,000 Rs. 300,001 – Rs. 600,000 Rs. 600,001 – Rs. 2,000,000 Over Rs. 2,000,000  <b>Company</b>	Nil 5% of the gross amount exceeding Rs. 300,000 Rs. 15,000 + 10% of the gross amount exceeding Rs. 600,000 Rs. 155,000 + 25% of the gross amount exceeding Rs. 2,000,000 15%	30%	Prescribed persons as mentioned in sub-section (3) of section 155	<b>Adjustable</b>  – 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%  – It is clarified that the sub-section (1) of section 155 shall apply when a payment is made on account of rent of immovable property irrespective of head of income. [Explanation, Section 155(1)]  <b>Adjustable</b> - 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.  - Payment on winning from a raffle, lottery, prize on winning a quiz, prize offered by a company for sale promotion.	15%	30%	Every person making payment	<b>Final</b>
		20%	40%	Every person making payment	<b>Final</b>
156A	Commission paid or discount allowed to petrol pump operator	12%	24%	Every person selling petroleum products	<b>Final</b>



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

Section	Nature of Payment / Transactions	Withholding / Collection Rate		Responsibility for Deduction / Deposit	Remarks
		% / Rupees			
		<b><u>Active</u></b>	<b><u>Non-active</u></b>		
	<b>TRANSITIONAL ADVANCE TAX</b> - 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	-	0.6%	Every banking company	<b>Adjustable</b> - Tax shall not be deducted where cash withdrawals in a day does not exceed fifty thousand rupees in aggregate.
231B	<b>Registration of a new locally manufactured motor vehicle:</b>				
(1)	upto 850 cc	<b>Percentage of the value</b> 0.5%	<b>Percentage of the value</b> 1.5%	Motor vehicle registration authority of Excise and Taxation Department	<b>Adjustable</b> - No advance 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-
	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%		
					(i) imported in Pakistan, the import value assessed by the Customs authorities as increased by customs duty, federal excise duty and sales tax

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate		Responsibility for Deduction / Deposit	Remarks
		% / Rupees			
		<u>Active</u>	<u>Non-active</u>		
(1A)	Leasing of motor vehicle	-	4%	Leasing company, scheduled bank, non-banking financial institutions, investment bank, modaraba and development finance institution.	payable at import stage; (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.
(2)	Transfer of registration or ownership of a motor vehicle:			Motor vehicle registration authority of Excise and Taxation Department	<b>Adjustable</b> – Tax will not be collected in case of light commercial vehicles leased under Prime Minister’s Youth Business Loan Scheme. [Cl. (102), Pt. IV, 2 <sup>nd</sup> Sch.]
	<b>Engine Capacity</b>	<b>(Rupees)</b>	<b>(Rupees)</b>		<b>Adjustable</b> - 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.]
	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
		<b><u>Active</u></b>	<b><u>Non-active</u></b>		
(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: <b>Engine Capacity</b> upto 1000 cc 1001 cc to 2000 cc 2001 cc and above	<b>(Rupees)</b> 100,000 200,000 400,000	<b>(Rupees)</b> 300,000 600,000 1,200,000	Motor vehicle registration authority of Excise and Taxation Department	<b>Adjustable</b>
(3)	Sale of motor vehicle:  <b>Engine Capacity</b>  upto 850 cc 851 cc to 1000 cc 1001 cc to 1300 cc 1301 cc to 1600 cc 1601 cc to 1800 cc 1801 cc to 2000 cc 2001 cc to 2500 cc 2501 cc to 3000 cc Above 3000 cc	<b>Percentage of the value</b> 0.5% 1% 1.5% 2% 3% 5% 7% 9% 12%	<b>Percentage of the value</b> 1.5% 3% 4.5% 6% 9% 15% 21% 27% 36%	Manufacturer of motor vehicle	<b>Adjustable</b>
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	<b>Adjustable</b>

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate		Responsibility for Deduction / Deposit	Remarks
		% / Rupees			
		<b><u>Active</u></b>	<b><u>Non-active</u></b>		
233	Payment on account of brokerage or commission made to a person:			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)	<b>Minimum</b> – In case of payment to advertising agent, directly or through electronic or print media the principal shall deduct tax on the amount equal to " <b>A x 15/85</b> ".  Where <b>A</b> 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).
	(i) Advertising agents	10%	20%		
	(ii) Life insurance agents where commission received is less than Rs. 0.5 million per annum	8%	16%		
	(iii) Commission agents (other than (i) and (ii) above	12%	24%		
234	Advance tax will be collected at the time of collecting motor vehicle tax:			Motor vehicle tax Collecting Authority	<b>Adjustable</b>  - 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, 1 <sup>ST</sup> Sch.]
	(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		
	(2) In the case of passenger transport vehicles plying for hire with registered seating capacity of:			Motor vehicle tax Collecting Authority	<b>Adjustable</b> - 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)]
	• Non Air Conditioned:	<b>Rupees per seat per annum</b>			
	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
		<b>Active</b>	<b>Non-active</b>		
	• 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:	<b>(Rupees)</b>	<b>(Rupees)</b>	Motor vehicle tax Collecting Authority	<b>Adjustable</b>
	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:	<b>(Rupees)</b>	<b>(Rupees)</b>	Motor vehicle tax Collecting Authority	<b>Adjustable</b>
	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
		<u>Active</u>	<u>Non-active</u>		
235					
(1)	Rate of collection of advance tax on gross amount of electricity bill of commercial or industrial consumer:			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	-			- 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)]
	(b) Where gross amount of bill exceeds Rs. 500 but does not exceed Rs. 20,000	10% of the amount			As per section 235(4), tax collected will be: - In case of company or domestic consumer, <b>adjustable</b> .
	(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.			- In case of other than Company: - <b>minimum tax</b> up to bill of Rs. 360,000 per annum - <b>adjustable tax</b> if monthly bill exceeds Rs.30,000
	Rate of tax to be collected on domestic electricity consumption shall be:				
	- 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	<b>Adjustable</b>
	a) in case of telephone subscriber (other than mobile phone subscriber) where the amount of monthly bill exceeds Rs. 1,000	10% of the amount of bill.	exceeding		

**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
		<u>Active</u>	<u>Non-active</u>		
	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.	<b>Adjustable</b> - 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)]
	- In case of any property (excluding immovable property) or goods sold by auction	10%	20%		- 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) Part IV, 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
		<u>Active</u>	<u>Non-active</u>			
236C	Advance tax on sale or transfer of immovable property:					
		<b>active</b>	<b>non-active</b>	<b>Active but late filer</b>		
	-Where the gross amount of the consideration received does not exceed Rs. 50 million	3%	10%	6%	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	<b>Adjustable</b> - 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 <i>Shaheed</i> 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 <i>Shaheed</i> 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.
	-Where the gross amount of the consideration received exceeds Rs. 50 million but does not exceed Rs. 100 million.	3.5%	10%	7%		
	-Where the gross amount of the consideration received exceeds Rs. 100 million	4%	10%	8%		



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

Section	Nature of Payment / Transactions	Withholding / Collection Rate		Responsibility for Deduction / Deposit	Remarks
		<u>Active</u>	<u>Non-active</u>		
		<b>(Rupees)</b>			
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:			Any licensing authority	<p>- 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.</p> <p>- 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.]</p> <p><b>Minimum</b></p> <p>- Where the person is not appearing in active taxpayer's list then the withholding tax rate u/s 236CA shall be increased by 100%.</p>
	1. Foreign-produced TV drama serial or play		1,000,000 per episode		
	2. Foreign-produced TV play (single episode)		3,000,000		
	3. Advertisement starring foreign Actor		100,000 per second		

**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			
236CB	Advance tax on functions and gatherings	10%	20%		Every prescribed person as per section 236CB(4)	<b>Adjustable</b> - 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: - Fertilizers - Other than fertilizers	0.7% 0.1%	1.4% 2%		Manufacturer, commercial importer	<b>Adjustable</b> - 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, 1 <sup>ST</sup> Sch.]
236H(1)	Advance tax on sale to retailers: - In case of sale to retailers - In case of sale to another wholesaler	0.5% 0.5	2.5% 1%		Manufacturer, distributor, dealer, wholesaler or commercial importer	<b>Adjustable</b>
236K(1)	Advance tax on purchase or transfer of immovable property:  -Where the fair market value does not exceed Rs. 50 million  -Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million.  -Where the fair market value exceeds Rs. 100 million	<b>active</b> 3% 3.5% 4%	<b>non-active</b> 12% 16% 20%	<b>Active but late filer</b> 6% 7% 8%	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	<b>Adjustable</b> - 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

**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
		<u>Active</u> <u>Non-active</u>	private real estate projects registered / governed under any law, joint ventures, private commercial concerns and registrar of properties	<p>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)]</p> <p>- 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)]</p> <p>- 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.]</p> <p>- 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 allottee 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)]</p> <p>- Rate of tax shall not be increased by two hundred</p>

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate		Responsibility for Deduction / Deposit	Remarks
		% / Rupees			
		<u>Active</u>	<u>Non-active</u>		
					and fifty percent 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	<b>Adjustable</b>
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 share	<b>Final</b> -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.

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**Associates (associated person)**

**Section 2(3)**

The definition of 'associates (associated person)' has been harmonized to bring it in line with the meaning of 'associates' under section 85 of the Income Tax Ordinance, 2001.

**Input Tax**

**Section 2(14)(d)**

FBR has been empowered to exclude certain services from the definition of 'input tax' which are subject to provincial sales tax, through notification in the official Gazette. By way of this amendment, the registered person may be restricted to claim the adjustment of input tax on such notified services against output tax.

**Licensed integrator**

**Section 2(15A)**

New definition of 'licensed integrator' has been inserted which shall mean any person licensed by the FBR to provide electronic invoicing system for integration of registered persons in the prescribed manner.

**Tax fraud**

**Section 2(37)**

The meanings of "tax fraud" has been enhanced by reconstructing its definition. The new definition covers the specific events to bring them under the definition of 'tax fraud' in contrast with the existing definition. The amended definition is read as under:

“(37) “tax fraud” means intentionally understating or underpaying the tax liability or overstating the entitlement to tax credit or tax refund in contravention of duties or obligations imposed under this Act by way of submission of false return, statements or false documents or withholding of correct information or documents to cause loss of tax and includes-

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

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(j) making of taxable supplies without getting registration under this Act; or

(k) intentional doing of any act or causing to do an act or omitting to take any action or causing the omission to take any action to cause loss of tax under this Act.

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

### **Time of supply**

### **Section 2(44)(a)**

The definition of time of supply in respect of supply of goods, other than under hire purchase agreement has been rephrased. Now, sales tax on such supply shall be applicable at the time of earlier of “goods are delivered or made available to the recipient” or “the time when any payment is received by the supplier”.

Previously, sales tax on such supply was leviable only at the time of goods delivered or made available to the recipient.

### **Value of supply**

### **Section 2(46)(j)**

The FBR is empowered to fix value of any goods through notification in the official Gazette. Now, by amendment in definition of ‘value of supply’, the power of the FBR to fix value of goods has been extended to goods specified in the Third Schedule.

### **Scope of tax**

### **Section 3(11)**

Under sub-section (11) of this section, the FBR was empowered to require any person or class of persons to integrate their electronic invoicing system with FBR’s Computerized System for real time tracking and reporting of sales.

Now, new sub-section (3) under section 40C has been inserted empowering the FBR for the same purpose. Therefore, sub-section (11) of section 3 has been omitted.

### **Assessment of tax and recovery of tax not levied or short levied or erroneously refunded**

### **Section 11**

The provisions pertaining to assessment of tax and recovery of tax not levied or short levied or erroneously refunded were available under section 11. Such provisions have now been restructured and provided under newly inserted sections 11E, 11F and 11G. Therefore, section 11 has been omitted.

### **Limitation for issuing orders in certain cases**

### **Section 11B**

This section governs the procedure for issuance of appeal affect orders issued by Commissioner (Appeals), Appellate Tribunal Inland Revenue, High Court or Supreme Court. Section 11B has been substituted and now it has been brought in line with the provisions of section 124 of the Income Tax Ordinance, 2001.

### **Best judgment Assessment**

### **Section 11D**

Similar to the provisions in Income Tax Ordinance, 2001, concept of best judgment assessment has been introduced by inserting new section 11D whereby if a taxpayer fails to file return in response to notice under sub-section (2A) of section 26 or fails to produce the required accounts, documents, records etc., the officer of Inland Revenue not below the rank of Assistant Commissioner based on any available information or material and to the best of his judgment make an assessment after providing an opportunity of being heard.

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Further, he has been authorized to disallow or reduce the input tax claimed if the taxpayer fails to produce the required documentary evidence in respect of a transaction giving rise to such claim.

If the person files the return within 60 days of issuance of order and pays the amount of tax payable along with default surcharge and penalty, the show cause notice and the order of assessment shall abate.

It is also provided that where the FBR has specified conditions for the purpose of determination of minimum tax liability in respect of a person who is required to file return but fails to file such return, the officer of Inland Revenue shall determine such liability in accordance thereof.

### **Assessment of tax and recovery of tax not levied or short levied or erroneously refunded** **Section 11E**

New section 11E has been inserted whereby an officer of Inland Revenue not below the rank of Assistant Commissioner has been empowered to pass an order after providing an opportunity of being heard to the person where due to any reason the person has;

- (a) not paid or short paid due sales tax;
- (b) claimed input tax credit or refund which is not admissible; or
- (c) has obtained an amount of refund not due.

For this purpose, the officer of Inland Revenue has been empowered under-sub section (2) of this section, to disallow input tax if the taxpayer is unable, without reasonable cause, to provide a receipt, or invoice or other record or evidence of the transaction or circumstances giving rise to such claim.

Previously, similar provisions were provided in section 11 which has now been omitted.

### **Failure to withhold sales tax** **Section 11F**

Where any person, required to withhold sales tax under sub-section (7) of section 3, fails to withhold tax or fails to deposit the tax withheld in the prescribed manner, the officer of Inland Revenue not below the rank of Assistant Commissioner has been empowered to pass an order to determine and recover the amount in default and impose penalty and default surcharge under section 33 and 34.

Previously, similar provisions were provided in section 11 which has now been omitted.

### **Limitation for assessment** **Section 11G**

This new section has been inserted which governs the time period within which show cause notice under section 11D, 11E, and 11F of the Act can be issued. The order can be passed within five years, from the end of the financial year in which the relevant date falls. The order shall be made within one hundred and twenty days of the issuance of show cause notice or an extended period of not more than ninety days on the reasons to be recorded in writing.

Previously, similar provisions were provided in section 11 which has now been omitted.

### **De-registration, blacklisting and suspension of registration** **Section 21(5)**

New sub-section (5) has been inserted whereby the Chief Commissioner either of his own motion or on application made by the registered person has been empowered to examine the blacklisting and suspension order passed by the Commissioner and thereby modify the order as he may deems fit after providing opportunity of hearing to the registered person.

Previously, such action of the Commissioner was appealable before Appellate Tribunal Inland Revenue.

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### **Tax Invoices**

### **Section 23(3)**

Sub-section (3) of this section has been substituted which makes it mandatory for every registered person making a taxable supply to issue electronic invoices subject to such conditions, restrictions and limitations as the FBR may by notification in the official Gazette, specify.

Previously a registered person was allowed to issue electronic invoices at his own discretion subject to such conditions, restrictions and limitations.

### **Audit of sales tax affairs**

### **Section 25**

The existing section of the Act namely 'Access to record, documents, etc.' has been substituted. Provisions of the previous section have been revamped. This new section describes regarding the audit of sales tax affairs and a proper procedure has been laid down therein as under:

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

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

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

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

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

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

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

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

(5) The officer of Inland Revenue may require the registered person to attend his office in person or through an authorized representative. The registered person shall produce such accounts, documents or any evidence as the officer of Inland Revenue may consider necessary.

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



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(7) The officer of Inland Revenue not below the rank of Assistant Commissioner shall conduct audit of the sales tax affairs to verify the correctness or otherwise of the declared tax liability, output tax, input tax claimed, tax paid, refund claimed, stocks consumed or available for ascertaining compliance or otherwise with the provisions of this Act and the rules made thereunder on the basis of the record and evidence obtained under sub-sections (5) or (6).

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

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

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

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

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

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

### **Return**

### **Section 26(2A)**

New sub-section 2A has been inserted under this section, according to which an officer may require any person to file a return within a specified time period through a notice in writing. This notice shall only be issued within fifteen years in case of a tax fraud and five years in all cases from the end of the financial year in which the return was due.

### **Tax Fraud Investigation Wing Inland Revenue**

### **Section 30AB**

New section 30AB has been inserted whereby a new wing to be known as Tax Fraud Investigation Wing Inland Revenue has been established.

The functions of the Tax Fraud Investigation Wing Inland Revenue shall be to detect, analyze, investigate, combat and prevent tax evasion and fraud.

The Tax Fraud Investigation Wing Inland Revenue shall comprise Fraud Intelligence and Analysis Unit, Fraud Investigation Unit, Legal Unit, Accountants Unit, Digital Forensic and Scene of Crime Unit, Administrative Unit or any other Unit as may be approved by the FBR or the Federal Government.

### **Directorate-General of law**

### **Section 30DDA**

New section 30DDA has been inserted whereby a new department to be known as Directorate General of law has been established.

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The Directorate-General of law shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors, Assistant Directors, Law Officers and such other officers as the Board may, by notification in the official Gazette, appoint.

The Board may, by notification in the official Gazette, specify the functions, jurisdiction and powers of the Directorate-General of law.

### **Offences and penalties**

### **Section 33(1)**

New definition of 'licensed integrator' has been inserted in section 2 which means any person licensed by the FBR to provide electronic invoicing system for integration of registered persons in the prescribed manner. Further, a licensed integrator is required to integrate the registered persons under sub-section (5) of section 40C.

For this purpose, a penalty has been introduced in this section whereby if such licensed integrator fails to integrate such registered persons in the manner as required under this Act and rules made thereunder, shall be liable to pay penalty of rupees one million or one percent of the total value of the sales suppressed, whichever is higher.

Further, the offences and penalties stated in serial No. 11, 12, 13, 14, 18, 22, 23, 24, 25, 25A, 26 and 27 of the table has been amended to be read as under:

<b>Sr. No.</b>	<b>Offences</b>	<b>Penalties</b>	<b>Section of the Act to which offence has reference</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	
11	Any person who,  (a) submits a false or forged document to any officer of Inland revenue; or  (b) destroys, alters, mutilates or falsifies the records including a sales tax invoice; or  (c) Knowingly or fraudulently makes false statement, false declaration, false representation, false personification, gives any false information or issues or uses a document which is forged or false.	Such person shall pay a penalty of twenty-five thousand rupees or one hundred percent of the amount of tax evaded or sought to be evaded, whichever is higher. Without prejudice to the above, he shall also be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to five years if the tax evaded or sought to be evaded is 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
12	Any person who denies or obstructs the access of an authorized officer to the business premises, registered office or to any other place where records are kept, or otherwise refuses access to the stocks, accounts or records or fails	Such person shall pay a penalty of twenty-five thousand rupees or one hundred percent of the amount of tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to five years, or with fine which may extend to an amount	25, 38, 38A and 40B

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Sr. No.	Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)	(3)
	to present the same when required under section 25, 38.	equal to the amount of tax evaded or sought to be evaded, or with both.	
13	Any person who commits, causes to commit or attempts to commit the tax fraud, or abets or connives in commissioning of tax fraud.	(a) The person who commits, causes to commit or attempts to commit the tax fraud shall pay a penalty of twenty-five thousand rupees or one hundred percent of the amount of tax evaded or sought to be evaded, whichever is higher. Without prejudice to the above, he shall also be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to five years if the tax evaded or sought to be evaded is less than one billion rupees, and which may extend to ten years if the tax evaded or sought to be evaded is one billion rupees 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; and  (b) The person who abets or connives in commissioning of tax fraud shall be liable, upon conviction by a Special Judge to imprisonment for a term which may extend to five years if the tax evaded or sought to be evaded is less than one billion rupees, and which may extend to ten years if the tax evaded or sought to be evaded is one billion rupees and above, and with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded or with both.	2(37)
14	Where any person violates any embargo placed on removal of goods in connection with recovery of tax.	Such person shall pay a penalty of twenty five thousand rupees or ten <i>per cent</i> of the amount of the tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by a 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.	48
18	Where any officer of Inland Revenue authorized to act under this Act, acts or omits	Such officer of Inland Revenue shall be liable, upon conviction by a Special Judge, to imprisonment for a term	General

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Sr. No.	Offences	Penalties	Section of the Act to which offence has reference
	(1)	(2)	(3)
	or attempts to act or omit in a manner causing loss to the sales tax revenue or otherwise abets or connives in any such act.	which may extend to three years, or with fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded, or with both.	
22	<p>Any person who –</p> <p>(a) knowingly and without lawful authority gains access to or attempts to gain access to the computerized system; or</p> <p>(b) unauthorizedly uses or discloses or publishes or otherwise disseminates information obtained from the computerized system; or</p> <p>(c) falsifies any record or information stored in the computerized system; or</p> <p>(d) knowingly or dishonestly damages or impairs the computerized system; or</p> <p>(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</p> <p>(f) unauthorizedly uses unique user identifier of any other registered user to authenticate a transmission of information to the computerized system; or</p> <p>(g) fails to comply with or contravenes any of the conditions prescribed for security of unique user identifier.</p>	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

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Sr. No.	Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)	(3)
23	Any person who manufactures, possesses, transports, distributes, stores or sells [goods or class of goods as specified by the Board under sub-section (1) of section 40C with counterfeited tax stamps, banderoles, stickers, labels or barcodes or without tax stamps, banderoles, stickers, labels or barcodes.	<p>(i) Such specified goods shall be liable to outright confiscation as may be prescribed. Any person committing the offence shall pay a penalty of twenty-five thousand rupees or one hundred per cent of the amount of tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to three years, or with additional fine which may extend to an amount equal to the amount of tax evaded or sought to be evaded, or with both.</p> <p>(ii) In case of transport of specified goods with counterfeited tax stamps, banderoles, stickers, labels or barcodes, or without tax stamps, banderoles, stickers, labels or barcodes, permanent seizure of the vehicle used for transportation of non-conforming or counterfeit specified goods; and</p> <p>(iii) In case of repeat sale of specified goods without or with counterfeited, tax stamps, banderoles, stickers, labels or barcodes, the premises used for such sale shall be liable to be sealed by an officer of Inland Revenue in the manner as may be prescribed.</p>	40C(2)
24	Any person, who is integrated for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the FBR or its computerized system, conducts such transactions in a manner so as to avoid monitoring, tracking, reporting or recording of such transactions, or issues an invoice which does not carry the prescribed invoice No. or barcode or QR code or bears duplicate invoice number or counterfeit	<p>Such person shall pay a penalty of five hundred thousand rupees or two hundred per cent of the amount of tax involved, whichever is higher. Without prejudice to above, he shall also be liable, upon conviction by a Special Judge, to simple imprisonment for a term which may extend to two years, or with additional fine which may extend to two million rupees, or with both.</p> <p>Notwithstanding above, the business premises of such person shall be liable to be sealed by an officer of Inland Revenue in the manner prescribed.</p> <p>Any person who abets commissioning of such offence, shall be liable, upon</p>	Sub-section (9A) of section 3 and section 40C.

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Sr. No.	Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)	(3)
	barcode, or QR code or defaces the prescribed invoice number of barcode or QR code] or any person who abets commissioning of such offence.	conviction by a Special Judge, to simple imprisonment for a term which may extend to one year, or with additional fine which may extend to two hundred thousand rupees, or with both.	
25	Any person, who is required to integrate his business for monitoring, tracking, reporting or recording of sales, production and similar business transactions with the Board or its computerized system, fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under law.	Such person shall be liable to pay a penalty up to one million rupees, and if continues to commit the same offence after a period of two months after imposition of penalty as aforesaid, his business premises shall be liable to be sealed by an officer of Inland Revenue in the manner as may be prescribed.	Section 40C
25A	A person required to integrate his business as stipulated under sub-section (9A) of section 3 or sub-section (4) of the section 40C, who fails to get himself registered under the Act, and if registered, fails to integrate in the manner as required under the law and rules made thereunder.	Such person shall be liable to pay: (i) penalty of five hundred thousand rupees for first default; (ii) penalty of one million rupees for second default after fifteen days of order for first default; (iii) penalty of two million rupees for third default after fifteen days of order for second default; (iv) penalty of three million rupees for fourth default after fifteen days of order for third default:  Notwithstanding above, the business premises of such person shall be liable to be sealed by an officer of Inland Revenue in the manner prescribed.  Provided that if the retailer integrates his business with the Board's Computerized System before imposition of penalty for second default, penalty for first default shall be waived.	Sub-section (9A) of section 3 and sub-section (4) of section 40C
26	Any person, being a manufacturer or importer of an item which is subject to tax on the basis of retail price, who fails to print the retail price in the manner as stipulated under the Act.	Such person shall pay a penalty of ten thousand rupees or five <i>per cent</i> of the amount of tax involved, whichever is higher.  Further, such goods shall also be liable to confiscation as may be prescribed. However, the adjudication authority,	Sub-section (27) of section 2 and clause (a) of sub-section (2) of section 3.

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Sr. No.	Offences	Penalties	Section of the Act to which offence has reference
(1)	(2)	(3)	(3)
		after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than twenty percent of the total retail price of such goods.	
27	Any person, being owner of the goods, which are brought to Pakistan in violation of section 40D.	Such person shall pay a penalty of ten thousand rupees or five per cent of the amount of tax involved, whichever is higher. Further, such goods shall also be liable to confiscation as may be prescribed. However, the adjudication authority, after such confiscation, may allow redemption of such goods on payment of fine which shall not be less than twenty percent of value, or retail price in case of items falling in Third Schedule, of such goods.	Section 40D

**Default surcharge**

**Section 34(1)**

The rate of default surcharge has been revised to "twelve percent per annum or KIBOR plus three percent per annum, whichever is higher". Previously, this rate was twelve percent per annum.

**Monitoring or tracking by electronic or other means**

**Section 40C(4)&(5)**

The new sub-sections (4) and (5) have been inserted under this section according to which the FBR 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.

A 'licensed integrator' as defined in section 2, shall integrate electronic invoicing system of registered persons as cited above in such mode and manner as may be prescribed by the FBR.

**Pecuniary jurisdiction in appeals**

**Section 43A(4)**

Filing of appeals has been revamped by adding this section through Tax Laws (Amendment) Act, 2024.

This section prescribes procedure for filing appeals and references related to assessments of tax. Summary of newly inserted section 43A with other amendments through Finance Act, 2024 is as follows:

- (i) Where the value of assessment of tax or refund of tax does not exceed ten million rupees, appeal shall lie before the Commissioner (Appeals) within thirty days.
- (ii) Where the value of assessment of tax or refund of tax exceeds ten million rupees, appeal shall lie before the Appellate Tribunal Inland Revenue within thirty days.
- (iii) Any person or officer of Inland Revenue aggrieved by an order of the Commissioner (Appeals) or Appellate Tribunal in cases mentioned in (i) and (ii) above, may file a reference before the High Court within thirty days in accordance with section 133 of the Income Tax Ordinance, 2001.

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- (iv) The cases pending before the Commissioner (Appeals) having the value of assessment of tax or refund of tax exceeding ten million rupees shall on or before 31st day of December 2024 stand transferred to the Appellate Tribunal Inland Revenue.
- (v) All cases transferred from the Commissioner (Appeals) to the Appellate Tribunal, shall be decided by the Appellate Tribunal within ninety days as provided under section 132 of the Income Tax Ordinance, 2001 which period shall commence from 31st day of December 2024. However, it is provided that appeals pending before the Appellate Tribunal on the date of commencement of the Tax Laws (Amendment) Act, 2024 shall be decided within one hundred and eighty days.

### **Appeals to Appellate Tribunal**

### **Section 46(1)**

Sub-section (1) of this section has been substituted by Tax Laws (Amendment) Act, 2024 which states that any person other than SOE, aggrieved by any order passed by an officer of Inland Revenue, or the FBR or Commissioner (Appeals), may file an appeal before the Appellate Tribunal or as the case may be, a reference to the High Court, within thirty days of the receipt of such order.

Further, Chief Commissioner either of his own motion or on application made by the registered person has been empowered under sub-section (5) of section 21 to examine the blacklisting and suspension order passed by the Commissioner and thereby modify the order as he may deems fit after providing opportunity of hearing to the registered person.

In view of the above amendment, corresponding amendment has been made under this section to exclude the order of suspension and blacklisting from the orders which are appealable before Appellate Tribunal Inland Revenue.

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

### **Section 47**

Section 47 was substituted by the Tax Laws (Amendment) Act, 2024 which states that within thirty days of the communication of the order of the Appellate Tribunal or, the Commissioner (Appeals), the aggrieved person or the Commissioner may file a reference, in the prescribed form along with a statement of the case, before the High Court, stating any question of law or a mixed question of law and facts arising out of such order. The applicant shall also file complete record of the Appellate Tribunal or, the Commissioner (Appeals) to the High Court under this section.

To keep the section in line with section 133 of the Income Tax Ordinance, 2001 and rules made thereunder relating to a reference to the High Court shall, mutatis mutandis, apply to references to the High Court under this Act.

### **Alternative dispute resolution**

### **Section 47A**

By substituting sub-section (1) of this section through Tax Laws (Amendment) Act, 2024, the limit of tax liability or admissibility of refund as the case may be to apply for dispute resolution under this section has been reduced to fifty million rupees or above from one hundred million rupees or above.

Further, it is provided that the above limit of fifty million rupees shall not apply where the aggrieved person is a state-owned enterprise (SOE). It shall be mandatory for such aggrieved SOE to apply to the FBR for the appointment of a committee for the resolution of any dispute under this section and no suit, prosecution, or other legal proceedings shall lie against the SOE or the committee in relation to the dispute resolved under this section.

To keep the provisions of this section in line with section 134A of the Income Tax Ordinance, 2001 and rules made thereunder relating to alternative dispute resolution shall mutatis mutandis, apply to applications for alternative dispute resolution.

### **Savings**

### **Section 47AB**

By inserting new section 47AB, it has been clarified that time limitation for filing of appeals before the Appellate Tribunal Inland Revenue under section 46 or reference to the High Court under section 47



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in respect of the orders of the Commissioner (Appeals) or Appellate Tribunal received prior to the commencement of Tax Laws (Amendment) Act, 2024, shall be as applicable prior to the introduction of Tax Laws (Amendment) Act, 2024.

**Recovery of arrears of tax**

**Section 48**

Amendment in sub-section (1) of section 48 through Tax Laws (Amendment) Act, 2024 has been made whereby the officer of Inland Revenue shall not issue notice for recovery of tax in case the tax payer has filed an appeal before or Appellate Tribunal subject to the condition that the taxpayer has paid the ten percent of the amount of tax involved.

**Certain transactions not admissible**

**Section 73(1)**

Previously, the buyer was required to make payment of the amount for a transaction exceeding value of fifty thousand rupees through banking channel from his bank account in favour of the supplier. Now, the above limit of fifty thousand rupees shall be for transactions in aggregate to a single supplier in a tax period.

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

DAP has been included in this Schedule to be taxed at retail price @ 5% as provided in Eighth Schedule with the condition that no refund of excessive input tax shall be admissible.

**THE FIFTH SCHEDULE**  
**[See Section 4]**

Following serial numbers and related columns have been omitted from the zero rating in the Fifth Schedule:

Serial No.	Description	PCT heading
12	(xvii) Preparations suitable for infants, put up for retail sale not exceeding rupees six hundred per two hundred grams	1901.1000
	(xx) Colors in set	3213.1000
	(xxi) Writing, drawing and marking inks	3215.9010 and 3215.9090
	(xxii) Erasers	4016.9210 and 4016.9290
	(xxiv) Pencil sharpeners	8214.1000
	(xxv) Other drawing, making out or mathematical calculating instruments (geometry box)	9017.20000
	(xxvi) Pens, ball pens, markers and porous tipped pens	96.08
	(xxvii) Pencils including color pencils	96.09
16	Milk	04.01
17	Fat filled milk	1901.9090
21	Local supplies of commodities, raw materials, components, parts and plant and machinery to registered exporters authorized under Export Facilitation Scheme, 2021 notified by the Board with such conditions, limitations and restrictions as specified therein.	

Now, the above items omitted under serial No. 12 of this Schedule have been included under Eighth Schedule to be taxed @ 10%.

Further, the items mentioned in the above omitted serial Nos. 16, 17 and 21 excluding milk which is not sold under a brand name, shall be taxed @ 18%.

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**THE SIXTH SCHEDULE**  
[See section 13(1)]

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

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)
13.	Edible vegetables from Afghanistan including roots and tubers except ware potato and onions, whether fresh, frozen or otherwise preserved (e.g. in cold storage) but excluding those bottled or canned.	0701.1000, 0702.0000, 0703.2000, 0703.9000, 0704.1000, 0704.2000, 0704.9000, 0705.1100, 0705.1900, 0705.2100, 0705.2900, 0706.1000, 0706.9000, 0707.0000, 0708.1000, 0708.2000, 0708.9000, 0709.1000, 0709.2000, 0709.3000, 0709.4000, 0709.5100, 0709.6000, 0709.7000, 0709.9000, 0710.1000, 0710.2100, 0710.2200, 0710.2900, 0710.3000, 0710.4000, 0710.8000, 0710.9000, 0712.2000, 0712.3100, 0712.3200, 0712.3300, 0712.3900 and 0712.9000
15.	Fruit imported from Afghanistan excluding apples PCT 0808.1000	0804.1010, 0804.1020, 0804.2000, 0804.3000, 0804.4000, 0804.5010, 0804.5020, 0804.5030, 0805.1000, 0805.2910, 0805.2100, 0805.2200, 0805.2990, 0805.4000, 0805.5000, 0805.9000, 0806.1000, 0806.2000, 0807.1100, 0807.1900, 0807.2000, 0808.3000, 0808.4000, 0809.1000, 0809.2000, 0809.3000, 0809.4000, 0810.1000, 0810.2000, 0810.4000, 0810.5000, 0810.6000, 0810.9010, 0810.9090, 0811.1000, 0811.2000, 0811.9000, 0813.1000, 0813.2000, 0813.3000, 0813.4010, 0813.4020 and 0813.4090

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Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
(1)	(2)	(3)
86.	Colors in sets (Poster colors).	3213.1000
87.	Writing, drawing and making inks.	3215.9010 and 3215.9090
88.	Erasers.	4016.9210 and 4016.9290
90.	Pencil sharpeners.	8214.1000
96.	Other drawing, marking out or mathematical calculating instruments (geometry box).	9017.2000
97.	Pens, ball pens, markers and porous tipped pens.	96.08
98.	Pencils including color pencils.	96.09
120.	Diagnostic kits or equipment.	Respective headings
169.	Oil cake and other solid residues.	2306.1000
170.	Tractor.	8701.9220 and 8701.9320
174.	Machinery and equipment as listed at serial number 32 of the Table of Part-I of Fifth Schedule to the Customs Act, 1969 subject to the conditions, limitations and restrictions specified thereunder.	Respective headings

Exemption available from sale tax under serial Nos. 151 and 152, in respect of (a) supplies for consumption in tribal areas (b) imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas and (iii) supplies of electricity, has been extended till 30<sup>th</sup> June 2025. Previously this exemption was available till 30<sup>th</sup> June 2024.

Following entries have 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)
175	Import of all goods received, in the event of a natural disaster or other catastrophe, as gifts and relief consignments or any goods received as gift or donation from a foreign government or organization by the Federal or Provincial Governments or any public sector organization.  Subject to the recommendations of the Minister Incharge and concurrence by the Federal Board of Revenue subject to condition that the concerned Ministry shall verify the genuineness of such cases and furnish an undertaking to the effect that donated goods shall not be sold, utilized or disposed of otherwise than for the purpose for which the same have been imported.	9908(i) and 9911.
176	POL products: (i) MS (Petrol) (ii) High Speed Diesel Oil (iii) Kerosene (iv) Light Diesel Oil	2710.1210, 2710.1931, 2710.1911 and 2710.1921
177	Supply of electricity to Azad Jammu and Kashmir	Respective headings
178	Import of gold under entrustment scheme under SRO 760(I)/2013	Respective headings
179	Import of cystagon, cysta drops and trientine capsules (for personal use only)	3004.9099
180	Bovine semen	0511.1000

**SALES TAX ACT, 1990**

**Table-2**  
**(Local Supplies only)**

Following entries have been omitted from this Schedule to be taxed at reduced rate of 10% under Eighth Schedule:

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969(IV of 1969)
(1)	(2)	(3)
7	vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers	Respective heading
21	Poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal	2306.3000, 2306.4900 and respective headings

Following entries have 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)
56	Milk excluding i. that sold under a brand name or ii. supplied by corporate dairy farms	04.01
57	Iron and steel scarp excluding supplied by manufacturer-cum-exporter of recycled copper, authorized under Export Facilitation Scheme, 2021.	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:

Sr. No	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	Rate of Tax	Condition
58.	LPG	2711.1910	10%	Imports thereof and local supplies of such imported LPG
66.	Supplies as made from retail outlets as are integrated with Board's computerized system for real-time reporting of sales	Respective Headings	15%	if supplied goods are finished fabric, and locally manufactured finished articles of textile and textile made-ups and leather and artificial leather subject to the condition that they have maintained 4% value addition during the last six months

Now, the above items shall be subject to tax @ 18%.

**SALES TAX ACT, 1990**

Locally manufactured Hybrid electric vehicle (a) Upto 1800 cc and (b) From 1801 cc to 2500 cc are subject to sales tax at reduced rates of 8.5% and 12.75%, respectively. Now, such concession of reduced rate has been limited for the period till 30<sup>th</sup> June 2026.

Following entries have been amended.

Sr. No	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	Reduced rate of sales tax	Condition
77.	Imported personal computers and laptop computers, notebooks whether or not incorporating multimedia kit	8471.3020 and 8471.3010	10%	
81.	Substances registered as drugs under the Drugs Act, 1976.	Respective Heading	1%	Subject to the conditions that: (i) Tax charged and deposited by the manufacturer or importer, as the case may be, shall be final discharge of tax in the supply chain (ii) No input tax shall be adjusted in the supply chain.

The following entries have been added to be read as under 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)
84.	Colors in sets	3213.1000	10%	
	Writing, drawing and marking inks	3215.9010 and 3215.9090		
	Erasers	4016.9210 and 4016.9290		
	Pencil sharpeners	8214.1000		
	other drawing, marking out or mathematical calculating instruments (geometry box)	9017.2000		
	Pens, ball pens, markers and porous tipped pens	96.08		
	Pencils including color pencils	96.09		
85.	Oil cake and other solid residue	2306.1000	10%	

**SALES TAX ACT, 1990**

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969	Rate of Sales Tax	Condition
(1)	(2)	(3)	(4)	(5)
86.	Tractors	8701.9220 and 8701.9320	10%	
87.	Local supply of vermicillies, sheer mal, bun and rusk excluding those sold in bakeries, and sweet shops falling in the category of Tier-1 retailers.	Respective headings	10%	
88.	Local supply of poultry feed, cattle feed, sunflower seed meal, rape seed meal and canola seed meal	2306.3000, 2306.4900 and respective headings	10%	

**[THE NINTH SCHEDULE]**  
**[See sub-section (3B) of section 3]**  
**Table –II**

By substituting Table-II of this Schedule, rates of cellular mobile phones or satellite phones to be charged on the basis of import value per set or equivalent value in rupees in case of supply by the manufacturer, at the rates as indicated against each category have been enchanced as follows:

S. No.	Description / Specification of Goods	Sales tax on CBUs at the time of import or registration (IMEI number by CMOs)	Sales tax on import in CKD/ SKD condition	Sales tax on supply of locally manufactured mobile phones in CBU condition in addition to tax under column (4)
(1)	(2)	(3)	(4)	(5)
	A. Not exceeding US\$ 500	18% ad valorem	18% ad valorem	18% ad valorem
	B. Exceeding US\$ 500	25% ad valorem	18% ad valorem	18% ad valorem

Further, restrictions in respect of adjustment of input tax against output tax under this Schedule have been withdrawn, whereby now, the purchaser or importer of mobile phones has been allowed to adjust input tax paid against tax payable.

**SALES TAX ACT, 1990**

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**[THE ELEVENTH SCHEDULE]  
[See sub-section (7) of section 3]  
Table**

Rate of withholding tax to be collected from persons supplying any kind of lead batteries under chapter 78 or scrap batteries under chapter 85 has been enhanced to 80% from 75% of the sale tax applicable.

New entries have been added in the Table whereby from now, following withholding agents shall withhold tax on supply of following items @ 80% of the sales tax applicable to each supplier category.

<b>S. No.</b>	<b>Withholding agent</b>	<b>Supplier category</b>
1.	Registered persons manufacturing cement	Persons supplying any kind of gypsum under chapter 25 or limestone flux under chapter 25
2.	Registered persons	Persons supplying any kind of coal under chapter 27
3.	Registered persons	Persons supplying any kind of waste of paper and paper board
4.	Registered persons	Persons supplying any kind of plastic waste
5.	Registered persons	Persons supplying crush stone and silica

Previously, supplies made by an active taxpayer as defined in the Act to another registered person with exception of advertisement services, was not required to withhold tax. Now, withholding tax shall be applicable on the following supplies from an active taxpayer to another registered person:

- (i) advertisement services
- (ii) supply of lead or scrap batteries to manufacturer of lead batteries
- (iii) supply of any kind of gypsum to cement manufacturers
- (iv) supply of coal
- (v) supply of waste paper and paper board
- (vi) supply of any kind of plastic waste-
- (vii) supply of crush stone and silica

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**FEDERAL EXCISE ACT, 2005**

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**Default Surcharge**

**Section 8**

Rate of default surcharge under this section has been revised as 12% or KIBOR plus 3% per annum whichever is higher (previously 12% per annum).

**Offences, penalties, fines and allied matters**

**Section 19(3)(f) & (10A)**

Now, by adding a new clause (f) under sub-section 3 of this section, new fine / penalty has been introduced whereby if any person who installs or removes the plant and machinery having value of fifty million rupees and above, without prior permission of the Commissioner shall be liable to fine which may extend to fifty thousand rupees or five times of the duty involved whichever is higher and punishment with imprisonment which may extend to five years or both.

A new sub-section (10A) has been inserted under this section whereby tax authorities have been empowered to seal the retail outlet of the retailer in the manner as may be prescribed who is found selling cigarettes packs without affixing, or affixing counterfeited, tax stamps, banderoles, stickers, labels or barcodes.

**Tax Fraud Investigation Wing Inland Revenue**

**New section 29A**

New section 29A has been inserted whereby a new wing to be known as Tax Fraud Investigation Wing Inland Revenue has been established.

The functions of the Tax Fraud Investigation Wing Inland Revenue shall be to detect, analyze, investigate, combat and prevent tax evasion and fraud.

The Tax Fraud Investigation Wing Inland Revenue shall comprise Fraud Intelligence and Analysis Unit, Fraud Investigation Unit, Legal Unit, Accountants Unit, Digital Forensic and Scene of Crime Unit, Administrative Unit or any other Unit as may be approved by the FBR or the Federal Government.

**Appeal to Commissioner (Appeals)**

**Section 33**

Section 33 was substituted by the Tax Laws (Amendment) Act, 2024. Further, certain amendments have also been made in this section through Finance Act, 2024.

Within thirty days of receipt of order under this Act or the rules made thereunder passed by an officer of Inland Revenue up to the rank of Additional Commissioner Inland Revenue, other than a decision or order or notice given or action taken for recovery of the arrears of duty, if the value of assessment of tax or refund of tax does not exceed five million rupees then appeal can be filed with the Commissioner (Appeals).

**Pecuniary jurisdiction in Appeals**

**New section 33A**

Filing of appeals has been revamped by adding this section through Tax Laws (Amendment) Act, 2024.

This section prescribes procedure for filing appeals and references related to assessments of tax. Summary of newly inserted section 33A with other amendments through Finance Act, 2024 is as follows:

- (i) Where the value of assessment of tax or refund of tax does not exceed five million rupees, appeal shall lie before the Commissioner (Appeals) within thirty days.
- (ii) Where the value of assessment of tax or refund of tax exceeds five million rupees, appeal shall lie before the Appellate Tribunal Inland Revenue within thirty days.



## **FEDERAL EXCISE ACT, 2005**

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- (iii) Any person or officer of Inland Revenue aggrieved by an order of the Commissioner (Appeals) or Appellate Tribunal in cases mentioned in (i) and (ii) above, may file a reference before the High Court within thirty days in accordance with section 133.
- (iv) The cases pending before the Commissioner (Appeals) having the value of assessment of tax or refund of tax exceeding five million rupees shall on or before 31<sup>st</sup> day of December 2024 stand transferred to the Appellate Tribunal Inland Revenue.
- (v) All cases transferred from the Commissioner (Appeals) to the Appellate Tribunal, shall be decided by the Appellate Tribunal within ninety days as provided under section 132 which period shall commence from 31<sup>st</sup> day of December 2024. However, it is provided that appeals pending before the Appellate Tribunal on the date of commencement of the Tax Laws (Amendment) Act, 2024 shall be decided within one hundred and eighty days.

### **Reference to High Court**

### **Section 34A**

Section 34A was substituted by the Tax Laws (Amendment) Act, 2024 thereby now, within thirty days of the communication of the order of the Appellate Tribunal or, as the case may be, Commissioner (Appeals), 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 or, as the case may be, Commissioner (Appeals), before the High Court, stating any question of law or a mixed question of law and fact arising out of such order.

To keep the provisions of this section in line with section 133 of the Income Tax Ordinance, 2001 and rules made thereunder relating to a reference to the High Court shall, mutatis mutandis, apply to references to the High Court under this Act.

### **Saving**

### **New section 34AB**

By inserting new section 34AB, it has been clarified that time limitation for filing of appeals before the Appellate Tribunal Inland Revenue under section 34 or reference to the High Court under section 34A in respect of the orders of the Commissioner (Appeals) or Appellate Tribunal received prior to the commencement of Tax Laws (Amendment) Act, 2024, shall be as applicable prior to the introduction of Tax Laws (Amendment) Act, 2024.

### **Alternative dispute resolution**

### **Section 38**

By substituting sub-section (1) of this section through Tax Laws (Amendment) Act, 2024, the limit of tax liability or admissibility of refund as the case may be to apply for dispute resolution under this section has been reduced to fifty million rupees or above from one hundred million rupees or above.

Further, it is provided that the above limit of fifty million rupees shall not apply where the aggrieved person is a state-owned enterprise (SOE). It shall be mandatory for such aggrieved SOE to apply to the FBR for the appointment of a committee for the resolution of any dispute under this section and no suit, prosecution, or other legal proceedings shall lie against the SOE or the committee in relation to the dispute resolved under this section.

To keep the provisions of this section in line with section 134A of the Income Tax Ordinance, 2001 and rules made thereunder relating to alternative dispute resolution shall, mutatis mutandis, apply to applications for alternative dispute resolution under this Act.

**FEDERAL EXCISE ACT, 2005**

**THE FIRST SCHEDULE**  
**[See section 3]**  
**TABLE-I**  
**(EXCISABLE GOODS)**

Following entries have been inserted in the Table-I of this schedule on which Federal excise duty has been imposed as under:

<b>S. No.</b>	<b>Description of Goods</b>	<b>Heading</b>	<b>Rate of Duty</b>
7a	Acetate tow	Respective heading	Rupees forty four thousand per kg
8d	Nicotine pouches	Respective heading	Rupees one thousand and two hundred per kg
63	Lubricating oil	2710.1951, 2710.1952 and 2710.1953	Five percent ad valorem

Rates of tax in respect of following entries have been revised as under:

<b>S. No.</b>	<b>Description of Goods</b>	<b>Heading</b>	<b>Previous rate of duty</b>	<b>Revised rate of duty</b>
8a	E-liquids by whatsoever name called, for electric cigarette kits	Respective heading	Rupees ten thousand per kg	Rupees ten thousand per kg or sixty five percent of retail price whichever is higher
13	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers	25.23	two rupees per kilogram	Four rupees per kilogram
56	Filter rod for cigarettes	Respective heading	Rupees fifteen hundred per kg	Rupees eighty thousand per kg

Following entries have been substituted to be read as under:

<b>S. No.</b>	<b>Description</b>	<b>Rate of Duty</b>
9.	Locally produced cigarettes if their on-pack printed retail price exceeds twelve thousand five hundred per thousand cigarettes.	Rupees sixteen thousand five hundred per thousand cigarettes.
10.	Locally produced cigarettes if their on-pack printed retail price does not exceed twelve thousand five hundred per thousand cigarettes.	Rupees five thousand and fifty per thousand cigarettes.

The heading 'Variants at different price points' has been replaced with heading 'Brand variants at different price points'. Further, explanation under the said new heading, has been added to clarify that brand variant means any cigarette brand with similar logo, name, colour, design, pattern or any unique distinguish mark associated with an existing brand family.

Further, amendment has been made in the heading "Restriction-3 – Minimum Price" whereby minimum price restriction for cigarettes has been reduced to fifty-five percent from sixty percent of the retail price as provided against serial number 9 of Table-I of this Schedule.

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**TABLE-II**  
(EXCISABLE SERVICES)

Following entry has been substituted to be read as under:

S. No.	Description of Services	Rate of Duty
(1)	(2)	(4)
3	<p>Facilities for travel</p> <p>(b) Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan, -</p> <p>(i) Economy and economy plus air tickets issued on or after 1<sup>st</sup> day of July, 2024.</p> <p>(ii) Club, business and first-class air tickets issued on or after the 1st day of July, 2024:</p> <p style="padding-left: 20px;">(a) IATA Traffic Conference Area 1 (North, Central, South America and Environs)</p> <p style="padding-left: 20px;">(b) IATA Traffic Conference Area 2</p> <p style="padding-left: 40px;">(I) Middle East and Africa</p> <p style="padding-left: 40px;">(II) Europe</p> <p style="padding-left: 20px;">(c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands)</p>	<p>Twelve thousand five hundred rupees</p> <p>(a) Three hundred and fifty thousand rupees</p> <p>(b)(I) One hundred and five thousand rupees</p> <p>(b)(II) Two hundred and ten thousand rupees</p> <p>(c) two hundred and ten thousand rupees</p>

**TABLE-III**  
(EXCISABLE ITEMS OTHER THAN THOSE MENTIONED UNDER TABLE-I AND TABLE-II)

[See CLAUSE (e) of sub-section (1) of section 3]

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 headings	<p>(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;</p> <p>(ii) 5% of gross amount of consideration involved where the</p>

**FEDERAL EXCISE ACT, 2005**

S. No.	Description of Items	Heading/sub-heading Number	Rate of Duty
(1)	(2)	(3)	(4)
			<p>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</p> <p>(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.</p>
2.	Supply of white crystalline sugar by any person to a manufacturing, processing or packaging entity.	Respective heading	Rupees fifteen per kg.

**The THIRD SCHEDULE**  
**[See sub-section (1) of section 16]**  
**(CONDITIONAL EXEMPTIONS)**  
**Table-I**  
**(Goods)**

Following new entry has been inserted to be read as under:

S. No.	Description of Goods	Heading
23.	Imports made by diplomats, diplomatic missions, privileged persons and privileged organizations which are covered under various Acts, Orders, Rules, Regulations and Agreements passed by the Parliament or issued or agreed by the Government of Pakistan.	99.01, 99.02 and 99.05.

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**Cosmetic and plastic surgery** **Section 2(29A)**

By adding explanation to the definition of 'cosmetic and plastic surgery', it has been clarified that the term 'surgery' includes 'procedure'.

**Education services** **Section 2(37B)**

New clause 37A has been inserted to define 'education services' as under:

"education services" includes the pre-primary, primary, elementary, secondary, higher secondary, General Certificate of Education, General Certificate of Secondary Education, International General Certificate of Secondary Education, college or university education and also includes vocational, professional, instructional, technical and continuing education services and trainings rendered or provided by institutions like schools, colleges, universities, academic institutes or teaching hospitals or such other degree, diploma or certificate awarding institutions but does not include special education for the children with special needs and education under adult literacy programme."

**Farmhouse** **Section 2(41A)**

The new clause (41A) has been inserted whereby 'farmhouse' has been defined as it includes a facility or resort located on a farm which or a part of which is used for providing or rendering accommodation or entertainment or swimming or games or recreation or camping opportunities.

**Hospitals and clinics** **Section 2(50A)**

This new clause defines the 'hospital and clinics' as it includes the hospitals and institutions as defined in clause (a) of section 2 of the Pakistan Medical and Dental Council Act, 2022 (Act No. IV of 2023), and also includes a person or an establishment or an institution or an organization or a facility engaged in providing or rendering the services like medical, surgical, psychiatric, obstetric, dental or ophthalmological and similar treatment and care, whether preventive, prophylactic or curative, of persons including patients or sick or injured persons.

**Hotel** **Section 2(51)**

The definition of 'hotel' has been amended to be read as under:

"hotel" includes motels, guesthouses, huts, resorts and lodges and means a person, establishment, organization or place, by whatever name called, where rooms or suites or facilities are let out on rent, whether or not it has any arrangement for catering or for events as a part of the hotel or provides any other services, facilities or utilities, but does not include a home or hostel which is exclusively used for the aged or invalid persons or students and is run by or under the control of such a charitable or educational institution as are exempt from the application of the Income Tax Ordinance, 2001."

**Indoor sports and game center / sports and games center** **Section 2(51B)**

The clause (51B) has been omitted. Now, such definition titled as 'sports and games center' has been inserted under clause (87A) with certain amendments whereby sports and games whether indoor or outdoor and whether for consideration or not has been included in the definition of 'sports and games center'.

**Medical practitioners and consultants** **Section 2(59A)**

This new clause has been introduced whereby "medical practitioners and consultants" shall mean the registered medical practitioners and the registered dental practitioners, as defined in clause (w) and (x), respectively, of section 2 of Pakistan Medical and Dental Council Act, 2022.

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**Programme** **Section 2(67B)**

The definition of 'programme' has been amended to be read as under:

"programme" means any audio or visual or audio visual matter, presented or transmitted live or recorded or re-recorded or subjected to any post-production processes like editing, dubbing, colouring, sub-titling or captioning, for dissemination through cables, space, internet, radio, television, cinema, theatre or any other means."

**Rent-a-car and automobile rental service** **Section 2(72A)**

Previously, economic activity of renting cars, cabs, vans or any other passenger motor vehicle was included under this definition. Now, in addition to the above activities, the activity of renting of any motor vehicle has also been included in this definition.

**Renting of immovable property** **Section 2(72B)**

By amendment in the definition of 'renting of immovable property' now, renting of land or premises used or to be used for such games and sports which are otherwise liable to tax under tariff heading 9821.2000 shall not be included in this definition.

**Surveyor** **Section 2(91)**

Any kind of specialized services or special purpose survey, geological or geographical survey, surface or sub-surface survey, survey for exploration of minerals have been included in the definition of 'surveyor'.

**Economic Activity** **Section 4(3)**

The activities of an employee providing services to an employer were generally excluded from the definition of "economic activity." Now, only the services provided by employees in a direct relationship with their employer under a contract of employment shall be excluded from this term.

Further, it has been provided that the activities of an employee detailed or engaged by the employer to perform certain activities for a person other than the employer in connection with or in the course or furtherance of business of the employer shall be treated as economic activity of such employer.

**Value of a taxable service** **Section 5**

Now, it has been provided that 'consideration' and 'consideration in money' shall mean the gross amount charged by the service provider for taxable services provided by him and shall include-

- (i) any amount that is payable for the services provided; and
- (ii) any amount of reimbursable expenditure or cost incurred by the service provider and charged in the course of provision of a service except in such circumstances and subject to such conditions as may be prescribed.

**Input tax credit not allowed** **Section 15A**

Previously, a registered person was entitled to claim, reclaim, adjust or deduct input tax in respect of goods or services which were directly used and consumed in the economic activity of such registered person in provision of the taxable services.

Now, by amendment in this section, registered person can claim the credit of input tax only for such goods or services which have been directly used and consumed by a registered person in provision of the taxable services.

Further, a registered person was not 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 percent ad valorem.

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Now, it has been provided that in case of telecommunication services paying sales tax at a rate not less than nineteen and a half percent ad valorem, the amount of sales tax paid on goods and services at ad valorem rates not exceeding eighteen percent, can be claimed by the person providing the taxable telecommunication services.

**Assessment of tax** **Section 23(2)**

Limitation for issuance of show cause notice under this section was eight years from the end of the tax period to which the order relates. Now, by amendment in sub-section (2) of this section for the tax periods starting from 1<sup>st</sup> July 2025, the time limit for issuance of show cause notice shall be five years from the end of the respective financial year to which the order pertains.

**De-registration** **Section 25A**

Previously, the Board or any officer of SRB was empowered to de-register a person. Now, by amendment in this section power of any officer of the SRB to de-register a person has been withdrawn.

**Records** **Section 26(1)**

Under this section, a registered person providing taxable services is required to maintain and keep the records of taxable services including exempt services.

By amendment in sub-section (1) of this section, it has been provided that in case where the registered person is engaged in providing taxable services (including exempt services) also in Provinces or areas outside Sindh, the record prescribed under this section shall inter-alia include the record for such Province or areas in such form and manner as would permit reconciliation or ascertainment of his tax liability in Sindh.

**Retention and production of records and documents** **Section 27**

The time frame for the maintenance of the record or documents under this section was ten years after the end of tax period to which such record or documents relate or till the final decision in any proceeding.

Now, by amendment in sub-section (1) of this section, for tax periods starting from 1<sup>st</sup> July 2025 or thereafter, such record or documents shall be maintained by the registered person for six years from the end of the financial year to which the records relate or till the final decision in any proceeding.

**Offences and penalties** **Section 43**

Following entry of the Table under this section, has been substituted to be read as under:

S. No.	Offences	Penalties	Section of the Act to which offence has reference
2B	Where a person avoids, defies, fails to comply with the e-invoicing system or issues invoices outside the e-invoicing system or refuses, denies, or obstructs the enforcement of provisions of section 54A in any manner.	Such person shall be liable to pay a penalty of upto one million rupees, but not less than one hundred thousand rupees. In case of repetition of the offence, the business premises of such person shall further be liable to sealing.  Such person shall further be liable, upon conviction by a Special Judge, to imprisonment which may extend to one year or with fine which may extend to one hundred thousand rupees or with both.	54A

**SINDH SALES TAX ON SERVICES ACT, 2011**

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New penalty has been introduced in respect of a person who avoids, defies, delays, or fails to deposit the amount of service fee levied under the Sindh Sales Tax Special Procedure (Online Integration of Business) Rules, 2022 or fails to report the service fee in the sales tax return in the prescribed manner. Such person shall be liable to a penalty of rupees one hundred thousand or twice the amount of service fee involved, whichever is higher. Such person shall further be liable, upon conviction by the Special Judge, to imprisonment which may extend to one year or with fine which may extend to one hundred thousand rupees or with both.

**Recovery of tax not levied or short levied**

**Section 47**

Where by the reason of some inadvertence, error or miscalculation, any tax or charge has not been levied or short levied, the person liable to pay any amount of tax or charge was to be served with the notice within eight years. Now, for tax periods starting from 1<sup>st</sup> July 2025 and thereafter, time for issuance of notice has been curtailed to five years.

**Procedure in appeal**

**Section 58(4)**

The power of the Commissioner (Appeals) to grant a stay for recovery of tax payable has been extended to 180 days from 120 days.

**Recovery of arrears of tax**

**Section 66**

For availing stay against recovery proceedings till the disposal of appeal by the Commissioner (Appeals), now the registered person is required to pay an amount equal to 10% (previously 25%) of the tax demand.

**THE SECOND SCHEDULE**

Standard rate of tax has been increased to 15% from 13%.

Previously, services provided or rendered by persons engaged in inter-city transportation or carriage of goods by road or through pipeline or conduit were subject to sales tax under Tariff Heading 9836.0000. By amendment, the word 'inter-city' has been omitted thereby now, services provided or rendered by persons engaged in all transportation or carriage of goods by road or through pipeline or conduit shall be subject to tax.

From now, following services shall also be subject to tax under this Schedule:

<b>Tariff Heading</b>	<b>Description</b>	<b>Rate of tax</b>
9853.0000	Towing vehicles	15%
9801.6000	Ancillary services provided or rendered by farmhouses	15%
9815.1000	Medical practitioners and consultants	15%
9857.0000	Education services	15%
9858.0000	Services provided or rendered by hospitals and clinics	15%



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**Collection Agent**

**Section 2(m-i)**

New definition of "Collection Agent" has been introduced which shall mean the State Bank of Pakistan or any other scheduled bank or entity licensed or authorized by the State Bank of Pakistan to transfer money abroad for the specified services.

**Tax Fraud**

**Section 2(aai)**

Now, failing to declare and pay the tax so charged and collected under this Act knowingly, dishonestly or fraudulently and without any lawful excuse, shall also be considered as tax fraud.

**Special Procedure for collection of tax through Collection Agent**

**Section 14A**

New section 14A has been added to be read as under:

**"14A. Special procedure for collection of tax through Collection Agent.---(1)**

Notwithstanding anything contained in this Act, the Policy Board may declare any other person or class of persons as collection agent, not necessarily being a service provider or a service recipient in a particular transaction, and require to collect full or part of the tax charged from another person or class of persons on the provision of any taxable service or class of taxable services and to deposit the tax so collected, in the Government treasury within such time and in such manner, as the Policy Board may, by Notification prescribe.

(2) For the purposes of sub-section (1), the special procedure, so prescribed, may also provide for registration, bookkeeping, invoicing or billing requirements, returns and other related matters in respect of any service or class of services.

(3) Where a person or class of persons, declared as collection agent, is required to collect full or part of the tax on the provision of any taxable service or class of taxable services and either fails to collect the tax or having collected the tax, fails to deposit the tax in the Government treasury, such person or class of persons shall be personally liable to pay the amount of tax assessed or determined under section 27 of this Act, to the Government, in the manner as may be prescribed by rules."

**Adjustments**

**Section 16(2)**

By substituting sub-section (2) of this section, Management Committee has been empowered to allow the adjustment of input tax paid under other laws, subject to limitations and the determination or re-determination of the extent of such adjustments.

**Input tax credit not allowed**

**Section 17(k)(m)(o)(p)**

Now, a registered person shall not be entitled to claim, reclaim, adjust or deduct following input tax credits:

- (i) such goods or services, as are liable to sales tax, at specific rate or at fixed rate or at such other rates, not based on value, or at a rate lesser than the standard rate of fifteen percent in case of services or eighteen percent in case of goods;
- (ii) such goods in respect of which input tax adjustment is barred under the Sales Tax Act, 1990; and
- (iii) tax levied and paid on services under the Islamabad Capital Territory (Tax on Services) Ordinance, 2001, on the services received by such person.

**Assessment of tax and recovery of tax not levied or short levied**

**Section 27(1A)**

New sub section (1A) has been inserted under this section whereby an officer of the Authority has also been empowered to pass an order to impose a penalty or default surcharge if a person fails to file a tax return, files a return or makes a tax payment after the due date, fails to furnish any information, explanation, documents, records, or any other details required under relevant provisions of the Act, or fails to comply with the provisions relating to issuance of tax invoice or monitoring or tracking by electronic or other means.

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**Registration and application for registration**

**Section 29(4)**

By amendment in sub-section (4) of this section, powers of the Policy Board with prior approval of Government in respect of requiring any person or class of persons to necessarily obtain registration has been vested in Management Committee.

**Offences and Penalties**

**Section 53**

Following entries have been inserted whereby new penalties have been introduced in respect of certain offences:

S. No.	Offences	Penalties	Section
4A	Where any registered person, who after integration of its computerized system of the Authority i.e., through Restaurants Invoice Management System (RIMS) or Invoice Management and Reporting System (IMRS) or any other prescribed system, fails to comply with e-invoicing system or fail to upload invoices on RIMS or IMRS on real-time basis.	Such person shall be liable to pay a penalty of Rs 100,000 or 5% of the tax involved, whichever is higher, for each instance of non-compliance.	Officer of the Authority competent under this Act.
7A	Where a registered person, a including a person compulsorily registered under this Act, who in non-compliance to the provisions of this Act, fails to produce information / records / documents on receipt of a notice issued by an officer of the Authority, not below the rank of Assistant Collector.	Such person shall be liable to pay a penalty of Rs 200,000 for the first instance of non-compliance – In case of non-compliance for the second time, such person shall be liable to pay a penalty of Rs 500,000 – In case of non-compliance for the third time, such person shall be liable to pay a penalty of Rs 1,000,000	Officer of the Authority competent under this Act.

Following entry has been revised as under:

S. No.	Offence	Penalty
9	Where a person violates any embargo placed on providing of services or violates the restrictions imposed vide sealing of business premises in connection with recovery of tax.	Such person shall be liable to pay a penalty of nine thousand rupees per tax period or a fraction thereof provided that if a return is filed within ten days of the due date, he shall pay a penalty of three hundred rupees for each day of default.

**Default Surcharge**

**Section 54**

The rate of default surcharge has been enhanced as under:

S. No.	Description	Previous Rate	Revised Rate
(i)	For the amount of tax charged or amount of refund erroneously made	12% per annum	24% per annum
(ii)	For the amount of tax evaded	24% per annum	36% per annum

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**Officers to have access to premises, stocks, accounts and records**

**Section 65**

Any officer of the Authority not below rank of Assistant Commissioner had free access to the business premises, registered office or any other place where any stocks, accounts, records or documents are maintained by any registered person. Now, such access of the officer has been subjected to prior approval from the Collector or Management Committee.

**Un-paid and short paid amounts recoverable without notice**

**Section 75**

Section 75 has been substituted, whereby now, with prior approval of the Collector or Management Committee, where it is indicated from the return, submitted by the registered person or, as the case may be, evident from the records and materials, including but not limited to the Computerized Systems, taken into custody by the authorized officer from the business premises of the registered person that the tax has been charged or collected from customer or service recipient but not paid or short paid by the registered person, the un-paid or short-paid amount of tax along with default surcharge may be recovered from such person by attaching his bank accounts without giving him a show cause notice and without prejudice to any other action specified under section 74 of this Act, rules or regulations.

Provided that no penalty under section 53 of the Act shall be imposed unless a show cause notice is given to such person.

**Reward to whistleblowers**

**Section 92A**

This new concept has been introduced whereby the Management Committee with the approval of Finance Department, has been authorized to approve rewards for whistleblowers, in cases where tax concealment or evasion, tax fraud, or misconduct by authority officers or officials is reported. For this purpose, the Policy Board, in the manner as may be prescribed, specify the procedure for processing the reward and apportionment of reward sanctioned under this section.

**THE FIRST SCHEDULE**  
**(Classification and Description of Services)**  
**[See section 2(ad) & (aaa), 3(4) & 17(1)(g)(i)]**

Following new entries have been introduced in this Schedule:

<b>Classification</b>	<b>Description</b>
<b>(1)</b>	<b>(2)</b>
9856.0000	Education services including technical and vocational education services provided by private sector.
9856.1000	Pre-primary education services.
9856.2000	Primary education services.
9856.3000	Lower secondary education services.
9856.4000	Secondary education services.
9856.5000	Upper secondary education services.
9856.6000	Post-secondary non-tertiary education services.
9856.7000	First stage tertiary education services.
9856.8000	Second stage tertiary education services.
9856.9000	Other education and training services and educational support services.
9857.0000	Management services, including fund and asset management services.

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**THE SECOND SCHEDULE**  
**(Taxable Services)**  
**[See section 3(1) & (4), 9(1),12, 17(1)(j) & (k) & 18(1)]**

**Serial No. 1**

**Headings 9801.0000 to 9801.9000**

Rate of tax in respect of taxable services in serial number 1 under Headings from 9801.0000 to 9801.9000 has been revised to 13% from 15% with the facility of input tax adjustment.

Clause (iii) of serial number 1 has been substituted whereby in respect of services provided or rendered by local non-corporate stand-alone hotels or chains of such hotels (including guest houses, clubs and lodges etc.) and restaurants, the rate of tax has been reduced to 6% without input tax adjustment from 8% without input tax adjustment provided that the Restaurant Invoice Management System (RIMS) shall compulsorily be installed and working properly on regular basis on all restaurants registered with the Authority.

Further, it is provided that in case of traditional type restaurants, usually called as dhaba or conventional hut-type or similar other road/street side non-air- conditioned restaurants usually serving limited range of pre-cooked or pre-prepared food items with informal seating environment (located or operating anywhere in the Province), the tax shall be charged and paid @ 2% (previously, 1%).

New clause (v-a) has been inserted in serial number 1 as follows:

S. No.	Description of Services	Headings	Rate of Tax
1 (v-a)	<p>Tax shall be charged on fixed rate basis in respect of wedding/marriage/shaadi halls as per following categories:</p> <p>CATEGORY-A: Where the wedding hall is having a capacity of 500 or above persons and located in a posh area of major city, its rate of fixed tax shall be rupees 25,000 per function.</p> <p>CATEGORY-B: Where the wedding hall is having a capacity of more than 300 but less than 500 persons and located in municipality, its rate of fixed tax shall be rupees 15,000 per function.</p> <p>CATEGORY-C: Where the wedding hall is having a capacity of less than 300 persons and located in suburb or roadside outside main city, its rate of fixed tax shall be rupees 10,000 per function.</p> <p>Note: The registered person may opt one of the tax regimes, as specified at under clause (v) and (v-a) above. The existing registered person shall be bound to give his option till 25th June, 2024; provided that the person, liable to be registered in future, shall give such option at the time of registration with the Authority;</p>	<p>9801.0000 9801.1000 9801.2000 9801.3000 9801.4000 9801.5000 9801.6000 9801.7000 9801.8000 9801.9000</p>	<p>Rate as mentioned in 'Description of Services' column</p>

Following new entries have been inserted in this Schedule:

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S. No.	Description of Services	Headings	Rate of Tax
1A	Services provided by Health Care Centers etc. in private sector.	9821.1000	Five percent (05%) (without input tax adjustment) of the charges (including fixed charges, if any) of such centers or hospital beds/rooms:  Provided that the said charges exceed rupees 10,000/- per day per bed/room.
29A	Service provided as facilities for intra-provincial and inter-provincial travel or transportation (including carriage) of persons by road through buses, coaches, coasters, wagons, jeeps, cars, taxies and other motor vehicles primarily meant for passengers' transport or other traveling or transportation services.  <b>Clarification:</b> In case of inter-provincial transportation of persons by road through the above means, the value for the purposes of sales tax shall be reduced by 50% where such services originate or terminate in the Province.	9804.4000 9805.9000	Five percent (05%) without input tax adjustment.
46A	Management services, including fund and asset management services.	9857.0000	Fifteen Percent (15%)

Rates of tax in respect of entries / services under this Schedule, have been revised as under:

S. No.	Description of Services	Headings	Previous Rates	Revised Rates
1(iv)	Traditional accommodation facilities like sarrayae or inns or open-air overnight bed provisioning services generally located or available around or in the vicinity of railway stations, bus or wagon stands (stations).	9801.0000 9801.1000 9801.2000 9801.3000 9801.4000 9801.5000 9801.6000 9801.7000 9801.8000 9801.9000	1% without any input tax adjustment if the charges for overnight stay do not exceed rupees three hundred per bed.	2% without any input tax adjustment if the charges for overnight stay do not exceed rupees three hundred per bed.

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<b>S. No.</b>	<b>Description of Services</b>	<b>Headings</b>	<b>Previous Rates</b>	<b>Revised Rates</b>
1(v)	Marriage or wedding halls including pandals and shamiana and similar other businesses including food services provided therein.	9801.0000 9801.1000 9801.2000 9801.3000 9801.4000 9801.5000 9801.6000 9801.7000 9801.8000 9801.9000	8% without any input tax adjustment	11% without any input tax adjustment
6	Advertisements on or through print media of all types and forms.	9802.0000 9802.1000 9802.2000 9802.3000 9802.4000 9802.5000 9802.6000 9802.7000 9802.8000 9802.9000 9806.5000	1% without any input tax adjustment.	2% without any input tax adjustment.
13	Services provided by persons engaged in contractual execution or performance of works (including but not limited to, repair, maintenance, and renovation, upgradation, cleaning, fumigation and decontamination services or janitorial works) or furnishing supplies (excluding transactions involving contractual supply of goods only, without any component of service relating to such goods)	9810.0000 9810.1000 9810.2000 9810.9000 9822.1000 9822.2000 9822.3000	5% without any input tax adjustment	15% without any input tax adjustment
20	Cinematographic production, photographic services, recording services and telecasting or broadcasting services including: a) Film making or film production including drama production whether in serials or otherwise. b) Tele casting or broad casting services (other than TV cable operators). c) Videotape and recording services, sound recording services. TV/Radio production house services. d) Photographic services (services of photography or photographers). e) Other similar, allied, ancillary or auxiliary services.	9803.0000 9803.1000 9803.2000 9803.3000 9803.4000 9803.5000 9803.9000	1% without any input tax adjustment	2% without any input tax adjustment
21	Event management services whether cover in gall or any of the processes like planning, budgeting, scheduling, site selection, acquiring necessary permits, coordinating transportation	9846.0000	8% without any input tax adjustment	10% without any input tax adjustment

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S. No.	Description of Services	Headings	Previous Rates	Revised Rates
	and parking, arranging for speakers or entertainers, arranging decor, event security, catering, picturing, video filming, musical enjoyment so or any other allied or connected task.			
22	Exhibition, convention or carnival services and allied services including renting of purpose-specific property or space for such events.	9825.0000	8% without any input tax adjustment	5% without any input tax adjustment
27	Cold storage services (including other forms of warehousing of agriculture produce) regardless of their corporate or non-corporate status.	9844.0000	1% without any input tax adjustment	2% without any input tax adjustment
34	Services provided or rendered by under writers including sponsorship services.	9819.1100	1% without any input tax adjustment	2% without any input tax adjustment
36	Services provided or rendered by auctioneers.	9819.9100	1% without any input tax adjustment	2% without any input tax adjustment
39	Services provided or rendered in respect of quality assurance, quality control, quality inspection (including pre-inspection), quality verification or certification including verification or certification of quality or standards under ISO regime.	9834.0000	1% without any input tax adjustment	2% without any input tax adjustment
41	Ride-hailing or ride-hail services like Uber, Cream, Biker and Lyft etc. regardless of the mode, manner or dynamics of the business system involved in such services.	9851.0000	2% without input tax adjustment	5% without input tax adjustment
44	Services relating to or in respect of the installation, erection, commissioning or other permanent structure-affixed/linked/tied placement (whether full or in part) of any industrial, mechanical or electrical plant, machinery or equipment (excluding installation of domestic equipments etc. for residential use).	9853.0000	1% without any input tax adjustment	2% without any input tax adjustment

For the following taxable services, fixed rate of tax / reduced rate of tax has been introduced which is read as under:

S. No.	Description of Services	Headings
5.	<b>Fixed Rate of Tax:</b> The Custom Agent shall pay tax at the fixed rate of rupees 3,000/- per goods declaration.	9806.0000, 9806.1000, 9806.2000 9806.3000, 9806.4000, 9806.6000 9806.7000, 9806.8000, 9806.9000 9819.1000, 9819.1500, 9842.0000
19.	<b>Fixed Rate of Tax:</b>	9816.0000, 9816.1000, 9816.2000

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<b>S. No.</b>	<b>Description of Services</b>	<b>Headings</b>
	In case of practitioners, professionals, consultants or advisors of legal profession or field, rupees five hundred (500) shall be deposited as fixed sales tax at the time of filing of each case, appeal or petition and proof of which shall be attached with the Power of Attorney.	9816.3000, 9816.4000, 9816.5000 9816.6000, 9816.9000, 9826.0000
26.	<b>Reduced Rate of Tax:</b> In case of health insurance services and services in respect of Government sponsored Sehat Card Plus Programme, the tax shall be charged at the rate of Ten percent (10%) without any input adjustment.	9814.0000, 9814.1000, 9814.2000 9814.3000, 9814.4000, 9814.9000



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**Active taxpayer** **Section 2(1A)**

Definition of 'Active taxpayer' has been inserted which means a registered person who does not fall in any of the following categories:

- (a) whose registration is suspended in terms of section 28; and
- (b) who has failed to e-file returns for four consecutive tax periods.

**E-file** **Section 2(57A)**

The term 'e-file' has been defined as the process of electronic filing of any document on computerized system of the Authority.

**Fund and Asset Management Services** **Section 2(76A)**

'Fund and Asset Management Services' has been defined as it includes the services provided or rendered in relation to assets management, portfolio management and all kinds of fund management.

**Indoor Sports and Games Center** **Section 2(85A)**

'Indoor Sports and Games Center' includes a person who provides or renders the facility of indoor sports or games whether for amusement, recreation or otherwise, for a consideration in its premises.

**Ready Mix Concrete Service** **Section 2(127A)**

'Ready Mix Concrete Service' means the services provided or rendered in relation to presentation, batching, mixing, transportation or delivery of ready-mix concrete.

**Registered Person** **Section 2(134)**

Definition of 'Registered person' has been amended whereby now, it shall also include a services provider and a withholding agent.

**Renting of Machinery, Equipment, Appliances and other Tangible Goods** **Section 2(137A)**

'Renting of Machinery, Equipment, Appliances, and other Tangible Goods' means the services provided or rendered, to any person by another person, by renting of machinery, equipment, appliances, and other tangible goods including bulldozers, excavators, road rollers and levellers, cranes, construction machinery and equipment, earth-moving machinery and equipment, scaffolding, refrigerators or in relation to such renting. However, the commodity, or equipment, leasing and the hire purchase leasing and also the rent a car and automobile rental services are excluded from the purview of this definition.

**Software or IT based System Development Consultant** **Section 2(154A)**

"Software or IT based System Development Consultant" means the person providing or rendering the services in relation to software or information technology, including:

- (a) The development of software, network or IT based system and maintenance thereof;
- (b) The study, analysis, design and programming of software or IT based system;
- (c) The adaptation, up-gradation, customization, enhancement, integration, implementation, and other similar services related to software or IT based system;
- (d) Web hosting and cloud services;

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- (e) Provision of advice, guidance, consultancy, and assistance in matters related to software or IT based system including conducting feasibility studies on implementation of a system;
- (f) Provisions of specifications for a database design, implementation and management;
- (g) Provision of specifications to secure database;
- (h) Provision of the right, whether by licensing or otherwise, to use software or IT based system for commercial exploitation including right to reproduce, distribute and sell the software components for creation of and inclusion in other software or IT based system products, and the renewal of such a right or license;
- (i) Provision of the right, whether by licensing or otherwise, to use or IT based system supplied electronically and the renewal of such a right or license.

**Truck Aggregator**

**Section 2(182A)**

'Truck Aggregator' means a person who is aggregator or operator or intermediary or online market place and canvasses or solicits or facilitates or connects the owners or drivers of trucks or other road transportation cargo vehicles with the business enterprises like manufacturers, producers, importers, exporters, warehouses, distributors, wholesalers, retailers, movers or packers through telephone, cellular phone, internet, web based services or GPS or GRPS-based services, electronic or digital means, whether or not he charges or collects any fee, fare, commission, brokerage or other charges or consideration for providing such services.

**Withholding Agent**

**Section 2(187)**

'Withholding agent' means any person, who, as a recipient of taxable service or otherwise, withholds, collects or deducts and pays or deposits tax directly to the Government in the manner as may be prescribed and also includes a person as specified in sub-rule (2) of rule 1 of the Baluchistan Sales Tax Special Procedure (Withholding) Rules, 2018.

**Taxable Service**

**Section 3(6)**

Sub-section 6 of this section has been amended whereby now, in addition to services mentioned in the First Schedule, Second Schedule, rules and circulars, all services defined in the Act shall also be taxable services.

**Input Tax Credit Not Allowed**

**Section 16B(1)(bb) & (bbb)**

By amendment in this section, now a registered person shall also not be entitled to claim, reclaim, adjust or deduct input tax in relation to (a) the services received, acquired or procured from a person who is liable to be registered under this Act but is not actually registered or who does not hold registered number and (b) the goods, or services received, acquired or procured from a person who is not an active taxpayer under the Act or under the Sales Tax Act, 1990 or under any provincial law relating to sales tax.

**Standard or general tax rate application choice**

**Section 16D**

New section 16D has been inserted, wherein choice to opt standard or general rate of tax has been provided for any service or class of services which are chargeable to tax at reduced rate, after taking permission from the Authority in this behalf. For this purpose, procedure for adjustment of input tax, subsequently switch over back to availing the reduced rate, withdrawal of such permission granted under this section etc., have also been provided under this section.

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**E- Refund**

**Section 16E**

New section 16E has been inserted which provides the mechanism for claim of refund of tax paid or overpaid through inadvertence, error or misconstruction. It is provided that the refund claim shall be made within one year of the date of payment. However, no refund shall be admissible if incidence of tax has been passed directly or indirectly to the consumer.

**Assessment of Tax**

**Section 24(1A)**

By adding explanation to sub-section (1A) of this section, it has been clarified that determination of minimum tax liability for a tax period shall not be the final tax liability and the registered person shall be liable to discharge his actual liability, as it may accrue or may be determined as a result of audit or special audit or forensic audit under this Act.

**Automatic registration**

**Section 26A**

New section 26A, has been inserted wherein it is provided that the taxpayers already registered with the Federal Board of Revenue for the purposes of Sales Tax / Federal Excise Duty and providing taxable services in Baluchistan, shall automatically be registered for Baluchistan Sales Tax on Services and the registered persons shall only be intimated through email or SMS, and by courier or post assigning them B as prefix to their NTN issued by the Federal Board of Revenue i.e. B+NTN.

**Active taxpayers list**

**Section 29B**

New section 29B has been inserted whereby the authority has been empowered to create and manage a list of active taxpayers in a manner it deems appropriate. Additionally, it can establish rules to impose restrictions and limitations on individuals who are no longer active taxpayers, as well as on those who receive or procure taxable services from such individuals.

**Offences and Penalties**

**Section 48**

Following entries have been inserted under this section whereby new penalties have been introduced in respect of following offences:

S. No.	Offences	Penalties	Section
1a	Where any person fails to intimate any change in particulars of registration, including the particulars relating to business address, business bank accounts, economic activity etc., in accordance with the requirements, prescribed under the rules, within the period of fifteen days from the date of such change.	Such person shall be liable to a penalty which may extend to 100,000 rupees subject to a minimum penalty of 10,000 rupees.	25
9a	Where a bank fails to attach or delays in attaching the bank account of the person from whom tax is sought to be recovered or fails or delays in payment of the amount, specified in the notice issued by the Officer of the Authority.	Such bank shall be liable to a penalty of 100,000 rupees or an amount double of the amount of tax sought to be recovered whichever is higher. The Manager or the Officer in charge of such bank shall further be liable, upon conviction by a Special Judge to imprisonment which may extend to one year or with fine equal to the amount of tax sought to be recovered or with both.	72

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<b>S. No.</b>	<b>Offences</b>	<b>Penalties</b>	<b>Section</b>
11a	Where any person contravenes any of the rules or notifications issued in relation to withholding or deduction of tax so withheld or deducted.	Such person shall be liable to pay a penalty of 50,000 rupees or an amount equal to the tax involved whichever is higher. Such person shall further be liable, upon conviction by a Special Judge to imprisonment which may extend to one year or with fine equal to the amount of tax involved or with both.	14

**Power to call for information**

**Section 57A**

By inserting new section 57A, the Commissioner has been empowered to require any person by notice in writing including a banking company to furnish specified information or statements relevant to investigations or inquiries in cases of tax fraud. Further, the Commissioner may also require any regulatory authority to provide information concerning the licenses and authorizations issued by it.

**Appeals**

**Section 63**

The prescribed fee for filing appeal before the commissioner (Appeals) has been enhanced to Rupees 10,000 from Rupees 2,000 in case of a company and Rupees 3,000 from Rupees 1,000 in cases other than company.

**Recovery of arrears of tax**

**Section 72**

For the purpose of recovery of tax, now, the officer of the Authority has been empowered to sell the property of the person from whom the tax is due, without attachment.

**Power to restrain certain Authorities**

**Section 78A**

The Authority is empowered to exercise the powers to prevent any competent authority from issuing or renewing a license or permission to any person to engage in an economic activity that constitutes a taxable service unless the person furnishes the evidence that he is a duly registered person under the Act. Previously, to exercise such powers, the Authority was required the approval of the Government. Now, by amendment in this section, requirement in respect to obtain approval of the Government by the Authority has been removed.

**Service of order and decisions**

**Section 80(1)(aa)**

New clause (aa) has been added in sub-section (1) of this section whereby from now, any notice, order or requisition required to be served on an individual, is sent electronically through e-mail or sent to the e-folder maintained for the purposes of e-filing of returns by the registered person, shall be treated as properly served.

Further, sub-section (6) has been substituted whereby it is provided that for the purposes of clause (aa) of sub-section (1) and sub-section (2), a registered person shall be deemed to have received the notice, order or requisition electronically at the expiry of seventy-two hours of sending the same through e-mail or to the e-folder maintained for the purposes of his e-filing of returns.

**Issuance of duplicate of the tax documents**

**Section 82**

Section 82 has been substituted whereby an officer of the Authority not below the rank of Assistant Commissioner may, on written request of a registered person, issue an attested duplicate of any document filed by that person with the officer of the Authority or any notice or order issued against that person, on payment of Rupees 1,000 per document or Rupees 250 per page of such document, whichever is higher. Previously, this fee was Rupees 100 per document.

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**The Second SCHEDULE**  
**(Taxable Services)**  
See section 3

Rates of tax for following services have been revised as follows:

<b>Tariff Heading</b>	<b>Description</b>	<b>Previous rate of tax</b>	<b>Revised rate of tax</b>
9801.5000	Services provided or rendered by marriage halls, lawns, mandap, pandal and shamiana including floral and decoration, etc.	15%	Rs 25000 per months or 4% of the gross amount of services provided, whichever is higher, without input credit or adjustment
9805.5200	Hajj operators	6% without input tax credit or adjustment	0%
9815.6000	Software or IT based system developers and consultants.	15%	4%
9854.0000	Tuition and coaching centers.	15%	0%

**CAPITAL VALUE TAX, 2022**

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**Capital value tax 2022**

**Section 8(1)(2)&(4)**

Proviso to sub-section (1) of this section has been inserted whereby, capital value tax on a farmhouse and a residential house, within the territorial limits of the Islamabad Capital Territory shall be charged, collected and paid on the basis of the area of the farmhouse and residential house, irrespective of their value. For this purpose, new clauses (ab) and (ac) have been inserted under sub-section (2) of this section. Now, rates of tax on assets in the First Schedule shall be as follows:

<b>S. No.</b>	<b>Asset Description</b>	<b>Rate of tax</b>
1.	Motor vehicle held in Pakistan where the engine capacity exceeds 1300 cc or in case of electric vehicles, the battery power exceeds 50kwh	1% of the value
2.	Farmhouse as defined in clause (b) of sub-section (4) of section 7E of the Income Tax Ordinance, 2001 within the territorial limits of the Islamabad Capital Territory	Rs. 500,000, for the farmhouse with an area between 2,000 square yards and 4,000 square yards and Rs. 1,000,000 if the area exceeds 4,000 square yards
3.	Residential houses within the territorial limits of the Islamabad Capital Territory	Rs. 1,000,000 for the residential house with an area between 1,000 square yards to 2,000 square yards and Rs. 1,500,000 if the area exceeds 2,000 square yards.
4.	Foreign assets of a resident individual where the value of such assets on the last day of the tax year in aggregate exceeds Rupees one hundred million	1% of the value
5.	Such assets or class of assets as specified by the Federal Government through a notification in the official Gazette	As specified by the Federal Government not exceeding 5% of the value.

## **CONTACT PARTNERS**

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For further explanations, please contact following partners:

<b>LAHORE:</b>	<b>Principal Office</b>  10-B, Saint Mary Park Main Boulevard, Gulberg-III LAHORE-54660 Phones : (042) 35718137-9 Fax : (042) 35718136 E-Mail : <a href="mailto:racolhr@racopk.com">racolhr@racopk.com</a>	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
<b>Other offices at:</b>		
<b>ISLAMABAD:</b>	2-A, ATS Centre, 30-West Fazal-e-Haq Road, Blue Area ISLAMABAD Phones : (051) 2274121-22 Fax : (051) 2278859 E-Mail : <a href="mailto:racoisd@racopk.com">racoisd@racopk.com</a>	Mr. Raheel Arshad FCA  Mr. Bilal Ahmad FCA
<b>FAISALABAD:</b>	FS Tower, Outside Al-Fateh Garden, East Canal Road, FAISALABAD-38000 Phones : (041) 5488081, 5488082 Fax : (041) 8863611 E-Mail : <a href="mailto:racofsd@racopk.com">racofsd@racopk.com</a>	Mr. Liaqat Ali Panwar FCA, FITM, FICS
<b>KARACHI:</b>	Office No. 5, 20 <sup>th</sup> Floor Bahria Town Tower, Block 2 P.E.C.H.S., Karachi Phones : (021) 34310826-7 E-Mail : <a href="mailto:racokhi@racopk.com">racokhi@racopk.com</a>	Mr. Muhammad Waqas FCA  Mr. Junaid Ashraf ACA
<b>Website</b>	<a href="http://www.racopk.com">www.racopk.com</a>	