Riaz Ahmad & Company

Chartered Accountants

FINANCE ACT

2026

INCOME TAX

SALES TAX

FEDERAL EXCISE DUTY

PROVINCIAL SALES TAX

Member of Nexia

INDEX

INTRODUCTION

This Memorandum has been prepared to facilitate our clients in better understanding of the changes made through Federal and Provincial Finance Acts, 2026 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, 2026, unless otherwise stated, shall come into force on 01 July 2026.

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

It is recommended that the text of the Finance Acts, 2026 as published in the Official Gazette and the relevant laws and notifications, wherever applicable should be referred to in considering the interpretation of any provision. This Memorandum contains only general comments. Final decision on any issue should not be taken without detailed consideration and professional advice.

This Memorandum should not be published in any manner without the consent of the firm.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

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

LAHORE: 15 July 2026

EXECUTIVE SUMMARY

Income tax

- Surcharge applicable to individuals deriving income chargeable under the head "salary" has been abolished. **[Section 4AB]**

- Section 7E imposing tax on deemed income on the basis of fair market value of capital assets has been omitted. **[Section 7E]**

- For the tax year 2026 and onwards, tax has been imposed on every individual who receives any payout from a life insurance business on account of insurance policy, family takaful certificate, plan or any similar arrangement, with certain exceptions. **[Sections 7G & 151B]**

- Any person who fails to install electronic resource or to act as an integrated enterprise, three percent of the expenditure claimed by such person shall be disallowed. **[Section 21(r)]**

- Any person who integrates with the computerized system of the FBR, shall be entitled to a tax credit against normal tax @ 10% of the expenditure incurred on acquisition, installation or implementation of such electronic resource. **[Section 64D]**

- Now, cost of immovable property acquired by an individual through inheritance would be the fair market value at the time of transfer of such property to the beneficiary instead of value in the hands of the deceased person. **[Section 76(8A)]**

- Family settlement arrangements amongst legal heirs shall be recognized as transmission of assets to a beneficiary on the death of a person. **[Section 79]**

- Limited liability partnership has been included in the definition of Association of Persons (AOP) and shall accordingly be taxed in the same manner as an AOP. **[Sections 80 & 92]**

- For tax year 2026 and onwards, in case of companies, financial statements along with return shall only be filed in 'electronically readable format'. **[Section 114(2A)]**

- Advance tax to be collected from exporters on export of goods @ 1% has been abolished. However, rate of minimum tax on export of goods has been increased to 1.25% from 1%. **[Sections 147 & 154]**

- New concept of algorithmic settlement mechanism for settlement of various tax proceedings has been introduced. **[Section 134B]**

- Every banking and non-banking financial institution shall deduct tax @ 5% of revenues received by a person from social media platforms. **[Section 154B]**

- Collective Investment Scheme or a REIT Scheme, Private Equity and Venture Capital Fund who distributes ninety percent or more of its accounting income; and non-profit organization approved under section 2(36) shall be eligible for exemption certificate for whole tax year. **[Section 159]**

- Every banking company and Electronic Money Institutions shall electronically transmit information to the FBR regarding the account holder having deposits or withdrawals exceeding one hundred million rupees for algorithmic cross matching of tax and bank information. **[Section 165AB]**

- The FBR has been empowered to require any person to install electronic resource, or to act as an integrated enterprise for the purpose of receiving, storing, matching and accessing information. **[Section 174(5)]**

- The Commissioner may get the accounts of a taxpayer re-audited, inventory re-valued or actuarial values, in specified cases. **[Section 177]**

- Where a person claims a credit of tax withheld in excess of the amount verifiably deducted and deposited by the withholding agent, shall pay a penalty equal to the amount of excess credit claimed. **[Section 182]**

- Penalties in respect of a taxpayer who fails to produce the record or documents on receipt of first, second and third notices under section 177 have been increased substantially. **[Section 182]**

- Penalty in respect of a person, who makes a false or misleading statement, has been increased to five hundred thousand rupees or hundred percent of tax shortfall whichever is higher. **[Section 182]**

- Surcharge for inclusion in the Active Taxpayers' List after filing a return beyond the due date has been increased, substantially. **[Section 182A]**

- The FBR has been empowered to establish a National faceless centre for the purpose of tax proceedings and appeal before Commissioner (Appeals) in faceless manner and accordingly specify its jurisdiction, powers and functions. **[Sections 227D, 122E, 129A & 209B]**

- Advance tax to be collected on TV plays and advertisements has been done away. **[Section 236CA]**

The First Schedule

- Rates of tax for salaried individual having annual salary above Rupees 2,200,000 have been decreased slightly. **[Division I, Part I]**

- Rates of super tax and income slabs have been revised, thereby supe tax shall be paid @ 8% where income exceeds five hundred million rupees. However, banking companies and persons engaged in petroleum production and fertilizer will continue to pay super tax @ 10% where income exceeds one hundred fifty million rupees. **[Division IIB, Part I]**

- Exemption from super tax under section 4C has been provided to a person whose realized export proceeds for the tax year represent more than eighty percent of his total turnover for the tax year. **Clause (104B, Part III, 2nd Sch.)**

- Rate of minimum tax under section 113 for distributors of pharmaceutical products, fast moving consumer goods and cigarettes has been increased to 1.25% from 0.25%. **[Division IX, Part I]**

- Rate of tax to be deducted under section 153, from a resident person on payments for certain specified services has been increased to 7% from 6%. **[Division III, Part III]**

- Rate of tax to be deducted on payments for the rendering or providing of services under section 153, has been reduced to 14% from 15%. However, rate of tax shall be 15% in case of independent professional services, such as doctors, lawyers, architects, accountants, software engineers, or developers working independently. **[Division III, Part III]**

- The rate of tax to be deducted on capital gain arising from disposal of debt securities under section 151A has been increased to 20% from 15%. **[Division IIIAA, Part III]**

- The rate of tax to be deducted on export of goods and on providing of services of stitching, dying, printing, embroidery, washing, sizing and weaving to an exporter or an export house has been increased to 1.25% from 1%. **[Division IV, Part III]**

- Applicability of reduced rate of tax at 0.25% in respect of export of Computer software or IT services or IT enabled services by persons registered with Pakistan Software Export Board under section 154A has been extended till tax year 2029. **[Division IVA, Part III]**

- Rate of advance tax on sale or transfer of immovable property in case of active taxpayers, has been reduced to 2.75% instead of slab rates. **[Division X, Part IV]**
- Rate of advance tax on purchase of immovable property in case of active taxpayers, has been reduced to 1.25% instead of slab rates. **[Division XVIII, Part IV]**
- The rate of tax to be deducted on amount remitted abroad through credit, debit or prepaid cards under section 236Y has been reduced to 0.5% from 5%. **[Division XXVII, Part IV]**

The Second Schedule

- Exemption from tax available on profit on debt derived from a rupee account held with a scheduled bank in Pakistan has now been extended to any non-resident person maintaining specified accounts under the scheme introduced by State Bank of Pakistan. **[Clause (79), Part I]**
- Rate of minimum tax under section 113 has been increased to 0.5% from 0.25% for distributors, dealers, sub-dealers, and wholesalers of specified goods subject to certain conditions. **[Clause (24D), Part II]**
- Tax deductible on sale of iron and steel products under section 153 shall also be treated as minimum tax in case of persons other than companies being manufacturer of such goods and public company listed on a registered stock exchange. **[Clause (46A), Part III]**
- Exemption from tax deduction under section 153 available to companies operating Trading Houses subject to certain conditions, has been withdrawn. **[Clause (57), Part III]**
- Traders having turnover up to two hundred million rupees shall not be treated as withholding agent. **[Clause (115), Part III]**

The Eighth Schedule

- Option available to any person to opt out of the determination and payment of tax in accordance with this schedule on filing of an irrevocable option to NCCPL, has been withdrawn.

The Tenth Schedule

- Rates of deduction or collection of tax on purchase of immovable property and sale or transfer of immovable property in case of persons who are appearing on active taxpayers' list but have not filed return by the due date or extended due date have been omitted. **[Rule 1A]**
- In case of a non-resident person, rate of withholding tax on any payout under a life insurance policy, family takaful certificate, plan or arrangement under section 151B shall not be increased by one hundred percent. **[Rule 10]**
- Now, rate of withholding tax in respect of capital gains under section 37A on sales of securities, acquired on and from 1st day of July, 2025, shall also be increased by one hundred percent. **[Rule 10]**

Sales Tax

- Algorithmic settlement mechanism being the digitally operated mechanism for the settlement of tax proceedings has been introduced. **[Section 2(1AAA)]**
- A wholesaler-cum-retailer having an annual turnover two hundred million rupees or less, has now been excluded from the ambit of a Tier-1 retailer. **[Section 2(43A)(d)(gb)]**

- The FBR may adopt valuations of goods as notified by the Pakistan Bureau of Statistics before the start of the tax period or outsource valuation functions to third parties. **[Section 2(46)(j)]**

- Sales tax for steel melters, steel re-rollers and composite units shall be collected based on per unit electricity consumption, including electricity generated through captive power plants or other alternative energy sources. **[Section 6(2)]**

- The FBR has been empowered to reduce or enhance input tax adjustment limit of 90% for a registered person based on certain compliances / non-compliances. **[Section 8B(1)]**

- Issuance of debit and credit notes shall be governed by the mechanism, including electronic adjustments, as may be prescribed by the FBR. **[Section 9]**

- The FBR has been empowered to establish a National faceless centre for the purpose of tax proceedings and appeal before Commissioner (Appeals) in faceless manner and accordingly specify its jurisdiction, powers and functions. **[Sections 32C, 11H, 45C & 30AA]**

- The Commissioner has been empowered to de-register, blacklist or suspend the registration of a person who fails to comply with the mandatory invoicing requirements or the cargo tracking requirements. **[Section 21(2)]**

- Registered person making taxable as well as exempt supply shall issue a tax invoice including an advance receipt invoice, bearing a verifiable and unique FBR invoice number. **[Section 23(1)(d)]**

- The Commissioner has been empowered to get the accounts of a taxpayer re-audited and inventory re-valued, in specified cases. **[Sections 25(8A),(8B),(9) & (11)]**

- The Production Monitoring System requiring registered persons to procure prescribed tracking equipment from authorized licensees, has been introduced. **[Section 40C(2),(3) & (6)]**

Federal Excise Duty

- Special Excise Duty shall be levied and collected in addition to the duty imposed under sub-section (1) to the goods specified in the newly inserted Table-IA of the First Schedule at the rates prescribed therein. **[Section 3(3B)]**

- The FBR may conduct audit and assessment proceedings in a faceless manner through the National Faceless Centre and establish a digitally operated algorithmic settlement mechanism for settlement of such tax proceedings. **[Section 7A]**

- Every registered person will issue invoice, for each transaction, including an advance receipt invoice, bearing a verifiable and unique FBR invoice number at the time of clearance or sale of goods, including goods chargeable to duty at the rate of zero percent, or at the time of providing or rendering services. **[Section 18(1)]**

- Any person who, without approval of the Commissioner, deliberately destroys, damages, erases or otherwise manipulates data stored in or used in connection with any computer, equipment or system employed for the electronic monitoring including Production Monitoring System, video analytics system uses a computer to reduce, avoid, or evade any liability to duty of excise shall be guilty of an offence and shall be liable to fine / imprisonment or both. **[Section 19(4)]**

- Now, the power of seizure extends to such goods which are required to be monitored through a production monitoring system but are manufactured, produced, transported, removed or otherwise dealt with without such monitoring in the prescribed manner. The conveyance used for the movement, carriage or transportation of such goods shall also be liable to seizure. **[Section 26(1)]**

- Now, goods which are required to be monitored through a production monitoring system under the Act and the rules made thereunder, but are manufactured, produced, transported, removed or otherwise dealt with without such monitoring in the prescribed manner shall be liable to outright confiscation and destroyed in the manner prescribed. **[Section 27(1)]**
- No excisable goods shall be removed or sold without affixing tax stamps, banderols, stickers, labels, barcode production monitoring system, video analytics, etc. in any such form style and manner as may be prescribed. **[Section 45A(2)]**
- The prescribed tax stamps, banderols, stickers, labels, barcodes, production monitoring equipment and other monitoring devices shall be acquired by the registered person from a licensee appointed by the FBR. **[Section 45A(3)]**
- The Commissioner may conduct audit proceedings electronically through video links, or any other facility as prescribed by the FBR. **[Section 46(2B)]**

Punjab Sales Tax on Services Act, 2012

- The registered person whose registration is neither suspended nor blacklisted by the Authority and who has timely filed returns for the last two consecutive tax periods shall be treated as Active Taxpayer. **[Section 2(1)]**
- A registered person shall not be entitled to claim input tax adjustment in respect of the goods and services received from the persons not appearing in the active taxpayers list. **[Section 16B(1)(ff)]**
- The registered person shall not be allowed to adjust input tax in excess of eighty percent (previously ninety percent) of the output tax for that tax period. **[Section 16C(1)]**
- Input tax on capital goods, machinery, and fixed assets shall be adjusted against output tax, in twelve equal monthly instalments. **[Section 16CC]**
- The Punjab Revenue Authority (PRA) has been empowered to establish, administer, and implement a risk-based evaluation system for the purpose of identifying, analyzing, evaluating, and monitoring the risks associated with the input tax claims, adjustments, credits, and refunds. **[Section 16CCC]**
- Any competent authority will not issue or renew a license, grant permission, or issue no objection certificate to a person who is not registered under the Act and is not on the active taxpayers list. **[Section 76A]**
- No procuring agency shall award or renew a contract involving taxable services unless the bidder, contractor, supplier, or consultant is duly registered under the Act and appears on the Active Taxpayers List (ATL). New businesses are exempted from application of this section for a period of six months from the date of their registration. **[Section 76A(b)]**
- Reduced tax rate of 5% without input tax adjustment applicable in respect of certain services has been increased to 8%. **[Part III, Second Schedule]**

Sindh Sales Tax on Services Act, 2011

- An application for de-registration received by the Sindh Revenue Board (SRB) shall be disposed of within one hundred and eighty days from the date of its receipt. **[Section 25A(3)]**
- The obligations and liabilities of the person relating to the period when he provided any taxable services shall not be affected by the fact that he has e-filed his de-registration application or that he has ceased to be a registered person. **[Section 25A(4)]**

EXECUTIVE SUMMARY

- The Commissioner may direct the registered person, to display any notice, message or information through print or multimedia at a conspicuous place within the premises accessible to the general public in relation to tax matters. **[Section 52A]**

- In deciding an appeal, the Commissioner (Appeals) SRB may make further inquiry which shall be completed within a period of not exceeding sixty days. **[Section 59(2)]**

- No recovery notice shall be issued by the officer of the SRB where the taxpayer has filed an appeal which is pending before the Commissioner (Appeals) or the Appellate Tribunal, subject to the condition that an amount equal to twenty percent of the amount of tax due has been paid by the taxpayer. **[Section 66(1)]**

- All particulars contained in any statement made, return furnished, accounts or documents produced or any evidence given, or affidavit or deposition made in the course of any proceedings or any record of any assessment proceedings or any proceeding relating to the recovery of demand of the taxpayer shall be confidential. **[Section 73A]**

Khyber Pakhtunkhwa Sales Tax on Services Act, 2022

- 'Point of sale system' has now been defined in the Act. **[Section 2(an-i)]**

- Definition of 'tax fraud' has been expanded. **[Section 2(aai)(ix)]**

- The restriction specifically applicable to companies to switch back to the reduced rate, subject to compliance with the general permission requirements, has been omitted. **[Section 18(1)]**

- Any person acting as a collection agent or as a provider, supplier, integrator, installer, operator, or maintainer of a Point of Sale (POS) system who involved, shall be held jointly and severally liable for unpaid tax, including applicable penalties and default surcharge. **[Section 22(2)]**

- Scope of imposition of penalty or default surcharge where a person fails to file a return, files a return or pays tax after the due date, fails to furnish the required information or documents, contravenes any provision of the Act, or commits an offence under section 53, etc., has been enhanced substantially. **[Section 27(1A)]**

- It is provided that the authorized officer will furnish a copy of the approval to have access of business premises to the registered person before or at the time of undertaking any action and such authorized officer shall submit a report to the Management Committee or Collector. **[Section 60(1)]**

- An officer of the Khyber Pakhtunkhwa Revenue Authority (KPRA), not below the rank of Assistant Collector may direct any bank to attach and remit funds from any bank account of a defaulter to recover the outstanding amount. **[Section 74(1)(c)]**

Balochistan Sales Tax on Services Act, 2015

- No person shall be exempted from any tax liability imposed under this Act on the ground that such person has not been registered under the Act or rules made thereunder. **[Section 10(4A)]**

- No refund of any tax or amount paid under this Act shall be granted to any person unless such person proves that the incidence of the tax has not been passed on to any other person. **[Section 17(1A)]**

- Services on which tax was levied, charged and collected under this Act on 30th June, 2025, shall continue to be levied, charged and collected at the same rate unless expressly exempted or subjected to reduced rate. **[Section 78C]**

Algorithmic settlement mechanism **Section 2(1AA)**

New concept of 'algorithmic settlement mechanism' has been introduced by inserting new section 134B whereby FBR may establish digitally operated algorithmic settlement mechanism for settlement of tax proceedings. For this purpose, "**algorithmic settlement mechanism**" has been defined as provided under the said section 134B.

Authorised shipping agent **Section 2(6A)**

A new term "authorized shipping agent" has been defined for the purpose of section 143 as under:

> "**authorized shipping agent**" means a person in Pakistan who is authorised, by a non-resident ship owner, charterer or operator to act on its behalf in respect of a vessel, and who in relation to such vessel or voyage —
>
> (a) is responsible for the receipt, collection, control or accounting of total freight and any related amounts, and undertakes or is responsible for documentation, manifest filing, or reporting of cargo or total freight, including having, directly or indirectly, the control, custody or disposal of any freight or related receipts attributable to such vessel or voyage; and
>
> (b) furnishes the return under section 143 of this Ordinance, in respect of such vessel or voyage and such person shall, for the purposes of this Ordinance, —
>
> (i) be treated as the representative of the non-resident under section 172;
>
> (ii) be jointly and severally liable for payment of tax and all obligations, proceedings, assessments and recovery in respect of such vessel or voyage; and
>
> (iii) be treated as such, and the provisions of sub-section (3) of section 172 shall apply accordingly."

Electronically readable format **Section 2(19DA)**

For the purpose of substituted sub-section (2A) of section 114, "electronically readable format" has been defined as under:

> "**electronically readable format**" means any digital format in which data is structured so that it can be automatically read, extracted, validated and processed by computer systems without human intervention, including but not limited to spreadsheet formats (such as CSV or XLSX), XML, XBRL, JSON, and other structured or semi-structured data formats but excluding formats primarily designed for human readability, such as PDF, scanned images or photographs."

Fast moving consumer goods **Section 2(22A)**

The definition of "fast moving consumer goods" (FMCG) has been omitted as a result of removal of the reduced rate of minimum tax under section 113 @ 0.25% available to distributors of FMCG.

National faceless center **Section 2(35)(1A)**

The definition of the term "national faceless center" has been provided in newly inserted section 227D for the purposes of proceedings under the Ordinance in faceless manner.

Surcharge **Section 4AB**

Surcharge under this section was reduced to 9% from 10% for individual deriving income chargeable under the head "Salary" by inserting proviso to this section through Finance Act, 2025.

Now, by substituting the aforesaid proviso, surcharge in case of an individual deriving income chargeable under the head "Salary" has been withdrawn.

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

Through Finance Act, 2025, new section 6A was introduced whereby, final tax was imposed on every person who receives payment for supply of digitally ordered goods or services which were delivered from within Pakistan using locally operated online platforms including online marketplace or websites at the rate of:

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

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

Now, new sub-section (3) under this section has been inserted whereby, notwithstanding the provisions of section 8, the tax imposed under section 6A on a person, whose turnover in a tax year exceeds two hundred million rupees, shall be adjustable.

Further, it is provided that a person having turnover up to two hundred million rupees may opt out of the final tax regime at the time of filing of return for the tax year 2027 and onwards.

Tax on deemed income — Section 7E

Section 7E was inserted through Finance Act, 2022 whereby tax @ 20% was imposed on amount equal to five percent of the fair market value of capital assets situated in Pakistan.

Now, this section has been omitted in the wake of order of Honourable Federal Constitution Court of Pakistan declaring section 7E ultra vires.

Tax on certain payments by life insurance business — New Section 7G

By inserting new section 7G, for the tax year 2026 and onwards a final tax has been imposed on every individual who receives any payout, benefit, surrender value, maturity proceeds or similar payment (payout) from a life insurance business on account of insurance policy, family takaful certificate, plan or any similar arrangement at following rates:

- 15% where payout or benefit is made within one year from the date of issuance of the life insurance policy, family takaful certificate or plan.
- 10% where payout or benefit is made after one year but before completion of four years from the date of issuance of the life insurance policy, family takaful certificate or plan.

The amount liable to tax shall be the gross amount of payout reduced by aggregate amount of premiums or contributions paid by the policy holder or participant.

However, tax shall not be imposed where the payout or benefit is made:

(a) on account of death of the insured or participant,

(b) on account of disability of the insured or participant, or

(c) after completion of four years from the date of issuance of the policy, certificate or plan.

Further, the tax shall be deducted at the time of payment by life insurance company. For this purpose, new section 151B has been inserted and tax so deducted shall be treated as final tax on the income arising from such payout or benefit.

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

Clause (r) was inserted in this section through Finance Act, 2022 whereby any expenditure attributable to sales claimed by any person, who is required to integrate but fails to integrate his business with the FBR through approved fiscal electronic device and software, was disallowed upto eight percent of the allowable deduction.

Now, by substituting this clause, any person, who fails to install electronic resource or to act as an integrated enterprise as required by law, three percent of the expenditure claimed by the person shall be disallowed, subject to the method, manner, and procedure as may be prescribed.

Rationalization of rates of withholding taxes in the nature of minimum tax **New Section 53A**

By inserting new section 53A, the Federal Government has been empowered to reduce the rate of any of the withholding taxes in the nature of minimum tax as given in First Schedule, other than minimum tax chargeable under section 113 by one percent on the basis of economic viability in cases of persons or class of persons, subject to such restrictions and limitations as the Federal Government may specify.

The term 'economic viability' includes an anticipated net loss of business income due to tax burden either directly or indirectly due to non-availability of resources to maintain or increase efficiency of the business as certified by a chartered accountant firm listed as Category A, as per rating issued by the State Bank of Pakistan.

The Federal Government shall place before the National Assembly all amendments made in rates of withholding taxes in the First Schedule, in a financial year under this section.

Tax credit for integration **Section 64D**

Previously, a person who was required to integrate with the FBR's computerized system for real time reporting of sale or receipt was entitled to tax credit under this section in respect of the amount invested in purchase of point of sale machine.

Now, section 64D has been substituted whereby any person required, under the Income Tax Ordinance, 2001, the Sales Tax Act, 1990 or the Federal Excise Act, 2005, to integrate with the computerized system of FBR for real-time production monitoring, or for the recording or reporting of sales or receipts, shall be entitled to a tax credit in respect of expenditure incurred exclusively on the purchase, acquisition, installation or implementation of such equipment, hardware, software or other electronic components as are directly and exclusively utilized for the purposes of such integration.

The amount of tax credit allowed under sub-section (1) of this section for a tax year in which electronic resource is installed, integrated and configured with the FBR's computerized system shall be ten percent of the amount actually invested in the electronic resource.

Such tax credit shall not be allowable against operation and maintenance expenses related to such electronic resource. Further, tax credit under this section shall be available only against normal tax payable under Division I or Division II of Part I of the First Schedule.

FBR has been empowered to prescribe limitations, conditions and restrictions for availing the tax credit under this section.

Cost of inherited immovable property **Section 76(8A)**

New sub-section (8A) has been inserted in this section whereby cost of an immovable property acquired by an individual through inheritance, shall be the fair market value as provided under sub-section (5) of section 68 of this Ordinance, on transfer of such property to the beneficiary.

Non-recognition rules **Section 79(1)**

By inserting explanation under clause (b) of sub-section (1) of this section, it has been clarified that transmission of immovable property, to a beneficiary on the death of a person shall also include the transmission of assets by reason of family settlement amongst the family members consequent upon death of the person.

Person **Section 80(2)**

By amendment in sub-section (2) of section 80, limited liability partnership has been included in the definition association of persons.

Principal of taxation of association of persons **Section 92(4A)**

New sub-section (4A) has been inserted under section 92 stating that where income of a limited liability partnership is exempt from tax, any amount received by a member as share from profits earned by such limited liability partnership shall be included in the income of that member.

Explanation inserted in this section by Finance Act 2002, explaining that the share received by the member from exempt income of the association of person shall remain exempt in hands of members of the association has now been omitted.

Special procedure for small traders and shopkeepers **Section 99B**

Previously, the FBR was empowered to prescribe special procedure for scope and payment of tax, filing of return and assessment in respect of small traders and shopkeepers in specified cities or territories.

Now by amendment in this section, such scope has been extended to rate and payment of tax including fixed tax and audit of such small traders and shopkeepers.

Special provision relating to capital gain tax **Section 100B**

Section 100B prescribes that Capital gains on disposal of listed securities and tax thereon including super tax under section 4C shall be computed, determined, collected and deposited in accordance with the rules laid down in the Eighth Schedule.

Now, provisions of this section have also been made applicable to non-banking finance companies, modarabas, and companies in respect of capital gains on debt securities only, which were previously excluded from the scope of this section.

Further, new sub-section (3) under this section has been added whereby in case of banking company, insurance company and mutual funds, NCCPL shall compute and determine the capital gain as per the mechanism prescribed under section 37A, however, these entities shall continue to deposit tax on the amount of capital gain as per the applicable provisions of this Ordinance.

Return of income **Section 114(2A), (6) & (6B)**

From tax year 2026 and onwards, in case of companies, the financial statements accompanying the return shall only be filed in electronically readable file format. The term 'electronically readable file format' has been defined in clause (19DA) of section 2.

Further, now a person may file revised return under sub-section (6) of this section in case of settlement offered by an algorithmic settlement mechanism as provided under section 134B without approval of the Commissioner. The taxpayer shall pay the amount of tax determined by the mechanism and no separate penalty or default surcharge shall be payable. The return so filed shall be accompanied by such documents as required under sub-section (6) and shall be treated as a revised return under this section.

Faceless audit and assessment **New Section 122E**

By adding new section 122E, concept of faceless audit under sections 177 or 214C, any order under section 111, any assessment and rectification under section 221, has been introduced in respect of persons or class of persons, or incomes or class of incomes, or cases or class of cases, as may be prescribed by the FBR.

Provisions of section 177 shall apply to the audit conducted in a faceless manner under this section. Opportunity of being heard shall be provided to the taxpayer during the course of this audit or a statement under oath is required to be obtained from a taxpayer or any other person under section 176 of this Ordinance, the same shall be done through E-hearing under section 227E.

Further the identity of the officer, including facial and voice identity, conducting such E-hearing shall be kept confidential.

The provisions of this section shall have overriding effect over the other provisions of the Income Tax Ordinance, 2001.

Faceless appeals to the Commissioner (Appeals) **New Section 129A**

Now, appeals filed to the Commissioner (Appeals) may be processed through the National faceless center as may be prescribed by the FBR. Provisions of sections 127, 128 and 129 regarding filing of appeal before Commissioner (Appeals), procedure in appeal and decision in appeal, respectively shall apply to faceless appeals accordingly.

The provisions of this section shall have overriding effect over the other provisions of the Income Tax Ordinance, 2001.

Independent case scrutiny committee **New Section 133A**

By adding new section 133A, the FBR shall constitute independent case scrutiny committee(s) to grant approval in respect of filing a reference under section 133 before the High Court or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan by the Commissioner Inland Revenue.

FBR may assign to the committee, cases or classes of cases decided by the Appellate Tribunal Inland Revenue or the High Court, as the case may be. The committee shall comprise of the following members:

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

(b) an Advocate having fifteen years of experience in tax and commercial litigation before the High Court or Supreme Court to be nominated from a penal notified by the FBR, and

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

It is provided that the committee may co-opt a chartered accountant as a non-voting member, whenever required.

The powers, functions and procedure of the committee along with remuneration of its members shall be governed by the FBR. Recommendations of the committee shall be binding upon the Commissioner having jurisdiction over the case.

Further, protection from suit, prosecution or other legal proceedings against the members of the committee and the concerned Commissioner, in relation to the decisions made under this section, has been provided. The committee constituted under this section shall exercise its powers and functions with effect from the date of its constitution as notified by the FBR.

For purposes of determining whether a matter referred to in sub-section (1) has been filed within time, the period from the date from which time begins to run to the date on which the committee gives its approval, which period shall in each case be certified by the chairman, shall stand excluded. However, in cases where time has already begun to run when this section comes into force, the period as aforesaid shall commence from the date on which the Finance Act, 2026 comes into force.

Alternative Dispute Resolution **Section 134A(10A) & (11)**

New sub-section (10A) has been inserted in this section whereby notwithstanding the dissolution of the committee, the committee may, by an order in writing, rectify any mistake apparent from the record on its own motion or any mistake brought to its notice by the taxpayer or the Commissioner, within thirty days of the receipt of the decision of the committee.

It is further provided that where, at any stage of the proceedings, any member of the committee becomes unavailable or is unable to perform his functions, the Chairman of the FBR shall appoint another person in accordance with the provisions of subsection (3) of this section within fifteen days and the committee so reconstituted shall continue to function. Upon such reconstitution, the committee shall be allowed a further period of sixty days to conclude the proceedings and perform its functions under this section. Total period available to the committee, including the period already consumed prior to such reconstitution, shall in no case be less than ninety days from the date of its original constitution.

Algorithmic settlement mechanism **New Section 134B**

By virtue of this section, new concept of algorithmic settlement mechanism for settlement of various tax proceedings has been introduced through revision of return under sub-section (6) of section 114. Section 134B states as follows:

> "**134B. Algorithmic settlement mechanism.**—(1) Notwithstanding anything contained in this Ordinance, the Board may establish digitally operated algorithmic settlement mechanism (hereinafter referred to as the mechanism) for settlement of tax proceedings at any stage before any assessment or amendment of assessment order under sections 121, 122 or 122E of this Ordinance through revision of return under sub-section (6) of section 114 in certain cases.
>
> (2) In case the mechanism calculates and presents to the taxpayer a settlement offer for voluntary revision of return as per the criteria provided under sub-section (3), the taxpayer may avail the offer as provided in sub-section (4).
>
> (3) The system generated settlement offer shall be calculated on the basis including but not limited to—
>
> (a) the stage of proceedings at which settlement is offered;
>
> (b) the taxpayer's compliance history, as maintained in FBR's data;
>
> (c) the nature and character of the discrepancy, including whether it involves a valuation or legal interpretation dispute, unexplained income or assets, or concealment; and
>
> (d) any other basis the Board may consider relevant to ensure revenue adequacy and equitable treatment of taxpayers.
>
> (4) A taxpayer who opts to avail this mechanism shall, within ten days from the date of settlement offer to—
>
> (a) accept the settlement offer on IRIS;
>
> (b) deposit the settlement offer amount along with revised return; and
>
> (c) revise the relevant return of income to incorporate the settled amount.

(5) The issues confronted to the taxpayer through notice of selection of audit, a notice under section 111, an audit report under sub-section (6) of section 177, a notice under sub-section (9) of section 122, as the case may be, shall stand abated, if the taxpayer revises the return by accepting the offer as provided in sub-section (4).

(6) Revision of return consequent upon acceptance of offer under sub-section (4) of this section shall not preclude proceedings in respect of any other issue or discrepancy not covered by the settlement offer, nor shall it affect proceedings for any other tax year."

Advance tax **Section 147(6C)**

Sub-section (6C) was inserted in this section through Finance Act, 2024 whereby advance income tax @ 1% was made applicable for exporters in addition to tax collectable or deductible on exports under section 154 of the Ordinance.

Now, this sub-section has been omitted and hence applicability of additional 1% tax stands withdrawn. However, rate of minimum tax on exports u/s 154 has been increased to 1.25% from 1%.

Certain payments by life insurance companies and takaful operators **New Section 151B**

By inserting new section 151B, now every life insurance company, including a family takaful operator or a window takaful operator, making any payout, benefit, surrender value, maturity proceeds or similar payment to an individual under a life insurance policy, family takaful certificate, plan or any similar arrangement at the time of making such payment, deduct tax at following rates:

- 15% where payout or benefit is made within one year from the date of issuance of the life insurance policy, family takaful certificate or plan.
- 10% where payout or benefit is made after one year but before completion of four years from the date of issuance of the life insurance policy, family takaful certificate or plan.

The tax so deducted shall be final tax on the income arising from such payout or benefit.

Further, the above rates of tax shall not be increased by one hundred percent under Tenth Schedule in case of a non-active person being a non-resident individual.

The amount liable to tax shall be the gross amount of payout reduced by aggregate amount of premiums or contributions paid by the policy holder or participant.

However, tax shall not be imposed where the payout or benefit is made:

(a) on account of death of the insured or participant;

(b) on account of disability of the insured or participant; or

(c) after completion of four years from the date of issuance of the policy, certificate or plan.

Withholding tax on revenues received from social media platforms **New Section 154B**

New section 154B has been introduced whereby now, every banking and non-banking financial institution shall deduct tax from revenues received from social media platforms at the time of credit or receipt of any amount in an account of a person at the rate of 5%. For the purpose of this section, digital content creators or social media influencers have also been covered and defined under this section as follows:

'Digital content creator or social media influencer' means any individual or entity deriving income from creation, publication, or monetization of content on digital platforms including but not limited to YouTube, Facebook, Instagram, Tik Tok or such other similar platforms.

Further, 'payment' has been defined as any inward remittance, transfer, or credit received through banking channels, including through intermediaries such as online payment service providers or digital financial platforms.

The tax deducted under this section shall be minimum in the case of a resident person and final tax in the case of a non-resident person not having a permanent establishment in Pakistan.

Exemption or lower rate certificate **Section 159(1C) & (1D)**

Section 159 governs the procedure for issuance of lower rate / exemption certificate from various withholding tax provisions on filing of application under this section by the taxpayer.

New sub-section (1C) has been added in this section whereby Collective Investment Scheme or a REIT Scheme, Private Equity and Venture Capital Fund distributes ninety percent or more of its accounting income amongst the unit or certificate holders or shareholders, as the case may be, in accordance with the provisions of clauses (99) and newly inserted clause (99C) Part I of the Second Schedule for the year immediately preceding the last tax year. Such person shall be eligible for issuance of exemption certificate under sub-section (1) of this section for the subsequent whole tax year.

However, it is provided that where such person has started business for the first time, exemption certificate shall be issued on the basis of an undertaking furnished to the Commissioner that the person shall distribute ninety percent of his accounting income to the unit or shareholders for the tax year.

Further, sub-section (ID) has been added in this section whereby a person, who has been issued approval under the provision of sub-clause (c) of clause (36) of section 2, shall be eligible for issuance of exemption certificate under sub-section (1) of this section for the whole tax year.

Reporting of financial transaction data by banking companies and financial institutions **New Section 165AB**

New section 165AB has been introduced whereby, every banking company and Electronic Money Institutions (EMIs) shall electronically upload the information regarding an account holder having deposits or withdrawals exceeding one hundred million rupees during a reporting period in any or all of the bank accounts maintained by the account holder, specifying particulars of deposits or withdrawals, including opening and closing balances, peak credits, and total credits during the reporting period.

Such information shall be uploaded by the banking company and EMIs electronically to the Central Data Hub, for algorithmic cross-matching of tax and bank information and the same shall be processed digitally and shall not be visible to any of the Income Tax Authorities during this cross-matching process.

In case of gross mismatch in the information, the digital system of the FBR shall feed the information so required into the Compliance Risk Management (CRM) system of the FBR, and further proceedings shall be conducted by the National faceless centre as provided under newly inserted section 227D.

Further, for the purpose of this section following terms have been defined as under:

(a) "reporting period" means, in respect of a Financial Year, a period of six months, starting from:

(i) 1st day of July and ending on 31st day of December; and

(ii) 1st day of January and ending on 30th day of June.

(b) "specified date" means the–

(i) 31st day of January in case of reporting period ending on 31st day of December; and
(ii) 31st day of July in case of reporting period ending on 30th day of June.

(c) "accounts" means bank accounts maintained by a person including current deposits, call deposits, saving deposits, fix deposits, term deposits, or any other such deposits by whatever name called.

(d) "peak credits" means the highest credit balance in all the bank accounts of the account holder on any given date during the reporting period.

(e) "Central Data Hub" means a virtual repository of data and information maintained by the Board through PRAL.

(f) "compliance risk management (CRM)" means a computer programme for identification and communication of compliance risks, including understatement of sales, overstatement of expenses, non-reporting or under-reporting of incomes, assets and transactions."

Records **Section 174(5)**

Earlier, under sub-section (5) of this section, the Commissioner was empowered to require any person to install and use an Electronic Tax Register for the purpose of storing and accessing information regarding any transaction that has a bearing on the tax liability of such person.

Now by substituting this sub-section, the FBR has been empowered to require any person or class of persons to install and use an electronic resource of such type and description as may be prescribed, or to act as an integrated enterprise for the purpose of receiving, storing, matching and accessing information regarding any transaction that has a bearing on the tax liability of such person.

Exchange of banking and tax information related to high risk persons **Section 175AA(1)(c)**

Section 175AA was inserted through Finance Act, 2025 whereby the FBR was empowered to exchange information obtained from the tax declarations with schedule banks in Pakistan in respect of persons or classes of persons for the purpose of cross matching with the bank data through the data-based algorithms.

Now clause (c) to sub-section (1) of this section has been added whereby the State Bank of Pakistan may establish, operate and maintain a secure centralized virtual repository of banking data, comprising such information, records, and financial transactions of persons maintained by Scheduled banks on the basis of unique identifiers, as may be prescribed by the FBR and collect and provide data and results to the FBR.

Audit **Section 177(6B)**

Section 177 governs the procedure of audit of a taxpayer. By inserting new sub-section (6B) under this section, Commissioner has been empowered with the approval of the Chief Commissioner to get the accounts of a taxpayer re-audited, inventory re-valued or actuarial values determined by an accountant, cost accountant and actuary, respectively and to furnish reports related thereto and answers to the specific queries in following cases:

(a) the nature and complexity of the accounts; or
(b) volume of the accounts; or
(c) doubts about the correctness of the accounts; or
(d) multiplicity of transactions; or
(e) specialized nature of business activity of the taxpayer.

Further, it has been explained that the accountant, the cost accountant or actuary as referred to in sub-section (6B) shall be nominated by the Commissioner from amongst the panel of such accountants, valuers, or actuaries nominated by the FBR.

Moreover, it is provided that after the first nomination, if the registered person objects to the nomination of a particular accountant or cost accountant within fifteen days of such nomination, the Commissioner, if agreed with objections, may change the said accountant or cost accountant with another accountant or cost accountant.

Offences and penalties **Section 182(1)**

S. No. 1 of sub-section (1) of this section prescribes minimum penalty or penalty on the basis of tax payable where a person fails to furnish a return of income as required under section 114 within the due date. Explanation provided under the said S. No. 1 has been substituted to explain the expression "tax payable" means the higher of:

(i) tax chargeable on the taxable income on the basis of assessment made or treated to have been made under sections 120, 121, 122, 122D or 122E; or

(ii) the tax payable for the immediately preceding tax year for which a return of income was duly filed.

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

S. No.	Offences	Penalties	Section of the Ordinance to which offence has reference
(1)	(2)	(3)	(4)
2A	Where any person, having been required by the Board under sub-section (5) of section 174 to install and use an electronic resource of the type and description prescribed for the purpose of storing and accessing information regarding any transaction that has a bearing on the tax liability of such person, fails to install such electronic resource within the time specified, or having installed it, fails to use, maintain, or operate it in the prescribed manner, or tampers with, disables, or circumvents such electronic resource.	1% of the turnover or one million rupees for the first default whichever is higher and two million rupees for every subsequent quarterly default.	174(5)
2B	Where any agency, authority, institution, or organization that is an integrated organisation within the meaning of section 175A, or has been notified as such by the Board, fails without reasonable cause to — (a) integrate its IT platform such data interface as notified by the Board within the time specified; or (b) share data of the categories and in the manner required under section 175A or the rules made thereunder; or (c) provide complete, accurate, and timely data as required; or	A penalty of five hundred thousand rupees for the first default and one million rupees for every subsequent default shall be imposed on the principal officer as defined in clause (44A) of section 2 of this Act or the chief executive officer of the company or member in case of an	175A

S. No.	Offences	Penalties	Section of the Ordinance to which offence has reference
(1)	(2)	(3)	(4)
	(d) designate a focal person as required; or remedy a deficiency or non-compliance within thirty days of a written notice by the Board identifying the deficiency.	association of persons and individual in case of sole proprietorship.	
36	Where a person claims a credit in respect of tax withheld at source under any provision of this Ordinance in excess of the amount verifiably deducted and deposited by the withholding agent, as confirmed through the Board's computerized system or otherwise.	Such person shall pay a penalty equal to the amount of excess credit claimed.	168

Further, penalties under S. No. 8 regarding failure to produce the record or documents on receipt of first, second and third notices under section 177 have been increased to one hundred thousand, two hundred thousand rupees and three hundred thousand rupees, respectively. Previously such penalties were twenty-five thousand rupees, fifty thousand rupees and one hundred thousand rupees, respectively.

Previously, under S. No. 10, in case of a person, who (i) makes a false or misleading statement; or (ii) furnishes or files a false or misleading information or document or statement; or (iii) omits from a statement made or information furnished, was liable to pay a penalty of twenty-five thousand rupees or fifty percent of the amount of tax shortfall whichever is higher. Now, by amendment, such penalty has been increased to five hundred thousand rupees or hundred percent of tax shortfall whichever is higher.

Previously, under S. No. 35, any company and an association of persons who (i) 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; or (ii) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or (iii) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were required to be filed, was liable to pay a penalty of five hundred thousand rupees or ten percent of the tax chargeable on the taxable income, whichever is higher.

Now, by amendment under S. No. 35, such penalty has been extended to every person including company, an association of persons by amendment in column 2 pertaining to "offences".

Further, it has been explained that audited financial statements furnished in the form of image files, scanned documents, or password protected files that are illegible or otherwise inaccessible to the concerned Inland Revenue authority shall be deemed to have been furnished as blank or incomplete documents.

Return not filed within due date **Section 182A(1) & (3)**

In case of a person who fails to file a return of income by the due date or by the extended date, such person is included in the active taxpayers' list on filing of return after the due date, on payment of surcharge under sub-section (1) of this section. Now, such surcharge has been increased as follows:

Person	Previous	Present
	Rupees	Rupees
Company	20,000	100,000
Association of persons	10,000	50,000
Individual	1,000	25,000

However, payment of surcharge mentioned in sub-section (1) of this section, shall not apply to an individual who furnishes an undertaking before the Commissioner by declaring that he shall not purchase, acquire or otherwise obtain ownership or beneficial interest in any property for a period of six months commencing from the date of furnishing such undertaking in such form as may be prescribed.

Faceless jurisdiction of income tax authorities **New Section 209B**

For the purposes of National faceless centre as provided under substituted section 227D, faceless jurisdiction of Income Tax Authorities has been prescribed under this newly inserted section. Section 209B states as follows:

> **"209B. Faceless jurisdiction of income tax authorities.—** (1) Notwithstanding anything contained in this Ordinance, the Inland Revenue tax authorities appointed in National faceless center shall perform all or such functions, and exercise all or such powers under this Ordinance as may be assigned to them in respect of such persons, or classes of persons, for such tax years of a person through algorithms developed by the Board.
>
> (2) The jurisdiction so assigned under this Ordinance may be exclusive or concurrent. In case of concurrent jurisdiction, the powers and functions not assigned to the National faceless centre shall remain with the Commissioner having jurisdiction under section 209 of this Ordinance.
>
> (3) The Board may transfer jurisdiction in respect of persons or classes of persons, for a specific tax year, for which the jurisdiction has already been assigned under this section, from the National faceless center to the Commissioner having jurisdiction under section 209 of this Ordinance, on recommendation of the Chief Commissioner or on its own accord.
>
> (4) The Chief Commissioner appointed in the National faceless center may request the Board to direct the Commissioner having jurisdiction under section 209 or any other Income Tax Authority, as it may deem fit to conduct physical verification including nature and size of the business, assets, investments, expenditures, and any other information or verification required by the Chief Commissioner for conducting any proceedings assigned to the National faceless centre:
>
> Provided that the Board may exercise its power of allocation of verification through an algorithm-based system.
>
> (5) Notwithstanding anything contained in any law for the time being in force, the identity of the authority exercising jurisdiction in the National faceless centre shall be kept confidential from the taxpayer, the authorized representative of the taxpayer, and any unauthorized person.
>
> (6) No notice, order, demand or assessment passed by an authority appointed at the National faceless centre shall be called in question or set aside merely on the ground that such authority did not have jurisdiction over the taxpayer under section 209 of this Ordinance, or lack of notified delegation of power under section 210 of this Ordinance, or because of the fact that identity of the authority has been kept confidential from the taxpayer as per sub-section (5)."

National faceless centre **Section 227D**

Earlier under this section, the FBR was empowered to design an alternate impersonal taxation regime only for low risk and compliant taxpayers with the objective to minimize the personal interaction.

Now, by substituting this section, the FBR has been empowered to establish a National faceless centre for the purpose of proceedings under the Ordinance in faceless manner and accordingly specify its jurisdiction, powers and functions.

The centre shall comprise a Director General and as many Chief Commissioners, Commissioners, Additional Commissioners, Deputy Commissioners, Assistant Commissioners and any of the Income Tax Authorities mentioned in section 207 along with support staff, as the FBR may deem fit. The Centre shall comprise as many wings and units as may be prescribed by the FBR. Further, the functions of audit, assessment, and quality control in a specific case for a specific tax year shall be performed by separate officers.

The FBR has been empowered to design algorithms for assigning any function or jurisdiction under this section to any of the authorities mentioned above.

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

Provisions of this section shall have overriding effect over other provisions of the Ordinance.

Directorate General (Field Compliance) Inland Revenue **New Section 228A**

New section 228A has been inserted, whereby the FBR has been empowered to establish Directorate General (Field Compliance) Inland Revenue. This Directorate shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the FBR may appoint.

Further, the FBR has also been empowered to specify the functions and jurisdiction of the Directorate General and its officers and confer the powers of authorities specified in section 207 upon the Directorate General and its officers.

Advance tax on TV plays and advertisements **Section 236CA**

By omitting section 236CA, advance tax to be collected on TV plays and advertisements has been done away.

INCOME TAX ORDINANCE, 2001 – THE FIRST SCHEDULE

THE FIRST SCHEDULE

Part I – RATES OF TAX

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

Rates of tax for salaried individuals have been revised as follows:

S. No.	Taxable income	Rate of tax
1.	Where the taxable income does not exceed Rs. 600,000	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	1% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 116,000 + 20% of the amount exceeding Rs. 2,200,000
5.	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 316,000 + 25% of the amount exceeding Rs. 3,200,000
6.	Where taxable income exceeds Rs. 4,100,000 but does not exceed Rs. 5,600,000	Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000
7.	Where taxable income exceeds Rs. 5,600,000 but does not exceed Rs. 7,000,000	Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000
8.	Where taxable income exceeds Rs. 7,000,000	Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000

Division IIB – Super tax on high earning persons

S. No.	Category	Rate of tax
1.	Income of a banking company exceeding Rs. 150 million	10%
2.	Income of a person which is computed as per Part I of the Fifth Schedule, exceeding Rs. 150 million, so far as it does not exceed the limit specified in rule 4 of that Part	10%
3.	Income of a person, engaged in deriving income from sale of any kind of fertilizer, exceeding Rs. 150 million	10%
4.	Income of a person other than those mentioned in S. No. 1, 2 and 3 exceeding Rs. 500 million	8%

Division VII – Capital gain on disposal of securities

Rates of tax to be deducted on capital gains by mutual funds or a collective investment scheme or a REIT scheme on redemption of securities are as follows:

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

Previously, the above rates were applicable for the purpose of tax deduction. Now, by amendment to proviso of this Division, the same rates of tax shall also be applicable for charging of tax.

Division VIIIC – Tax on deemed income

Section 7E imposing tax on deemed income has been omitted. Resultantly, this Division providing rate of tax for the purpose of said section 7E has also been omitted.

Division IX – Minimum tax on income of certain persons under section 113

Reduced rate of minimum tax @ 0.25% under section 113 available to distributors of pharmaceutical products, fast moving consumer goods and cigarettes has been withdrawn. Now, standard rate of 1.25% shall be applicable to such distributors.

Part III – DEDUCTION OF TAX AT SOURCE

Division IC – Certain payments by life insurance companies and takaful operators

For the purpose of newly inserted sections 7G and 151B, every life insurance company (including family / window takaful operator) shall deduct tax on any payout, surrender value, or maturity proceeds or similar payment to an individual under a life insurance policy, family takaful certificate, plan or arrangement as under:

S. No.	Description	Rate of tax
1.	Where payout or benefit is made within one year from the date of issuance of the life insurance policy, family takaful certificate or plan	15%
2.	Where payout or benefit is made after one year but before completion of four years from the date of issuance of the life insurance policy, family takaful certificate or plan	10%

Division III – Payments for goods or services

Rate of tax deduction from a resident person on payments for certain services specified under sub-paragraph (i) of paragraph 2 of this Division has been increased to 7% from 6%.

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

In case of payment to a resident person for services other than those mentioned in sub-paragraph (i) above, the rate of tax has been reduced to 14% from 15%.

However, tax shall be deducted @ 15% in case of payment for independent professional services, such as doctors, lawyers, architects, accountants, software engineers, or developers working independently.

Further, tax shall be deducted @ 12% of the gross amount payable to companies for rendering or providing terminal and port operating services.

Division IIIAA – Gain on disposal of certain debt securities

The rate of tax to be deducted under section 151A on capital gain arising from disposal of debt securities where the disposal is made other than through a registered stock exchange and settled through NCCPL has been increased to 20% from 15%.

Division IIIAB – Withholding tax on revenues received from social media platforms

New Division IIIAB has been inserted whereby, now, every banking and non-banking financial institution at the time of credit or receipt of any amount in an account of a person representing revenue received from social media platforms shall deduct tax @ 5% under newly inserted section 154B.

Division IV – Exports

The rate of tax to be deducted on export proceeds on account of export of goods by an exporter, an indirect exporter under an inland back to back letter of credit, an industrial undertaking and an exporter or an export house registered under Duty and Tax Remission Rules under sub-sections (1), (3), (3A), (3B), and (3C), of section 154 has been increased to 1.25% from 1%.

Further, the rate of tax to be deducted under sub-section (2) of section 153 on providing of services of stitching, dying, printing, embroidery, washing, sizing and weaving to an exporter or an export house has also been increased to 1.25% from 1%.

Division IVA – Export of services

Reduced rate of tax at 0.25% in respect of export of Computer software or IT services or IT enabled services by persons registered with Pakistan Software Export Board under section 154A was available up to tax year 2026. Now, the said rate of 0.25% has been extended up to tax year 2029.

Part IV – DEDUCTION OR COLLECTION OF ADVANCE TAX

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

Previously, advance tax on sale of immovable property under section 236C was collected on progressive slab rates ranging from 4.5% to 5.5% in case of active taxpayers according to the gross value of the consideration received.

Now, by amendment in this Division, in case of active taxpayers, tax shall be collected at flat rate of 2.75% irrespective of the gross amount of consideration received on the sale or transfer of immovable property.

However, in case of a taxpayer not appearing in the active taxpayers' list, old rate of 11.5% provided under Tenth Schedule remained unchanged.

Division XA – Advance tax on TV plays and advertisements

Section 236CA in respect of tax to be collected on TV plays and advertisements has been omitted. Resultantly, this Division providing rate of tax for the purpose of said section 236CA has also been omitted.

Division XVIII – Advance tax on purchase of immovable property

Previously, advance tax on purchase of immovable property under section 236K was collected on progressive slab rates ranging from 1.5% to 2.5% in case of active taxpayers according to the fair market value of immovable property.

Now, by amendment in this Division, in case of active taxpayers, tax shall be collected at flat rate of 1.25% irrespective of the fair market value of the immoveable property.

However, in case of a taxpayer not appearing in the active taxpayers' list, slab rates ranging from 10.5% to 18.5% provided under Tenth Schedule remained unchanged.

Division XXVII – Advance tax on amount remitted abroad through credit, debit or prepaid cards

The rate of tax to be deducted on amount remitted abroad through credit, debit or prepaid cards under section 236Y has been reduced to 0.5% from 5%.

THE SECOND SCHEDULE

Part I – EXEMPTIONS FROM TOTAL INCOME

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

By inserting new entries in Sr. No. from (liii) to (lxi) under sub-clause (4) of Clause 57, exemption from tax has been provided to following entities namely:

Sr. No.	Name
(liii)	Pakistan Red Crescent Society
(liv)	Shaheen Foundation PAF
(lv)	Dawat-e-Hadiya
(lvi)	Pakistan Navy Benevolent Association
(lvii)	Sindh Institute of Urology and Transplantation
(lviii)	Employees' Social Security Institutions of Provincial Governments
(lix)	Workers' Welfare Fund Organizations of Provincial Governments
(lx)	Make-A-Wish Foundation
(lxi)	Quaid-i-Azam Mazar Management Board

Profit on debt derived by a non-resident **Clause (79)**

Previously, exemption from tax was available on profit on debt derived from a rupee account held with a scheduled bank in Pakistan by a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC), where the deposits in the said account are made exclusively from foreign exchange remitted into the said account.

Now, by amendment in this Clause, such exemption has been extended to any non-resident person maintaining a Non-Resident Pakistani Rupee Value Account "NRVA" or Non-Resident Business Value Account "NRBVA" under the scheme introduced by the State Bank of Pakistan.

Income derived by Private Equity and Venture Capital Funds **Clause (99C)**

By inserting new clause 99C, exemption from tax has been provided to any income derived by a Private Equity and Venture Capital Fund registered under Private Funds Regulations, 2015, if not less than ninety percent of its accounting income of that year, as reduced by accumulated losses and unrealized capital gains, is distributed to its unit or certificate holders or shareholders.

However, it is provided that this exemption shall not be available, if the Private Equity and Venture Capital Fund is established to acquire a public listed company, whose status has not been changed to the private limited company on the acquisition.

Part II – REDUCTION IN TAX RATES

Rate of tax on profit on debt to non-resident persons **Clause (5AA)**

Previously, reduced tax rate of 10% was available only to a non-resident individual, on account of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 and purchased exclusively through a bank account maintained abroad, a non-resident Rupee account repatriable (NRAR) or a foreign currency account maintained with a banking company in Pakistan.

Now, such reduced rate of tax has been extended to any non-resident person where such debt instrument has been purchased exclusively through a bank account maintained abroad, a non-resident Rupee account repatriable or Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA), or Non-Resident Rupee Business Value Account (NRBVA).

Rate of minimum tax under section 113 for distributors, dealers, sub-dealers and wholesalers of specified goods **Clause (24D)**

Previously, reduced rate 0.25% of minimum tax under section 113 was available to distributors, dealers, sub-dealers, wholesalers and retailers of certain goods under this Clause with the condition that such persons are appearing on the Active Taxpayers' Lists issued under the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001.

Now, by substituting this Clause, the aforementioned rate of minimum tax has been increased to 0.5%. Further, such reduced rate of tax shall now be available to distributors, dealers, sub-dealers, and wholesalers of following goods, provided that such persons are appearing on the Active Taxpayers' Lists issued under the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001.

Sr. No.	Goods
1.	Pharmaceutical
2.	Fertilizer
3.	Cigarette
4.	Sugar
5.	Locally manufactured mobile phones
6.	Fresh and frozen food in canned or packaged form
7.	Electronics
8.	Beverages and dairy products
9.	Pasta, cereals, biscuits, nuts, snacks and similar packaged food items
10.	Condiments and baking items in bottled or packaged form
11.	Skincare and cosmetics, haircare, oral care, baby care
12.	Cleaning agents like laundry detergents, dishwashing soaps and floor cleaners
13.	Toilet paper, paper towels, facial tissues, napkins, and similar products
14.	Trash bags, aluminum foil, air freshener and insect sprays

Part IV – EXEMPTION FROM SPECIFIC PROVISIONS

Exemption from tax deduction on dividend income under section 150 in case of Transmission Line Projects **Clauses (12A)**

Previously, exemption from deduction of tax on dividend under section 150 was available on dividends paid to Transmission Line Projects under the Transmission Line Policy, 2015. Now, by amendment in this Clause, such exemption has been provided to dividends paid by Transmission Line Projects under the Transmission Line Policy, 2015.

Exemption from provisions of section 153(3) for manufacturer of iron and steel products **Clause (46A)**

Sub-section (3) of section 153 states that tax deductible on sale of goods shall be minimum tax on the income of a resident person with the exceptions where payments are received on sale of goods by a company being a manufacturer of such goods and public company listed on a registered stock exchange in Pakistan.

All manufacturers of iron and steel products, were excluded from the purview of the said sub-section (3) whereby tax deducted on sale of goods by such manufactures was adjustable. Now, Clause (46A) has been omitted, whereby tax deductible on sale of iron and steel products under section 153 shall be minimum tax in case of persons other than companies being manufacturer of such goods and public company listed on a registered stock exchange.

Exemption for companies operating Trading Houses **Clause (57)**

By omitting Clause (57), exemption from tax deduction under section 153 available to companies operating Trading Houses subject to certain conditions, has been withdrawn.

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

New clause (104B) has been inserted providing exemption from super tax under section 4C to a person whose realized export proceeds for the tax year represent more than eighty percent of his total turnover for the tax year.

Exemption from provisions of section 100B and rule 1 of Tenth Schedule to a non-resident individual not appearing in active taxpayers' list **Clause (111AB)**

Previously, provisions relating to persons not appearing on active taxpayers' list under section 100BA were not applicable to a non-resident individual holding Pakistan Origin Card (POC) or National ID Card for Overseas Pakistanis (NICOP) or Computerized National ID Card (CNIC) maintaining a Foreign Currency Value Account (FCVA) or Non-resident Pakistani Rupee Value Account (NRVA) with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan.

Now, by amendment in this Clause, provisions of section 100BA shall not apply to Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-resident Pakistani Rupee Value Account (NRVA), Non-resident Pakistani Rupee Business Value Account (NRBVA) with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan.

Exemption for traders as prescribed person under section 153 **Clause (115)**

Previously, traders being individuals as defined in Clause (28B) Part II of Second Schedule having turnover up to one hundred million rupees were not treated as prescribed person for the purpose of tax deduction as withholding agent. Now, limit of such turnover has been increased to two hundred million rupees.

THE EIGHTH SCHEDULE

RULES FOR THE COMPUTATIONS OF CAPITAL GAINS ON LISTED SECURITIES

Persons to whom this schedule shall not apply **Rule 5**

Rule 5, providing option to any person to opt out of the determination and payment of tax in accordance with this schedule on filing of an irrevocable option to NCCPL subject to prior approval of the Commissioner, has now been omitted.

THE TENTH SCHEDULE

RULES FOR PERSONS NOT APPEARING IN THE ACTIVE TAXPAYERS' LIST

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**

Rule 1A was inserted through Finance Act, 2024 whereby rates of deduction or collection of tax on purchase of immovable property under section 236K and sale or transfer of immovable property under section 236C were introduced in case of persons who are appearing on active taxpayers' list but have not filed return by the due date or extended due date.

Now, by omitting this Rule, category of such persons and rates of deduction or collection of tax have been done away.

Non applicability of this Schedule **Rule 10**

New sub-rule (aa) has been inserted under this Rule whereby withholding tax on any payout, surrender value, or maturity proceeds or similar payment to a non-resident person under a life insurance policy, family takaful certificate, plan or arrangement under section 151B shall not be increased by one hundred percent.

Sub-rule (y) was inserted through Finance Act, 2024 providing that withholding tax in respect of capital gains on sales of securities under section 37A acquired on and from 1st day of July, 2025 shall not be increased by one hundred percent. This sub-rule, has now been omitted, thereby such rate of tax shall be increased by one hundred percent in case of persons not appearing in the active taxpayers' list.

THE TWELFTH SCHEDULE
[See Section148]
PART II

New entry "Glycerol, crude; glycerol waters and glycerol lyes" with PCT Code 1520.0000, has been inserted in Part II. Now, rate of advance tax on imports of such items shall be 2% on the import value as increased by customs-duty, sales tax and federal excise duty and 3.5% in case of commercial importer on the value as increased by customs-duty, sales tax and federal excise duty.

INCOME TAX ORDINANCE, 2001 – GENERAL

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

INCOME TAX RATES – TAX YEAR 2027

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	42%
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 super tax imposed under section 4C shall be as follows:

S. No.	Category	Rate of Tax
1.	Income of a banking company exceeding Rs. 150 million	10%
2.	Income of a person, which is computed as per Part I of the Fifth Schedule, exceeding Rs. 150 million, so far as it does not exceed the limit specified in rule 4 of that Part	10%
3.	Income of a person, engaged in deriving income from sale of any kind of fertilizer, exceeding Rs. 150 million	10%
4.	Income of a person other than those mentioned in S. No. 1, 2 and 3 exceeding Rs. 500 million	8%

Super tax shall not be paid by a person whose realized export proceeds for the tax year represent more than eighty percent of his total turnover for the tax year. **Clause (104B, Part III, 2nd Sch.)**

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

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

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

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

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

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

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

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

INCOME TAX ORDINANCE, 2001 – GENERAL

The rate of minimum tax under section 113, shall be 0.5% in the case of distributors, dealers, sub-dealers, wholesalers of goods specified in the following Table, subject to the conditions that beneficiaries of reduced rate are appearing on the active taxpayers' lists issued under the provisions of the Sales Tax Act, 1990 and Income Tax Ordinance, 2001. [Clause (24D), Part II, 2nd Schedule]

Sr. No.	Goods
1.	Pharmaceutical
2.	Fertilizer
3.	Cigarette
4.	Sugar
5.	Locally manufactured mobile phones
6.	Fresh and frozen food in canned or packaged form
7.	Electronics
8.	Beverages and dairy products
9.	Pasta, cereals, biscuits, nuts, snacks and similar packaged food items
10.	Condiments and baking items in bottled or packaged form
11.	Skincare and cosmetics, haircare, oral care, baby care
12.	Cleaning agents like laundry detergents, dishwashing soaps and floor cleaners
13.	Toilet paper, paper towels, facial tissues, napkins, and similar products
14.	Trash bags, aluminum foil, air freshener and insect sprays

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

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

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

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

INCOME TAX ORDINANCE, 2001 – GENERAL

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

S. No.	Taxable income	Rate of tax
1.	Where the taxable income does not exceed Rs. 600,000	0%
2.	Where taxable income exceeds Rs. 600,000 but does not exceed Rs. 1,200,000	1% of the amount exceeding Rs. 600,000
3.	Where taxable income exceeds Rs. 1,200,000 but does not exceed Rs. 2,200,000	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000
4.	Where taxable income exceeds Rs. 2,200,000 but does not exceed Rs. 3,200,000	Rs. 116,000 + 20% of the amount exceeding Rs. 2,200,000
5.	Where taxable income exceeds Rs. 3,200,000 but does not exceed Rs. 4,100,000	Rs. 316,000 + 25% of the amount exceeding Rs. 3,200,000
6.	Where taxable income exceeds Rs. 4,100,000 but does not exceed Rs. 5,600,000	Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000
7.	Where taxable income exceeds Rs. 5,600,000 but does not exceed Rs. 7,000,000	Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000
8.	Where taxable income exceeds Rs. 7,000,000	Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000

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

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

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

SURCHARGE UNDER SECTION 4AB

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

However, no surcharge shall be payable in case of an individual deriving income chargeable under the head "salary."

ADJUSTMENT OF TAX CREDIT BY EMPLOYER

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

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

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

iii) failure to make deduction during the year.

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

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

VALUATION OF PERQUISITES, ALLOWANCES AND BENEFITS

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

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

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

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

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

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

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

INCOME TAX ORDINANCE, 2001 – GENERAL

INCOME FROM PROPERTY UNDER SECTIONS 15 AND 155

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

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

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

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

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

- **For Company:**

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

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

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

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

(b) 15% in case of Real Estate Investment Trusts and cases other than those mentioned in clauses (a), (ba), (c) and (d).

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

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

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

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

Income from dividend received by a banking company shall be taxed @ 42%. [Rule 7B, 7th Schedule]

INCOME TAX ORDINANCE, 2001 – GENERAL

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%

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, 42% 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 charge and 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%

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

Moreover, income from capital gains in case of banking company shall be taxed at the rate of 42%. [Rule 7B, 7th Schedule].

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%	-	-

INCOME TAX ORDINANCE, 2001 – GENERAL

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

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

- Profits and gains accruing to persons mentioned in proviso to sub-section (1) of section 236C in respect of first sale of immovable property acquired from or allotted by the Federal Government or Provincial Government or any authority duly certified by the official allotment authority and the property acquired or allotted is in recognition of services rendered by the persons specified in the said proviso shall be exempt from tax. [Clause (114B), Part I, Second Schedule]
- The amount of tax payable on income chargeable under the head, "Capital Gains" on disposal of immovable property shall be reduced by 50% on the first sale of immovable property acquired or allotted to ex-servicemen and serving personnel of Armed Forces or ex-employees or serving personnel of Federal and Provincial Governments, being original allottees of the immovable property, duly certified by the allotment authority. [Clause (9A), Part III, Second Schedule]

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

ADVANCE TAX UNDER SECTION 147

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

i) Dividend received from a company (Section 5)

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

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

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

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

$$(A / 4) - B$$

Where —

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

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

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

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

(A x B / C) – D

Where —

A is the taxpayer's turnover for the quarter

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

C is turnover of the taxpayer for the latest tax year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Rate in respect of		
(1)	**(2)**	**(3)**	**(4)**
Area in	**Karachi, Lahore and Islamabad**	**Hyderabad, Sukkur, Multan, Faisalabad, Rawalpindi, Gujranwala, Sahiwal, Sialkot, Bahawalpur, Peshawar, Mardan, Abbottabad, Quetta**	**Urban Areas not specified in columns (2) and (3)**
	FOR COMMERCIAL BUILDINGS		
Sq. ft.	-	-	-
Any size	Rs.250 per Sq. ft.	Rs.230 per Sq. ft.	Rs.210 per Sq. ft.
	FOR RESIDENTIAL BUILDINGS		
Sq. ft.	-	-	-
Upto 3000	Rs. 80 per Sq. ft.	Rs. 65 per Sq. ft.	Rs. 50 per Sq. ft.
3000 and above	Rs. 125 per Sq. ft.	Rs. 110 per Sq. ft.	Rs. 100 per Sq. ft.
	FOR DEVELOPMENT OF RESIDENTIAL, COMMERCIAL OR OTHER PLOTS		
Sq. Yds.	-	-	-
Any size	Rs. 150 per Sq. yd.	Rs. 130 per Sq. yd.	Rs. 100 per Sq. yd.
	FOR DEVELOPMENT OF INDUSTRIAL AREA		
Sq. Yds.	-	-	-
Any size	Rs. 20 per Sq. yd.	Rs. 20 per Sq. yd.	Rs. 10 per Sq. yd.

INCOME TAX ORDINANCE, 2001 – GENERAL

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

DATE OF PAYMENT OF ADVANCE TAX UNDER SECTION 147

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

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

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

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

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

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

INCOME TAX ORDINANCE, 2001 – GENERAL

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

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

DATE OF FILING OF RETURN OF INCOME:

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

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

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

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

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

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

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

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

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
	iv – In case of recipient of dividend from a mutual fund contingent upon proportional income derived from average annual investments in debt securities and equities:			-do-	However, it is provided under Division I, Part III, 1st Schedule that a corporate entity deriving dividend from the component of debt securities shall be taxed @ 29%.
	• Dividend derived from debt securities	25%	50%		
	• Dividend derived from equities	15%	30%		
	v – In case of Real Estate Investment Trusts and cases other than mentioned in (i), (ii), (iii) and (iv) above	15%	30%	-do-	
151(1): (a)	Yield on an account, deposit or a certificate under the National Savings Scheme or post office savings account	15%	30%	Every person making payment	**Minimum -** 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	20%	40%	Banking company or financial institution	**No tax will be deducted in following cases:** - Yield or profit on investment in Bahbood Saving Certificate or Pensioner's Benefit Account and *Shuhada* Family Welfare Account. [Cl. (36A), Part IV, 2nd Sch] - If monthly installment in monthly income Savings Accounts Scheme does not exceed Rs. 1,000 - [Cl. (59)(iv)(b), Part IV, 2nd Sch.].

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**		
(c)	Profit on any security other than that referred in Clause (a), issued by Federal Government, Provincial Government or Local Government:			Federal Government, Provincial Government or Local Government	- Payment to approved Pension fund, recognized provident fund, approved superannuation fund or an approved gratuity fund or REIT Scheme including SPV, etc. [Cl. (47B), Part IV, 2nd Sch.] - Any yield from National Saving Schemes of Directorate of National Savings where investment was made on or before 30 June 2001 and any income derived from Mahana Amdani Account where monthly installment does not exceed Rupees 1,000 shall continue to remain exempt and any person paying such yield or income shall not deduct tax u/s 151. The recipient of such yield or income is not required to produce an exemption certificate in this regard [S. 239(14)] - The rate of tax to be deducted under section 151 shall be 0% of the gross amount of profit on debt paid to a non-resident person, covered under clauses (78) and (79) of Part I of the Second Schedule. [Cl. (5AC), Part II, 2nd Sch.] - **Final tax** @ 10% shall be deducted on account of profit on debt from a debt instrument, whether conventional or Shariah compliant, issued by the Federal Government under the Public Debt Act, 1944 (XVIII of 1944) or its wholly owned special purpose company, purchased by a resident citizen of Pakistan who has already declared foreign assets to the FBR through a Foreign Currency Value Account (FCVA) maintained with authorized banks in Pakistan under the foreign exchange regulation issued by the State Bank of Pakistan. [Cl. (5AB), Part II, 2nd Sch.]
	- In case of individual	15%	30%		
	- Others	20%	40%		
(d)	Profit on bond, certificate, debenture, security or instrument of any kind (other than a loan agreement between a borrower and a banking company or a development finance institution) to any person other than financial institution	15%	30%	Banking company, financial institution, etc.	

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
(1A)	Return on investment in sukuks - Company - Individual and AOP: (i) Return on investment is more than 1 million rupees (ii) Return on investment is less than 1 million rupees	 25% 12.5% 10%	 50% 25% 20%	Every special purpose vehicle or a company	**Minimum -** Adjustable against tax imposed u/s 5AA. - Tax u/s 151 shall not be deducted in case of "The Second Pakistan International Sukuk Company Limited" and "The Third Pakistan International Sukuk Company Limited" and "The Pakistan Global Sukuk Programme Company Limited" as a payer / recipient. [Cl. (95) & (96), Part IV, 2nd Sch.]
151A	Gain on disposal of debt securities including government securities	20%	40%	Every custodian of debt securities including banking company	No tax shall be deducted in case disposal of debt securities made through registered stock exchange and which is settled through NCCPL. - 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.]
151B	Certain payments by life insurance companies and takaful operators: - Where payout or benefit is made within one year from the date of issuance of life insurance policy, family takaful certificate or plan - Where payout or benefit is made after one year but before completion of four years from the date of issuance of life insurance policy, family takaful certificate or plan	 15% 10%	 30% 20%	Every life insurance company, including a family takaful operator or a window takaful operator	**Final** - Rate of tax shall not be increased by one hundred percent in case of a non-resident individual not appearing in active taxpayer's list. [Cl. (aa), R. 10, 10th Sch.] **No tax will be deducted where the payout or benefit is made:** - on account of death of the insured or participant. - on account of disability of the insured or participant. - after completion of four years from the date of issuance of the policy, certificate or plan.

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**		
152					
(1)	Royalty or fee for technical services to non-resident	15%	15%	Every person making payment	**Final**
(1A)	Payment to non-resident persons on account of certain contracts	7%	7%	Every person making payment	**Minimum**
(1AA)	Payments to non-resident person on account of insurance or re-insurance premium	5%	5%	Every person making payment	**Minimum**
(1AAA)	Payment for advertisement services to non-resident media person relaying from outside Pakistan	10%	10%	Every person making payment	**Minimum**
(1BA)	Payment to non-resident for foreign produced commercial for advertisement	20%	20%	Every prescribed person making payment	**Final**
(1C)	Payment of fee for offshore digital services to a non-resident person on behalf of any resident or a permanent establishment of a non-resident in Pakistan	15%	15%	Every banking company or financial institution remitting outside Pakistan	**Final –** Tax shall not be deducted where the recipient is liable to the Digital Presence Proceeds Tax and the same has been collected.
(1D)	Capital gain of a non-resident company having no permanent establishment in Pakistan arising on the disposal of debt instruments and Government securities including treasury bills and Pakistan investment bonds invested through			Every banking company or financial institution	**Final**

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**		
	Special Convertible Rupee Account (SCRA):				
	- In case where banking company or financial institution maintaining SCRA of non-resident company having no permanent establishment in Pakistan for a period not less than six months	10%	10%		
	- In case the holding period of securities is less than six months	20%	20%		
(1DA)	Capital gain arising on the disposal of debt instruments and government securities and certificates (including Shariah compliant variant) invested through Foreign Currency Value Account, Foreign Currency Business Value Account, Non-resident Rupee Value Account, or Non-resident Rupee Business Value Account	10%	10%	Every banking company	**Final**
(1DB)	Return on investment in sukuks paid to non-resident sukuk holder:			Every special purpose vehicle or a company	**Final**
	- Company	25%	25%		
	- Individual and AOP:				
	(i) Return on investment more than 1 million rupees	12.5%	12.5%		
	(ii) Return on investment less than 1 million rupees	10%	10%		

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**		
(1DC)	Payment of service charges or commission or fee by whatever name called to the global money transfer operators, international money transfer operators or such other persons engaged in international money transfers or cross-border remittances for facilitating outward remittances.	10%	10%	Every exchange company licensed by State Bank of Pakistan	**Final** - Where such person retains service charges or commission or fee, by whatever name called from the amount payable to the exchange company on any account, the exchange company shall be deemed to have paid the service charges or commission or fee, by whatever name called and the exchange company shall collect the tax accordingly.
(1DD)	Payment to card network company or payment gateway or any other person, of any transaction fee or licensing fee or service charges or commission or fee by whatever name called or interbank financial telecommunication services.	10%	10%	Every banking company	**Final** - Where card network company or payment gateway or any other person retains money in relation to aforementioned services from the amount payable to the banking company on any account, the banking company shall be deemed to have paid the amount and the banking company shall collect the tax accordingly.
(2)	Payment to non-resident other than amount to which sub-section (1), (1A), (1AA), (1AAA), (1C) or (2A) applies	20%	20%	Every person making payment	**Adjustable**
(2)	Payment to non-resident having no PE in Pakistan, in respect of profit on debt other than those covered under clause (78) and (79) of Part I of the Second Schedules. [Cl. (5A), Part II, 2nd Sch.]	10%	10%	Every person making payment	**Final -** Subject to proviso of clause (5A) of Part II of 2nd Schedule. - Profit on debt paid under clause (78) and (79) of Part I of the Second Schedule shall be 0%. [Cl. (5AC), Part II, 2nd Sch.]
(2)	Payment to a person, in respect of profit on debt earned from a debt instrument, whether conventional or shariah compliant, issued by the Federal Government under Public Debt Act, 1944 [Cl. (5AA), Part II, 2nd Sch.]	10%	10%	Every person making payment	**Final**

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
(2A)(a)	Payment to PE for sale of goods: – In case of company - In other cases	 5% 5.5%	 10% 11%	Every prescribed person making payment	**Minimum -** No tax shall be deducted in case where the sale of goods is made by importer of the goods and tax u/s 148 in respect of such goods has been paid and the goods are sold in same condition as they were when imported. - Tax deductible shall be adjustable where payments are received for sale of goods by a company being a manufacturer of such goods.
(2A)(b)	i) Payment to PE for transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited inspection and certification, testing and training services, oilfield services	8%	16%	Every prescribed person making payment	**Minimum**
	– IT services and IT enabled services as defined in section 2	4%	8%		**Minimum**
	ii) Payment to PE for services other than mentioned in (i)	15%	30%	Every prescribed person making payment	**Minimum**

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks	
		Active	Non-active			
(2A)(c)	Payment to PE in case of execution of contract:			Every prescribed person making payment	**Minimum** – Execution of contract does not include contracts for sale of goods or the rendering of or providing service.	
	– In case of sportsperson	15%	30%			
	– In other cases	8%	16%			
153 (1)(a)	- Sale of rice, cotton seed oil or edible oils [Div III, Part III, 1st Sch.]	1.5%	3%	Every prescribed person making payment	**Minimum** (Adjustable for manufacturing company and listed company)	Gross amount payable for sale of goods shall include the sales tax. [S.153(1)] **Tax will not be deducted on account of payments made for:** • Sale of goods less than Rs. 75,000 in a financial year. • 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. • 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 subject to certain conditions. [Cl. 24C, Pt. II,2nd Sch.]
	- Sale of other goods other than toll manufacturing: [Div III, Part III, 1st Sch.]			Every prescribed person making payment	**Minimum** (Adjustable for manufacturing company and listed company)	
	- 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, 1st Sch.]					
	- 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	**Minimum** (Adjustable for manufacturing company and listed company)	
	- 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 % / Rupees		Responsibility for Deduction / Deposit		Remarks
		Active	**Non-active**			
	Local sales, supplies to taxpayers as per clause (45A) of Part IV of 2nd Schedule.			Every prescribed person making payment	**Minimum**	• Provisions of section 153 shall not apply on purchase of used motor vehicles from general public. [Cl. (45B), Part IV, 2nd Sch.]
	- 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	**Adjustable**	
(1)(b)	Rendering or providing of services: [Cl. (2), Div III, Part III, 1st Sch.]			Every prescribed person making payment	**Minimum**	Where the recipient of the payment for services receives the payment through an agent or any other third person by whatever name called, the agent or the third person shall be treated to have been paid the service charges or fee by the recipient and the recipient shall collect tax along with the payment received. [Proviso 153(1)].
	- Transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services including architectural services, warehousing services, services rendered by non-banking finance company, data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited,	7%	14%			

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**		
	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.				
	- IT services and IT enabled services as defined in section 2	4%	8%	Every prescribed person making payment	**Minimum**
	- electronic and print media for advertising services.	1.5%	3%	-do-	**Minimum**
	- independent professional services such as doctors, lawyers, architects, accountants, software engineers or developers, working independently.	15%	30%	-do-	**Minimum**
	- terminal and port operating services	12%	24%	-do-	**Minimum**
	- other services	14%	28%	-do-	**Minimum**
	Services provided or rendered to taxpayers as per clause (45A) of Part IV of 2nd Schedule:			Every person making payment	**Minimum**
	- In case of traders of yarn	0.5%	1%		
	- In other cases	1%	2%		
	Services provided or rendered to National Logistics Corporation [(24CB) Part II, 2nd Schedule]	3%	6%		**Minimum**

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
(1)(c)	Execution of a contract (Residents) [Cl. (3), Div III, Part III, 1st Sch.]			Every prescribed person making payment	**Minimum** (Adjustable for listed company) [Sec. 153(3)]
	- in case of companies	7.5%	15%		
	- in case of other taxpayers	8%	16%		
	- in case of sportsperson	15%	30%		
(2)	Payments made by every exporter or an export house to a resident person or permanent establishment in Pakistan of a non-resident person, on account of rendering of or providing of services of stitching, dyeing, printing etc. [Cl. (3), Div. IV, Part III, 1st Sch.]	1.25%	2.5%	Every exporter or export house	**Minimum**
(2A)	Digitally ordered goods and services through e-commerce platforms (including websites):				**Final**
	- In case of payment through digital means or banking channels	1%	2%	Every payment intermediary	
	- In case of Cash on Delivery	2%	4%	Every courier business / service	
154(1)	Realization of foreign exchange on account of export of goods by exporter	1.25%	1.25%	Every authorized dealer in foreign exchange	**Minimum**
(3)	Sale of goods to an exporter under an inland back-to-back L/C	1.25%	1.25%	Every banking company	**Minimum**
(3A)	Export of goods by an industrial undertaking – Export Processing Zone	1.25%	1,25%	Export Processing Zone Authority	**Minimum**

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
(3B)	Indirect exporter	1.25%	1.25%	Direct exporter, export house registered under DTRE Rules, 2001 and Export Facilitation Scheme, 2021	**Minimum**
(3C)	Clearing of goods exported	1.25%	1.25%	Collector of customs	**Minimum**
154A					
(1)(a)	Exports of computer software or IT services or IT enabled services where the exporter is registered with and duly certified by the Pakistan Software Export Board (PSEB).	0.25%	0.25%	Every authorized dealer in foreign exchange	**Final.** Tax deductible shall not be final, if the taxpayer opts not to be subject to final tax at the time of filing of return or the taxpayer does not fulfil the conditions specified in subsection (2) of section 154A.
(1)(b)	Services or technical services rendered outside Pakistan or exported from Pakistan	1%	1%	Every authorized dealer in foreign exchange	-do-
(1)(c)	Royalty, commission or fees derived by a resident company from a foreign enterprise in consideration for the use outside Pakistan of any patent, invention, model, design, secret process or formula or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided to such enterprise.	1%	1%	Every authorized dealer in foreign exchange	-do-

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**		
(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%	-do-	-do-
(1)(e)	Other services rendered outside Pakistan as notified by the FBR	1%	1%	-do-	-do-
154B	Revenue received from social media platforms.	5%	10%	Every banking company and non-banking financial institution	**- Minimum** in case of a resident person. **- Final**: in case of a non-resident person not having a permanent establishment in Pakistan.
155	Payment in full or part (including advance) on account of rent of immovable property (including rent of furniture and fixture and amount for services relating to such property):			Prescribed persons as mentioned in sub-section (3) of section 155	
	Individuals and AOPs where the gross amount of rent is:				**Adjustable**
	Up to Rs. 300,000	Nil			– Where an individual / AOP is not appearing in active taxpayer's list then the withholding tax rate u/s 155 shall be increased by one hundred percent. – It is clarified that the sub-section (1) of section 155 shall apply when a payment is made on account of rent of immoveable property irrespective of head of income. [Explanation, Section 155(1)]
	Rs. 300,001 – Rs. 600,000	5% of the gross amount exceeding Rs. 300,000			
	Rs. 600,001 – Rs. 2,000,000	Rs. 15,000 + 10% of the gross amount exceeding Rs. 600,000			
	Over Rs. 2,000,000	Rs. 155,000 + 25% of the gross amount exceeding Rs. 2,000,000			
	Company	15%	30%		**Adjustable**

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
156	- Payment of prize on a prize bond or cross word puzzle.	15%	30%	Every person making payment	**Final** - Where the prize is not in cash, the person while giving the prize shall collect tax on the fair market value of the prize. [Sec.156(2)]
	– Payment on winning from a raffle, lottery, prize on winning a quiz, prize offered by a company for sale promotion.	20%	40%	Every person making payment	- Any monetary award received by a sportsperson from the Federal Govt., Provincial Govt., or a Public Office holder, for winning a medal in the international Olympic Games while representing Pakistan, shall be exempt from tax. [Cl. (65B), Pt. I, 2nd Sch.]
156A	Commission paid or discount allowed to petrol pump operator	12%	24%	Every person selling petroleum products	**Final**
TRANSITIONAL ADVANCE TAX - Advance tax under this chapter shall not be collected or deducted from the Federal Government, Provincial Government, foreign diplomat or a diplomatic mission in Pakistan or a person who produces a certificate from the Commissioner that his income during the tax year is exempt. (Section 236O)					
231AB	Cash withdrawal from a bank	-	0.8%	Every banking company	**Adjustable -** Tax shall not be deducted where cash withdrawals in a day does not exceed fifty thousand rupees in aggregate.
231B (1)	Registration of a motor vehicle:	**Percentage of the value**	**Percentage of the value**	Motor vehicle registration authority of Excise and Taxation Department	**Adjustable –** No tax shall be collected at the time of registration of a motor vehicle after five years from the date of first registration in case the vehicle is acquired from the Armed Forces of Pakistan or from a foreign diplomat or a diplomatic mission in Pakistan or from the Federal or Provincial Government.
	up to 850 cc	0.5%	1.5%		
	851 cc to 1000 cc	1%	3%		
	1001 cc to 1300 cc	1.5%	4.5%		
	1301 cc to 1600 cc	2%	6%		- Tax will not be deducted if a person produces evidence

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**		
	1601 cc to 1800 cc 1801 cc to 2000 cc 2001 cc to 2500 cc 2501 cc to 3000 cc Above 3000 cc	3% 5% 7% 9% 12%	9% 15% 21% 27% 36%		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 for the purpose of collection of tax u/s 231B(1) & (3) shall be- (i) imported in Pakistan, the import value assessed by the Customs authorities as increased by customs duty, federal excise duty and sales tax payable at import stage; (ii) manufactured or assembled locally in Pakistan, the invoice value inclusive of all duties and taxes; or (iii) auctioned, the auction value inclusive of all duties and taxes. - Where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be 3% of the import value as increased by customs duty, sales tax and FED in case of imported vehicles or invoice value in case of locally manufactured or assembled vehicles.
(1A)	Leasing of motor vehicle	-	4%	Leasing company, scheduled bank, non-banking financial institutions, investment bank, modaraba and development finance institution.	**Adjustable –** Tax will not be collected in case of light commercial vehicles leased under Prime Minister's Youth Business Loan Scheme. [Cl. (102), Pt. IV, 2nd Sch.]

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**		
(2)	Transfer of registration or ownership of a motor vehicle:			Motor vehicle registration authority of Excise and Taxation Department	**Adjustable** - Tax will not be collected if vehicle is transferred after five years from the date of first registration in Pakistan. - Where engine capacity is not applicable and the value of vehicle is Rupees five million or more, the rate of tax collectible shall be Rupees twenty thousand. - Rate of tax to be collected shall be reduced by 10% each year from the date of first registration in Pakistan. [Proviso Cl. (2), Div. VII, Pt. IV, 1st Sch.]
	Engine Capacity	**(Rupees)**	**(Rupees)**		
	upto 850 cc	-	-		
	851 cc to 1000 cc	5,000	15,000		
	1001 cc to 1300 cc	7,500	22,500		
	1301 cc to 1600 cc	12,500	37,500		
	1601 cc to 1800 cc	18,750	56,250		
	1801 cc to 2000 cc	25,000	75,000		
	2001 cc to 2500 cc	37,500	112,500		**Adjustable**
	2501 cc to 3000 cc	50,000	150,000		
	Above 3000 cc	62,500	187,500		
(2A)	Registration of a motor vehicle, if the locally manufactured motor vehicle has been sold prior to registration by the person who originally purchased it from the local manufacturer:			Motor vehicle registration authority of Excise and Taxation Department	**Adjustable**
	Engine Capacity	**(Rupees)**	**(Rupees)**		
	upto 1000 cc	100,000	300,000		
	1001 cc to 2000 cc	200,000	600,000		
	2001 cc and above	400,000	1,200,000		

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**		
(3)	Sale of motor vehicle:			Manufacturer of motor vehicle	
	Engine Capacity	**Percentage of the value**	**Percentage of the value**		
	upto 850 cc	0.5%	1.5%		
	851 cc to 1000 cc	1%	3%		
	1001 cc to 1300 cc	1.5%	4.5%		
	1301 cc to 1600 cc	2%	6%		
	1601 cc to 1800 cc	3%	9%		
	1801 cc to 2000 cc	5%	15%		
	2001 cc to 2500 cc	7%	21%		
	2501 cc to 3000 cc	9%	27%		
	Above 3000 cc	12%	36%		
231C	Advance tax on agency, sponsor or the person, employing the services of a foreign national as a domestic worker	Rs. 200,000	Rs. 400,000	Authority issuing or renewing domestic aide visa to any foreign national	**Adjustable**
233	Payment on account of brokerage or commission made to a person:			Federal Govt., Provincial Govt., Local Govt., a Company or an AOP or an individual having turnover of Rupees 100 million or more (termed as principal)	**Minimum –** In case of payment to advertising agent, directly or through electronic or print media the principal shall deduct tax on the amount equal to "**A x 15/85**". Where **A** is the amount paid or to be paid to electronic or print media for advertising services (excluding commission) on which tax is deductible u/s 153(1)(b).
	(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%		

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**		
234	Advance tax will be collected at the time of collecting motor vehicle tax:			Motor vehicle tax Collecting Authority	**Adjustable**
	(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		- 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 after a period pf ten years from date of first registration in Pakistan will be collected Rs. 1,200 and Rs. 2,400 per annum in case of active and non-active taxpayer, respectively. [Cl. (1A), Div. III, Pt. IV, 1ST Sch.]
	(2) In the case of passenger transport vehicles plying for hire with registered seating capacity of:	**Rupees per seat per annum**		Motor vehicle tax Collecting Authority	**Adjustable** - Advance tax on passenger transport vehicles with registered seating capacity of ten or more persons, shall not be collected after a period of 10 years from 1st day of July of the year of make of the vehicle. [S. 234(3)].
	• Non Air Conditioned:				
	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		
	• 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		

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**		
	(3) Other motor vehicles with engine capacity of:	**(Rupees)**	**(Rupees)**	Motor vehicle tax Collecting Authority	**Adjustable** - In case of motor cars used for more than 10 years in Pakistan, no advance tax shall be collected after a period of 10 years. [S. 234(2A)]
	a) up to 1000 cc	800	1,600		
	b) 1001 - 1199 cc	1,500	3,000		
	c) 1200 - 1299 cc	1,750	3,500		
	d) 1300 - 1499 cc	2,500	5,000		
	e) 1500 - 1599 cc	3,750	7,500		
	f) 1600 – 1999 cc	4,500	9,000		
	g) 2000 cc and above	10,000	20,000		
	(4) Where the motor vehicle tax is collected in lump sum:	**(Rupees)**	**(Rupees)**	Motor vehicle tax Collecting Authority	**Adjustable**
	a) up to 1000 cc	10,000	20,000		
	b) 1001 - 1199 cc	18,000	36,000		
	c) 1200 - 1299 cc	20,000	40,000		
	d) 1300 - 1499 cc	30,000	60,000		
	e) 1500 - 1599 cc	45,000	90,000		
	f) 1600 – 1999 cc	60,000	120,000		
	g) 2000 cc and above	120,000	240,000		

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

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

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

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

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
236C	Advance tax on sale or transfer of immovable property:	2.75% of gross amount of consideration received	11.5% of gross amount of consideration received	The person responsible for registering, recording or attesting the transfer, including the person responsible for registering, recording or attesting transfer for local authority, housing authority, housing society, co-operative society, public and private real estate projects registered / governed under any law, joint ventures, private commercial concerns and registrar of properties	**Adjustable** - However, tax collected shall be minimum tax if immovable property is acquired and disposed of within the same tax year. - No tax shall be collected, if the seller is dependent of a *Shaheed* belonging to Pakistan Armed Forces or a person who dies while in the service of the Pakistan Armed Forces or the service of Federal or Provincial Government or a war wounded person while in service of Pakistan Armed Forces or Federal or Provincial Government or an ex-serviceman and serving personnel of armed forces or ex-employees or serving personnel of Federal and Provincial Government in respect of first sale of immovable property acquired from or allotted by the Federal Government or Provincial Government or any authority duly certified by the official allotment authority and the property acquired or allotted is in recognition of or for services rendered by the *Shaheed* or the person who dies in service or a war wounded person while in service of Pakistan Armed Forces or Federal or Provincial Government or an ex-serviceman and serving personnel of armed forces or ex-employees or serving personnel of Federal and Provincial Government. - 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

Section	Nature of Payment / Transactions	Withholding / Collection Rate % / Rupees		Responsibility for Deduction / Deposit	Remarks
		Active	**Non-active**		
					NRP Rupee Value Account (NRVA) maintained with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan, the tax collected under this section from such persons shall be final discharge of tax liability in lieu of capital gains taxable under section 37 earned by the seller or transferor from the property so disposed of. - No tax shall be deducted where an exemption certificate has been issued by Commissioner to a person whose income from capital gain is not chargeable to tax in respect of a residential property that has been in the personal use for the last fifteen years, has been declared in the wealth statement for the same period and appears as residence for personal use in person's tax record. Provided that such exemption certificate shall be issued once in fifteen years. [S. 159(3B)] - 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.]
236CB	Advance tax on functions and gatherings	10%	20%	Every prescribed person as per section 236CB(4)	**Adjustable** - Where the food, service or any other facility is provided by any other person, the prescribed person shall also collect advance tax on the payment of such food, service or facility from the person arranging or holding the function.

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**		
236G(1)	Advance tax on sales to distributors, dealers and wholesalers:			Manufacturer, commercial importer	**Adjustable** - The rate of advance tax on sale to distributors, dealers or wholesalers of fertilizer shall be 0.25%, if they are already appearing on both the Active Taxpayers' Lists issued under the provisions of the Sales Tax Act, 1990 and the Income Tax Ordinance, 2001. [Div. XIV, Pt. IV, 1ST Sch.]
	- Fertilizers	0.7%	1.4%		
	- Other than fertilizers	0.1%	2%		
236H(1)	Advance tax on sale to retailers:			Manufacturer, distributor, dealer, wholesaler or commercial importer	**Adjustable**
	- In case of sale to retailers	0.5%	2.5%		
	- In case of sale to another wholesaler	0.5%	1%		
236K(1)	Advance tax on purchase or transfer of immovable property:			The person responsible for registering, recording or attesting transfer, including the person responsible for registering, recording or attesting transfer for local authority, housing authority, housing society, co-operative society, public and private real estate projects registered / governed under any law, joint ventures, private commercial concerns and registrar of properties	**Adjustable** - Tax collected shall be final, if the buyer or transferee is a non-resident individual holding a Pakistan Origin Card or National ID Card for Overseas Pakistanis or Computerized National ID Card who has acquired the said immovable property through a Foreign Currency Value Account or NRP Rupee Value Account maintained with authorized banks in Pakistan under the foreign exchange regulations issued by the State Bank of Pakistan, [Proviso, Section 236K(2)] **-** Tax shall not be collected from a scheme introduced by the Federal Government, or Provincial Government or an Authority established under a Federal or Provincial law for expatriate Pakistanis provided that the mode of payment by the expatriate Pakistanis in the said scheme or schemes shall be in the foreign exchange remitted from outside Pakistan through normal banking channels. [Section 236K(4)]
	-Where the fair market value does not exceed Rs. 50 million	1.25%	10.5%		
	-Where the fair market value exceeds Rs. 50 million but does not exceed Rs. 100 million.	1.25%	14.5%		
	-Where the fair market value exceeds Rs. 100 million	1.25%	18.5%		

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**		
					- 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.] - Advance tax shall be collected on installments by any person responsible for collecting payments in installments for purchase or allotment of any immovable property from the allotee or transferee where the transfer is to be effected after 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. [Sec. 236K(3)] - Rate of tax shall not be increased under Tenth Schedule in case of a non-resident individual not appearing in active taxpayer's list who is holding Pakistan Origin Card or National ID Card for Overseas Pakistanis. [Cl. (111AC) Part IV, 2nd Sch]
236Y	Advance tax on persons remitting amounts abroad through credit, debit or prepaid cards	0.5% of gross amount remitted abroad	1% of gross amount remitted abroad	Every banking company	**Adjustable**
236Z	Advance tax on bonus shares issued by company to a shareholder	10% of the value of the bonus shares	20% of the value of the bonus shares	Company issuing bonus shares	**Final** -Tax collected under this section shall be deposited by the company, within fifteen days of closure of books, whether or not tax has been collected by the company.

Advance receipt invoice **Section 2(1AA)**

New clause (1AA) has been inserted in section 2 defining "advance receipt invoice" means an invoice in the format as may be notified by the Board from time to time.

Algorithmic settlement mechanism **Section 2(1AAA)**

New clause (1AAA) has been inserted defining "algorithmic settlement mechanism" means the algorithmic settlement mechanism provided under the newly inserted section 47AA of the Act, being the digitally operated mechanism for the settlement of tax proceedings.

Electronic invoicing system **Section 2(9AB)**

"Electronic invoicing system" means such electronic system or mechanism as may be prescribed or approved by the Board for issuance and recording of sales tax invoices in electronic form.

National faceless centre **Section 2(17A)**

"National faceless centre" means faceless centre, the digital infrastructure for the purpose of proceedings in a faceless manner as defined in the newly inserted section 32C of the Act.

Production monitoring system **Section 2(22)(1A)**

New clause (22)(1A) has been inserted defining "production monitoring system" as 'mean any system or technology used for the purposes of monitoring production and sale of goods, whether in real-time or otherwise, including such systems or technologies as may be prescribed by the Board from time to time.'

Tier-1 retailer **Section 2(43A)**

Sub-clause (d) of clause (43A) has been amended which states that wholesaler-cum-retailer having turnover more than two hundred million rupees are now classified to be a Tier-1 retailer, thereby excluding smaller wholesaler-cum-retailers from Tier-1 classification.

Sub-clauses (f) and (g) have been omitted. These clauses previously set out the criteria for classifying a retailer as a Tier-1 retailer based on the installation of a Point of Sale (POS) system for accepting payments through debit or credit cards and on the deduction of withholding tax under sections 236G and 236H of the Income Tax Ordinance respectively. A new sub-clause (gb) has been inserted bringing within Tier-1 classification, a retailer having turnover exceeding two hundred million rupees either by way of declaration or from worked back value of turnover from tax deduction under section 236G or 236H of Income Tax Ordinance, 2001 during the immediately preceding twelve consecutive months.

Further, in sub-clause (h), a proviso has been added empowering the FBR to exclude any person or class of persons from Tier-1 retailer through notification in the official Gazette.

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

In sub-clause (j) of clause (46), after the first proviso the expression has been added according to which the FBR may adopt valuations of goods as notified by the Pakistan Bureau of Statistics before the start of the tax period or outsource valuation functions to third parties in the mode and manner as may be prescribed.

Time and manner of payment **Section 6(2)**

According to new proviso added in sub-section (2) of section 6, in the case of steel melters, steel re-rollers and composite units, the tax shall be collected on the basis of per unit electricity consumption including use of electricity produced by a captive power plant or through any other alternative source of energy at the rate or rates as prescribed by the FBR, through notification in the official Gazette. The tax so collected shall be an adjustable input tax, to be claimed in the return of the month in which such payment is made.

Further provided that the FBR may prescribe a lower per unit rate or rates of electricity consumption on the basis of input tax paid on imports or other invoices issued through electronic invoicing system, digitally issued invoices for compliant and digitally integrated steel melters, re-rollers and composite units to minimize creation of refunds.

Also provided that the per unit sales tax shall be determined by the FBR on the basis of minimum notified prices and the industrial benchmarks of consumption of electricity against per ton production of steel products.

Adjustable input tax **Section 8B(1)**

Section 8B restricts the adjustment of input tax to 90% of the output tax for registered persons, subject to certain exceptions notified by the FBR.

Now the Board has been empowered to reduce or enhance this adjustment limit for a registered person based on their level of compliance with the production monitoring, digital invoicing, e-Bilty, POS, or any other electronic system prescribed by the Board for digital integration of data.

Debit and credit note **Section 9**

The proviso has been added to section 9 prescribing that the issuance of debit and credit notes shall be governed by a mechanism, including electronic adjustments, as may be prescribed by the Board.

Faceless audit and assessment **Section 11H**

New section 11H has been inserted to introduce a faceless audit and assessment system. The newly inserted provision empowers the FBR to conduct:

- audits under sections 25 and 72B;
- orders under section 11E; and
- rectification proceedings under section 57,

through a faceless mechanism in accordance with the procedure prescribed by the FBR from time to time.

The FBR has also been empowered to specify the persons or classes of persons, incomes or classes of incomes, and cases or classes of cases that shall be subject to faceless proceedings.

The amendment further provides that the existing provisions governing audits under section 25 shall continue to apply to faceless audits. However, where an opportunity of being heard is required to be provided to the taxpayer, or where a statement on oath is required to be recorded under section 37, the same shall be conducted through E-hearing.

The identity of the officer conducting the E-hearing, including the officer's facial and voice identity, shall remain confidential.

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

Sub-section (2) of section 21 has been amended to include non-compliance with sub-sections (5) and (6) of section 23 and section 40C as an additional ground for suspension of sales tax registration.

Under this amendment, the Commissioner may de-register, blacklist or suspend the registration of a person who fails to comply with the mandatory invoicing requirements under section 23 or the cargo tracking requirements under section 40C.

Tax invoices **Section 23(1)(b)**

Amendments have been made to sub-section (1) of section 23 through which the scope of mandatory tax invoice issuance has been significantly expanded. Now it has been provided that a registered person making taxable as well as exempt supply shall issue a tax invoice including an advance receipt invoice, bearing a verifiable and unique FBR invoice number. Previously, it was required to issue a serially numbered tax invoice for taxable supplies only.

Clause (b) of sub-section (1) of section 23 has also been amended. Consequently, two new provisos have been inserted after the Explanation, replacing the existing provisos as under:

It is provided that the FBR may notify any person or class of persons who may be allowed to issue an advance receipt invoice within the notified system.

It has also been provided that the condition of a verifiable and unique FBR invoice number shall be applicable from the time as notified by the FBR.

Audit of sales tax affairs **Section 25(8A)(8B)**

Two new sub-sections (8A) and (8B), have been inserted after sub-section (8) of section 25.

Under sub-section (8A), where the Commissioner, during the course of any proceedings, is of the opinion that, having regard to the nature and complexity of the accounts, the volume of transactions, doubts regarding the correctness of the accounts, the multiplicity of transactions, the specialized nature of the business activity and the interest of revenue, it is necessary to do so, he may, after providing the registered person with a reasonable opportunity of being heard and obtaining the prior approval of the Chief Commissioner, direct the registered person to:

- have the accounts re-audited by an accountant and furnish a duly signed and verified audit report, including responses to any specific queries raised by the Commissioner; or
- have the inventory re-valued by a cost accountant and furnish a duly signed and verified valuation report, including responses to any specific queries raised by the Officer of Inland Revenue.

New sub-section (8B) requires that, after completion of the audit and after obtaining the registered person's explanation on all issues raised, the officer of Inland Revenue shall issue an audit report containing the audit observations and findings.

Sub-section (9) has been substituted to replace the reference to 'completion of the audit' with 'issuing the audit report', aligning the timeline for subsequent action with the new requirement for a formal audit report.

Sub-section (11) has been amended by replacing "wishes to deposit" with "deposits," making actual payment a precondition rather than a mere intention. The second proviso has also been eased, reducing the penalty payable from the "full amount" to "fifty percent" giving registered persons greater relief for voluntary settlement of audit findings.

Faceless jurisdiction — Section 30AA

New section relating to Faceless Jurisdiction has been inserted to establish a National Faceless Centre for the administration of tax proceedings.

Under this section, the FBR may assign jurisdiction to Inland Revenue authorities posted at the National Faceless Centre through an algorithm-based system in respect of specified persons, classes of persons or tax periods. Such jurisdiction may be exclusive or concurrent and the FBR may transfer any assigned case to the Officer of Inland Revenue having jurisdiction under section 30, either on the recommendation of the Chief Commissioner or on its own motion.

The Chief Commissioner of the National Faceless Centre may also request the FBR to direct the jurisdictional Officer of Inland Revenue or any other authority to carry out physical verification of the taxpayer's business, assets, investments, expenditures, or any other information required for the proceedings. Provided that the FBR may exercise its power of allocation of verification through an algorithm-based system.

The section further provides that the identity of the tax authority handling proceedings at the National Faceless Centre shall remain confidential from the taxpayer, the taxpayer's authorized representative, and any unauthorized person. It also clarifies that any notice, order, or communication issued by the National Faceless Centre shall not be challenged solely on the grounds of lack of territorial jurisdiction under section 30, absence of delegated powers under section 32 or confidentiality of the officer's identity.

Directorate General (Field Compliance) Inland Revenue — Section 30DDDB

New section 30DDDB has been inserted to establish the Directorate General (Field Compliance) Inland Revenue. The Directorate shall comprise a Director General and such Directors, Additional Directors, Deputy Directors, Assistant Directors and other officers as may be appointed by the FBR through notification in the official Gazette.

The FBR has been empowered to notify the functions and jurisdiction of the Directorate General and its officers and to confer upon them the powers of the authorities specified under section 30 of the Act.

National faceless centre — Section 32C

New section has been inserted empowering the FBR to establish a National Faceless Centre for conducting proceedings under the Act in a faceless and electronic manner. The FBR may specify the Centre's jurisdiction, powers, and functions and appoint a Director General, Inland Revenue officers and supporting staff for its administration.

The FBR has also been authorized to develop algorithm-based systems for assigning functions and jurisdiction to the authorities of the Centre. The Centre may comprise such wings and units as may be prescribed, with the functions of audit, assessment, and quality control in a particular case and tax period being performed by separate officers to ensure transparency and independence.

Further, all communications within the Centre and with registered persons, their authorized representatives, or any other person shall be made exclusively through electronic means.

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

Offences, penalties and punishment stated against the following serial Nos. have been substituted as under:

Sr. No.	Offences	Previous penalties and punishment	Revised penalties and punishment	Section of the Act to which offence has reference
1	Where any person fails to furnish a return within the due date.	Such person shall pay a penalty of ten thousand rupees: Provided that in case a person files a return within ten days of the due date, he shall pay a penalty of two hundred rupees for each day of default.	Such person shall pay a penalty of fifty thousand rupees: Provided that in case a person files a return within ten days of the due date, he shall pay a penalty of two thousand rupees for each day of default.	26
2	Any person who fails to issue an invoice when required under this Act.	Such person shall pay a penalty of five thousand rupees or three percent of the amount of the tax involved, whichever is higher.	Such person shall pay a penalty of twenty-five thousand rupees or five percent of the amount of the tax involved, whichever is higher.	23
3	Any person who unauthorizedly issues an invoice in which an amount of tax is specified.	Such person shall pay a penalty of ten thousand rupees or five percent of the amount of the tax involved, whichever is higher.	Such person shall pay a penalty of fifty thousand rupees or ten percent of the amount of the tax involved, whichever is higher.	3, 7 and 23
5	Any person who fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Act or rules or orders made thereunder.	Such person shall pay a penalty of ten thousand rupees or five percent of the amount of the tax involved, whichever is higher: Provided that, if the amount of tax or any part thereof is paid within ten days from the due date, the defaulter shall pay a penalty of five hundred rupees for each day of default: Provided further that no penalty shall be imposed when any miscalculation is	Such person shall pay a penalty of fifty thousand rupees or five percent of the amount of the tax involved, whichever is higher: Provided that, if the amount of tax or any part thereof is paid within ten days from the due date, the defaulter shall pay a penalty of five thousand rupees for each day of default: Provided further that no penalty shall be imposed when any miscalculation is	3, 6, 7 and 48

Sr. No.	Offences	Previous penalties and punishment	Revised penalties and punishment	Section of the Act to which offence has reference
		made for the first time during a year: Provided further that if the amount of tax due is not paid even after the expiry of a period of sixty days of issuance of the notice for such payments by an officer of Inland Revenue, not below the rank of Assistant Commissioner Inland Revenue, the defaulter shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to amount equal to the amount of tax involved, or with both.	made for the first time during a year: Provided further that if the amount of tax due is not paid even after the expiry of a period of sixty days of issuance of the notice for such payments by an officer of Inland Revenue, not below the rank of Assistant Commissioner Inland Revenue, the defaulter shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to amount equal to the amount of tax involved, or with both.	
7	Any person who is required to apply for registration under this Act fails to make an application for registration before making taxable supplies.	Such person shall pay a penalty of ten thousand rupees or five percent of the amount of tax involved, whichever is higher: Provided that such person who is required to get himself registered under this Act, fails to get registered within sixty days of the commencement of taxable activity, he shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the amount of tax involved, or with both.	Such person shall pay a penalty of fifty thousand rupees or five percent of the amount of tax involved, whichever is higher: Provided that such person who is required to get himself registered under this Act, fails to get registered within sixty days of the commencement of taxable activity, he shall, further be liable, upon conviction by a Special Judge, to imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the amount of tax involved, or with both.	14

SALES TAX ACT, 1990

Sr. No.	Offences	Previous penalties and punishment	Revised penalties and punishment	Section of the Act to which offence has reference
8	Any person who fails to maintain records required under this Act or the rules made there under.	Such person shall pay a penalty of ten thousand rupees or five percent of the amount of tax involved, whichever is higher.	Such person shall pay a penalty of fifty thousand rupees or five per cent of the amount of tax involved, whichever is higher.	22 and 24
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 this Act, and if registered, fails to integrate in the manner as required under law within the stipulated time as notified by the Board.	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.	Such person shall be liable to pay a penalty up to one million rupees, if he continues to commit the offence after one month of the imposition of first penalty, he shall be liable to second penalty of up to five million rupees. Notwithstanding, his business premises shall be liable to be sealed with or without imposition of penalty by an officer of Inland Revenue in the manner as may be prescribed.	Section 40C

Following new serial Nos. 29, 30 and 31 have been inserted as under:

Sr. No.	Offences	Penalties and Punishment	Section of the Act to which offence has reference
	(1)	**(2)**	**(3)**
29	Where registered any person issues a tax invoice for a transaction which is simulated or fictitious, or for which no actual supply of goods or services has taken place, as established after notice and adjudication.	(i) Such person shall pay a penalty equal to the face value of the simulated or fictitious invoice or invoices. (ii) The Board shall, after issuance of a show cause notice opportunity and an of being heard, place the name and registration number of such person on a publicly accessible simulated invoice issuers register maintained on the Board�/s computerized system.	2(37)

Sr. No.	Offences	Penalties and Punishment	Section of the Act to which offence has reference
	(1)	**(2)**	**(3)**
		(iii) Any input tax credit claimed by a counterparty on the basis of invoices issued by a person on the simulated invoice issuers register shall be reversed automatically and treated as inadmissible with effect from the date of listing. (iv) Listing on the register shall be removed upon full payment of the penalty and default surcharge, and upon satisfactory demonstration of compliance.	
30	Where the computerized system identifies that input tax credit claimed by a registered person in respect of any tax period cannot be matched to corresponding output tax declared by the supplier for the same or proximate tax period, and such mismatch is confirmed after issuance of notice and provision of opportunity of being heard.	Such person shall pay a penalty of twenty percent of the unmatched input tax amount, in addition to reversal of the inadmissible credit and payment of default surcharge under section 34.	7, 8A
31	Where registered a person has claimed input tax credit on the basis of invoices issued by a person who is subsequently placed on the simulated invoice issuers register under S. No. 29, and such registered person fails to reverse the inadmissible input tax credit within sixty days of the listing of the invoice issuer on the register.	Such person shall pay a penalty of twenty percent of the unreversed input tax credit, in addition to the reversal of such credit and default surcharge under section 34.	7, 8A, 33 (S.No. 29)

Monitoring or tracking by electronic or other means **Section 40C(2)(3)(6)**

Sub-section (2) of section 40C has been substituted to include the Production Monitoring System as one of the prescribed methods of monitoring, in addition to the existing monitoring methods.

The amended sub-section provides that from such date as may be prescribed by the FBR, no taxable goods may be removed or sold by the manufacturer or any other person unless the goods are affixed with tax stamps, banderoles, stickers or labels, or are monitored through a Production Monitoring System, video analytics, or any other prescribed monitoring mechanism, in such form, style and manner as may be prescribed.

Sub-section (3) of section 40C has been substituted providing that tax stamps, banderoles, stickers, labels, barcodes, and production monitoring equipment must be acquired by the registered person from a licensee appointed by the FBR.

After the omitted sub-section (5), a new sub-section (6) has been added providing that any taxable goods in respect of which monitoring, tracking or identification has been prescribed under this Act or rules made thereunder, which are manufactured, produced, removed, transported, supplied or otherwise dealt with without affixing the prescribed tax stamps, banderoles, stickers, labels or barcodes, or without compliance with the prescribed monitoring system, shall be liable to seizure and confiscation in the prescribed manner, along with the conveyance used for movement, carriage or transportation of such goods.

Sale of confiscated goods by auction **Section 40F**

New section 40F has been inserted which provides that confiscated goods shall, without prejudice to any other action under the Act, be sold through public auction, including by electronic means in the manner prescribed by the FBR. The auction process shall be conducted in accordance with the Public Procurement Regulatory Authority (PPRA) Rules, 2004.

The sale proceeds shall be utilized in the following order of priority: firstly, to meet the expenses of the sale; secondly, to discharge any sales tax, other taxes, penalties, surcharge, or other dues payable to the Federal Government; and lastly, the remaining balance, if any, in respect of goods not liable to outright confiscation, shall be paid to the owner upon application within six months from the date of sale. Where no such claim is made within the prescribed period, the remaining amount shall be deposited into the Government treasury.

The section further provides that, where a goods declaration has been filed, the importer's entitlement from the sale proceeds shall not exceed the declared value of the goods.

Faceless appeals **Section 45C**

New section 45C has been inserted to introduce the concept of Faceless Appeals. It empowers the FBR to process appeals filed under section 45B through the National Faceless Centre in the manner as may be prescribed by the FBR. The existing provisions of section 45B shall apply to such faceless appeals accordingly.

Algorithmic settlement mechanism **Section 47AA**

New section 47AA has been inserted to introduce an Algorithmic Settlement Mechanism for the settlement of tax proceedings before the issuance of an order under sections 11D or 11E of the Act. Under this mechanism, the FBR may generate and communicate a digital settlement offer through IRIS at any stage of the proceedings. A registered person may accept the offer within ten days by confirming acceptance on IRIS and depositing the prescribed settlement amount.

The system generated settlement offer shall be calculated on the bases but not limited to the stage of proceedings, the registered person's compliance history available in FBR's records, the nature and extent of the discrepancy, and any other basis specified by the FBR. Upon payment of the settlement amount, all issues confronted to the registered person, if any, covered by the relevant notice or audit report shall stand abated.

However, settlement under this mechanism will be limited to the issues covered by the settlement offer. It shall not preclude proceedings in respect of any other issue or discrepancy not covered by the settlement offer, nor shall it affect proceedings for any other tax period.

Independent case scrutiny committee **Section 47AAA**

New section 47AAA has been inserted requiring that a reference under section 47 before the High Court, or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan, may only be filed by the Commissioner Inland Revenue after approval by an independent case scrutiny committee constituted by the FBR. The FBR may constitute one or more such committees and assign them cases decided by the Appellate Tribunal Inland Revenue or the High Court.

The Committee shall comprise the following members as nominated by the FBR:

- A retired judge of the Supreme Court of Pakistan, the Federal Constitutional Court, or any of the High Courts of Pakistan, who shall also act as Chairman of the Committee.
- An Advocate having not less than fifteen years of experience in tax and commercial litigation before the High Court or Supreme Court of Pakistan, nominated from a panel notified by the FBR from time to time.
- A senior serving or retired officer of the FBR in BS-20 or above.

Provided that the committee may co-opt a chartered accountant as a non-voting member, whenever required.

The powers, functions, procedure and remuneration of the Committee and its Members shall be governed in the prescribed manner. The recommendations of the Committee shall be binding upon the Commissioner Inland Revenue having jurisdiction over the case. The section further provides that, notwithstanding anything contained in any other law for the time being in force, no suit, prosecution, or other legal proceedings shall lie against the Members of the Committee or the Commissioner Inland Revenue in relation to decisions made under this section. The Committee shall exercise its powers and functions with effect from the date of its constitution as notified by the FBR.

Furthermore, notwithstanding anything contained in this Act or the Limitation Act, 1908, the period from the date on which limitation begins to run until the date on which the Committee grants its approval, as certified by the Chairman, shall stand excluded for the purpose of determining whether a reference, appeal or review has been filed within time. In cases where the limitation period had already commenced before the insertion of this section, such exclusion shall be reckoned from the date on which the Finance Act, 2026 comes into force.

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

Serial Nos. 56 to 75 and related columns have been introduced in the Third Schedule to charge to tax at the rate of eighteen percent on retail price. Previously, these items were subject to sales tax on ad-valorem basis.

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
(1)	(2)	(3)
56	Vegetable and animal fats and oils, sold in retail packing.	Respective headings
57	Sugar confectionery, sold in retail packing.	Respective headings

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
(1)	**(2)**	**(3)**
58	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni, couscous, whether or not prepared, sold in retail packing.	19.02
59	Sauces, ketchup and other preparations therefore, mixed condiments and mixed seasonings, mustard flour and meal and prepared mustard, sold in retail packing.	Respective headings
60	Fermented beverages, sold in retail packing.	Respective headings
61	Petroleum jelly, paraffin wax, micro-crystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or by other processes, whether or not coloured, sold in retail packing.	27.12
62	Plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls, sold in retail packing.	39.19, 39.20,39.21
63	Tableware, kitchenware, plastic furniture, storage items, hygienic or toilet articles, and allied other household articles of plastics, sold in retail packing.	Chapter 39
64	Trunks, suit- cases, vanity- cases, executive- cases, briefcases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers, travelling-bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping- bags, wallets, purses, map-cases, cigarette- cases, tobacco-pouches, tool bags, sports bags, bottle- cases, jewellery boxes, powder-boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials or with paper, put up for retail sale.	42.02
65	Footwear (all types) except where the manufacturer exclusively sells its products through digitally integrated and POS compliant retail outlets.	Respective headings
66	Bathroom accessories and bath items, sanitaryware including taps, showerheads, fittings, mixers, valves and other washroom accessories and fixtures, sold in retail packing.	Respective headings

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
(1)	**(2)**	**(3)**
67	Crockery Items, sold in retail packing.	Respective headings
68	Car and automobile accessories, sold in retail packing.	Respective headings
69	Milk, fat-filled milk, preparations suitable for infants, and other products of milk, sold in retail packing.	Respective headings
70	Preparations for use on the hair, sold in retail packing.	33.05
71	Pre- shave, shaving or after- shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorisers, whether or not perfumed or having disinfectant properties, sold in retail packing.	33.07
72	Toilet or facial tissue stock, towel or napkin stock and similar paper of a kind used for household or sanitary purposes, cellulose wadding and webs of cellulose fibres, whether or not creped, crinkled, embossed, perforated, surface-coloured, surface- decorated or printed, in rolls or sheets, put up for retail sale.	4803.0000, 48.18
73	Jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter, other fruit and vegetable preparations, sold in retail packing.	20.07, 20.08
74	Household utensils, including Stainless steel, aluminium, melamine and other utensils and tableware put up for retail sale.	Respective headings
75	Ceramic products, including wash basins, commodes, tiles and allied ceramic sanitary products, put up for retail sale.	69.10

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

THE SIXTH SCHEDULE
[See section 13(1)]
Table-1
(Imports or Supplies)

The following entries have been substituted as under:

By substituting serial No. 32, magazines have also been included in the list of exempt goods along with newsprint and books, while brochures, leaflets and directories continue to remain excluded from the exemption.

By substituting serial No. 157, the exemption available to local manufacturers on the import of CKD kits of electric vehicles has been extended from 30 June 2026 to 30 June 2027.

By substituting serial No. 181, scope of exemption currently available on import/lease of aircrafts and parts thereof by Pakistan International Airlines Corporation Limited (PIACL) has been expanded by including new PCT headings. Two provisos have also been inserted which provides that the custom authorities shall restrict the imports of PIACL to quantities needed for aircraft operation and maintenance and that imported ground-handling and related equipment (not manufactured locally) be used only within airport premises. New serial No. 181A has also been inserted in this Schedule which provides that the import or lease of aircrafts and parts thereof by any airline company registered in Pakistan will be exempt from the first day of July, 2027.

The substituted serial Nos. have been reproduced as under:

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
32	Newsprint, books, and magazines but excluding brochures, leaflets and directories.	49.01, 4902.1000, and 4902.9000
157	Import of CKD (in kit form) of following electric vehicles (4 wheelers) by local manufacturers till 30th June, 2027: (i) Small cars/SUVs with 50 Kwh battery or below; and (ii) Light commercial vehicles (LCVs) with 150 kwh battery or below	Respective headings
181	Import or lease of aircrafts and parts thereof by Pakistan International Airlines Corporation Limited (PIACL) Provided that the customs authorities shall ensure that the quantities of things imported are limited to the requirements of materials and articles to be used in operations and maintenance of the aircraft operated by the airline: Provided further that the ground handling equipment, service and operation vehicles, catering equipment and fuel trucks, not manufactured locally, and imported shall be used within airport premises as aforesaid.	8802.1200 8802.3000 8802.4000 8801.0000, 8802.2000, 8804.0000 8805.2900 8807.3000 9104.0010 8544.2000 7007.1900 and 9931.

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)**
27A	Wheat and rice bran	Respective headings
181A	Import or lease of aircrafts and parts thereof by any airline company registered in Pakistan. This will be effective from the first day of July, 2027.	Respective headings

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)
(1)	**(2)**	**(3)**
182	Contraceptives	3926.9020 and 4014.1000
183	Female Sanitary Pads / Tampons	9619.0030
184	Import of: – Tankers, – Dredgers, – Floating or submersible drilling, or production platforms, – Others floating structures and vessels. – Other vessels for the transportation of goods excluding Cruise ships, excursion boats and similar vessels principally designed for the transport of persons; ferry-boats of all kinds. Provided that the quantity of imported goods under this entry shall be approved by the Ministry of Maritime Affairs.	 8901.2000 8905.1000 8905.2000 8905.9000 8901.9000
185	Import of bulletproof vehicles by the: (i) Federal Government for logistic arrangements for Shanghai Cooperation Organization (SCO) Summit subject to the prior approval from the Ministry of Foreign Affairs and the Ministry of Interior and Narcotics Control. (ii) By the Federal Government or Provincial Government for threat of terrorism against a public functionary as determined by the Ministry of Interior and Narcotics Control, subject to the approval by the Federal Government.	Respective heading.

Table-3
(Annexure)

Plant, Machinery, Equipment and Apparatus

New serial Nos. 23 and 24 have been inserted in the Table-3 to be exempt from sales tax subject to specific conditions:

Sr. No.	Description	PCT heading	Conditions
(1)	**(2)**	**(3)**	**(4)**
23	Import of following machinery/ equipment for upgradation of existing refineries: 1. Reactors, 2. Shell and Tube Exchangers, 3. Vessels (Strippers/ Separators / K.O. Drums), 4. Trim Coolers, 5. Air Coolers Condensers),	 8419.8990, 8419.5000, 8419.8990, 8418.6990, 8419.8990,	The goods shall be imported directly by the refinery after approval by the division concerned.

Sr. No.	Description	PCT heading	Conditions
(1)	**(2)**	**(3)**	**(4)**
	6. Fired Heaters, 7. Centrifugal Pumps, 8. Reciprocating Pumps, 9.Centrifugal Compressors, 10.Reciprocating Compressors, 11. Steam Reformer Furnaces, 12 Filters, Provided that all such imports shall be essentially made for expansion of balancing, modernization, and rehabilitation of existing refineries and the quantity imported by each refinery shall be approved by the Ministry of Petroleum and Natural Resources.	8417. 8000 8413.7090 8413.5000 8414.8090 8414.8090 8417.8000, 8421.3990	
24	Import of machinery, equipment, raw materials, components and other capital goods, by Karachi Shipyard and Engineering Works Limited.	Respective headings as approved by the concerned Division.	The Division dealing with the subject matter shall certify in the prescribed manner and format as per Annex-B that the imported goods are bona fide requirements. The authorized officer of the Ministry shall furnish all relevant information online to Pakistan Customs Computerized System against a specific user ID and password obtained under section 155D of the Customs Act, 1969.

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

Eighth Schedule prescribes reduced sales tax rates for specified goods. Serial Nos. 71 and 80 have been substituted as under:

By substituting serial No. 71, the reduced rate facility of 1% on local supplies of locally manufactured or assembled electric vehicles (4 Wheelers) has been extended from 30 June 2026 to 30 June 2027.

By substituting serial No. 80, the reduced rate facility of 1%, which is currently available on electric transport buses having 25 seats or more imported in CBU condition, has been extended to electric trucks as well.

The substituted entries have been reproduced as under:

Sr. No.	Description	Heading Nos. of the First Schedule to the Customs Act, 1969 (IV of 1969)	Rate of Sales tax	Condition
71	Following locally manufactured or assembled electric vehicles (4 wheelers) till 30th June, 2027: (i) Small cars/ SUVs with 50 Kwh battery or below; and (ii) Light commercial vehicles (LCVs) with 150 kwh battery or below	Respective heading	1%	If supplied locally
80	EV transport buses of 25 seats or more and electric trucks in CBU condition	8702.4090 8704.6030	1%	

THE NINETH SCHEDULE

New sub-clause (vi) has been inserted after Table II under the Heading "LIABILITY, PROCEDURE AND CONDITIONS" which allows an individual to pay tax on imported mobile phone device through Device Identification, Registration and Blocking System of Pakistan Telecommunication Authority, in instalments as may be prescribed, subject to the condition that all the instalments shall be paid before the end of the financial year in which the import is made.

THE ELEVENTH SCHEDULE
Table

The Eleventh Schedule prescribes sales tax withholding agents, supplier category and rates or extent of deduction.

Serial No. 4 has been substituted to include the association of persons and individuals in the list of withholding agents. Previously, companies as defined in the Income Tax Ordinance, 2001 (excluding companies engaged in exporting of surgical instruments) are required to withhold sales tax. The substituted entry has been provided as under:

Sr. No.	Withholding agent	Supplier category	Rate or extent of deduction
(1)	**(2)**	**(3)**	**(4)**
4	Companies, association of persons and individuals as defined in the Income Tax Ordinance, 2001 (XLIX of 2001) excluding companies exporting surgical instruments.	Person other than active taxpayers.	5% of gross value of supplies

New serial No. 14 has been inserted in the Eleventh Schedule which impose withholding on toll manufacturing where a registered toll manufacturer supplies services to an unregistered person. The substituted entry has been provided as under:

Sr. No.	Withholding agent	Supplier category	Rate or extent of deduction
(1)	**(2)**	**(3)**	**(4)**
14	Registered persons engaged in toll manufacturing	Person other than registered person	four times of the tax charged on conversion charges.

THE TWELFTH SCHEDULE
[See sub-section (2) of section 7A]

Under the heading, "Procedure and conditions", new proviso has been added after clause (2)(i) which specifies that the manufacturer shall, apart from any other liability that he may incur under the Act, be liable to pay 3% value addition tax of imports on an ad valorem basis, along with default surcharge, in case the imported goods are supplied in the same state whether in the same packing, repacked, or in bulk.

New sub-section (6) has been added which specifies that the rate of minimum value addition tax shall be 1% in the case of import of coal, subject to the conditions that such imported coal is exclusively and directly supplied to Independent Power Producers.

Algorithmic settlement mechanism **Section 2(2A)**

Clause (2A) introduces the definition of "algorithmic settlement mechanism" by referring to section 47AA of the Sales Tax Act, 1990. The amendment extends the applicability of the settlement mechanism used under the Sales Tax regime to proceedings under Federal Excise law as well.

Electronic invoicing system **Section 2(9b)**

New clause (9b) has been inserted defining "electronic invoicing system" as "such electronic system or mechanism as may be prescribed or approved by the Board for issuance and recording of sales tax invoices in electronic form."

National faceless centre **Section 2(16A1)**

Clause (16A1) introduces the definition of "National Faceless Centre" by referring to section 32C of the Sales Tax Act, 1990. By adopting this definition, the amendment enables the National Faceless Centre established under the Sales Tax Act to conduct proceedings under the Federal Excise Act as well through a faceless mechanism.

Production monitoring system **Section 2(19b)**

New clause (19b) has been inserted defining "production monitoring system" as "any system or technology used for monitoring production and sale of goods, whether in real-time or otherwise, including such systems or technologies as may be prescribed by the Board from time to time."

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

New sub-section (3B) of section 3 introduces a Special Excise Duty, which shall be levied and collected in addition to the duty imposed under sub-section (1). The duty will apply to the goods specified in the newly inserted Table-IA of the First Schedule at the rates prescribed therein.

The FBR has been empowered to prescribe the time, procedure, mechanism, mode, and manner for the collection of this duty.

National faceless centre and application of the provisions of the Sales Tax Act, 1990 **Section 7A**

New section 7A has been inserted to extend the faceless tax administration framework to proceedings under the Federal Excise Act, 2005. The newly inserted provision authorizes the FBR to conduct audit and assessment proceedings in a faceless manner through the National Faceless Centre.

The section further provides that the provisions of the Sales Tax Act, 1990 relating to the establishment of the National Faceless Centre, assignment of jurisdiction, conduct of audit, assessment and appeals shall apply mutatis mutandis to proceedings under the Federal Excise Act.

In addition, the FBR has been empowered to establish a digitally operated algorithmic settlement mechanism for settlement of proceedings at any stage before the passing of an order under the Act. The provisions of the Sales Tax Act, 1990 governing the algorithmic settlement mechanism shall apply mutatis mutandis for the purposes of the Federal Excise Act.

Invoices **Section 18(1)**

Section 18(1) has been substituted to prescribe revised requirements for the issuance of invoices by persons registered under the Federal Excise Act, 2005. Under the amended provision, every registered person is required to issue, for each transaction, an invoice, including an advance receipt invoice, bearing a verifiable and unique FBR invoice number at the time of clearance or sale of goods, including goods chargeable to duty at the rate of zero percent, or at the time of providing or rendering services.

The invoice shall contain the following particulars in Urdu or English language namely:

- Name, address and registration number of the seller
- Name, address and registration number of the buyer
- Date of issue of the invoice
- Description and quantity of goods or description of services as the case may be
- Value exclusive of excise duty
- Amount of excise duty
- Value inclusive of excise duty

Provided that the FBR may notify any person or class of persons who may be allowed to issue an advance receipt invoice under the notified system.

Provided further that the condition of verifiable and unique FBR invoice number shall be applicable from a time as notified by the FBR.

Previously, the definition did not include an advance receipt invoice, nor was there any requirement for an invoice to contain a verifiable and unique FBR invoice number.

Offences, penalties, fines and allied matters **Section 19(2)(a)(4)**

Section 19 has been amended to align the enforcement provisions of the Federal Excise Act, 2005 with the Inland Revenue framework. Consequently, in sub-section (2)(a), the expression "Federal Excise Officer" has been substituted with "Officer of Inland Revenue".

Further, sub-section (4) has been substituted to provide that any person who, without the approval of the Commissioner, deliberately destroys, damages, erases or otherwise manipulates data stored in or used in connection with any computer, equipment or system employed for the electronic monitoring of production, manufacture, sales, clearance, stocks, including a Production Monitoring System, video analytics system, or any other prescribed monitoring mechanism, or otherwise uses a computer to reduce, avoid, or evade any liability to duty of excise or to defeat the provisions of the Act or the rules made thereunder, shall be guilty of an offence. Such person shall be liable to a fine extending to seventy-five thousand rupees or ten times the amount of duty involved, whichever is higher, and imprisonment for a term which may extend to five years or both.

Previously, this offence did not extend to the erasure or manipulation of data stored in computers, equipment or systems used for the electronic monitoring of production, manufacturing, sales, clearances or stock, including Production Monitoring Systems and video analytics systems. This amendment expands the scope of the offence to cover such acts, thereby significantly strengthening the legal framework governing the integrity of electronic monitoring systems.

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

Section 26(1) has been substituted to expand the scope of goods liable to seizure under the Federal Excise Act, 2005. The amended provision extends the power of seizure to goods which are required to be monitored through a production monitoring system but are manufactured, produced, transported, removed or otherwise dealt with without such monitoring in the prescribed manner. The conveyance used for the movement, carriage or transportation of such goods shall also be liable to seizure.

Previously, the power to seize goods did not extend to goods that were required to be monitored through a Production Monitoring System under the Act and the rules made thereunder. This amendment expands the scope of the section by extending the power of seizure to such goods.

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

Section 27(1) has been substituted to broaden the categories of goods liable to outright confiscation under the Federal Excise Act, 2005. The scope of the provision has now been expanded also to cover goods which are required to be monitored through a production monitoring system under the Act and the rules made thereunder, but are manufactured, produced, transported, removed or otherwise dealt with without such monitoring in the prescribed manner. Such goods shall also be liable to outright confiscation and shall be destroyed in the manner prescribed under sub-section (10) of section 19 of the Act.

Independent case scrutiny committee **Section 34AA**

New section 34AA has been inserted requiring that a reference under section 34A before the High Court, or an appeal or review before the Federal Constitutional Court or the Supreme Court of Pakistan, shall only be filed by the Commissioner Inland Revenue after approval by an independent case scrutiny committee constituted by the FBR. The FBR may constitute one or more such committees and assign them cases decided by the Appellate Tribunal Inland Revenue or the High Court.

The Committee shall comprise the following members as nominated by the FBR:

- A retired judge of the Supreme Court of Pakistan, the Federal Constitutional Court, or any of the High Courts of Pakistan, who shall also act as Chairman of the Committee,
- An Advocate having not less than fifteen years of experience in duty and commercial litigation before the High Court or Supreme Court of Pakistan, nominated from a panel notified by the FBR from time to time and
- A senior serving or retired officer of the FBR (BS-20 or above).

Provided that the committee may co-opt a chartered accountant as a non-voting member, whenever required.

The powers, functions, scope, procedure and remuneration of the Committee and its Members shall be governed in the prescribed manner. The recommendations of the Committee shall be binding upon the Commissioner Inland Revenue having jurisdiction over the case. The section further provides that, notwithstanding anything contained in any other law for the time being in force, no suit, prosecution, or other legal proceedings shall lie against the Members of the Committee or the Commissioner Inland Revenue in relation to decisions made under this section. The Committee shall exercise its powers and functions with effect from the date of its constitution as notified by the FBR.

Further, notwithstanding anything contained in this Act or the Limitation Act, 1908, the period from the date on which limitation begins to run until the date on which the Committee grants its approval, as certified by the Chairman, shall stand excluded for the purpose of determining whether a reference, appeal, or review has been filed within time. In cases where the limitation period had already commenced before the insertion of this section, the period shall commence from the date on which the Finance Act, 2026 comes into force.

Monitoring or tracking by electronic or other means **Section 45A(1)(2)(3)**

Section 45A(1) has been substituted to extend scope of monitoring or tracking to services. The amended provision empowers the FBR, subject to such conditions, restrictions and procedures as it may deem fit, to specify by notification any registered person or class of registered persons, or any goods or services or class of goods or services, in respect of which the monitoring or tracking of production, sales, clearance, stocks or any other related activity may be implemented through electronic or other prescribed means. By this amendment the scope of monitoring and tracking has been extended through compliance with production monitoring system and video analytics.

The amended section further provides that, from such date as may be prescribed by the FBR, no excisable goods shall be removed or sold without affixing tax stamps, banderols, stickers, labels, barcode production monitoring system, video analytics, etc. in any such form style and manner as may be prescribed by the FBR.

The section also requires that the prescribed tax stamps, banderols, stickers, labels, barcodes, production monitoring equipment and other monitoring devices shall be acquired by the registered person from a licensee appointed by the FBR.

Audit **Section 46**

Section 46 has been extensively amended to strengthen and rationalize the audit framework under the Federal Excise Act, 2005. Sub-sections (1), (2), (2A) and (3) have been substituted and new sub-sections (2B), (2C) and (3A) have been inserted.

Under sub-section (1) an Officer of Inland Revenue authorized by the FBR or the Commissioner may, after giving advance notice in writing, conduct audit of the records and documents of any registered person. The condition for conduct of audit once a year has been removed.

Sub-section (2) has been amended to provide, in case where the Commissioner has information or sufficient evidence that a registered person is involved in fraud or evasion of duty, he may authorize an officer of Inland Revenue not below the rank of Assistant Commissioner to conduct an audit at any time in a year.

Substituted sub-section (2A) provides that after completion of the audit under this section or any other provisions of this Act, the officer of Inland Revenue shall, after obtaining the registered person's explanation on all the issues raised in the audit, issue an audit report containing audit observations and findings.

New sub-section (2B) specifies that for the purpose of sub-section (2), the Commissioner may conduct audit proceedings electronically through video links, or any other facility as prescribed by the FBR.

New sub-section (2C) states that after issuing the audit report under this section or any other provision of law, the officer of Inland Revenue may, if required pass an order under sub section (2) of section 14, after providing an opportunity of being heard to the registered person under sub section (1) of section 14, imposing the amount of duty as per law, charging default surcharge, imposing penalty and recovery of any amount erroneously refunded.

In sub-section (3) for the first proviso the following two provisos have been substituted;

Provided that if a registered person deposits the amount of duty not paid, short paid or amount of duty evaded along with default surcharge during or after the audit but before the, issuance of show cause notice under sub-section (1) of section 14, he may deposit such amount along with twenty five percent of the amount of penalty prescribed under this Act or the rules made there under.

Provided further that if a registered person deposits the amount of duty not paid, short paid or amount of duty evaded along with default surcharge, after issuance of show cause notice under sub-section (1) of section 14, he may deposit such amount along with fifty percent of the amount of penalty prescribed under this Act or the rules made there under and in such case, further proceedings in the case shall abate.

New sub-section (3A) has been inserted empowering the Commissioner, at any stage of the proceedings, where, having regard to the nature and complexity of the accounts or volume of the accounts or doubts about the correctness of the accounts or multiplicity of transactions or specialized nature of the business activity of the registered person, and the interests of the revenue, he is of the opinion that it is necessary to do so, to direct the registered person, after providing a reasonable opportunity of being heard and with the previous approval of the Chief Commissioner, to get the;

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

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

It has been explained that the accountant or cost accountant shall be nominated by the Commissioner from a panel nominated by the FBR. However, where the registered person objects to the first nomination within fifteen days, the Commissioner may, if satisfied with the objections, nominate another accountant or cost accountant.

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

Rate of duty of following serial Nos. has been substituted to be read as under:

S. No.	Description of Goods	Heading/ sub-heading Number	Previous rate of duty	Revised rate of duty
7a	Acetate tow	Respective heading	Earlier, rate was rupees forty-four thousand per kg.	Rupees ten thousand per kg.
8a	E-liquids by whatsoever name called, for electric cigarette kits.	Respective heading	Earlier, rate was rupees ten thousand per kg or sixty five percent of retail price whichever is higher.	Rupees sixteen thousand five hundred per kg.

FED on electric vehicles

Serial No. 55 and 55B have been substituted to extend the applicable FED rates on imported or locally manufactured or assembled electric vehicles (4 wheelers) till 30 June 2027.

New serial No. 55A has been inserted according to which FED has been imposed on imported electric vehicles in CBU condition as under:

S. No.	Description of Goods	Heading/ sub-heading Number	Rate of Duty
(1)	(2)	(3)	(4)
55A	Electric cars and electric SUVs, imported in CBU condition having value as determined under section 25 of the Customs Act, 1969 (V of 1969):—	Respective Heading	
	(a) USD — Not exceeding seventy-five thousand;		0%
	(b) exceeding USD seventy-five thousand and upto USD one hundred and ten thousand		30% ad.val
	(c) exceeding USD one hundred and ten thousand.		40% ad.val

Sugary fruit juices, syrups and squashes

Serial No. 59 has been substituted. Previously, sugary fruit juices, syrups, squashes, and waters (excluding mineral water and aerated water) were subject to Federal Excise Duty (FED) at the rate of 20% of the retail price. Pursuant to the amendment, hydration drinks or electrolyte beverages specifically formulated to support hydration and electrolyte replenishment, which do not contain sugar exceeding 5g per 100 ml or any artificial sweetener, have also been excluded from the scope of this serial number. Consequently, the exclusion now extends to mineral water, aerated water and such hydration or electrolyte beverages. The amended serial No. 59 has been provided as under:

S. No.	Description of Goods	Heading/ sub-heading Number	Rate of duty
59	Sugary Fruit juices, syrups and squashes, waters whether or not containing added sugar or artificial sweeteners excluding mineral waters, aerated waters, hydration drinks or electrolyte beverages specifically formulated to support hydration, electrolytes replenishment containing artificial sweetener or sugar or both not exceeding 5g/100 ml.	Respective heading	Twenty percent of retail price

Lubricating oil and base lubricating oils

Serial No. 63 has been substituted. Previously, lubricating oils were subject to Federal Excise Duty (FED) at the rate of 5% ad valorem. Through the amendment, the levy has been extended to include base lubricating oils as well. The amended serial No. 63 is reproduced below:

S. No.	Description of Goods	Heading/ sub-heading Number	Rate of duty
(1)	(2)	(3)	(4)
63	Lubricating oil and base lubricating oils	2710.1951 2710.1952 2710.1953 2710.1993	Five percent ad valorem.

Petroleum products

New serial No. 65 has been inserted to impose FED on the following petroleum products. This entry has also been inserted in the Second Schedule as serial No. 5 which means that the FED shall be imposed on sales tax mode. It is also provided that FED shall not be imposed on import of the following petroleum products subject to certain conditions which are provided as under:

S. No.	Description of Goods	Heading/ sub-heading Number	Rate of Duty
(1)	(2)	(3)	(4)
65	(i) Petroleum top Naphtha	2710.1942	(i) Rs. 80 per liter
	(ii) White Spirit/ Mineral Turpentine Oil (MTT)	2710.1240	(ii) Rs. 80 per liter
	(iii) Solvent Oil	2710.1250	(iii) Rs. 80 per liter

It is provided that the duty under this serial No. shall not be charged on import or supply of white spirit and solvent oil purchased only for in-house consumption, if the importer and recipient of supplies both are holding a license (Form-L) issued by the Department of Explosives, Government of Pakistan, and subject to the following conditions, namely:

(i) the goods manufactured, using the said spirit and oil, are exempt under the Sales Tax Act, 1990 (VII of 1990); or

(ii) the goods manufactured, using the said spirit and oil, are taxable under the Sales Tax Act, 1990 (VII of 1990) and both the supplier and the manufacturer are integrated with the FBR's computerized system for issuance of digital invoices.

Provided that such import and supplies are made in accordance with the quota approved by the FBR, or by the Directorate General of Input Output Coefficient Organization in cases referred by the FBR:

Provided further that the FBR may make rules to regulate adjustment of input tax and duties on import and supply.

Cigarette pricing for new variant of an existing brand

Restriction-2 (Brand variants at different price points) of Table-1 has been substituted to restrict the price of a new cigarette brand variant to the lowest price of existing brands. Previously, this restriction was applicable on the lowest price within the same brand family. The substituted part has been reproduced as under:

"No manufacturer or importer of cigarette can introduce or sell a new variant of the existing brand at a price lower than the lowest actual price of the existing brand. For the purposes of this restriction, current minimum price of existing brand means the lowest price of an existing brand on the day of announcement of Budget of the current financial year".

Explanation: For the purpose of this restriction, brand variant means any cigarette brand with identical name, trademark, design, pattern or any unique distinguishing mark associated with an existing brand.

Special Excise Duty

New Table-IA has been inserted after Table-I to levy special excise duty on imported motor cars which is reproduced as under:

Table-IA

S. No.	Description of goods	Heading/sub heading Number	Rate of duty
(1)	(2)	(3)	(4)
1	Imported motor cars, SUVs and other motor vehicles, excluding auto rickshaws, principally designed for the transport of persons (other than those of headings 87.02), electric vehicles (4 wheelers) including station wagons, double cabin (4x4) pickup vehicles and racing cars:	87.03 8704.2190 8704.3190	
	(a) of cylinder capacity 2000cc and above but not exceeding 3000cc		86% ad val
	(b) of cylinder capacity exceeding 3000cc		92% ad val

TABLE II
(EXCISABLE SERVICES)

FED on Club, Business and First-Class Air Tickets

Clause (b) of sub clause (ii) of serial No. 3 has been substituted to reduce the FED on club, business and first-class air tickets issued on or after the first day of July, 2026 as under:

S. No.	Description of Items	Heading/ sub-heading Number	Previous rate of duty	Revised rate of duty
3	Facilities for travel (b) Services provided or rendered in respect of travel by air of passengers embarking on international journey from Pakistan,– (ii) Club, business and first-class air tickets issued on or after the 1st day of July, 2026:	98.03		
	(a) IATA Traffic Conference Area 1 (North, Central, South America and Environs)		(a) Three hundred and fifty thousand rupees	(a) Fifty thousand rupees
	(b) IATA Traffic Conference Area 2			
	(I) Middle East and Africa		One hundred and five thousand rupees	(b)(I) Twenty-five thousand rupees
	(II) Europe		Two hundred and ten thousand rupees	(b)(II) Forty thousand rupees
	(c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands)		Two hundred and ten thousand rupees	(c) Forty thousand rupees

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

By inserting new Serial No. 28 in Table-I of this Schedule, exemption has been provided on bullet proof vehicles imported by the:

i) Federal Government for logistic arrangements for Shanghai Cooperation Organization (SCO) summit subject to the prior approval from the Ministry of Foreign Affairs and the Ministry of Interior and Narcotics Control.

ii) Federal Government or Provincial Government for threat of terrorism against a public functionary as determined by the Ministry of Interior and Narcotics Control, subject to approval by the Federal Government.

Active Taxpayer **Section 2(1)**

The definition of "active taxpayer" has been substituted whereby now "active taxpayer" shall be the registered person who does not fall in any of the following:

(i) whose registration has been suspended or blacklisted by the Authority; and

(ii) who has failed to file the return by the due date for the last two consecutive tax periods.

Previously, a registered person who had filed the return for at least one of the preceding three consecutive tax periods was treated as "active taxpayer".

Tax credit not allowed **Section 16B(1)(ff)**

New clause (ff) has been inserted in this section whereby a registered person shall not be entitled to claim input tax adjustment in respect of the goods and services received against invoices issued by the persons not appearing in the active taxpayers list of the Authority or the FBR.

Extent of adjustment of input tax **Section 16C(1)**

Now, the registered person shall not be allowed to adjust input tax in a tax period in excess of eighty percent (previously ninety percent) of the output tax for that tax period.

Adjustment of input tax on certain goods and services **New Section 16CC**

According to this new section, notwithstanding anything contained in section 16C and subject to section 16B, input tax on capital goods, machinery, and fixed assets shall be adjusted against output tax, in twelve equal monthly instalments.

Input tax management through risk-based evaluation system **New Section 16CCC**

The Authority has been empowered to establish, administer, and implement a risk-based evaluation system for the purpose of identifying, analyzing, evaluating, and monitoring the risks associated with the input tax claims, adjustments, credits, and refunds.

The Authority may, on the basis of risk parameters, data analytics, or any other relevant information, establish and maintain a risk register for the categorization and profiling of taxpayers, suppliers, transactions, or classes thereof, for the purposes of risk assessment, compliance monitoring, and enforcement under this Act. Where any input tax claim or adjustment is identified as carrying risk, the Authority may, for the reasons to be recorded in writing and subject to such procedure as may be prescribed:

a) defer the admissibility of such claim pending for verification; or
b) disallow input tax credit or adjustment, in whole or in part; or
c) require the registered person to furnish additional information or evidence; or
d) select the case for audit or investigation.

All input tax claims, credits, adjustments, or refunds shall be subject to verification, evaluation, and determination through the risk management system established by the Authority under this Act. No adverse action under this section shall be taken without providing an opportunity of being heard to the person to be affected thereby.

Further, the person, aggrieved by the action taken under this section, may contest such action by filing application along with relevant documents before the Commissioner concerned, who shall decide such application within thirty days.

The Authority may prescribe the manner of operation, risk parameters, safeguards, and governance framework of the risk management system.

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

Following serial Nos. 5, 16, 17 and 20 have been substituted to be read as under:

Sr. No.	Offences	Rate of Penalty	Section
5	Where a person, without any reasonable cause, fails to produce the record or information despite receipt of a notice from the Authority or any officer of the Authority directing him to produce such record or information. Provided that if the record is not produced despite issuance of three notices, it shall be considered as sufficient evidence that the person has failed to maintain the record.	Such person in case of: (a) an individual, shall pay a penalty up to one hundred thousand rupees for the first default and one hundred thousand rupees for each subsequent default; and (b) a company or association of persons, shall pay a penalty up to five hundred thousand rupees for the first default and five hundred thousand rupees for each subsequent default.	30, 32, 53 and 57
16	Where any person: a) causes intentional damage to or intervention in the electronic invoice monitoring system; or b) impedes or obstructs transmission of invoice data to the Authority.	Such person shall be liable to pay a penalty of five hundred thousand rupees (earlier, one hundred thousand rupees.) for each act of commission. In case of three acts of such commission, the business premises of such person shall be liable to be sealed for a period which may extend to one month and such person shall further 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 the amount equal to the tax payable for the tax period to which the offence relates, or with both.	59A
17	Where any person fails or refuses to issue a tax invoice.	Such person shall be liable to pay a penalty of five hundred thousand rupees on first default and one million rupees for each subsequent default. (Earlier, twenty thousand rupees on first default and fifty thousand rupee for each subsequent default.) In case of three acts of such default, the business premises shall be liable to be sealed for a period which may extend to one month.	30
20	Where any person either avoids, defies, fails to comply with electronic invoicing system or issues invoices bypassing the electronic invoicing system.	Such person shall be liable to pay a penalty of up to five hundred thousand rupees. (Earlier, one hundred thousand rupees but not less than twenty-five thousand rupees.) In case of three consecutive defaults, the business premises of such person may further be liable to sealing for a period which may extend to one month.	59B

Authorized officers to have access to premises, stocks, accounts and records **Section 56(1)**

The sub-section (1) has been amended to empower the Commissioner to authorize any officer to gain access to the business premises, stock accounts, and records of a registered person, or to conduct an inquiry or investigation in cases involving tax fraud. Previously, this power was vested exclusively in the Authority and could only be exercised through a notification published in the official gazette.

Power to restrain certain authorities **Section 76A**

Section 76A has been substituted to provide that any Authority authorized to issue or renew a license, grant permission, or issue a no objection certificate to a person carrying out an economic activity that qualifies as a taxable service shall not issue or renew such license, grant such permission, or issue such no objection certificate unless the licensee or grantee furnishes evidence that they are duly registered under the Act and is on the active taxpayers list of Authority. Previously the ATL requirement was not existed.

Further, by adding new clause (b) any procuring agency awarding or renewing any contract constituting taxable services shall not award or renew contract, unless the bidder, contractor, supplier or consultant is a registered person and is also on the active taxpayers list under the Act.

It is provided that newly established businesses are exempted from the application of this section for a period of six months from the date of their registration.

FIRST SCHEDULE
Tax Free Services
(see section 3A)

Services provided by a foreign exchange dealer, exchange company, money changer, or money exchanger, previously covered under serial No. 25 of this Schedule, have been omitted. Now these services have been reclassified from tax free services to the reduced-rate services prescribed in Part III of the Second Schedule at the rate of 3%, without the entitlement to input tax adjustment.

SECOND SCHEDULE
(Taxable Services)
(see section 3)

PART III
REDUCED RATE SERVICES

By substituting Sr. No. 1 in respect of Hotels, motels and guest houses, reduced tax rate of 5% without input tax adjustment has been enhanced to 8% without input tax adjustment where payment against services is received through debit or credit cards, mobile credit cards, mobile wallets or QR scanning.

Further, by amendment in following entries reduced tax rate of 5% without input tax adjustment has been increased to 8% without input tax adjustment.

Sr. No.	Description	Classification code, if applicable	Rate of tax
2	Marriage halls and lawns (by whatever name called) including pandal and shamiana services. Catering services (including all ancillary/allied services such as floral or other decoration, furnishing of space whether or not involving rental of equipment and accessories).	9801.3000 9801.5000	Eight percent without input tax adjustment.

Sr. No.	Description	Classification code, if applicable	Rate of tax
4	Services provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc.	9801.2000 9801.9000	(a) Eight percent without input tax adjustment where payment against services is received through debit or credit cards, mobile wallets or QR scanning; and (b) Sixteen percent for others.
10	Services provided by tour operators and travel agents including all their allied services or facilities.	9805.5100, 9805.5000, 9803.9000.	Eight percent without input tax adjustment.
12	Services provided by property dealers and realtors.	9806.2000, 9844.0000.	Eight percent without input tax adjustment.
14	Services provided by architects, town planners, landscapers, landscape designers, interior decorators and interior designers.	9814.1000, 9814.9000, 9814.4000 and respective headings.	Eight percent without input tax adjustment.
15	Rent-a-car (including renting of all categories of vehicles meant for transportation of persons)	9819.3000 and respective headings	(a) Eight percent without input tax adjustment for services provided to end consumers; and (b) Sixteen percent for others.
18	Services provided in specified fields such as health care, gym, physical fitness, indoor sports, games, amusement parks, arcades and other recreation facilities, and body or sauna massage etc.	9821.1000 9821.2000 9821.4000	Eight percent without input tax adjustment.
19	Services provided by Laundries and dry cleaners	9811.0000	Eight percent without input tax adjustment.
22	Services provided by accountants (including practicing chartered or cost accountants), auditors, actuaries, tax consultants (by whatever name called), practicing company secretaries, receivers, liquidators, auctioneers and corporate law consultants, whether individual or otherwise.	9815.2000 9815.3000 9850.0000 9851.0000 9855.0000 and respective headings	(a) Eight percent without input tax adjustment for services relating to accountancy, audit, tax or corporate law consultancy; and (b) Sixteen percent for others.
25	Services provided by warehouses or depots for storage or cold storages including letting of space for storages.	9833.0000 and respective headings	Eight percent without input tax adjustment.
30	Rental of bulldozers, excavators, cranes, construction equipment, Scaffolding, framework and shuttering, generators, storage containers, Refrigerator, shelf or rack renting, etc.	Respective heading	Eight percent without input tax adjustment.
32	Apartment house management, real estate management and services of rent collection.	Respective heading	Eight percent without input tax adjustment.

Sr. No. 9 in respect of event management services have been classified under the newly inserted serial No. 36 of the same Part to be taxed at the rate of 8%, without input tax adjustment.

De-registration **Section 25A(3)(4)**

Sub-section (3) of section 25A has been substituted to provide that where the Board or any officer of the SRB receives an application of de-registration, it shall dispose of the same within a period of one hundred and eighty days from the date of receipt of the application, or within such extended period, not exceeding sixty days, as the Board or any officer of the SRB may, for reasons to be recorded in writing fix. Previously, the time limit for the disposal of an application was three months from the date of its receipt.

New sub-section (4) has been inserted which provides that the obligations and liabilities of the person relating to the period when he provided any taxable services shall not be affected by the fact that he has e-filed his de-registration application or that he has ceased to be a registered person.

Offences and penalties **Section 43**

New penalty has been imposed in respect of a person who designs, develops, customizes or supplies invoicing software enabling issuance of invoices not conforming to the requirements of sub-rule (1) of rule 29 of the Sindh Sales Tax on Services Rules, 2011 or of rule 6 of the Sindh Sales Tax Special Procedure (Online Integration of Business) Rules, 2022. Such person shall be liable to a penalty of upto one million rupees, but not less than one hundred thousand rupees.

Registered person to display notice, message or information **Section 52A**

New section 52A has been inserted requiring every registered person, where so directed by the Commissioner, to display any notice, message or information through print or multimedia at a conspicuous place within the premises accessible to the general public, for awareness of the customers or the public in relation to tax matters.

Decision in appeal **Section 59(2)(6)**

New proviso to sub-section (2) has been inserted requiring that inquiry under sub-section (2) shall be completed within a period of not exceeding sixty days from the date the inquiry is ordered by the Commissioner (Appeals).

Substituted sub-section (6) provides that for the purpose of computing the time limit prescribed under sub-section (5) for disposal of an appeal, any period during which the proceedings remain adjourned on account of a stay order or the inquiry under sub-section (2) or the period during which proceedings under section 65 or the time taken through adjournment by the appellant, shall be excluded from the computation of the prescribed limitation period.

Previously, the period on account of the inquiry under sub-section (2) has not been taken into account for the computation of limitation period.

Recovery of arrears of tax **Section 66(1)**

Substituted proviso of sub-section (1) provides that no recovery notice shall be issued by the officer of the SRB where the taxpayer has filed an appeal under section 57 or section 61 against the order creating the tax demand and the appeal is pending before the Commissioner (Appeals) or the Appellate Tribunal respectively, subject to the condition that an amount equal to twenty percent of the amount of tax due has been paid by the taxpayer.

Previously, the officer of the SRB was restricted from issuing a recovery notice only where the taxpayer had filed an appeal under section 57 before the Commissioner (Appeals) against the order creating the tax demand and such appeal was pending, subject to payment of ten percent of the amount of tax due.

Disclosure of information **Section 73A**

New section 73A has been inserted which provides that all particulars contained in any statement made, return furnished, accounts or documents produced or any evidence given, or affidavit or deposition made in the course of any proceedings or any record of any assessment proceedings or any proceeding relating to the recovery of demand of the taxpayer shall be confidential and officer of the SRB or its Chairman, Member or Secretary, or any public servant shall not disclose any such particulars.

Further, it is provided that nothing contained in sub-section (1) shall preclude the disclosure of any such particulars to any person acting in the execution of this Act, where it is necessary to disclose the same to him for the purposes of this Act.

Also provided that nothing contained in sub-section (1) shall preclude the disclosure of any information to any department or authority of the Federal Government or a Provincial Government which is authorized to have access to such information or in terms of an agreement made by the Board with such department or authority on bilateral or multilateral basis for the purposes of enabling such department or authority to enforce tax or levy as is collected by it.

Service of orders and decisions **Section 75(1)(a)**

Clause (a) of section 75 has been amended to substitute the words "or under a legal disability" with "under a legal disability on".

Substituted clause (a) is read as under:

“(a) personally served on the individual or, in the case of an individual under a legal disability, on the agent of the individual.”

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

Following entries have been substituted to be read as under:

By substituting serial No. 6, storage and warehouse services have been exempted subject to the condition that the exemption shall only apply to services provided or rendered in relation to food grains and fresh vegetables and fruits that have not been subjected to any further processing. Previously, this exemption was conditioned in relation to food and agricultural commodities only.

By substituting serial No. 10, the exemption in relation to the services provided or rendered to individual life insurance has been increased up to coverage of thirty-five hundred thousand rupees. Previously, this exemption was up to the coverage of five hundred thousand rupees.

By substituting serial No. 30, the exemption for education services shall now be available to pre-primary, primary, secondary, post-secondary, non-tertiary and tertiary education services falling under CPC Codes 921 to 925, where the fee or charges do not exceed rupees five hundred thousand per annum per student, sports education services falling under CPC Code 92912 provided by an individual being not an employee, and special education services for children with special needs as well as education under the adult literacy programme.

Previously, the exemption was available only where the fee or charges did not exceed rupees five hundred thousand per annum per student and in respect of sports education services falling under CPC Code 92912 provided by a person other than an individual.

The substituted serial Nos. have been reproduced as under:

S. No.	CPC Code	Description	Conditions and Restrictions
6	672	Storage and warehouse services	The exemption shall be applicable to services provided or rendered in relation to food grains and fresh vegetables and fruits not subjected to further processing.
10	713	Insurance and pension services (excluding reinsurance services), except compulsory social security services	The exemption shall be applicable to services provided or rendered in relation to (1) Life insurance, other than group life insurance, of individuals for insurance policy coverage of up to thirty-five hundred thousand rupees; (2) Crop Insurance; (3) Health insurance services, other than group health insurance services, provided or rendered to individuals covered within the meaning of subclause (a) of clause (63) of section 2; and (4) Marine insurance for exports.
30	92	Education services	The exemption shall be applicable to (1) pre-primary, primary, secondary, post-secondary, non-tertiary and tertiary education services falling under CPC codes from 921 to 925, where the amount of fee/charges for such services does not exceed five hundred thousand per annum per student; (2) sports education services, falling under CPC Code 92912, provided by an individual being not an employee; and (3) special education for the children with special needs and education under adult literacy programme.

Serial No. 10A has been added to be read as under:

S. No.	CPC Code	Description	Conditions and Restrictions
10A	714	Reinsurance services	The exemption shall be applicable to the reinsurance services provided or rendered in relation to crop insurance and marine insurance for exports.

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

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

TABLE

By substituting serial No. 1 of Part II of the Second Schedule, construction services have been omitted. These have been reclassified under the newly inserted serial No. 1B of the same Part and are now subject to sales tax at the rate of one hundred rupees per square yard of land and fifty rupees per square foot of constructed covered area. Ready-mix concrete services has been inserted after omission of construction services which are now subject to tax at the rate of 8% subject to no conditions and restrictions.

By substituting serial No. 7, transportation of petroleum oil through oil tankers has been omitted from the list of services chargeable to tax at the reduced rate of 8%.

By substituting serial No. 13, reduced rate of rupees one thousand per bill for freight transport agency services and other freight transport services shall be applicable to the services or rendered in respect of issuance of bill of lading, airway bill and house airway bill. Previously, the same was only applicable to the services provided or rendered by freight forwarding agents.

By substituting serial No. 16, separate reduced tax rates have been prescribed for insurance agents and insurance brokers. Accordingly, services provided by insurance agents shall be taxable at 2% while services provided by insurance brokers shall be taxable at 3%. Previously, services of both insurance agents and insurance brokers were subject to tax at the rate of 5%.

By substituting serial No. 22, tax consultancy, tax preparation, insolvency and receivership services have been included, in addition to legal services, within the scope of services taxable at the reduced rate of 8%, whereas accounting services have been excluded from the scope of reduced rate taxation.

By substituting serial No. 34, maintenance and repair services relating to fabricated metal products, machinery and equipment have been omitted from the list of services taxable at the reduced rate.

By substituting serial No. 38, the rate of tax shall be applicable subject to the conditions that pre-primary, primary, secondary, post-secondary, non-tertiary and tertiary education services falling under CPC codes from 921 to 925, where the amount of fee/charges for such services exceed five hundred thousand per annum per student and other education and training services and educational support services falling under CPC 929 other than CPC 9292. Previously, the same was applicable in case of services where the amount of fee/charges exceeds rupees five hundred thousand per annum per student and the training services.

By substituting serial No. 45, beauty and physical well-being services shall now be taxable at a flat rate of 8% without any conditions or restrictions.

Previously, such services were taxable at 5% subject to the condition that the registered person integrated its POS with the SRB's computerized system for real-time reporting of each sale and issued an SRB invoice bearing the SRB invoice number and QR code for every transaction and 8% otherwise.

The detail of the above substituted serial No. has been provided as under:

S. No.	CPC Code	Description	Rate	Conditions and Restrictions
(1)	(2)	(3)	(4)	(5)
1	54540	Ready-mix concrete services	8%	Nil
7	6511	Road transport services of freight except transportation of petroleum oils through oil tankers	8%	Nil
13	67910	Freight transport agency services and other freight transport services	Rs. 1,000 (Rupees one thousand) per bill	The rate shall apply to the services provided or rendered in respect of issuance of bill of lading, house bill of lading, airway bill and house airway bill.

S. No.	CPC Code	Description	Rate	Conditions and Restrictions
(1)	(2)	(3)	(4)	(5)
16	71610	Insurance brokerage and agency services	2%	This rate shall apply to services of insurance agents.
			3%	This rate shall apply to services of insurance brokers.
22	821	Legal services	8%	Nil
	823	Tax consultancy and preparation services		
	824	Insolvency and receivership services		
28	8463	Broadcasting services and multi-channel programme distribution services except CPC code 84631	8%	Nil
			2%	The rate shall apply to the services provided or rendered by "Stand-alone Cable TV Operators", for this purpose "Standalone TV Operator" means a person whose principal activity is the provision of services of "Cable TV Operators" and whose other service-related business activity, if any, is restricted to the provision of the taxable services of "advertisement on cable TV network.
34	872	Repair services of other goods	8%	Nil
38	92	Education services	3%	The rate shall apply to (1) Pre-primary, primary, secondary, post-secondary, non-tertiary and tertiary education services falling under CPC codes from 921 to 925, where the amount of fee/charges for such services exceed five hundred thousand per annum per student; (2) Other education and training services and educational support services falling under CPC 929 other than CPC 9292.
	9292	Educational support services	5%	Nil
45	972	Beauty and physical well-being services	8%	Nil

SINDH SALES TAX ON SERVICES ACT, 2011

Services of dredging and rock and silt removal has been inserted in new serial No. 1A which are now subject to sales tax at the rate of 8%. Further, construction services omitted from serial No. 1 are now reclassified under the newly inserted serial No. 1B of same Part and are subject to sales tax at the rate of one hundred rupees per square yard of land and fifty rupees per square foot of constructed covered area.

S. No.	CPC Code	Description	Rate	Conditions and Restrictions
(1)	**(2)**	**(3)**	**(4)**	**(5)**
1A	54232	Services of dredging and rock and silt removal	8%	Nil
1B	54	Construction services	a) One hundred rupees per square yard of land; and b) Fifty rupees per square foot of constructed covered area	This rate shall apply to the services provided or rendered by property developers or promotors.

Point of sale system **Section 2(an-i)**

New clause (an-i) has been inserted in section 2 defining "point of sale system" means any software, application, platform, device, terminal, cloud-based platform or any other electronic or digital arrangement or platform, used by registered person, whether directly or through a service provider, for generating, issuing, processing, recording, storing transmitting or reporting invoices, sales tax invoices, tax receipts or any equivalent fiscal document relating to the provisions of taxable services, whether such document is issued in printed, electronic or any other form.

Tax Fraud **Section 2(aai)(ix)**

Definition of "Tax Fraud" has been expanded by adding new sub-clause (ix). Now, tax fraud shall also include aiding, facilitating or enabling, whether directly or indirectly, causing any act or omission specified herein, including but not limited to facilitation or provision of services for the design, development, configuration, integration, installation, use or manipulation of software, hardware, electronic invoicing systems, Point of Sale Systems or any other similar digital platform for reporting of taxable services, resulting in the suppression, concealment, alteration, non-recording or misreporting of taxable activity or data.

Standard or general tax rate application choice **Section 18(1)**

Proviso to sub-section (1) has been amended and consequently, the restriction specifically applicable to companies is removed, thereby providing greater flexibility to companies to switch back to the reduced rate, subject to compliance with the general permission requirements prescribed under section 18(2).

Previously a registered company that opted to pay sales tax at the standard rate under section 18(1) to avail input tax adjustment could not revert to the reduced rate without the prior approval of the Management Committee.

Joint and several liability of persons where tax remained unpaid **Section 22(1)(2)**

Existing provisions of the section 22 has been numbered as sub-section (1) and new sub-section (2) has been inserted which provides that where any person whether in the capacity of collection agent or otherwise, a provider, supplier, integrator, installer, operator or maintainer of Point of Sales Systems used for recording, storing, maintain or reporting any taxable service or class of service, who-

a) aids, abets, facilitates, enables or is otherwise involved, whether directly or indirectly, in the suppression, concealment, non-recording, alteration or misreporting of taxable activity or data; or
b) designs, develops, configures, supplies, installs, operates or manipulates such Point of Sales Systems in a manner that results in or is intended to result in non-payment or short payment of tax; or
c) has knowledge or reasonable grounds to suspect that such systems are being used for purposes mentioned in clause (a) or clause (b), including but not limited to system-generated anomalies, disabling of audit trails, suppression of transaction logs, or discrepancies between recorded and reported data, fails to take responsible corrective or preventive measures,

such person shall be deemed to have contributed to the non-payment of tax and shall be jointly and severally liable, along with the registered person, for the unpaid amount of tax, including any penalty and default surcharge leviable under this Act.

Further, it has been explained that for the purpose of this sub-section, "reasonable grounds to suspect" and "failure to take reasonable measures" shall include continued provisions of services, technical support or system access despite indications of manipulation suppression or non-compliance in the recording or reporting of taxable transactions or taxable activity or data.

Assessment of tax and recovery of tax not levied or short-levied Section 27(1A)

Sub-section (1A) of section 27 has been amended to state that where a person fails to file a return or files a return or make payment of tax after the due date or fails to furnish any information, explanation, documents, records or any other details as may be required in a notice issued under this Act or contravenes any of the provisions of this Act or commits any offense specified in Column No. 2 of the Table under section 53 of this Act, an order under this section shall be passed to the extent of imposition of penalty or default surcharge in accordance with sections 53 and 54 of this Act.

Previously, an order for imposition of penalty or default surcharge could be passed only where a person failed to file a return, filed a return or made payment of tax after the due date, failed to furnish any information, explanation, documents, records or other details required in a notice issued under sections 36, 37, 60, 61 or 63, or failed to comply with the provisions of sections 34 or 64 of the Act.

Offences and penalties: Section 53

Section 53 has been entirely substituted to be read as under:

"Offences and penalties: If a person commits any offence, specified in Column No. 2 of the Table below, shall, in addition to and not in derogation of any punishment to which he may be liable under any other law, be liable to the penalty, mentioned against that offence in Column No. 3 imposed in accordance with the jurisdiction specified in Column No. 4 thereof.

TABLE

1	2	3	4
Serial No.	**Offences**	**Punishment or Penalty**	**Competent Jurisdiction**
1	Where a person who is required to apply for registration under this Act fails to make an application for registration before providing any taxable services.	A penalty of two hundred thousand rupees or five percent of the amount of the tax he would have been liable to pay had he been registered, whichever is higher, provided that in the case of non-compliance of compulsory registration, the minimum penalty shall be four hundred thousand rupees.	Officer of the Authority competent under this Act.
2	Where a person who is required to get himself registered under this Act, fails to get registered within ninety days of providing taxable services or who fails to comply with compulsory registration.	Imprisonment for a term which may extend to one year, or with fine which may extend to the amount of the tax he would have been liable to pay had he been registered, or with both.	Special Judge
3	Where any person fails to intimate any change in particulars of registration, including the particulars relating to business	A penalty of twenty-five thousand rupees.	Officer of the Authority competent under this Act.

1	2	3	4
Serial No.	**Offences**	**Punishment or Penalty**	**Competent Jurisdiction**
	address, business bank accounts, economic activity or any other particulars as specified in the rules or regulations, within a period of fifteen days from the date of such change.		
4	Where a person fails to furnish a return within the due date.	A penalty of ten 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.	Officer of the Authority competent under this Act.
5	Where a person fails to issue tax invoice or issues tax invoice which is contrary to the provision of sections 34 and 34A of this Act.	A penalty of two hundred thousand rupees or five percent of the tax involved, whichever is higher.	Officer of the Authority competent under this Act.
6	Where any person required to integrate or install the Restaurant Invoice Management System (RIMS), Invoice Management and Reporting System (IMRS) or any other prescribed e-invoicing system or computerized system, fails to integrate or install the Restaurant Invoice Management System (RIMS), Invoice Management and Reporting System (IMRS) or any other prescribed e-invoicing system.	A penalty of five hundred thousand rupees or five percent (5%) of the tax involved, whichever is higher, for each instance of non-compliance.	Officer of the Authority competent under this Act.
7	Where any registered person, who after integration of its Point-of-Sale System with the computer system of the Authority i.e., through Restaurant Invoice Management System (RIMS) or Invoice Management and Reporting System (IMRS) or any other prescribed system, fails to comply with e-invoicing system or issues invoices outside the e-invoicing system or failed to upload invoices on Restaurant Invoice Management System (RIMS) or Invoice Management and Reporting System (IRMS) or any other prescribed system on real-time basis or any other prescribed manner.	A penalty of two hundred thousand rupees or five percent (05%) of the tax involved, whichever is higher, for each instance of non-compliance.	Officer of the Authority competent under this Act.
8	Any integrator, vendor or Point of Sale System service provider who	A penalty of five hundred thousand rupees or five percent	Officer of the Authority

1	2	3	4
Serial No.	**Offences**	**Punishment or Penalty**	**Competent Jurisdiction**
	fails to integrate, connect, maintain or ensure real-time transmission of data between the computerized system or point of sale system of a registered person and the computerized system of the Authority or who manipulates, tampers with, suppresses, alters, falsifies or causes generation of false, incomplete or misleading transactional data, invoices or records, or committing a tax fraud.	of the total value of the sales suppressed, whichever is higher.	competent under this Act.
9	Any person, who issues an invoice, for which he is not authorized to issue, in which an amount of tax is charged, including committing a tax fraud.	A penalty of five hundred thousand rupees or five per cent of the amount of the tax involved, whichever is higher	Officer of the Authority competent under this Act.
10	Where a person fails to deposit the amount of the tax due or any part thereof in time or in the manner provided under this Act or the rules or notifications issued thereunder.	A penalty of fifty thousand rupees or five percent of the tax payable for that period, whichever is higher, provided that no penalty shall be levied if any miscalculation is made for the first time during a financial year.	Officer of the Authority competent under this Act.
11	If a person does not pay the amount of tax due even after the expiry of a period of sixty days of issuance of the notice for such payment by an officer, not below the rank of Assistant Collector.	Imprisonment for a term which may extend to three years, or with fine which may extend to the amount of the unpaid tax, or with both.	Special Judge.
12	Where a person fails to properly maintain or retain records required under this Act.	A penalty of one hundred thousand rupees or five percent of the total tax paid or assessed on the basis of available information, to be payable for the tax period or periods for which he has failed to maintain the required record, whichever is higher.	Officer of the Authority competent under this Act.
13	Where a registered person, including a person compulsorily registered under this Act, who, in non-compliance to the provisions of this Act, fail to produce information/records/ documents on receipt of a notice by an officer of the Authority, not below the rank of Assistant Collector, refuses to allow the officer of the	A penalty of two hundred thousand rupees for the first instance of non-compliance. In case of no-compliance for the second time, such person shall be liable to pay a penalty of five hundred thousand rupees. In case of non-compliance for	Officer of the Authority competent under this Act.

1	2	3	4
Serial No.	**Offences**	**Punishment or Penalty**	**Competent Jurisdiction**
	Authority to take extracts from or make copies of the document or record or information or data or fails to appear before an officer of answer any question put to him.	the third time, such person shall be liable to pay a penalty of one million rupees.	
14	Where a person knowingly, deliberately, intentionally or fraudulently (a) submits a false, fake, untrue or forged document to the Management Committee or any officer of the Authority; or (b) destroys, alters, mutilates or falsifies the records including a tax invoice; or (c) makes a false statement, false declaration, false representation or false personification, or gives any false data or information; or (d) commits, causes to commit, or attempts to commit tax fraud, or abets or connives in the commission of tax fraud.	(i) A penalty of five hundred thousand rupees or one hundred percent of the tax payable for the tax period or periods to which the offence relates, whichever is higher. (ii) Imprisonment for a term which may extend to five years or with fine which may extend to an amount equal to the tax payable for the tax period or periods to which the offence relates, or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge
15	Where a person violates any embargo placed on providing of service or violates the restrictions imposed vide sealing of business premises in connection with recovery of tax.	(i) A penalty of one hundred thousand rupees or ten percent of the amount of the tax sought to be recovered, whichever is higher. (ii) Imprisonment for a term which may extend to one year, or with fine which may extend to an amount equal to the amount of the tax sought to be recovered, or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge
16	Where a person obstructs any officer of the Authority in the performance of his official duties under this Act.	(i) A penalty of one hundred thousand rupees or one hundred percent of the tax payable for the tax period to which the offence of such person relates, whichever is higher. (ii) Imprisonment for a term	(i) Officer of the Authority competent under this Act. (ii) Special

1	2	3	4
Serial No.	**Offences**	**Punishment or Penalty**	**Competent Jurisdiction**
		which may extend to one year or with fine not exceeding fifty thousand rupees or with both.	Judge.
17	Where any person refuses to receive any notice or order issued by an officer of the Authority or obstructs any officer of the Authority in the performance of his official duties under this Act or the rules made thereunder	(i) A penalty of one hundred thousand rupees or one hundred per cent of the tax payable for the tax period(s) to which the offence relates, whichever is higher. (ii) Imprisonment for a term which may extend to one year or with fine not exceeding one hundred thousand rupees or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge
18	Where a person repeats an offence for which a punishment is provided under this Act.	Such person shall be liable to punishment equal to twice the punishment provided under this Act for such offence.	Officer of the Authority competent under this Act or Special Judge, as the case may be.
19	Where a person- (a) knowingly and without any lawful authority or excuse gains access to the computerized system of the Authority; or (b) uses, discloses or publishes or otherwise disseminates, without any lawful authority or excuse, any information obtained from the said system; or (c) falsifies any record or information stored in the said system; or (d) knowingly or dishonestly damages or impairs the said system; or (e) knowingly or dishonestly damages or impairs any duplicate tape or disc or other medium on which any information obtained from the said system is kept or stored; or	(i) A penalty of two hundred thousand rupees or one hundred percent of the amount equal to the loss caused to the tax revenue. (ii) Imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the loss caused to the tax revenue, or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge.

1	2	3	4
Serial No.	**Offences**	**Punishment or Penalty**	**Competent Jurisdiction**
	(f) Uses, without any lawful authority or excuse, unique user identifier of any other registered user to authenticate a transmission of information to the said system; or fails to comply with or contravenes any of the prescribed conditions for security of unique user identifier.		
20	Where any person intentionally, deliberately or fraudulently intervenes, alters or damages any electronically filed invoices mechanism or system prescribed or specified for the purpose of avoiding correct payment of due tax.	(i) A penalty of two hundred thousand rupees or one hundred percent of the amount equal to the loss caused or believed to be caused, to the tax revenue, whichever is higher. (ii) Imprisonment for a term which may extend to three years, or with fine which may extend to an amount equal to the loss caused to the tax revenue, or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge.
21	Where an officer of the Authority acts or conducts in a manner resulting in vexatious prosecution or undue detriment of a taxpayer.	Imprisonment for a term which may extend to three years or with fine not exceeding fifty thousand rupees or with both.	Special Judge
22	Where a bank fails to attach or delays in attaching the bank account of the person from whom tax is sought to be recovered, specified in the notice issued by the officer of the Authority or fails or delays in payment of such amount.	(i) Such bank or bank branch manager, as the case may be, shall be liable to penalty of five hundred thousand rupees or five percent cent of the amount of tax involved, whichever is higher. (ii) The concerned officer of such bank 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 five percent of the amount of tax involved, or with both.	(i) Officer of the Authority competent under this Act. (ii) Special Judge.
23	Where a person fails to withhold or withholds but fails to deposit the tax or where a collection agent fails to collect or collects but fails to deposit the tax	A penalty of fifty thousand rupees or five percent of the amount of tax involved, whichever is higher	Officer of the Authority competent under this Act.
24	Where an individual, who during the course of business is making	A penalty of twenty-five thousand rupees or five percent	Officer of the Authority

1	2	3	4
Serial No.	**Offences**	**Punishment or Penalty**	**Competent Jurisdiction**
	the payment on behalf of the withholding agent but fails to withhold or deposit the due tax.	of the amount of tax involved, whichever is higher.	competent under this Act.
25	Where any person- (a) fails to make the payment of consideration for goods or services from the business bank account to the service-provider or supplier of goods, as the case may be; or (b) fails to receive the payment of consideration for services in the business bank account of the service-provider.	(i) A penalty of fifty thousand rupees or ten percent of the amount of consideration or transaction involved, whichever is higher. (ii) Further be liable, upon conviction by the Special Judge, to imprisonment for a term which may extend to six months, or with fine or with fine not exceeding twenty thousand rupees or with both	(i) Officer of the Authority competent under this Act. (ii) Special Judge.
26	Where a person fails to fulfil any of the conditions, limitations or restrictions prescribed in a notification issued under any of the provisions of this Act or the rules made thereunder, or where a person contravenes any provision of this Act or the rules made thereunder for which no penalty has specifically been provided in this Act.	A penalty of twenty-five thousand rupees or three percent of the tax payable for the tax period to which the offence relates, whichever is higher.	Officer of the Authority competent under this Act.”

Officers to have access to premises, stocks, accounts and records. Section 60(1)(4)

New proviso has been inserted in sub-section (1) which provides that the authorized officer, while exercising powers under this section, shall furnish a copy of the approval granted by the Management Committee or the Collector, as the case may be, to the registered person or any person acting on his behalf at the business premises, before or at the time of undertaking any such action and such authorized officer shall submit a report to the Management Committee or Collector, as the case may be, in this regard.

Previously, there was no requirement to furnish the copy of approval granted by the Management Committee or the Collector to the registered person for the access to premises, records, accounts and records.

Further, new explanation after sub-section (4) provides that powers of access, inspection, examination and taking into custody of records or documents under this section, shall include to inspect any storage facility, electronic device, digital medium, compartment, shelf or any other place or article within such business premises or place, where any record, document, data or invoices under this Act is reasonably believed to be kept, concealed or maintained.

Recovery of arrears of tax Section 74(1)(c)

Substituted clause (c) of sub-section (1) states that officer of the Authority not below the rank of Assistant Collector may require by notice in writing, any bank to attach that person's bank account or accounts whether business or otherwise and recover the amount payable and remit the money therefrom.

It is provided that a notice issued under this clause to any bank operating within the province for attachment and remittance of any account of the defaulter shall be binding on the bank as a whole and the bank shall not refuse or delay compliance on the ground that such account is maintained at a branch or office located outside the province.

It is also provided that where such notice has been issued and the officer in charge of the bank branch declines or otherwise is found involved in any manipulation with the defaulter to avoid remittance of the recoverable amount, the officer of the Authority shall issue a show cause notice for imposition of personal penalty not exceeding five hundred thousand rupees or five percent (05%) of the amount of tax, whichever is higher.

Previously, this penalty for an officer incharge of the bank was not exceeding one hundred thousand rupees.

FIRST SCHEDULE
[see section 3(1), 12, & 17(1)(i)]

Through **Notification No. BO(RES-II) FD/3-4/2026**, the following amendments have been made to the First Schedule.

By substituting serial No. 2, new exemption has been introduced in relation to the all health-care services provided to patients under the Sehat Sahulat Program (Sehat card) or health services rendered by Government-owned or controlled hospitals including health-care services as are provided through Institution-Based Private Practice (IBPP) or similar arrangements.

Previously, services to the extent of cosmetic treatment of burns or burned body parts provided by private health care centers, hospitals or similar institutions were exempted from sales tax.

By substituting serial No. 26, services provided by teachers, including visiting teachers and visiting faculty, to schools, colleges, and universities have now been exempted from sales tax in addition to the education services provided to such institutions.

The substituted Sr. Nos. are as under:

Sr. No.	Description	Conditions for Exemptions
2	Other Human Health Services	(i) All healthcare related services provided to patients under the Sehat Sahulat Program (Sehat card) or health services rendered by Government-owned or controlled hospitals including health-care services as are provided through Institution-Based Private Practice (IBPP) or similar arrangements; or (ii) The services to the extent of cosmetic treatment of burns or burned body parts provided by private health care centers, hospitals or similar institutions.
26	Education services	Education services provided by schools, colleges, and universities including tuition fees charged to students and the services of teachers, including visiting teachers or faculty, provided to such institutions.

Following new entries have been inserted.

Serial No.	Description of Services	Conditions for Exemptions
31	Rental or leasing services involving own or leased property.	(i) Renting of immovable property by a religious body to another religious body; (ii) renting of vacant land or premises solely used for agriculture, aquaculture, farming, forestry or animal husbandry purposes; (iii) the renting of buildings solely utilized for residential purposes and designated for non-commercial usage: Provided that all such services shall be taxable where they are rendered in connection with – (i) short-term arrangements including but not limited to vacation homes or serviced apartments; and (ii) the renting of apartments or flats located within high-rise buildings, where such buildings are managed, controlled, secured or maintained by the owner or any person acting on the behalf of the owner. (iv) renting of buildings solely used as hostels and boarding homes of a recognized educational institution. (v) renting of property to Government or public sector entities for public welfare projects only (vi) renting of buildings for orphanages or shelters run by registered non-profits organizations. (vii) renting of commercial shops, offices or business premises having covered area less than or equal to 350 square feet. Explanation: For the purpose of this entry, the expression "high-rise building" means a building having six or more floors including basements.
32	Exported Specialized information technology and Financial Services.	Services related to the licensing of rights to use computer software, including services related to information technology design, development, consulting or support services, when exported and delivered to foreign countries, subject to the condition that payment for such services is received in foreign exchange through authorized banking channels into the business bank account of the registered person exporting the services and is reported to the State Bank of Pakistan in accordance with its prescribed procedures.
33	Insurance Services.	(i) Insurance services provided to the extent of marine insurance for export and crop insurance service. (ii) Life insurance, other than group life insurance, of individuals for insurance policy coverage of upto five hundred thousand rupees.

Serial No.	Description of Services	Conditions for Exemptions
		(iii) Health insurance services, other than group health insurance services, provided or rendered to individuals.
34	Services provided by persons engaged in contractual execution of works or furnishing supplies.	Only to the extent of services related to the contracts involving supplies and printing of Islamic Literature books, text books or syllabus-oriented books.
35	Fumigation services	(i) Public health fumigation services; and (ii) Agricultural fumigation services. **Explanation:** For the purposes of this entry "Public health fumigation services" means fumigation services undertaken provided or rendered by the Federal Government, any Provincial Government, any Local Government, or Cantonment Boards for the prevention or control of diseases, pests, or vectors affecting public health, including but not limited to mosquito control, disinfection of public spaces, and similar activities carried out in the interest of public welfare and "Agricultural fumigation services" means fumigation services specifically applied to agricultural lands, crops, stored produce, or related facilities for the purpose of pest control, soil treatment, or preservation of agricultural output.

SECOND SCHEDULE
[see section 3(1) and (4),12,17(1)(j),18]

Part-II
(Tax Rates below Standard Rate)

Through **Notification No. BO(RES-II) FD/3-4/2026**, the following amendments have been made to the Second Schedule.

By substituting serial No. 2, proviso for clause (ii) and (iii) has been amended to state that six percent rate shall be applicable where payment against restaurant and hotel services is received by online payments through banking channel in the declared business bank account in addition to debit, credit or prepaid cards, mobile wallets or QR scanning subject to the condition that no input tax adjustment shall be admissible.
Previously, rate of tax on online payments through banking channel in the declared business bank accounts was ten percent without input tax adjustment.

Serial No. 3 has been substituted to provide that rate of tax shall be two percent without any input tax adjustment, on all health-related services, including but not limited to consultation fee, admission fee, hospitalization charges (bed/room), diagnostic and pathological services, medical procedures, surgical services, nursing care, physiotherapy, rehabilitation, and any ancillary or allied medical services.

Previously, rate of tax was five percent without input tax adjustment.

By substituting serial No. 9, bus station services have been inserted to be taxed at the rate of five percent without input tax adjustment in the list of services provided by non-corporate specialized workshops or undertakings.

In serial No. 10, research and development services have been inserted to be taxed at rate of five percent without input tax adjustment in the list of services provided or rendered by non-corporate specialized agencies.

Information technology infrastructure and network management services, information technology design and development services for applications, information technology design and development services for networks and systems, licensing services or the right to use computer software and databases and online contents services have been inserted in serial No. 12 to tax at the rate of five percent without input tax adjustment.

Now, rate of tax shall be two percent without input tax adjustment in relation to services provided by private laboratories, scientific laboratories, mechanical laboratories, chemical laboratories, electrical or electronics laboratories, pathological laboratories, Forensic laboratories medical diagnostic laboratories including technical services relating to X-rays, CT scan, MR Imaging (MRI), ultrasound, echo etc. or other such laboratories. Previously, rate of tax was five percent without input tax adjustment.

The substituted serial Nos. have been reproduced as under:

Serial No.	Description of Services	Headings	Rate of Tax
2	The following services provided or rendered by entities, enterprises, or undertakings including all such services, facilities, utilities entertainments, comforts, enjoyments or amusements etc. (ii) Services provided or rendered by local non- corporate stand-alone restaurants, hotels or chains of such hotels (including guest houses and lodges, hotels, motels, guest houses, resorts, accommodation, food service providing farm-houses, motorway-or-highway-side accommodation, restaurants (including food service supply chains), ice cream parlors. (iii) Clubs including such clubs as, though run on mutuality basis, are operated in commercial mode, manner or style.	9801.0000 9801.1000 9801.2000 9801.3000 9801.4000 9801.5000 9801.6000 9801.7000 9801.8000 9801.9000	(iii) Ten percent (10%) without input tax adjustment. Provided that for clause (ii) and (iii) Six Percent (06%) rate shall be applicable where payment against restaurant and hotel services is received through debit, credit or prepaid cards, mobile wallets or QR scanning including online payments through banking channel in the declared business bank accounts subject to the condition that no input tax adjustment or refund shall be admissible.
3	Services provided by health care centers etc. in private sector	9821.1000	Two percent (02%), without any input tax adjustment, shall be charged on all health-related services, including but not limited to consultation fee, admission fee, hospitalization charges (bed/room), diagnostic and pathological services, medical procedures, surgical

Serial No.	Description of Services	Headings	Rate of Tax
			services, nursing care, physiotherapy, rehabilitation, and any ancillary or allied medical services.
9	(a) Services provided by non-corporate specialized workshops or undertakings: (i) Auto-workshops whether or not providing other allied or extended services, (ii) Workshops for industrial, construction, earth-moving or other similar heavy duty or special purpose machinery. (iii) Workshops for heavy or light duty electric electrical or electronic machinery (such as transformers, generators, turbines, motors, pumps, rotators, power accumulators, transmission networks or systems etc) equipments or appliances etc including computer hardware and allied equipment's or appliances etc (iv) Services provided in respect of their pair or maintenance of aircrafts, helicopters and other flying objects (v) Car washing, including compounding and polishing etc or similar service stations (vi) Other workshops or workshops-type businesses. (vii) Bus station services	9820.0000 9820.1000 9820.2000 9820.3000 9820.4000 9820.9000	Five percent (5%) without input tax adjustment
10	Services provided or rendered by non-corporate specialized agencies: (a) Security agencies including their activities relating but not limited to providing cash or precious articles transportation or movement security, tracking services and security alarm services. (b) Credit rating or similar evaluation or revaluation agencies. (c) Project including business project planning or preparation agencies. (d) Market research or market survey agencies. (e) Private detective or intelligence service	9818.0000 9818.1000 9818.2000 9818.3000 9818.4000 9818.5000 9818.9000	Ten percent (10%) without any input tax adjustment

Serial No.	Description of Services	Headings	Rate of Tax
	providing agencies. (f) Other similar agencies. (g) research and development services		Five percent (5%) without any input tax adjustment
12	Digital or IT-based services in whatever form or manner or under whatever arrangement, including but not limited to: (a) Web design and development; (b) Mobile app development; (c) Server management; (d) page-speed optimization, UX/UI optimization; (e) PPC marketing, blogging; (f) Google Ad Words, Facebook advertising, Instagram advertising: (g) Custom software development, assessment and road map development, software maintenance and support services, supply or sale of any other software or software product or products through any medium; (h) Online digital marking services such as search engine optimization (SEO); (i) social media marketing, content marketing, affiliate marketing, influencer marketing, email marketing, viral marketing services, etc. (j) IT or Digital Based, including Cloud-based Content Streaming, Live Streaming, Cloud-Based OTT (over-the top) Platforms, On-Demand Streaming Services, Cross Platform Accessibility, VOD (video-on-demand) Libraries, including any other similar Subscription-Based Services (k) information technology infrastructure and network management services; (l) information technology design and development services for applications; (m) information technology design and development services for networks and systems; (n) Licensing services or the right to use computer software and databases;	9850.0000	Five percent (05%) without any input tax adjustment

Serial No.	Description of Services	Headings	Rate of Tax
	(o) Online Contents		
25	Services provided by private laboratories, scientific laboratories, mechanical laboratories, chemical laboratories, electrical or electronics laboratories, pathological laboratories, Forensic laboratories medical diagnostic laboratories including technical services relating to X-rays, CT scan, MR Imaging (MRI), ultrasound, echo etc. or other such laboratories	9817.0000 9817.1000 9817.2000 9817.3000 9817.4000 9817.5000 9817.6000 9817.9000	Two percent (02%) without input tax adjustment

Following new entries have been inserted to be read as under:

Serial No.	Description of Services	Headings	Rate of Tax
38	Rental or leasing services involving own or leased property Real estate services involving Own or leased property including rental or leasing services involving own or leased property Leasing or rental services concerning other goods operator (Renting services in respect of meters installed to track consumption including electricity, gas, water).		Three percent (03%), without any input tax adjustment.
39	Transport services via pipeline.		Five percent (05%), without any input tax adjustment.
40	Foreign exchange services.		Three percent (03%), without any input tax adjustment.
41	Motor vehicle insurance services.		Three percent (03%), without any input tax adjustment.
42	Licensing services for the right to use intellectual property and similar products.		Five percent (05%), without any input tax adjustment.

Serial No.	Description of Services	Headings	Rate of Tax
43	Publishing and reproduction services.		Five percent (05%), without any input tax adjustment.
44	Annual Developmental Projects.	All projects whether related to construction or otherwise as are funded or budgeted through Annual Developmental Program Schemes shall be charged to tax at the rate of 4% on all such projects as or approved after 1st July, 2025. Provided that social welfare projects which are specifically designed or intended for poverty alleviation, woman and child welfare, support for persons with disabilities, skill development and employment generation, distribution of food, ration or cash assistance to needy families, and establishment of operation of shelter homes for orphans, windows or the elderly, shall be exempt from the levy and application of any tax.	Four percent (04%), without any input tax adjustment.

Serial No. 11 and 44 have been substituted through **Finance Act, 2026** as under:

In serial No. 11, clarification has been inserted defining "Government funded project" that means any construction, erection, installation, development, rehabilitation, expansion, improvement, repair or maintenance project that is wholly or partly financed, funded, sponsored or otherwise supported, directly or indirectly, through public funds, including allocations under the Annual Development Programme (ADP), Public Sector Development Programme (PSDP), grants, loans, budgetary allocations, own-source revenues or any other public financing arrangements of the Federal Government, Provincial Government or any public sector entity established under any Federal or Provincial law."

Two clarifications have been inserted in serial No. 44 which states that in case of ongoing projects as were approved on or after 1 July, 2021 but on or before 30 June, 2025, and any subsequent revision, amendment, variation, escalation, supplementary work order, assignment of additional work or curtailment of the original scope of work results in an increase or decrease in the contract value, cost or estimated cost, the sales tax on services shall be charged, collected and paid at the rate of two percent. Further, it is clarified that tax rate of two percent mentioned above, shall not apply in cases where upward adjustment has been made in the applicable Market Rate System (MRS), Schedule of

Rates (SOR), Composite Schedule of Rates (CSR) or any other Government notified rate forming the basis of the original work order, contract or Agreement.

The substituted serial No. 44 has been reproduced as under:

Sr. No.	Description of Services	Rate of Tax
44	All projects whether related to construction or otherwise as are funded or budgeted through Annual Development Programme schemes shall be charged to tax at the rate of 04% on all such projects as are approved after 1 July 2025: Provided that social welfare projects which are specifically designed or intended for poverty alleviation, women and child welfare, support for persons with disabilities, skill development and employment generation, distribution of food, ration or cash assistance to needy families and establishment or operation of shelter homes for orphans, widows or the elderly, shall be exempted from the levy and application of any tax. Clarification-I: It is hereby clarified that in case of ongoing projects as were approved on or after 1 July, 2021 but on or before 30 June, 2025, and any subsequent revision, amendment, variation, escalation, supplementary work order, assignment of additional work or curtailment of the original scope of work results in an increase or decrease in the contract value, cost or estimated cost, the sales tax on services shall be charged, collected and paid at the rate of two percent. Clarification-II: Tax rate of two percent mentioned above, shall not apply in cases where upward adjustment has been made in the applicable Market Rate System (MRS), Schedule of Rates (SOR), Composite Schedule of Rates (CSR) or any other Government notified rate forming the basis of the original work order, contract or Agreement.	Four Percent without any input tax adjustment and

New serial No. 45 has been inserted to be read as under:

Sr. No.	Description of Services	Rate of Tax
45	Services provided or rendered by any person, whether resident or non-resident, through a digital, electronic or online platform, exchanges, application, or interface, which enables, facilitates, intermediates or executes the buying, selling, exchange, forecasting, transfer or trading of virtual assets, digital assets, financial instruments, commodities, securities, derivatives or any other tradable instruments between two or more persons, for a consideration in the form of fee, commission, spread, markup or any other charge, by whatever name called. Explanation-l: The classification of such services shall be determined on the basis of their economic substance and function, irrespective of the nomenclature, designation or legal form adopted by the service provider. Explanation-II: Such services shall include, but are not limited to, provision of access to trading platforms, order matching, trade execution, clearing or settlement facilitation, wallet account interface services, custodial or non-custodial holding interfaces and any ancillary or incidental services thereto. Explanation-III: For the purposes of this entry, "virtual asset" and "virtual asset services" shall have the same meaning as assigned under the Virtual Assets Act, 2026 or as defined by The Management Committee.	Five percent, without any input tax adjustment.

Banking, Forward Contract, Telecommunication Service and Truck Aggregator **Section 2(24), (73), (178) and (182A)**

The definitions of "Banking", "Forward Contract", "Telecommunication Service", and "Truck Aggregator" have been omitted.

Place of Business **Section 2(115)**

Definition of place of business in clause 115 has been amended defining "Place of Business in Balochistan" in relation to a person, means that the person-

(a) owns, rents, shares factory premises notwithstanding the registered location of office of such factory or company or in any other manner occupies a space in Balochistan from where it carries on an economic activity whether wholly or partially; or

(b) carries on an economic activity through any other person such as agent, associate, franchisee, branch, office or otherwise in Balochistan or through virtual presence or a website or a web portal or through any other form of e-Commerce, by whatever name called or treated, but does not include a liaison office.

Service Provider **Section 2(148)**

Clause 148 of section 2 has been amended to substitute the words "provision or providing" with "provision or rendering". The amended definition has been reproduced as under:

"Service Provider means a person who is engaged in the provision or rendering of service or services in the course or furtherance of any economic activity."

Taxable Service **Section 3(2)(6)**

Sub-section (2) of section 3 has been substituted to exclude the services referred in the explanation of sub-section (1). Consequently, any service other than those so excluded, if provided by a non-resident to a resident person in the course of an economic activity, shall be treated as a taxable service even where the service provider is not a registered person.

Further, sub-section (6) has been omitted to be read as under:

"The services mentioned in the First Schedule are not exhaustive and all the services defined in the Act or mentioned in the Second Schedule, rules and circulars shall be taxable services."

Scope of Tax and Allied Matters **Section 10(4A)**

New sub-section (4A) of section 10 provides that no person shall be exempted from any tax liability imposed under this Act on the ground that such person has not been registered under this Act or rules made thereunder.

Collection of Excess Tax **Section 17(1A)**

New sub-section (1A) of section 17 states that notwithstanding anything contained in any law or any judgement, decree or order of a court, no refund of any tax or amount paid under this Act shall be granted to any person unless such person discharge onus that the incidence of the tax has not been passed on to any other person including the recipient of the services.

Power to Restrain Certain Authorities **Section 78(A)**

Section 78A has been substituted to provide that any Authority, including a regulatory authority, competent to issue or renew a license or grant permission to any person to engage in an economic activity involving a taxable service, shall not issue or renew such license or grant such permission unless the applicant furnishes evidence of being duly registered under section 25, section 26, section 26A (Automatic Registration), or section 27 of the Act.

Previously, registration under section 26A relating to automatic registration was not recognized as a mandatory registration category for the purpose of obtaining or renewing such license or permission from the competent Authority.

Taxability of services **Section 78C**

New section 78C has been inserted which provides that notwithstanding the amendments made through the Balochistan Finance Act, 2025, the services on which tax was levied, charged and collected under this Act on 30th June, 2025, the tax shall continue to be levied, charged and collected at the same rate unless expressly exempted or subjected to reduced rate.

Removal of Difficulties in Adopting Negative List Method **Section 78D**

New section 78D provides that for the purpose of removing any difficulty or for bringing the provisions of this Act, into effective operation after adoption of negative list method, the Authority may by order, direct that provisions of this Act shall, during such period as may be specified in the order have effect, subject to such adaptions whether by way of modification or addition or omission as it may deem to be necessary or expedient:

It is provided that power under this section shall not be exercised after the expiry of period of three years from the date of commencement of the Balochistan Finance Act, 2025.

FIRST SCHEDULE
[List of Exempt Services as specified in Section 10(2)]

By substituting serial No. 2, exemption for services provided or rendered by tour operations has been restricted to the extent of Hajj and Umrah tour packages. Additionally, the requirement to file a monthly sales tax return for each tax period has now been made mandatory.

By substituting serial No. 13, exemption for services provided in relation to the support and operation services to hunting has been omitted.

By substituting serial No. 16, exemption in relation to education services shall not be applicable to education institutions run for commercial purposes and sports education services. Previously, education services related to institutions run for commercial purposes and sports education services were exempt from sales tax.

Following entries have been substituted as under:

S. No.	Description	Previous Conditions for Exemptions	Revised Conditions for Exemptions
2	Tour Operators	Services provided or rendered by tour operators in relation to Hajj and Umrah tour packages.	Services provided or rendered by tour operators only to the extent of Hajj and Umrah tour packages. The registered person shall file monthly sales tax return for each tax period.

S. No.	Description	Previous Conditions for Exemptions	Revised Conditions for Exemptions
13	Support and operation services to agriculture, hunting, forestry and fishing	The exemption shall be applicable to services provided or rendered in relation to: 1) services of provision of agricultural machinery with crew and operators. 2) support and operation services to hunting	The exemption shall be applicable to services provided or rendered in relation to services of provision of agricultural machinery with crew and operators.
16	Education services		The exemption shall not be applicable to – 1) education institutions run for commercial purposes; and 2) sports education services.
17	Services provided or rendered by hospitals and clinics	Services of provisions of rooms/beds by hospitals and clinics for its indoor patients or day-care patients where per day charges (including allied fixed charges if any) for such rooms/beds below Rs. 40,000 per room/bed.	The exemption shall not be applicable to – (1) the services of cosmetic and plastic surgery for aesthetic purposes; and (2) the bed/ room services of hospitals where per day charges for such rooms/ beds, including all fixed charges, exceed rupees ten thousand per room/ bed per day.

New serial Nos. 28, 29 30 and 31 have been inserted as under:

S. No.	Description	Conditions for Exemptions
28	Passenger transport services	The exemption shall not be applicable to services provided or rendered in relation to, (1) Rent a car and vehicle rental services; (2) Services provided or rendered by the owners or drivers of the vehicles using the cab aggregator services; and (3) Chartered flight services within Balochistan or originating from any air field in Balochistan.
29	Insurance premiums	The exemption shall be only applicable to such insurance premiums charged by the Company designated under the Balochistan Public Property Insurance Act, 2026, on insurance policies covering risks situated, or policyholder's resident or registered, in the Province of Balochistan.
30	Reinsurance premiums.	The exemption shall be only applicable to such reinsurance premiums paid by the Company designated under the

S. No.	Description	Conditions for Exemptions
		Balochistan Public Property Insurance Act, 2026, in respect of cessions or retrocessions arising from policies referred to in entry (29) above.
31	Services provided or rendered associated to Export Processing Zone.	This exemption shall only be applicable to services provided or rendered in any Export Processing Zone, as notified by the Federal Government, and wherein, the Government of Balochistan has a profit sharing up to 10%. Further, this exemption shall be applicable for a period of 15 years and limited to such services which are related to such investments and operations, made by foreign investors only. Furthermore, this exemption shall take effect from the date of commencement of operations by such factory, or industry, or industrial undertaking as notified by the Government. Explanation: the expressions "factory", "industry" and "industrial undertaking" used in this provision, shall have the same meaning as assigned to them in the Balochistan Industrial Development and Regulations Act, 2025 (Act No. X of 2025).

THIRD SCHEDULE
[List of Services specified in Section 10(4)]

Rate of sales tax of following serial Nos. has been substituted as under:

S. No.	Description of services	Previous Rate	Revised Rates	Conditions
1	Services provided or rendered by restaurants, including café, coffee houses, food huts, ice-cream shops and eateries	8%	8%	Input tax credit/adjustment shall not be admissible.
		2%	4%	i) The registered person installs POS machine for electronic issuance of invoices or receipts and gets all such machines linked up with BRA web portal to the satisfaction of BRA; ii) The registered person issues his tax invoice/bills of charges or receipts electronically and no tax invoice/bill of charges of receipt is issued otherwise except through the POS of the registered person; and iii) Input tax credit/ adjustment shall not be admissible. Provided that this reduced rate

BALOCHISTAN SALES TAX ON SERVICES ACT, 2015

S. No.	Description of services	Previous Rate	Revised Rates	Conditions
				shall not apply in case of the restaurants: (a) which are located within the building, premises or precincts of a hotel, motel, guest house or club whose services are liable to tax; (b) which are franchisers or franchisees; Input tax credit/adjustment shall not be admissible.
2	Services provided or rendered by marriage halls, lawns, mandap, pandal and shamiana, including floral and decoration, etc.	10,000 rupees per event or 2% of service fees, whichever is higher	10,000 rupees per event or 4% of service fees, whichever is higher	Input tax credit/adjustment shall not be admissible.
19	Technical, scientific and engineering consultants	6%	8%	i) Where expenditure is paid out of the budget of the Federal Government or the Provincial Government or the Local Government, or the Cantonment Board ii) Input tax credit/ adjustment shall not be available.
24	Commission agents	4%	8%	Input tax credit/ adjustment shall not be admissible.
38	Cosmetic and plastic surgery and Transplantations	4%	6% or Rs. 50,000 per month, whichever is higher	Input tax credit/adjustment shall not be admissible.

By substituting serial No. 11 and 33, the proviso of applicability of reduced tax rate of 1% to all projects included in the PSDP since the promulgation of the Act including all the taxes due to be paid against those projects has been omitted.

Conditions for the following serial Nos. have been substituted as under:

S. No.	Description of services	Rate	Previous Conditions	Revised Conditions
11	Service provided or rendered by persons engaged in contractual execution of work or furnishing supplies	4%	Services in relation to Government Civil Works for which the expenditure is paid out of the expenditure budget of the Federal Government or the Provincial Government or the Local Government, or the Cantonment Board. Input tax credit/ adjustment shall not be available. Provided that 1% shall be applicable on all projects inserted in the PSDP since promulgation of this Act including all the taxes due to be paid against those projects.	Services in relation to Government Civil Works for which the expenditure is paid out of the expenditure budget of the Federal Government or the Provincial Government or the Local Government, or the Cantonment Board. Input tax credit/ adjustment shall not be available.
33	Construction services	8%	Input tax credit/ adjustment shall not be available.	Input tax credit/ adjustment shall not be available.
		1%	Construction services in relation to Government Civil Works for which the expenditure is paid out of the expenditure budget of the Federal Government or the Provincial Government or the Local Government, or the Cantonment Board. Input tax credit/ adjustment shall not	Construction services in relation to Government Civil Works for which the expenditure is paid out of the expenditure budget of the Federal Government or the Provincial Government or the Local Government, or the Cantonment Board. Input tax credit/ adjustment shall not

BALOCHISTAN SALES TAX ON SERVICES ACT, 2015

S. No.	Description of services	Rate	Previous Conditions	Revised Conditions
			be admissible. Provided that 1% shall be applicable on all projects inserted in the PSDP since promulgation of this Act including all the taxes due to be paid against those projects.	be admissible.

New serial Nos. 45 and 46 have been inserted as under:

S. No.	Description of services	Rate	Conditions
(1)	**(2)**	**(3)**	**(4)**
45	Education Services	0%	Input tax credit/adjustment shall not be admissible.
46	Services provided or rendered by Hospitals/ Institutes and Clinics.	3%	Input tax credit/adjustment shall not be admissible

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