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Preamble

The Finance Bill, 2026 was presented in the National Assembly on Friday evening i.e. 12 June 2026 amidst continuing signs of economic stabilization in Pakistan. The recovery is largely attributable to prudent macroeconomic management, continued engagement with the International Monetary Fund, disciplined fiscal consolidation, cautious monetary policy, contained inflation, exchange-rate stability, improved foreign exchange reserves and renewed investor confidence reflected in the capital markets.

Nevertheless, the underlying economic structure continues to face pressure from weak export competitiveness, import dependence, external-sector vulnerability, limited productive investment and rising employment challenges. These factors indicate that while stability has improved, the transition towards broad-based and sustainable growth has yet to fully materialize.

The Finance Bill does introduce some positive measures, including relief for salaried individuals, rationalization of Super Tax for certain businesses, reduced withholding tax on immovable property transactions, continued support for IT and IT-enabled services, faceless regime and measures aimed at bringing online marketplaces, digital transactions and emerging sources of income into the documented economy.

The Finance Bill also continues to place significant reliance on documentation, withholding and reporting-based mechanisms. While these measures may improve visibility of transactions, they may also increase compliance obligations for businesses, banks, retailers, digital platforms and taxpayers already operating within the formal economy.

The Finance Bill also aims to address immediate revenue needs while concurrently laying the groundwork for broadening the tax base. Measures directed at digital activity, retail documentation, financial reporting and undertaxed segments suggest a policy intent to move towards a more formal and transparent tax environment.

The long-term impact of these measures may remain limited unless supported by structural reforms implementation. Policy consistency, regulatory certainty, energy-sector reform, improved investment conditions, export competitiveness, efficient public spending and a fairer distribution of the tax burden will be essential to convert fiscal measures into sustainable economic progress.

This analysis represents our interpretation of the proposed Finance Bill, 2026. For specific applications or decisions, we strongly advise consulting the final, enacted version of the relevant statutes to ensure complete accuracy.

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Highlights

Income Tax

- The Bill proposes to reduce the income tax burden on salaried individuals. Under the proposed changes, the income threshold for the maximum tax rate of 35% has been increased from Rs. 4.1 million to Rs. 7 million, along with the introduction of additional intermediate tax brackets to provide gradual reduction in tax rates. The Bill also proposes to withdraw surcharge applicable on salaried individuals.

- The Bill proposes to make tax collected on payments for digitally ordered goods or services through locally operated e-commerce platforms as adjustable for persons having turnover exceeding Rs. 200 million in a tax year.

- The Bill proposes to omit tax on deemed income from capital assets under section 7E.

- The Bill proposes to tax any payouts, surrender values and maturity proceeds received under life insurance policies, family takaful certificates and similar arrangements, with corresponding withholding obligation on life insurance companies, family takaful operators and window takaful operators. However, payouts arising on death, disability or after completion of seven years from the date of issuance of the policy or plan shall remain excluded. The tax deducted shall be treated as final tax.

- The Bill proposes to rationalize the disallowance relating to failure to integrate with Board's system. The proposed amendment seeks to restrict disallowance to 5% of expenditure claimed by a person failing to install electronic resources or act as an integrated enterprise as required by law, subject to prescribed procedures.

- The Bill proposes to empower the Federal Government to reduce withholding tax rates having the nature of minimum tax, other than minimum tax under section 113, up to 1% on the basis of economic viability for specified persons or classes of persons. Any such amendments made during a financial year shall be placed before the National Assembly.

- The Bill proposes tax credit of ten percent of amount invested on integration with Board's system by the persons required to integrate under the Ordinance 2001, Act 1990 or Act 2005 for real-time production monitoring or reporting of sales or receipts,

- The Bill proposes to define the cost in case of immovable property acquired through inheritance by an individual to be the fair market value under section 68(5) (i.e. being the value notified by the Board or, where not notified, the value fixed by the relevant authority for stamp duty purposes), as on the date of death of the original owner.

- The Bill proposes that transmission of immovable property to a beneficiary on death shall include transfer of property through family settlement amongst family members consequent upon death of a person. This amendment is expected to provide certainty regarding tax neutrality of family settlement arrangements in inheritance cases.

- The Bill proposes to expand the definition of "association of persons" to specifically include limited liability partnerships within its ambit.

- The Bill proposes to tax income received by a member of a limited liability partnership, if the income of such partnership is exempt from tax. The existing *Explanation* that exempt income of an association of persons shall remain exempt in the hands of members is proposed to be omitted.

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- The Bill proposes to empower the Board to prescribe special procedure for small traders and shopkeepers relating to rate and payment of tax including fixed tax, filing of return and audit.

- The Bill proposes to bring non-banking finance companies, modarabas and companies dealing in debt securities under capital gain tax mechanism under section 100B read with the Eighth Schedule. Further, the NCCPL, in the case of banking company, insurance company and mutual funds is proposed to compute and determine capital gain in accordance with section 37A, while tax on such gains shall continue to be deposited by these entities in accordance with applicable provisions of the Ordinance 2001.

- The Bill proposes to streamline the procedure relating to electronic filing of returns by requiring filing of return of income through IRIS in the prescribed manner, along with rules for verification and digital signatures. Additionally, companies are required to file financial statements in electronically readable file format from tax year 2026 onwards. The proposed definition of 'electronically readable format' is also introduced.

- The Bill proposes to introduce a faceless audit and assessment mechanism for specified persons, incomes or cases. Hearings and recording of statements, where required, shall be conducted through E-hearing, while identity of the officer conducting such proceedings shall remain confidential.

- The Bill proposes to introduce a faceless appeal mechanism whereby appeals before Commissioner Appeals may be processed through the National Faceless Centre in the prescribed manner.

- The Bill proposes a mechanism for scrutiny of departmental litigation, though an independent case scrutiny committee for approval of references before the High Court and appeals or reviews before the Federal Constitutional Court or Supreme Court of Pakistan. The recommendations of the committee shall be binding upon the Commissioner Inland Revenue. Members of the committee are also provided with protection from any suit, prosecution or other legal proceedings.

- The Bill proposes to expand the powers of the committee under Alternative Dispute Resolution to allow rectification of mistakes apparent from record (either on its own motion or brought to notice by the taxpayer) within thirty days of receipt of decision by the taxpayer or Commissioner. Further, it is also proposed that in case of vacancy or unavailability of any committee member, the Chairman FBR may fill such vacancy for continuity of committee, with an extended timeline to conclude proceedings.

- The Bill proposes to introduce an algorithmic settlement mechanism for digital settlement of tax proceedings through revision of return before assessment or amendment of assessment. Taxpayers may accept a system-generated settlement offer and file revised return without approval of the Commissioner by payment of determined tax, without any separate penalty or default surcharge.

- The Bill proposes to include authorized shipping agents for filing of return in respect of non-resident ship owners or charterers, by making them jointly and severely liable. It is proposed that only one return for each vessel or voyage shall be furnished by the master of ship or authorized shipping agent covering shipping income.

- The Bill proposes to omit the additional advance tax at the rate of 1% collected or deducted under section 147(6C) from exporters, indirect exporters and related persons at the time of realization of foreign exchange proceeds, export proceeds or export of goods to facilitate their cashflows. However, tax deducted under section 154 currently at 1% as minimum tax has been increased to 1.25%.

- The Bill proposes to expand the scope of withholding tax on capital gain arising from disposal of debt instruments and Government securities on investment by all persons (currently non-resident persons) maintaining 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). Corresponding amendments are also proposed in the second schedule.

- The Bill proposes to introduce the definitions of "algorithmic settlement mechanism", "authorized shipping agent", "electronically readable format", "licensed integrator", "national faceless center" and "PRAL".

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- The Bill proposes to introduce a withholding tax regime for amounts credited or received as revenue from social media platforms, with tax to be deducted at a rate of 5% (minimum for resident persons and final tax for non-resident person). Under the proposed provisions, banking companies and non-banking financial institutions will act as withholding agents responsible for deducting and remitting the tax.

- The Bill proposes to introduce an enabling provision to allow the issuance of exemption certificate under section 159 of Ordinance 2001 on annual basis to a collective investment scheme or a REIT scheme that has distributed at least 90% of its accounting income to its unit holders, certificate holders, or shareholders during each of the preceding three years. A similar facility for obtaining exemption certificate is also proposed for NPOs holding approval under section 2(36)(c).

- The Bill proposes to introduce a framework requiring banking companies and financial institutions to electronically report financial transactions to the Central Data Hub. The reported information will be used for algorithmic cross-matching of tax and banking data in cases where deposits or withdrawals exceed Rs. 100 million during a reporting period (specified six months).

- The Bill proposes to expand the Commissioner's powers relating to audits under section 177 that in specified circumstances, the Commissioner may direct a taxpayer to have its accounts re-audited by an accountant, its inventory revalued by a cost accountant, and actuarial values determined by an actuary, from the panel nominated by the Board.

- The Bill proposes to exponentially enhance the penalties for non-compliance, including failure to furnish statements, integration failures and incorrect withholding tax claims etc.

- The Bill proposes to substantially increase surcharge payable for inclusion in the Active Taxpayers List (ATL) after the due date for filing the tax return. Under the proposed amendments, the surcharge shall be:

  - One hundred thousand in case of company;

  - Fifty thousand in case of an AOP; and

  - Twenty-Five thousand in case of an individual.

- The Bill proposes to establish the Directorate General (Field Compliance) Inland Revenue, through the insertion of section 228A to provide the legal framework for the constitution, powers, and functions of the Directorate.

- The Bill proposes to abolish the advance tax currently applicable to foreign TV plays and advertisements, thereby removing the withholding tax requirement on such payments.

- The Bill proposes to provide relief from super tax under section 4C by exempting income up to Rs. 500 million from its scope. Furthermore, the super tax rate applicable to income exceeding Rs. 500 million is proposed to be reduced from 10% to 8%. However, this concession will not be available to banking companies, ENP and fertilizer sectors having income exceeding Rs. 150 million.

- The Bill proposes to withdraw reduced minimum tax rate of 0.25% under section 113 currently available to distributors of pharmaceutical products, fast-moving consumer goods (FMCGs), and cigarettes. Consequently, such distributors will become subject to the applicable standard minimum tax rate of 1.25% under the law.

- The Bill proposes to increase the reduced withholding tax rate under section applicable to specified services from 6% to 7%. At the same time, the general withholding tax rate on services is proposed to be reduced from 15% to 14%, except in the case of independent professional services, including those rendered by doctors, lawyers, architects, accountants, and software engineers or developers operating independently, for whom the existing tax rate of 15% will continue to apply.

- The Bill proposes to increase the withholding tax rate on capital gains arising from the disposal of certain debt securities under section 151A from 15% to 20%.

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- The Bill proposes to extend the applicability of reduced tax rate of 0.25% on export of IT and IT-enabled services from tax year 2026 to tax year 2029.

- The Bill proposes to significantly reduce the advance tax rates applicable to transactions involving immovable property. The advance tax on the sale or transfer of immovable property, currently ranging from 4.5% to 5.5%, is proposed to be reduced to a flat rate of 2.75%. Similarly, the advance tax on the purchase of immovable property, presently ranging from 1.5% to 2.5%, is proposed to be reduced to a flat rate of 1.25%. Furthermore, the related enhanced tax rates applicable to the late filers, have also been proposed to be withdrawn.

- The Bill proposes substantial reduction in advance tax applicable on amounts remitted abroad through credit, debit, or prepaid cards, by lowering the rate from 5% to 0.5%.

- The Bill proposes introduction of a reduced withholding tax rate of 12% under section 153(1)(b) for persons engaged in providing terminal or port services, thereby offering tax relief to entities operating in this sector (general rate 15%).

- The Bill proposes to increase the reduced minimum tax rate under section 113 applicable to distributors, dealers, sub-dealers, wholesalers of specified products from 0.25% to 0.5%, thereby doubling the minimum tax burden on such businesses.

- The Bill proposes to withdraw exemption from withholding tax under section 153 currently available to companies operating as Trading Houses, even where they meet the prescribed conditions.

- The Bill proposes to raise the minimum threshold from Rs. 100 million to Rs. 200 million for individual traders to become prescribed withholding agents under section 153.

- The Bill proposes to withdraw the option for opting out of the determination and payment of tax on capital gain on listed securities under Eighth Schedule, thereby making the settlement of listed securities from NCCPL CGT system mandatory even on taxpayers whose income is otherwise exempt from tax or the non-residents eligible for treaty benefits.

- Currently capital gain tax under section 37A on disposal of securities acquired on and from 01 July 2025 is excluded from applicability of double tax rate under the Tenth Schedule in the case of those not appearing in ATL. This exclusion is proposed to be withdrawn.

Sales Tax

- The Bill proposes to insert new faceless system (National Faceless Centre), for audits, assessments and appeals mechanism.

- The Bill proposes rationalization of the definition of Tier-1 Retailers by excluding certain categories that were previously captured on a broader basis.

- The Bill proposes to introduce electronic system for adjustment of Debit / Credit notes, as prescribed by the Board.

- The Bill proposes to broaden the scope of section 21 of Act 1990 to allow the Board or its officers to de-register, suspend, or blacklist registered person for failure to integrate e-invoicing systems or comply with monitoring and tracking provisions under section 40C.

- The Bill proposes to require registered persons engaged in both taxable and exempt supplies to issue invoices for exempt supplies. It also introduces a mechanism for advance invoicing with particulars as prescribed by the Board.

- The Bill proposes empowering the Commissioner to enforce re-audit of accounts or re-valuation of inventory leading to audit observations.

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- The Bill proposes to introduce section 47AA to enable the Board to issue algorithm-based settlement offers before issuance of orders under sections 11D or 11E. Registered person will have an option to avail such offer with payment required within ten days.
- The Bill proposes to include various items in the Third Schedule for collection of taxes on retail price.
- The Bill proposes to introduce certain new exemptions and amendments in existing exemptions in Sixth Schedule.
- The Bill proposes to amend Eighth Schedule to extend reduced tax rate of 1% for locally assembled electric vehicles until 30 June 2027 and to introduce 1% reduced rate for electric trucks in CBU condition.
- The Bill proposes to extend withholding tax obligations to individuals, associations of persons, and registered persons engaged in toll manufacturing on purchases from persons other than active taxpayers and registered persons.
- The Bill proposes to recover 3% value addition tax, along with default surcharge, from manufacturers where imported goods are supplied in the same state. It further provides for prosecution where goods supplied in the same state exceeds 50% of total imports during a financial year.

Federal Excise

- The Bill proposes to introduce definitions of the following terms;
  - Algorithmic settlement mechanism
  - Electronic invoicing system
  - National faceless centre
  - Production monitoring system
- The Bill proposes to levy a Special Excise Duty of 40% to 41%, in addition to the existing FED, on imported luxury vehicles with an engine capacity exceeding 2,000cc except four-wheeler electric vehicles till 30 June 2027.
- The Bill proposes to introduce a new section for faceless proceedings and algorithmic settlement mechanism.
- The Bill proposes to extend the digital invoicing scheme to “advance receipts” and requiring the issuance of invoices bearing a verifiable and unique FBR invoice number.
- The Bill proposes to penalize any attempt to damage, destroy, erase or otherwise manipulate with the production monitoring or video analytics system implemented under Act 2005 without approval of Commissioner.
- The Bill proposes to enhance power to seize and/or confiscate dutiable goods produced or processed without the required electronic monitoring or tracking, along with the conveyance used for their transportation.
- The Bill proposes to introduce Independent Case Scrutiny Committee to examine and decide matters relating to filing of appeals by the department before various courts.
- The Bill proposes to make production monitoring system and video analytics part of monitoring and tracking scheme.
- The Bill proposes to empower Commissioners to conduct audit more than once in a year and/or direct registered person to get their accounts re-audited or inventory revalued, if they deem so fit. It is also

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proposed that registered person may voluntarily deposit duty due after issuance of show cause alongwith default surcharge and fifty percent of penalty prescribed under Act 2005.

- The Bill proposes to reduce FED on import of acetate tow from Rs.44,000 per Kg to Rs.10,000 per Kg.
- The Bill proposes to reduce FED on e-liquids for electronic cigarettes at Rs.16,500 per Kg.
- The Bill proposes to extend exemption on import of CKD kits for electric vehicles till 30th June 2027
- The Bill proposes to introduce FED of 30% to 40% on luxury imported electric vehicles having import value exceeding Rs.20 million.
- The Bill proposes to exclude hydration drinks and WHO standard compliant sports/ electrolytes beverages from imposition of FED.
- The Bill proposes to impose FED on base oil and base lubricating oil at 5% ad valorem.
- The Bill proposes to impose FED under sales tax mode on Naphtha, solvent oil and turpentine etc. at Rs.80 per Liter.
- The Bill proposes to substantially reduce FED on air tickets of foreign travels.
- The Bill proposes to exempt import of bullet proof vehicles for specific purpose by federal or provincial government subject to prior approval by federal government.

Customs

The Bill proposes following changes in rates:

- Reduction of Customs Duty (CD) on input goods of different industrial sectors on 92 tariff lines.

Existing rate	Proposed rate
20%	15% / 10%
15%	10%
10%	5%
5%	0%

- The Bill proposes reduction/elimination in the Additional Customs Duty (ACD) (to be covered under separate SRO).

Existing rate	Proposed rate	Tariff Lines
6%	4%	449
4%	2%	2,107
2%	0%	569

- The Bill proposes reduction/elimination in the Regulatory Duty (RD) (to be covered under separate SRO):
  - RD greater than 20% to be capped at 20% on 359 Tariff Lines.
  - 20% reduction on all RD rates between 2.5% and 20% on 1,347 Tariff lines.
  - RD rates of 2.5%, 2% and 1% to be reduced by 20% or eliminated on 208 Tariff lines.

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- The Bill proposes rationalization in the Fifth Schedule meant for reduced rates:
  - Deletion of entries from the Fifth Schedule where concessionary CD equals or exceeds the First Schedule general tariff.
  - Exemption of CD on critical cancer-related Active Pharmaceutical Ingredients (APIs)
  - Reduction of Customs Duty from 20% to 10% on specialized construction related vehicles for construction section.
  - Exemption of CD on import related to Defense.
- The Bill proposes exemption of CD, ACD and RD on import of Agricultural Machinery.
- The Bill proposes exemption of CD on import of bullet proof vehicles for Shanghai Cooperation Organization Summit and for the import of bullet proof vehicles by Federal or Provincial government, for the on-going war against terrorism.
- The Bill proposes to define 'State Warehouse' to bring legal clarity in the type of warehouses.
- The Bill proposes to give legal coverage to 'scanning' during process of assessment.
- The Bill proposes to empower the Board to regulate process of appeal against penalties and the customs stations, goods or class of goods.
- The Bill proposes to empower the Board to authorize any person to auction any auctionable goods.
- The Bill proposes to introduce and enhance certain penalties.
- The Bill proposes to introduce Explanation under section 57 whereby the word 'removal' includes all types of illegal movement of smuggled goods.
- The Bill proposes to empower Customs Authorities to require any other authority to hand over the goods liable for confiscation to Customs without waiting for conclusion of the proceedings of the case.
- The Bill proposes to introduce faceless adjudication to avoid face-to-face interaction between adjudicating officer and the respondents through virtual proceedings to enhance transparency, efficiency and quick disposal of cases.
- The Bill proposes to empower Special Judges to freeze assets of accused persons involving illegal transfer of funds into or out of Pakistan.
- The Bill proposes to introduce Independent Case Scrutiny Committee to examine and decide matters relating to filing of appeals by the department before various Courts.
- The Bill proposes to introduce a clause prescribing service of summons through newspaper publication where the accused person is not traceable.

Capital Value Tax

The Finance Act 2022 introduced CVT which was inter-alia levied on foreign assets of a resident individual where the value of such assets on the last day of the tax year in aggregate exceeds Rupees Hundred million. The Bill proposes to omit CVT.

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Sectoral Analysis

Export Sector

Exports are considered a vital source of foreign exchange earnings and play an important role in promoting economic growth, improving the balance of payments position and enhancing the country's integration into the global economy.

Pakistan's exports sector has demonstrated steady growth over the past three fiscal years, with both goods and IT services contributing positively to foreign exchange earnings. Exports of goods increased from approximately USD 30.6 billion in FY 2024 to USD 32.1 billion in FY 2025 and are estimated to exceed USD 33 billion in FY 2026. Similarly, computer software, IT services and IT Enabled services exports grew from approximately USD 2.6 billion in FY 2024 to USD 3.8 billion in FY 2025 and are projected to reach around USD 4.5 billion in FY 2026. The stronger growth trajectory of the IT sector reflects its increasing competitiveness and strategic importance in diversifying Pakistan's export base and strengthening the country's digital economy.

As Pakistan seeks to strengthen its export competitiveness and diversify its export base, particularly in high-value manufacturing and technology-driven services, a stable and supportive fiscal framework is essential to encourage investment, innovation, and sustained export-led growth.

In order to enhance exports and encourage exporters, the Bill proposes reduction in the tax rates of income from exports. Previously the exporters of goods were subject to 1% advance tax and 1% withholding tax to be collected and deducted at the time of receipt of export proceeds. The Bill proposes to abolish the advance tax of 1% and enhance the withholding tax from 1% to 1.25%, resulting in net reduced tax cost for exporters of goods by 0.75%.

In addition, the concessional minimum tax rate of 0.25% applicable on export proceeds of computer software, IT services and IT Enabled services, earned by persons registered with the Pakistan Software Export Board (PSEB), has been proposed to be extended till 30 June 2029 as it was expiring on 30 June 2026.

The decrease in the minimum tax rate for export of goods and the extension of the reduced tax regime for the export by IT sector reflects the Government's continued commitment to promote goods and technology exports and is expected to further support the growth of export sector.

Real Estate Sector

The Bill indicates a clear shift in the Government’s approach towards the real estate and construction sectors. Unlike Finance Acts 2024 and 2025, which focused on tighter documentation and higher advance taxation rates, the Bill is broadly aimed at reviving market activity by reducing the tax rates on the acquisition and disposal of immovable property. This reflects a realization that elevated transaction taxes in past years have substantially suppressed transaction volumes, reduced market activity and lack of formalization of transactions due to increased costs in formal property transfers, negatively affecting both end-users and investors.

A key measure proposed in the Bill is the rationalization of taxes on property transactions. The proposed reduction in advance taxes of about 2.75% and 1% respectively under sections 236C (for sellers) and 236K (for buyers) of the Ordinance 2001 is expected to lower upfront transaction costs and improve affordability. This is likely to support greater formalization of transactions, improve market activity, and enhance liquidity across residential, commercial, and industrial segments. The relief is particularly relevant in view of the prolonged slowdown in the property market.

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The Bill also proposes the abolition of deemed income taxation on immovable property through the omission of section 7E of the Ordinance 2001. This was expected after the decision of the Federal Constitution Court (FCC) against section 7E of the Ordinance 2001. This removes the notional annual tax on holding immovable property in Pakistan, thereby reducing the carrying cost of ownership. The measure is expected to benefit long-term investors as well as encourage normal taxpayers to again start putting their savings in real estate.

In continuation of recent reforms, the Finance Act 2025 had already withdrawn Federal Excise Duty (FED) on immovable property transactions. The Bill further reduces the overall transaction tax burden by proposing the discontinuation of Capital Value Tax (CVT) which is further going to reduce the transaction costs by 1% to 2%.

Collectively, these measures significantly ease the fiscal cost of property acquisition and are expected to improve transaction volumes and market sentiment.

For the construction sector, the Bill provides limited relief through a reduction in customs duty on specialized construction-related vehicles, reducing machinery acquisition costs and improving operational efficiency. However, no meaningful relief has been extended to core construction inputs, which continue to bear embedded sales tax on materials such as cement, steel, and related goods. As a result, while equipment costs may decline marginally, the overall cost structure of construction activity remains largely unchanged.

From a broader economic perspective, increased activity in real estate is expected to generate spillover benefits for allied industries such as cement, steel, ceramics, paints, electrical goods, and construction services. Developers holding unsold inventory may benefit from improved sales volume and liquidity. However, the Government's continued emphasis on documentation and enforcement indicates that regulatory oversight of the sector will remain strict.

Overall, the Bill reflects a shift from a revenue-maximizing framework towards a more growth-oriented policy approach aimed at stimulating investment, improving liquidity, and restoring confidence in the real estate and construction sectors.

Automobiles Sector

The automobiles sector continues to operate in an environment driven by evolving consumer preferences and increasing emphasis on Electric Vehicles (EVs). The Global trend also shows a growing support by Governments and preference of consumers towards EVs. Recent global crisis and conflicts that resulted in enhanced fuel prices have only strengthened this trend as import oriented economies like Pakistan look to decrease their oil import bill and consumers look to decrease their fuel costs.

In support of this trend, the sales tax exemption granted on import by local manufacturers of CKD EVs (Small cars / SUVs with 50 Kwh battery or below and light commercial vehicles (LCVs) with 150 kwh battery or below) and reduced rate of 1% for such EVs manufactured locally are proposed to be extended till 30th June 2027. In addition, FED on imported and locally manufactured EVs (4 wheelers) at varying rates depending on their cylinder capacity is proposed to be extended till 30th June 2027.

Furthermore, the Bill proposes a concessionary sales tax rate of 1% on import of electric trucks in CBU condition.

In a show of intention towards high-net-worth buyers and revenue collection measure, the Bill proposes to impose FED at the rate of 30% and 40% on EVs imported for personal use in CBU condition whose import value (including customs duty) exceeds Rs. 20 million and Rs. 30 million respectively. Additionally, the Bill also proposes to impose a Special Excise Duty (in addition to the FED) on imported motor cars, SUVs, EVs and other motor vehicles (excluding auto rickshaws) principally designed for the transport of persons, at the rate of 40% and 41% having cylinder capacity exceeding 2000cc and 3000cc respectively.

The proposed changes show a two-pronged approach of the Government, where lower value / engine capacity EVs have been extended support of reduced or exempt taxes but the higher value / engine capacity EVs as well as other motor vehicles have been subjected to substantially increased taxes.

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Retail Sector

Retail sector of Pakistan comprises of about 50% of the economy. However, this huge sector remains largely undocumented with very little tax collection from it. For years, the Government has been trying to bring the retailers including small businesses in the tax ambit. Multiple schemes including CNIC condition for sales, Tajir Dost Scheme, tax through electricity bills as well as amnesty schemes have been launched with little or no success to bring this sector under the tax ambit and documentation of retail sector.

Continuing the same trend, retailers having turnover exceeding Rs. 200 million have been proposed to be classified as “Tier-1 retailers” for sales tax purposes. This means that the requirement for POS and integration with FBR will become applicable on such retailers.

In another attempt to document the retail sector and bring the small businesses in the tax net, the Finance Minister in his budget speech announced that small businesses having turnover of up to Rs. 200 million will be subject to 1% fixed tax rate on gross revenue. However, such retailers will be allowed to adjust any adjustable income tax deducted from them subject to a minimum payment of Rs. 25,000 with the return. Such retailers will be exempt from audits, withholding of taxes on payments made by them and installation of POS machines. Further, a green plate with a QR code will be issued to them for display at the premises that would stop any FBR personnel to enter the premises for any investigation or query. However, the detailed process for the same will be enabled through changes in Rules 2002.

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Term authorized shipping agent defined

The Bill proposes to introduce the definition of an “authorized shipping agent” as a person based in Pakistan who is authorized, either expressly or impliedly, by a non-resident ship owner, charterer, or operator to act on its behalf in relation to a vessel and such person, in connection with the relevant vessel or voyage:

(a) is responsible for the receipt, collection, control, or accounting of the total freight and any related amounts, and shall undertake or be responsible for documentation, filing of manifests, or reporting of cargo or total freight include having, directly or indirectly, control, custody, or authority over the disposal of freight or related receipts attributable to such vessel or voyage; and

(b) furnish the return of income under section 143 of the Ordinance 2001 in respect of such vessel or voyage and for the purposes of the Ordinance, such authorized shipping agent shall:

i) be regarded as the representative of the non-resident under section 172 of the Ordinance;

ii) be jointly and severally liable for the payment of tax, as well as for all related obligations, proceedings, assessments, and recovery actions arising in respect of such vessel or voyage; and

iii) be treated as representative under sub-section (3) of section 172 applying accordingly.

The amendment aims to ensure that tax authorities have a local point of enforcement and accountability for taxation matters arising from shipping operations of non-resident entities in Pakistan, particularly where freight income and related records are managed through local agents.

Electronically readable format Defined

The Bill proposes to introduce the definition of “electronically readable format”, which refers to any digital format where data is structured in a manner that enables computer systems to automatically read, extract, validate, and process such data without human intervention. This includes formats such as spreadsheets (e.g., CSV and XLSX), XML, XBRL, JSON, and other structured or semi-structured data formats. However, formats primarily intended for human readability, such as PDF files, scanned images, or photographs, shall be excluded from this definition.

Definition of fast moving consumer goods omitted

The definition of “fast-moving consumer goods” introduced through the Finance Act, 2015 is proposed to be omitted.

Definition of Integrated enterprise realigned

The Bill proposes to amend the definition by replacing the reference to an “approved fiscal electronic device and software” with the expression “Board’s computerized system through a licensed integrator.”

The proposed amendment aims to facilitate the Board in implementing and enforcing integration requirements through licensed integrators.

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Licensed integrator Defined

The Bill proposes to introduce the definition of “licensed integrator” by referring to clause (15A) of section 2 of the Sales Tax Act, 1990. A licensed integrator means any person licensed by the Board to provide an electronic invoicing system for the purpose of integration.

PRAL Defined

The Bill proposes to define PRAL as Pakistan Revenue Automation (Pvt) Limited, a State Owned Enterprise being assigned functions related to software development and maintenance of the Board’s IT infrastructure

Surcharge on individual and AOPs

The surcharge was first introduced through the Finance Act 2024 for individual and AOPs at the rate of ten percent of income tax imposed where taxable income exceeds rupees ten million. The rate was reduced to nine percent for salaried persons through the Finance Act 2025.

The Bill proposes to exempt salaried persons from this levy.

Tax on payments for digital transactions in e-commerce platforms

Finance Act 2025 imposed tax on every person who receives payment for supply of digitally ordered goods or services delivered from within Pakistan using locally operated online platforms including marketplace or websites. Tax imposed was treated as final tax.

The Bill proposes treating the tax so imposed as adjustable in case of a person whose turnover in a tax year exceeds two hundred million rupees.

Tax on deemed income

Finance Act, 2022, imposed a tax at the rate of 20% on deemed income computed at 5% of the fair market value of specified capital assets situated in Pakistan, subject to prescribed exclusions.

The said provision was challenged by stakeholders on constitutional grounds. Recently, the Federal Constitutional Court of Pakistan (FCCP), established under the 27th Constitutional Amendment, declared the provision ultra vires the Constitution through its order dated 6 May 2026.

Accordingly, the Bill proposes the omission of Section 7E, which appears to be a consequential amendment in light of the FCCP’s judgment.

The law should delineate modus for automatic refund of tax deposited by taxpayers under this provision to date.

Final Tax Regime on Life Insurance payouts to individuals

The Bill proposes to introduce a Final Tax Regime (FTR) applicable to every individual receiving any payout, benefit, surrender value, maturity proceeds or similar payment from a life insurance business including payments under an insurance policy, family takaful certificate, plan or any similar arrangement with certain exemptions as provided below:

- payments made upon the death of the insured or participant;
- payments made on account of disability of the insured or participant; or
- payments under a policy, certificate or plan with a date of issuance exceeding seven years

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Further, every life insurance company including family takaful operator or a window takaful operator while making the payouts shall deduct tax on the gross amount of payout reduced by aggregate amount of premiums or contributions paid by the policy holder or a participant at the following rates.

S. No.	Description	Rate of Tax
1	Where payout or benefit is made within one year	15%
2	Where payout or benefit is made between one to seven years	10%

Broadening of disallowance of expenses for business required to be integrated with FBR

Through Finance Act, 2022, an insertion was made to disallow expenditure upto 8% attributable to sales claimed by the person who is required to integrate his business with FBR through approved electronic device and software but fails to do so.

The Bill proposes to broaden this scope by disallowing an amount not exceeding five percent of the expenditure claimed by any person who fails to install the prescribed electronic resource or to operate as an integrated enterprise, as required under the law, in accordance with such method, manner, and procedure as may be prescribed."

Empowering Federal Government to rationalize rates of withholding taxes

The Bill proposes to empower the Federal Government to rationalize withholding tax rates up to 1% that are in the nature of minimum tax (excluding rates applicable under section 113) on the basis of economic viability in cases of person or class of persons subject to such restrictions and limitations as the Federal Government may prescribe.

All such amendments made in a financial year shall be placed before the National Assembly by the Federal Government.

Tax credit for integration with FBR computerized systems

The Bill proposes to expand the tax credit available for integration with the FBR's computerized systems.

Previously, the tax credit was restricted to the cost of purchasing point of sale (POS) machines, subject to a maximum credit of Rs. 150,000 per machine.

The proposed amendment extends the scope of the credit to expenditure incurred on the purchase, acquisition, installation or implementation of equipment, hardware, software and other electronic components used exclusively for integration with the FBR's computerized systems for real-time production monitoring or the recording and reporting of sales or receipts.

The tax credit shall be equal to 10% of the amount invested in such electronic resources. However, no credit shall be available for operation and maintenance expenses and the credit shall be allowable only against normal tax liability.

Cost of inherited immovable property

The Bill proposes to prescribe the cost of an immovable property acquired by an individual through inheritance.

Under the proposed amendment, the cost of such property shall be taken as its fair market value, on the date of death of the original owner.

The amendment provides certainty regarding the cost base of inherited immovable property for the purpose of determining taxable gain on its subsequent disposal.

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Family settlement included in transmission of inherited immovable property

An explanation is proposed to be inserted to provide that transmission of an asset to a beneficiary on the death of a person shall also include transfer of immovable property through family settlement among legal heirs consequent upon such death.

This explanation extends the scope of tax-neutral transmission to cover post-death family arrangements.

Inclusion of "limited liability partnership" within "association of persons

The Bill proposes to include a "limited liability partnership" within the definition of "association of persons" for the purposes of the Ordinance.

Taxability of members of exempt AOP and limited liability partnerships

The Bill proposes to omit the explanation that where income is exempt in the hands of an association of person the share of its members shall also be treated as exempt.

Further the Bill proposes that where the income of a "limited liability partnership" is exempt, any amount received by member of such partnership in the capacity as member shall be taxable in the hands of such member.

Special procedure for small traders and shop-keepers

Through the Finance Supplementary (Second Amendment) Act, 2019, the Board was empowered to prescribe a special procedure governing the scope and payment of tax, filing of returns, and assessment in relation to small traders and shopkeepers.

The Bill proposes to amend this provision so as to empower the Board to specify the applicable tax rates and payment mechanism, including fixed tax, as well as procedures for filing of returns and audit for such small traders and shop-keepers.

Special provisions relating to capital gain tax

Capital gains on the disposal of listed securities, along with the applicable tax (including super tax), are required to be computed, determined, collected, and deposited by the NCCPL in accordance with the rules prescribed under the Eighth Schedule to the Ordinance.

This provision was not applicable to mutual funds, banking companies, non-banking finance companies, insurance companies, Modarabas, and companies in respect of debt securities only.

The Bill proposes to include non-banking finance companies, modarabas, and companies (with respect to debt securities only) within the scope of NCCPL-led collection of capital gains tax.

Further, the Bill proposes that in the case of banking companies, insurance companies, and mutual funds, the NCCPL shall compute and determine capital gains under section 37A. However, these entities will continue to be responsible for depositing tax on capital gains in accordance with the provisions of the Ordinance. This appears an step to create consistent framework across the board.

Return of Income

Under section 114 return of income is required to be filed by specified persons on IRIS in prescribed form and accompanied by annexures.

The Bill proposes to empower the Board to make rules governing the filing process and to prescribe procedures for verification, digital signatures, and other matters relating to electronic submission of returns, statements, and documents.

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For tax year 2026 and onwards, companies will be required to file their financial statements in an electronically readable file format. This electronically readable file format has been defined under the Finance Bill.

The Bill proposes that a taxpayer who avails the algorithmic settlement mechanism and pays the tax amount determined under such mechanism may revise their return accordingly. Such revision of return will not require approval from the Commissioner, and no separate penalty or surcharge shall be levied.

Non-resident ship owner or charterer (section 143)

The Bill proposes the introduction of the concept of an "authorized shipping agent." It further provides that a single return shall be filed for each vessel or voyage, covering the total freight and all related amounts attributable to the ship.

This represents a significant change for the shipping industry, particularly in cases of slot charter arrangements, where a consolidated return will now be filed and the corresponding tax deposited accordingly.

Under the proposed regime, the return in respect of a vessel or voyage shall be furnished either by the master of the ship or by the authorized shipping agent responsible for cargo manifest preparation and freight handling. No other person shall be permitted to file such return for the relevant vessel or voyage.

Additionally, the authorized shipping agent shall be treated as jointly and severally liable for the payment of tax under the Ordinance, such tax shall be recoverable as due under an assessment order.

Faceless assessment and appeals concept being proposed

An ambitious effort to introduce faceless assessments is envisaged. The salient features are as follows:

Assessment to include faceless assessment

The term assessment is proposed to be expanded to include concept of faceless assessment as proposed to be introduced in the Ordinance.

Establishment of National Faceless Centre

The Bill proposes to establish a National Faceless Centre for conducting proceedings under the Ordinance 2001 in a faceless manner and to specify its jurisdiction, powers and functions.

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

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Faceless jurisdiction of Income Tax Authorities

The Bill proposes to establish a framework for a National Faceless Centre (NFC). It envisages to enabling designated Inland Revenue authorities to perform functions and exercise powers under the Ordinance 2001 through an algorithm-based allocation system as follows:

- The jurisdiction so assigned under the Ordinance 2001 may be exclusive or concurrent. In case of concurrent jurisdiction, the powers and functions not assigned to the National faceless centre shall remain with the Commissioner having jurisdiction under section 209 of this Ordinance.
- The Board may transfer jurisdictions 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 National faceless center to the Commissioner having jurisdiction on recommendation of the Chief Commissioner or on its own accord.
- The Chief Commissioner appointed in the National faceless center may request the Board to direct the Commissioner having jurisdiction 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.
- The identity of the authority exercising jurisdiction in the National faceless centre shall be kept confidential from the taxpayer, the authorized representative of the taxpayer, and any unauthorized person.
- No notice, order, demand, or assessment passed by an authority appointed at the National faceless centre shall be called in question or set aside merely on the ground that such authority did not have jurisdiction over the taxpayer under section 209 of this Ordinance, or lack of notified delegation of power under section 210 of this Ordinance, or because of the fact that identity of the authority has been kept confidential from the taxpayer.

Framework for Faceless audit and assessment

The Bill proposes framework for the faceless audit and assessment. The key aspects are:

- Any audit under sections 177 or 214C, any order made under section 111, any assessment under this part and rectification under section 221, with respect to the cases referred to be prescribed by the Board.
- The provisions of section 177 shall apply to the audit conducted in faceless manner under this section. Opportunity of being heard to be provided to the taxpayer during the course of this audit or a statement under oath required to be obtained from a taxpayer or any other person under section 176 of this Ordinance, shall be done through E-hearing under section 227E of this Ordinance.
- The identity of the officer, including facial and voice identity, conducting such E-hearing shall be kept confidential."

Framework for Faceless Appeals

The Bill proposes to provide a framework for processing appeals through the National Faceless Centre.

Under the proposed model appeals filed under section 127 may be processed through the National Faceless Centre in the manner prescribed by the Board. The existing provisions of sections 127, 128 and 129 relating to appeals shall apply to such faceless appeals accordingly.

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Algorithmic Settlement Mechanism

The Bill proposes to introduce an algorithmic settlement mechanism for resolution of tax disputes through a digitally operated system as follows.

The Board may establish digitally operated algorithmic settlement mechanism (hereinafter referred to as "the mechanism") for settlement of tax proceedings at any stage before any assessment or amendment of assessment order under sections 121, 122 or 122E of the Ordinance 2001 through revision of return under sub-section (6) of section 114 in certain cases.

In case, the mechanism calculates and presents to the taxpayer a settlement offer for voluntary revision of return as per the given criteria the taxpayer may avail the offer so provided.

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

- the stage of proceedings at which settlement is offered;
- the taxpayer's compliance history, as maintained in FBR's data;
- the nature and character of the discrepancy, including whether it involves a valuation or legal interpretation dispute, unexplained income or assets, or concealment; and
- any other basis the Board may consider relevant to ensure revenue adequacy and equitable treatment of taxpayers.

A taxpayer who opts to avail this mechanism shall within ten days from the date of settlement offer, accept it at IRIS, deposit the settlement offer amount in the revised return.

- 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).
- 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.

Reporting Financial Transaction Data by Banking Companies and Financial Institutions

The Bill proposes to establish a framework for automated reporting of high-value financial transactions by banking companies and Electronic Money Institutions (EMIs).

All banking companies and EMIs will be required to electronically upload specified financial data to the Central Data Hub for algorithmic cross-matching of tax and banking information. The reporting obligation applies to account holders having deposits or withdrawals exceeding PKR 100 million during a reporting period and includes details such as deposits, withdrawals, opening and closing balances, peak credits, and total credits.

The key aspects are as follows:

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

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account holder, specifying particulars of deposits or withdrawals, including opening and closing balances, peak credits, and total credits during the reporting period.

- This information as shared above shall be digitally processed and shall not be visible to any of the Income Tax Authorities during this cross-matching process.
- In case of gross mismatch in the information in respect of an account holder, the digital system of the Board shall feed the information so required into the Compliance Risk Management (CRM) system of the Board and further proceedings shall be conducted by the National faceless centre as provided in this Ordinance.
- The Board shall ensure that such information, shared by the banks, remains strictly confidential and in no case is disclosed or misused in a manner to disregard the confidentiality measures provided in the statutes and rules governing commercial banking, save as provided in this section.
- reporting period- means, in respect of a financial year, a period of six months, starting from:
  - 1st day of July and ending on 31st day of December; and
  - 1st day of January and ending on 30th day of June;
- specified date means the–
  - 31st day of January in case of reporting period ending on 31st day of December; and
  - 31st day of July in case of reporting period ending on 30th day of June;
- 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;
- peak credits means the highest credit balance in all the bank accounts of the account holder on any given date during the reporting period;
- Central Data Hub means a virtual repository of data and information maintained by the Board through PRAL; and
- 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.";

Establishment of Independent Case Scrutiny Committee

The Bill proposes to establish an independent case scrutiny committee for reviewing departmental litigation.

Under the proposed provision, a reference before the High Court under section 133, 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 obtaining approval from the Committee.

The Committee shall comprise a retired judge of the Supreme Court, Federal Constitutional Court or a High Court as Chairman, an Advocate with at least fifteen years' experience in tax and commercial litigation, and a senior serving or retired FBR officer of BS-20 or above. The Board may constitute one or more committees and assign cases or classes of cases to them.

The recommendations of the Committee shall be binding on the Commissioner Inland Revenue.

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The proposed section further grants legal protection to the Committee members and the concerned Commissioner for actions taken in good faith under this provision.

Said Committee shall exercise its powers and functions with effect from the date of its constitution as notified by the Board.

Rectification and Reconstitution of Alternate Dispute Resolution Committee

The Bill proposes amendments in procedural aspects of Alternate Dispute Resolution Committee proceedings.

It is proposed that the committee may rectify any mistake apparent from the record or any mistake brought to its attention by the taxpayer, the Commissioner, or identified by the committee itself, even after dissolution of the committee.

Procedure is proposed in case of vacancy of any member of the committee. The Chairman of the Board is required to fill such vacancy within fifteen days, and the reconstituted committee shall continue its proceedings under the same terms and conditions. Additionally, timelines are extended to ensure completion of proceedings, including a fresh sixty-day period after reconstitution, with an overall minimum period of ninety days from the original constitution of the committee.

Abolishment of advance tax on export proceeds

The section 147(6C) of the Ordinance 2001 currently requires persons specified under section 154(1), (3), (3A), (3B), and (3C) to collect advance tax at the time of realization of foreign exchange proceeds, proceeds from the sale or export of goods, or at the time of making payments, as applicable.

This is proposed to be deleted.

Scope of withholding tax on certain foreign currency and non-resident bank accounts

The Bill proposes to substitute sub-section (1DA) of section 152 of the Ordinance 2001 to provide for deduction of tax by every banking company from capital gain arising on disposal of debt instrument and Government securities and certificates (including Shariah compliant variant) invested through a Foreign Currency Value Account [FCVA], Foreign Currency Business Value Account [FCBVA], Non-Resident Rupee Value Account [NRVA] and Non-Resident Rupee Business Value Account [NRBVA] being maintained by the bank at the specified rates.

The scope of tax deduction is accordingly enhanced to include FCBVA and NRBVA. Further the scope is also proposed to be enhanced to include every person investing through these accounts. This was previously restricted to non-resident individuals holding POC, CNIC or NICOP investing through FCVA and NRVA.

Withholding tax on revenue from social media platforms

The Bill proposes withholding tax regime on revenues received by digital content creators and social media influencers from platforms such as YouTube, Facebook, Instagram, TikTok and such other platforms. Banking and financial institutions shall deduct tax on such receipts.

Accordingly, every banking and non-banking financial institution shall, at the time of credit or receipt of any amount in an account of a person, deduct tax at the specified rates specified on such receipts from social media platforms.

‘Digital content creator’ or ‘social media influencer’ to mean any individual or entity deriving income from creation, publication, or monetization of content on digital platforms including but not limited to YouTube, Facebook, Instagram, Tik Tok or such others similar platforms; and

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

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.

The Board may, by notification in the official Gazette, prescribe rules for implementation, including identification and reporting mechanisms.

The Bill has proposed to insert said section under section 169 of the Ordinance 2001 to provide for final taxability. This will create anomaly as said section has been proposed to be minimum for resident persons.

Exemption certificates for the whole tax year

Certain sectors were being issued with the exemption certificates for a limited period of a tax year hence facing hardship of renewal thereof after expiry of said certificate during the currency of the tax year. The Bill now proposes to introduce issuance of the exemption certificate for the whole tax year for eligible persons and criteria namely:

I. Collective investment scheme and REIT including SPV if they have distributed 90% or more of their accounting income amongst the unit or certificate holders or shareholders, as the case may be, in accordance with the provisions of clause (99) of Part I of the Second Schedule for the last three years; and

II. An approved NPO

Exchange of banking information

In order to expand the framework for banking data exchange and the centralized repository, the Bill proposes to share information obtained from the tax declarations with SBP as well for cross matching of the data and similarly require SBP, Microfinance banks, and Electronic Money Institutions (EMIs) to provide data to the Board.

Further, the Bill also proposes in this respect for SBP that:

SBP may establish, operate and maintain a secure centralized virtual repository of banking data, comprising such information, records, and financial transactions of persons maintained by Scheduled banks on the basis of unique identifiers, as may be prescribed by the Board and collect and provide data and results as applicable and required under this section.

Electronic integration

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

Failure to comply with the proposed compliance has been subjected to imposition of penalty under section 182 of the Ordinance.

Powers of the commissioner enhanced for audit

The Bill proposes to enhance the powers of the Commissioner if he is of the opinion that having regard to:

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i. the nature and complexity of the accounts; or

ii. volume of the accounts; or

iii. doubts about the correctness of the accounts; or

iv. multiplicity of transactions in the accounts; or

v. specialized nature of business activity of the taxpayer; and

vi. interests of the revenue

is of the opinion that it is necessary so to do, he may, after giving the taxpayer a reasonable opportunity of being heard, and with the previous approval of the Chief Commissioner, direct the taxpayer to get either or all of the following to get the –

a) 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;

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

c) actuarial values in the accounts determined by an actuary and to furnish a report of such valuation duly signed and verified by such actuary including answers to the specific queries as the Commissioner may require.

Explanation: The accountant, the cost accountant, or actuary as referred to in sub-section (6B) shall be nominated by the Commissioner for the purposes of this sub-section from amongst the panel of such accountants, valuers, or actuaries nominated by the Board.

Rationalizing and enhancing penalties

The Bill proposes to rationalize and enhance certain penalties as follows:

Existing penalty being rationalized

The explanation of 'tax payable' for the offence at S. No. 1 proposed to be substituted as follows:

Explanation. — For the purposes of this entry, it is declared that 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 highest tax payable by the person in any of the three immediately preceding tax years for which returns of income were duly filed.

New penalties being introduced:

"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	One million rupees for the first default, and two million rupees for each subsequent default.	174(5)

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	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.		
2B	Where any agency, authority, institution, or organization that is an integrated organization 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 d) designate a focal person as required; or e) remedy a deficiency or noncompliance within thirty days of a written notice by the Board identifying the deficiency.	A penalty of five hundred thousand rupees for the first default and one million rupees for each subsequent default shall be imposed on the principal officer of the integrated organization. "principal officer" for this purpose, means the person who, at the time of the default or during the period of continuing default, holds overall executive responsibility for the administration and functioning of the integrated organization, by whatever title or designation that person may be referred to under this ordinance, rules, or instrument constituting or governing that organization, including but not limited to the Governor, Chairman, Chief Executive Officer, Director General, Managing Director, Secretary, or Principal Accounting Officer, as the case may be; where executive responsibility is shared between two or more persons by virtue of a collegiate body or board structure, the "principal officer" shall be the person who, within that body, holds specific responsibility for regulatory compliance, data governance, or information technology; and the absence of a formal designation, or a vacancy in the office, shall not relieve the person actually exercising the functions of the principal officer from liability under this section.	175A;
36	Where a person claims a credit in respect of tax withheld at source under any provision of the Ordinance 2001 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

Existing penalties being enhanced:

	Description of Offences	Existing Penalties	Proposed Penalties
8	Failure to produce the record or document on the first notice in non-compliance with section 177 of the Ordinance.	Such person shall pay a penalty of twenty-five thousand rupees;	One hundred thousand rupees

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	Description of Offences	Existing Penalties	Proposed Penalties
	The penalty for failure to comply with the similar notice (to produce the information under section 177) for second time.	such person shall pay a penalty of fifty thousand rupees; and	Two hundred thousand rupees
	The said penalty for failure to comply with the similar notice for the third time.	Such person shall pay a penalty of one hundred thousand rupees.	Three hundred thousand rupees
10	Any person who— (a) makes a false or misleading statement to an Inland Revenue Authority either in writing or orally or electronically including a statement in an application, certificate, declaration, notification, return, objection or other document including books of accounts made, prepared, given, filed or furnished under this Ordinance	Such person shall pay a penalty of twenty-five thousand rupees or 50% of the amount of tax shortfall whichever is higher: Provided that in case of an assessment order deemed under section 120, no penalty shall be imposed to the extent of the tax shortfall occurring as a result of the taxpayer taking a reasonably arguable position on the application of the Ordinance 2001 to the taxpayers' position.	Five hundred thousand rupees
12	Where a person has concealed income or furnished inaccurate particulars of such income, including but not limited to the suppression of any income or amount chargeable to tax, the claiming of any deduction for any expenditure not actually incurred or any act referred to in sub-section (1) of section 111, in the course of any proceeding under the Ordinance 2001 before any Income Tax authority or the appellate tribunal.	Such person shall pay a penalty of one hundred thousand rupees or an amount equal to the tax which the person sought to evade whichever is higher. However, no penalty shall be payable on mere disallowance of a claim of exemption from tax of any income or amount declared by a person or mere disallowance of any expenditure declared by a person to be deductible, unless it is proved that the person made the claim knowing it to be wrong	One million
15	Any person who fails to collect or deduct tax as required under any provision of the Ordinance 2001 or fails to pay the tax collected or deducted as required under section 160.	Such person shall pay a penalty of forty thousand rupees or the 10% of the amount of tax which-ever is higher.	Five hundred thousand rupees; "Provided that where the defaulter in such case is a company, its Principal Officer shall be personally liable to pay an additional penalty of five hundred thousand rupees for such offense.";

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	Description of Offences	Existing Penalties	Proposed Penalties
35	Any company and an association of persons who – a) fails to fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the taxpayer; b) furnishes any annexure, statement or document specified in the return of income as blank or with incomplete or irrelevant particulars; or c) attaches blank or incomplete annexures, statements or documents where such annexures, statements or records were require to be filed. "Explanation. — For the purposes of this entry, 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."; and	Such company, including a banking company and an association of persons shall pay a penalty of Rs.500,000 or 10% of the tax chargeable on the taxable income, whichever is higher."	Person including a company, a banking company and an association of persons shall pay a penalty of Rs.500,000 or 10% of the tax chargeable on the taxable income, whichever is higher."

Surcharge for late filers increased

The Bill proposed to enhance the surcharge for inclusion in the ATL in case of filing the return after the due date. The enhanced rate of surcharge are as follows:

Taxpayer	Existing surcharge (Rs.)	Proposed surcharge (Rs.)
Company	20,000	100,000
AOP	10,000	50,000
Individual	1,000	25,000

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Restriction and rationalization of information sharing

The Ordinance 2001 provides for the confidentiality of taxpayer information to be maintained by the public servant under section 216 of the Ordinance 2001 except in certain persons prescribed in sub-section (3) thereunder.

The Bill proposes to extend scope of sub-section (3) to audit mentors, sectoral experts and international research institutes.

Appointment of experts

Commissioner is authorized to appoint experts for the purpose of the Ordinance 2001 including for audit and valuation matters.

The Bill proposes to expand the scope to include audit mentors and sectoral experts alongside auditors. This will enable the Commissioner to utilize specialized technical and industry-specific expertise during audit proceedings. This is intended to improve audit quality through enhanced technical guidance and industry-specific expertise.

Directorate General (Field Compliance), Inland Revenue

The Bill proposes insertion of a new section, thereby establishing the Directorate General (Field Compliance), Inland Revenue as a enforcement and compliance arm of the Federal Board of Revenue.

The Directorate General (Field Compliance) shall comprise a Director General and such officers including Directors, Additional Directors, Deputy Directors, Assistant Directors, and other staff as may be appointed by the Board through notification in the official Gazette.

The Board is further empowered to determine and notify the functions and jurisdiction of the Directorate General and its officers.

In addition, the Board may confer upon the Directorate General and its officers the powers vested in income tax authorities under section 207 of the Ordinance.

Withholding tax on Foreign TV drama

The Bill proposes to omit the withholding tax applicable on foreign TV drama or play dubbed in Urdu or other language for screening and viewing on any landing rights channel.

First Schedule

(Division I, Part I, First Schedule)

Reduction in Tax on Salaried Individuals

The Bill proposes to reduce the tax rates for salaried individuals. The comparison of existing and proposed rates is as follows:

Taxable Income (Rs.)	Existing Rate of Tax	Proposed Rate of Tax
Upto 600,000	-	-
600,001 to 1,200,000	1% of the amount exceeding Rs. 600,000	1% of the amount exceeding Rs.600,000

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Taxable Income (Rs.)	Existing Rate of Tax	Proposed Rate of Tax
1,200,001 to 2,200,000	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000	Rs. 6,000 + 11% of the amount exceeding Rs. 1,200,000
2,200,001 to 3,200,000	Rs. 116,000 + 23% of the amount exceeding Rs. 2,200,000	Rs. 116,000 + 20% of the amount exceeding Rs. 2,200,000
3,200,001 to 4,100,000	Rs. 346,000 + 30% of the amount exceeding Rs. 3,200,000	316,000 + 25% of the amount exceeding Rs. 3,200,000
4,100,001 to 5,600,000	Rs. 616,000 + 35% of the amount exceeding Rs. 4,100,000	Rs. 541,000 + 29% of the amount exceeding Rs. 4,100,000
5,600,001 to 7,000,000		Rs. 976,000 + 32% of the amount exceeding Rs. 5,600,000
7,000,001 and above		Rs. 1,424,000 + 35% of the amount exceeding Rs. 7,000,000

An analysis of impact of above change in tax rates is given below:

Gross Monthly Salary	Gross Annual Salary	Tax Liability		Tax incidence	
		Existing	Proposed	(Reduction) / Increase	(Reduction) / Increase
(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(%)
50,000	600,000	-	-	-	0%
100,000	1,200,000	6,000	6,000	-	0%
183,333	2,200,000	116,000	116,000	-	0%
266,667	3,200,000	346,000	316,000	(30,000)	(8.67%)
341,667	4,100,000	616,000	541,000	(75,000)	(12.18%)
466,667	5,600,000	1,141,000	976,000	(165,000)	(14.46%)
583,333	7,000,000	1,631,000	1,424,000	(207,000)	(12.69%)
833,333	10,000,000	2,681,000	2,474,000	(207,000)	(7.72%)
1,000,000	12,000,000	*3,685,290	3,174,000	(511,290)	(13.87%)

**Includes surcharge of Rs. 304,290 (9% of the tax liability); under the proposed Bill, surcharge will not apply to income taxable under the salaried tax slab rates.*

The Bill has not proposed to revise the existing tax rates for AOP and business individuals.

(Division IIB, Part I, First Schedule)

Rate of Super Tax

The matter of super tax has remained under considerable review in recent past by the Board due to the immense pressure from industry. Through the Bill, the scope of super tax has been rationalized by providing significant relief through an increase in the applicable income threshold and a reduction in the rate of super

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tax except for certain persons. The Bill proposes rate of 10%, where income exceeds Rs. 150 million during the year for the following persons:

- Banking Companies;
- Persons covered under Part I of Fifth Schedule to the Ordinance 2001; and
- Person engages in deriving income from sale of Fertilizer

For Persons other than those mentioned above, rate of 8% is proposed where income exceeds Rs. 500 million during the year.

It is pertinent to highlight that the Finance Minister, during the Budget speech, also proposed the withdrawal of Super Tax for exporters. However, the said proposal is not reflected in the Bill and may be finalized in the Finance Act, 2026.

(Division IVA, Part I, First Schedule)

Rate of Tax on Payments for Digital Transactions in E-commerce Platforms

Section 6A of the Ordinance 2001, related to tax on digital transaction uses the word “digitally ordered services”, whereas in First Schedule “digitally delivered services” has been mentioned. The Bill has proposed to substitute the word from “Delivered” to “Ordered” in First Schedule to align the wording adopted in respect of services under section 6A of the Ordinance 2001.

(Division VIIIC, Part I, First Schedule)

Tax on deemed income

The Bill has proposed to abolish tax rate for section 7E, which is in line with the proposed omission of section 7E of the Ordinance 2001.

(Division IX, Part I, First Schedule)

Increase in Rate of Minimum Tax under section 113 on certain Distributors

The Bill proposes to enhance the rate of minimum tax under section 113 for distributors of pharmaceutical products, fast-moving consumer goods, and cigarettes from 0.25% to 1.25%.

Additionally, a consequential amendment has been proposed in Clause 24D of Part II of the Second Schedule to exclude distributors of fast-moving consumer goods from the concessional minimum tax rate of 0.25%.

(Division IC, Part III, First Schedule)

Certain Payments by life Insurance and Takaful operators

The Bill proposes the following tax rates on amounts received by policyholders of life insurance companies and participants of family takaful operators:

S. No.	Description	Proposed 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%

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

The tax deducted at the above rates, by life insurer or takaful operator, shall constitute a final tax liability in respect of the income of the policyholder arising from such payout or benefit.

(Division III, Part III, First Schedule)

Rate of withholding tax on services provided by resident person

The Bill proposes to reduce the withholding tax rate on services from 15% to 14%, except in the case of independent professional services*, where withholding tax rate is proposed to remain at 15%. The withholding tax rates for IT and IT enabled services and electronic and print media advertising services also remain intact at 4% and 1.5% respectively.

The Bill also proposes to increase the withholding tax rate applicable to service providers of specified sectors** from 6% to 7%.

S. No.	Services	Current Rate of withholding tax	Proposed Rate of withholding tax
1	Specified Services	6%	7%
2	IT and IT enabled services	4%	4%
3	Independent professional Services	15%	15%
4	Electronic and Print media Advertising Services	1.5%	1.5%
5	Services other than specified above	15%	14%

**Independent professional services include services of doctors, lawyers, architects, accountants, software engineers or developers working independently*

***Specified service sectors includes transport services, freight forwarding services, air cargo services, courier services, manpower outsourcing services, hotel services, security guard services, software development services, IT services and IT enabled services as defined in section 2, tracking services, advertising services (other than by print or electronic media), share registrar services, engineering services including architectural services, warehousing services, services rendered by asset management companies, data services provided under license issued by the Pakistan Telecommunication Authority, telecommunication infrastructure (tower) services, car rental services, building maintenance services, services rendered by Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange Limited, inspection, certification, testing and training services, oilfield services, telecommunication services, collateral management services, travel and tour services, REIT management services, services rendered by National Clearing Company of Pakistan Limited.*

(Division IIIAA, Part III, First Schedule)

Rate of withholding tax on Gain arising on disposal of certain debt securities

The rate of withholding tax on gain arising on disposal of certain debt securities proposed to be increased from 15% to 20%. The rationale for this amendment appears to align the withholding tax rate on capital gains from debt securities with the rate applicable to profit on debt.

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(Division IIIAB, Part III, First Schedule)

Withholding Tax on Revenues Received from Social Media Platforms

Bill proposes to insert Division IIIAB which provides for the withholding tax on amounts received by a person through social media platforms under section 154B of the Ordinance 2001:

S. No.	Description	Nature	Proposed Rate of Tax
1	In case of resident person whose name appearing in the Active Taxpayers' List	Minimum	5%
2	In case of non-resident person	Final	5%

(Division IV, Part III, First Schedule)

Withholding tax on Exports

The Bill proposed to enhance the rate of tax deduction from 1% to 1.25% on amounts received against the export of goods under section 154 of the Ordinance 2001.

Further, the same rate enhancement is proposed on payments received by exporters or export houses against services including stitching, dyeing, printing, embroidery, washing, sizing, and weaving under sub-section (2) of section 153 of the Ordinance 2001.

(Division IVA, Part III, First Schedule)

Withholding tax on Export of Services

Bill has proposed to extend the reduced tax rate benefit of 0.25% available to exporters of IT and IT-enabled services registered with the Pakistan Software Export Board (PSEB) from tax year 2026 to tax year 2029.

(Division X, Part IV, First Schedule)

Rate of Advance Tax on Sale or Transfer of Immovable property under section 236C of the Ordinance 2001

Prior to the proposed amendment rate of advance tax on sale or transfer of immovable property under section 236C of the Ordinance 2001 ranged from 4.5% to 5.5% depending upon the amount of consideration received. The Bill proposes single rate of 2.75% irrespective of the amount of consideration received.

S. No.	Gross amount of consideration received	Current Rate of Tax	Proposed Rate of Tax
1	Does not exceed Rs. 50 million	4.5%	2.75%
2	Exceeds Rs. 50 million but does not exceed Rs. 100 million	5%	
3	Exceeds Rs. 100 million	5.5%	

(Division XA, Part IV, First Schedule)

Advance Tax on Foreign Produced TV Dramas and Serials

The Bill proposes to omit the advance tax applicable to foreign-produced TV dramas and serials, in line with the proposed omission of section 236CA of the Ordinance 2001.

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(Division XVIII, Part IV, First Schedule)

Rate of advance tax on purchase of immovable property under section 236K of the Ordinance 2001

Prior to the proposed amendment rate of advance tax on purchase of immovable property under section 236K of the Ordinance 2001 ranged from 1.5% to 2.5% depending upon the Fair Market Value of the Property. The Bill proposes single rate of 1.25% irrespective of the Fair Market Value of the Property.

S. No.	Fair Market Value	Current Rate of Tax	Proposed Rate of Tax
1	Does not exceed Rs. 50 million	1.5%	1.25%
2	Exceeds Rs. 50 million but does not exceed Rs. 100 million	2%	
3	Exceeds Rs. 100 million	2.5%	

(Division XXVII, Part IV, First Schedule)

Rate of Advance Tax on amount remitted abroad through Debit / Credit Cards etc.

The Bill proposes to reduce rate of advance tax on amount of remittance through credit, debit or prepaid cards from 5% to 0.5%.

Second Schedule

Part-I-Exemption from total Income

The Bill proposes to insert the following new entities in the Table in sub-clause (4) of Clause 57 of Part I of the Second Schedule to Ordinance namely.

- Pakistan Red Crescent Society
- Shaheen Foundation established by Pakistan Air Force
- Dawat-e-Hadiya
- Bahria Foundation established by Pakistan Navy
- Sindh Institute of Urology and Transplantation

It is pertinent to note that Dawat-e-Hadiya and Sindh Institute of Urology and Transplantation are presently covered under Clause 66 of Part I of the Second Schedule to the Ordinance, 2001 whereby exemption from tax is available subject to fulfillment of the conditions prescribed under section 100C of the Ordinance, 2001.

The proposed inclusion of these entities in Clause 57 of Part I of the Second Schedule to the Ordinance, 2001 would result in their exemption being governed by Clause 57. Consequently, these entities would no longer be required to satisfy the conditions prescribed under section 100C for availing exemption from tax.

Amendments in exemption

At present, under Clause 79 of Part I of the Second Schedule to Ordinance, 2001, any profit on debt derived from a rupee account held with a scheduled bank in Pakistan by a non-resident individual holding a Pakistan Origin Card (POC), National Identity Card for Overseas Pakistanis (NICOP) or Computerized National Identity Card (CNIC), where the deposits are made exclusively from foreign exchange remitted into such account, is exempt from tax.

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Now, the Bill proposes to amend Clause (79) by substituting the reference to non-resident individuals holding POC, NICOP or CNIC with a 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 [SBP].

Part II- Reduction in tax rates

New reduction introduced

Reduction in withholding tax rate for terminal and port operators [Clause (24CC)]

At present, payments made to persons providing terminal or port services are subject to withholding tax under section 153(1)(b) at the rate of 15%.

The Bill proposes to insert a new Clause 24CC in Part II of the Second Schedule to the Ordinance,2001 providing that tax to be deducted under section 153(1)(b) from a person rendering terminal or port services shall be 12% of the gross amount of payment.

Amendments in reduction of tax rates

At present, under Clause (5AA) of Part II of the Second Schedule to the Ordinance, 2001 , tax is required to be deducted under section 152(2) at the rate of 10% from profit on debt earned by an individual from a debt instrument, whether conventional or Shariah-compliant, issued by the Federal Government under the Public Debt Act, 1944, where such investment is 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. The tax so deducted constitutes a final discharge of tax liability on such income.

The Bill proposes to amend Clause (5AA) by substituting the word “individual” with “person” and replacing the expression “foreign currency account” with Foreign Currency Value Account (FCVA), Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA) and Non-Resident Rupee Business Value Account (NRBVA).

Revision of reduced minimum tax rate for distributors, wholesalers, and dealers [Clause (24D)]

At present, under Clause 24D of Part II of the Second Schedule to the Ordinance,2001 a reduced minimum tax rate of 0.25% under section 113(1) is applicable to distributors, dealers, sub-dealers, wholesalers and retailers of fast-moving consumer goods, fertilizer, locally manufactured mobile phones, sugar, electronics (excluding imported mobile phones), cement, steel and edible oil. The reduced rate is subject to the condition that the taxpayers appear on the Active Taxpayers’ Lists for both sales tax and income tax purposes.

Now, the Bill proposes to substitute Clause 24D in Part II of the Second Schedule to the Ordinance, 2001. The amendment increases the minimum tax rate from 0.25% to 0.5% for distributors, dealers, sub-dealers, and wholesalers. Furthermore, the proposed amendment excludes retailers, fast moving consumer goods, cement, steel, and edible oil from this clause, narrowing the eligible sectors to packaged food, fertilizer, locally manufactured mobile phones, sugar, and electronics. The requirement to be on the Active Taxpayers’ List remains unchanged.

Part IV- Exemption from specific provisions

Amendments in exemption

- At present, under Clause 47B of Part IV of the Second Schedule to the Ordinance, 2001, the provisions of sections 150, 151 and 233 and Part I, Division VII of the First Schedule do not apply to any person making payment to National Investment Unit Trust, a collective investment scheme, an approved pension fund, an approved income payment plan, a REIT scheme (including a Special Purpose Vehicle), a recognised provident fund, an approved superannuation fund or an approved gratuity fund.

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The Bill proposes to amend Clause 47B by inserting a reference to section 151A of the Ordinance, thereby extending the scope of the withholding tax exemption to cover payments falling within the ambit of that section as well. Consequently, approved funds, collective investment schemes, and REIT schemes deriving gains from the disposal of debt securities will also be brought within the scope of the withholding exemption under Clause 47B.

It is pertinent to note that Clause 99 of the Second Schedule provides exemption from tax in respect of income derived by a collective investment scheme or a REIT scheme, including a Special Purpose Vehicle, subject to the condition that ninety percent of the accounting income is distributed to unit holders, certificate holders, or shareholders, as the case may be. However, despite this exemption at the income level, the benefit of Clause 47B was not previously extended to collective investment schemes in respect of section 151A, primarily on the ground that Clause 47B did not expressly include a reference to that section and accordingly exemption was not provided in respect thereof.

Accordingly, the proposed amendment, by incorporating section 151A within the scope of Clause 47B, aligns the withholding tax exemption mechanism with the income tax exemption framework under Clause 99, thereby removing the existing inconsistency between the two provisions.

- At present, under Clause 111AB of Part IV of the Second Schedule to the Ordinance,2001, the provisions of section 100BA and Rule 1 of the Tenth Schedule do not apply to non-resident individuals holding POC, NICOP or CNIC, maintaining a FCVA or NRVA with authorized banks in Pakistan under the foreign exchange regulations issued by the SBP.

  The Bill proposes to amend Clause 111AB by substituting the existing expression “non-resident individuals holding POC, NICOP or CNIC maintaining FCVA or NRVA” with “FCVA, Foreign Currency Business Value Account (FCBVA), Non-Resident Rupee Value Account (NRVA) and Non-Resident Rupee Business Value Account (NRBVA)

- At present, under Clause 114A of Part I of the Second Schedule to the Ordinance, 2001, the provisions of clause (ae) of sub-section (1) of section 114 and section 181 do not apply to non-resident individuals holding POC, NICOP or CNIC, maintaining a FCVA or NRVA with authorized banks in Pakistan under the foreign exchange regulations issued by the SBP, subject to the condition that the exemption is not available where such person has Pakistan-source taxable income other than specified categories of income.

  The Bill proposes to substitute Clause 114A by replacing the reference to non-resident individuals holding POC, NICOP or CNIC maintaining FCVA or NRVA with a broader reference to persons maintaining FCVA, FCBVA, NRVA or NRBVA, while retaining the existing condition relating to specified categories of Pakistan-source income.

- The Bill proposes to amend Clause 115 of Part IV of the Second Schedule to the Ordinance, 2001, by increasing the turnover threshold for traders from Rs. 100 million to Rs. 200 million. Accordingly, the exemption from section 153 shall continue to apply to individual traders having turnover up to Rs. 200 million as a prescribed person, while the definition of “trader” under clause (28D) remains unchanged.

Exemptions withdrawn

- The provisions of sub-section (3) of section 153 shall not apply to any payment received by a manufacturer of iron and steel products in respect of sale of goods manufactured by him. This exemption was redundant as, under section 153(3), tax deducted is generally treated as minimum tax; however, in the case of manufacturers and listed companies, the tax is already adjustable. Accordingly, the exemption has been withdrawn as it had no practical impact, since manufacturers are already entitled to adjustable tax under section 153. [Clause 46A]

- The exemption from withholding tax under section 153 of the Ordinance, 2001, previously available to companies operating Trading Houses subject to specified conditions, has been omitted. Accordingly, such trading companies will now fall within the ambit of section 153 withholding regime. [Clause 57]

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Eighth Schedule

Abolishment of opt-out from NCCPL Regime

Currently, Rule 5 of the Eighth Schedule provides that if a person intends to opt out from the determination and payment of tax as laid down in the said schedule, the said person may file an irrevocable option with NCCPL after obtaining prior approval of the Commissioner in prescribed manner. The Bill has proposed to omit the said Rue 5. With the proposed omission, the opt-out route from NCCPL's computation and collection process will no longer be available in the Schedule. The persons falling within the scope of section 37A read with the Eighth Schedule will now be mandatorily subject to NCCPL's computation, determination, and collection process, with no avenue to seek Commissioner-approved exclusion therefrom. The omission raises question for persons claiming exemption under a tax treaty.

Tenth Schedule

Higher rate of Capital Gain Tax on 'Non – Filers' on Securities

Through the Finance Act, 2024, sub-rule (y) was inserted in Rule (10) of the tenth schedule whereby tax collected under section 37A was excluded from the purview of the tenth schedule due to the reason that progressive tax rates for non-filers were introduced, with a minimum of 15% based on prescribed slab rates in Division I of Part I of the First Schedule, on the disposal of securities. Subsequently, through the Finance Act, 2025, the said sub-rule (y) was amended to restrict the said exclusion on tax collected under section 37A only on disposal of securities acquired on and from 1st day of July 2025 from application of the tenth schedule. The Bill has proposed to omit the said sub-rule (y) thereby withdrawing the said exclusion which means that the rate of tax collected under section 37A will be increased by 100% in case of persons not appearing on the ATL.

Higher withholding tax rates for 'Late Filers' proposed to be abolished

Through the Finance Act, 2024, a new category of Late Filers was introduced by insertion of Rule 1A in the Tenth Schedule, whereby the rate of tax to be deducted/collected in respect of persons appearing on the ATL who have not filed return by the due date or extended due date (Late filers), was increased as compared to Active taxpayers filing return by the due date but kept lower than the non-filers. In this regard, higher rates for Late filers were prescribed only for withholding tax under section 236C and 236K on purchase and sale or transfer of immovable property. Subsequently, through the Finance Act, 2025, such rates of withholding tax were further increased. The Bill proposes to abolish such higher rates for Late Filers by omitting the Rule 1A of the Tenth Schedule which means that the rates applicable to the late filers will be the same as those applicable for the persons filing the return within the due date/extended due date.

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Insertion of new definition

The Bill proposes insertion of section 2(22)(1A), defining "**Production Monitoring System**" as 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.

Amendment in existing definitions

(43A) - Tier-1 retailer

The Bill proposes to amend section 2(43A)(d) whereby wholesaler-cum-retailers engaged in the bulk import and supply of consumer goods having annual turnover exceeding two hundred million rupees shall be treated as Tier-1 Retailers. Previously, no turnover threshold was prescribed under this clause.

The Bill proposes to exclude the following from definition of Tier-1 Retailer

- Those retailers who were considered Tier-1 solely because of acquisition of point of sale for accepting payment through debit or credit cards. *(43A)(f)*

- The retailer whose deductible withholding tax under sections 236G or 236H of the Ordinance, during the immediately preceding twelve consecutive months has exceeded one lac rupees or five lac rupees respectively. *(43A)(g)*

The Bill also proposes inserting a new sub-clause (gb) to include in Tier-I, retailers whose annual turnover exceeds two hundred million rupees in preceding twelve consecutive months, whether determined on the basis of declared turnover or the turnover worked back from tax deducted under section 236G or 236H of the Ordinance.

Furthermore, the Bill proposed insertion of a new proviso after clause 43A(h) which empowers Board to exclude any person from the category of Tier-1 retailers.

(44) - Time of Supply

The Bill proposes insertion of explanation in clause (a) to clarify the term "*delivered or made available*" used in the definition of time of supply, which means when the goods become ready for dispatch from the business premises, factory, warehouse, godown or branch etc.

(46) – Value of Supply

The Bill proposes amendment in section 2(46)(j), empowering board to use the valuation based upon the valuation notified by Pakistan Bureau of Statistics immediately before the start of tax period or outsource the function of valuation to third party, in case of used vehicles.

Amendment in time and manner of payment

The Bill proposes insertion of proviso after section 6(2) stating that in case of steel melters, steel re-rollers and composite units, the tax shall be collected based on per unit electricity consumption at the rate as prescribe by the Board and the tax so collected shall be adjustable against output tax and any excess amount of tax collected shall be refunded on monthly basis through Board automated refund system. However, for refund, it

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is necessary for the person to integrate with Board's prescribed production monitoring and digital invoicing system.

Amendment in adjustable input tax

The Bill proposes insertion of proviso under section 8B(1) to empower the Board to reduce or enhance the limit of adjustable input tax for any registered person based on the compliance or non-compliance with the production monitoring, digital invoicing, e-bility, POS, or any other electronic system.

Amendment in Debit / Credit Notes

The Bill proposes insertion of new proviso in section 9, whereby, the debit/credit notes shall be governed by the mechanism including electronic adjustment which will be prescribed by the Board. This amendment is proposed to align, the issuance of debit/credit notes electronically, with the digital invoicing system.

Amendments relating to tax invoices

The Bill proposes following amendments in section 23:

- It is proposed that the registered persons will be required to issue tax invoice for exempt supplies as well as for supplies made against advance. The invoices, including advance receipt invoice, will bear verifiable and unique FBR invoice number with effect from the date as may be notified by the Board.

- A new definition of "**advance receipt invoice**" has been proposed in the Bill under sub section (1AA) of Section 2 whose format will be notified by the Board from time to time.

- Further the term "**Electronic Invoicing System**" used in section 23 has been proposed to be defined under sub section (9AB) of section 2. It means electronic system or mechanism as may be prescribed by Board for issuance and recording of sales tax invoices.

De-registration, Blacklisting and Suspension of Registration

The Bill proposes to increase the scope of section 21, by empowering the Board or any officers to de-register, blacklist or suspend the registration of registered person on non-compliance in respect of failure to integrate their electronic invoicing system with Board's computerized system or failure to make compliance with provisions of section 40C.

Amendments in Electronic Monitoring or Tracking

The Bill proposes to rationalize section 40C and update to align with current monitoring and enforcement mechanisms. Furthermore, sub-section (3) has been streamlined to require registered persons to procure tax stamps, barcodes, production monitoring equipment and related items from Board-appointed licenses.

The Bill proposes insertion of new sub-section which empowers to seize and confiscate any taxable goods which are manufactured or moved without affixing prescribed tax stamps.

Amendments in audit of sales tax affairs

The Bill proposes to empower the Commissioner, to direct a registered person, during pendency of proceedings, to conduct a re-audit of its accounts by accountant or re-valuation of inventory by cost accountant where such action is considered necessary, having regard to the nature, complexity, volume or correctness of the accounts, multiplicity of transactions, specialized nature of business activities, and the interests of revenue. The Commissioner may issue such directions only with the prior approval of the Chief Commissioner and after providing an opportunity of being heard to the registered person.

The Bill further proposes that upon completion of aforesaid re-audit / re-valuation, the Officer of Inland Revenue shall obtain the registered person's explanation on the issues raised and thereafter issue an audit

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report containing audit observations and findings. Consequently, proceedings relating to audit shall now be linked with the issuance of the audit report rather than the completion of the audit.

Further, the Bill proposes to reduce the payment requirement for availing the concession under section 33 from the full amount of tax involved to fifty percent of such amount when the registered person deposits the evaded tax along with default surcharge.

National Faceless Centre

The Bill proposes insertion of section 32C, the provisions of this section empower the Board to establish a National Faceless Centre for conducting proceedings under the Act through electronic means. The Centre shall comprise a Director General, Officers of Inland Revenue, and support staff, with functions and jurisdictions assigned through algorithms developed by the Board. The proposed provision further provides for segregation of audit, assessment, and quality control functions among different officers and requires all communications with taxpayers and other stakeholders to be conducted electronically.

A new definition of "**National Faceless Center**" has also been proposed in the Bill under sub section (17A) of Section 2.

Faceless Jurisdiction

The Bill proposes insertion of section 30AA relating to the jurisdiction of the National Faceless Centre. Under the proposed provision, Inland Revenue authorities appointed in the National Faceless Centre may perform functions and exercise powers assigned by the Board through algorithms in respect of specified persons, classes of persons and tax periods. The assigned jurisdiction may be exclusive or concurrent, and the Board may transfer such jurisdiction to the officer of Inland Revenue having jurisdiction under section 30.

The Chief Commissioner appointed in the National Faceless Centre may also request the Board to direct physical verification of the nature and size of business, assets, investments, expenditures, or any other information required for proceedings assigned to the Centre, including through an algorithm-based allocation system.

The proposed provision further mandates confidentiality of the identity of authorities exercising jurisdiction in the National Faceless Centre and provides that notices, orders, or other communications issued by such authorities shall not be challenged merely on the grounds of jurisdiction under section 30, delegation of powers under section 32, or non-disclosure of the authority's identity.

Faceless Audits and Assessments

The Bill proposes insertion of section 11H to introduce a faceless mechanism for audits under sections 25 and 72B, assessments under section 11E, and rectifications under section 57 in respect of such persons, classes of persons, incomes, or cases as may be specified by the Board. The proposed provision further provides that any hearing or recording of statement under section 37 to give evidence and produce documents for any inquiry shall be conducted through E-hearing, while maintaining the confidentiality of the identity of the concerned officer.

Faceless Appeals

The Bill proposes insertion of section 45C which states that appeals filed before the Commissioner Appeals under section 45B may be processed through the National Faceless Centre in the manner prescribed by the Board and the provisions of section 45B shall apply to such faceless appeals accordingly.

Directorate General (Field Compliance) Inland Revenue

The Bill proposes insertion of new section 30DDDB to create new Directorate General (Field Compliance) Inland Revenue, whose function, jurisdiction and powers will be notified by the Board in official gazette.

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Sale of confiscated goods by auction

The Bill proposes insertion of new sections 40F to prescribe the procedure for disposal of confiscated goods through public auction, including auction through electronic means. The provision also requires compliance with the Public Procurement Regulatory Authority Rules, 2014.

The sale proceeds shall be applied to the following purposes in their respective order

- Expenses to the sale;
- Sales tax, other taxes and dues including penalty and surcharge; and
- Any remaining balance is refundable to the owner provided he applies for it within six months of the sale of the goods failing which the balance amount shall be deposited into government treasury. However, in case of outright confiscation no amount shall be refunded to the registered person.

  In case wherein goods declaration has been filed, the share of importer in sale proceeds shall not exceed the declared value of the goods.

Algorithmic Settlement Mechanism

The Bill proposes insertion of new section 47AA. It proposes a technology driven dispute resolution mechanism. The provision empowers the FBR to generate settlement offers at any stage prior to the passing of an order under sections 11D or 11E, taking into account factors such as the registered persons' compliance history, the nature of discrepancies, and the stage of proceedings.

The registered person within ten days from the date of settlement offer shall deposit the amount. Under the proposed algorithmic settlement mechanism, issues covered by the settlement offer shall stand abated upon payment of the settlement amount. However, the settlement shall not affect proceedings relating to other issues, discrepancies, or tax periods.

A new definition of "**Algorithmic Settlement Mechanism**" has also been proposed in the Bill under sub section (1AAA) of Section 2.

Independent Case Scrutiny Committee

The Bill proposes insertion of a new provision requiring prior approval of an independent case scrutiny committee before filing 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. The committee, comprising a retired judge, a tax litigation advocate, and a senior serving or retired FBR officer of BS20 or above, shall review cases assigned by the Board and its recommendations shall be binding on the Commissioner Inland Revenue. The proposed provision also grants legal protection to committee members and the concerned Commissioner in respect of decisions made under this section.

Disclosure of information by a public servant

The Bill proposes amendments in section 56B empowers the FBR to share sales tax return data of registered persons within a particular sector with other registered persons of the same sector. The stated objective is to create market equity and enhance tax compliance. Such data sharing will be subject to strict non-disclosure agreements and any limitations, restrictions, and conditions prescribed by the Board.

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Amendments in Sales tax penalties

The Bill proposes amendments to section 33 of Act 1990 are as follows:

Offence description	Existing penalty	Proposed penalty
Where any person fails to furnish a return within the due date	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	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
Any person who fails to issue an invoice when required under this Act.	A penalty of five thousand rupees or three per cent of the amount of the tax involved, whichever is higher.	A penalty of twenty-five thousand rupees or five per cent of the amount of the tax involved, whichever is higher.
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 per cent 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
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 there under.	A penalty of ten thousand rupees or five per cent of the amount of the tax involved, whichever is higher: 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:	A penalty of fifty thousand rupees or five per cent of the amount of the tax involved, whichever is higher: 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.
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 per cent 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
Any person who fails to maintain records required under this Act or the rules made thereunder	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
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 his business premises shall be liable to be sealed.	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. His business premises shall be liable to be sealed with or without imposition of penalty.

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Offence description	Existing penalty	Proposed penalty
Where any registered 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.	N/A [New Penalty]	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 and an opportunity 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. (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.
Where the Board's 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.	N/A [New Penalty]	Such person shall pay a penalty of twenty per cent of the unmatched input tax amount, in addition to reversal of the inadmissible credit and payment of default surcharge under section 34.
Where a registered 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.	N/A [New Penalty]	Such person shall pay a penalty of twenty per cent of the unreversed input tax credit, in addition to the reversal of such credit and default surcharge under section 34.

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Third Schedule

Sales tax on retail price – new additions

The Bill proposes to insert following items in Third Schedule if sold in retail packing.

Serial No.	Description of goods	Heading Nos. of the 1st Schedule to the Customs Act
56	Vegetable and animal fats and oils	Respective headings
56	Sugar Confectionary	Respective headings
57	Pasta, spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous	19.02
58	Sauces, ketchup, mixed condiments and mixed seasonings, mustard flour and meal and prepared mustard	Respective headings
59	Fermented beverages	Respective headings
60	Petroleum jelly, paraffin wax, micro-crystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes	27.12
61	Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants	38.08
62	Plates, sheets, film, foil, tape, strip and other flat shapes of plastics	39.19, 39.20,39.21
63	Tableware, kitchenware, plastic furniture, storage items, hygienic or toilet articles, and allied other household articles of plastics	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.	42.02
65	Footwear (all types)	Respective headings
66	Bathroom accessories and bath items, sanitaryware including taps, showerheads, fittings, mixers, valves and other washroom accessories and fixtures	Respective headings
67	Crockery Items	Respective headings

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Serial No.	Description of goods	Heading Nos. of the 1st Schedule to the Customs Act
68	Car and automobile accessories	Respective headings
69	Milk, fat filled milk, preparations suitable for infants, and other products of milk	Respective headings
70	Preparations for use on the hair	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.	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.	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.	20.07, 20.08
74	Household utensils, including Stainless steel, aluminum, melamine and other utensils and tableware.	Respective headings
75	Ceramic Products including wash basins, commodes, tiles and allied ceramic sanitary products.	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.

Sixth Schedule

Table I

New exemptions proposed

The Bill proposes to introduce exemption on following item in Table-I of Sixth Schedule of Act, 1990:

Entry No.	Description of Goods	Heading Nos. of the 1st Schedule to the Customs Act
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	8901.2000 8905.1000

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Entry No.	Description of Goods	Heading Nos. of the 1st Schedule to the Customs Act
	transportation of goods Excluding Cruise ships, excursion boats and similar vessels principally designed for the transport of persons; ferry- boats of all kinds Provided that the quantity of imported goods under this entry shall be approved by Ministry of Maritime Affairs	8905.2000 8905.9000 8901.9000
185	Import of bullet proof vehicles by the i) Federal Government for logistic arrangements for hanghai 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 approval by the Federal Government.	Respective heading.

Exemption proposed to be substituted

The Bill proposes to introduce exemption on following item in Table-I of Sixth Schedule of Act, 1990:

Entry No.	Description of Goods	Heading Nos. of the 1st Schedule to the Customs Act
32	Newsprint, books, and magazines but excluding brochures, leaflets and directories.	4902.1000, and 4902.9000”
157	The exemption for import of CKD kits for vehicles like small cars and SUV with 50Kwh battery or below and Light commercial vehicles with 150 Kwh battery have been extended to June 30, 2027	Respective heading
181	Import or lease of aircrafts and parts thereof by Pakistan International Airlines Corporation Limited (PIACL) Provided that the custom authorities shall ensure that the quantities of things imported are limited to the requirements of materials and articles to be used in operations and maintenance of the aircrafts operated by the airline: Provided further that the ground handling equipment, service and operation vehicles, catering equipment and fuel trucks, not manufactured locally, and imported shall be used within airport premises as aforesaid.	8802.1200 8802.3000 8802.4000 8801.0000, 8802.2000, 8804.0000 8805.2900 8807.3000 9104.0010 8544.2000 7007.1900 and 9931.

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Table 3

New exemptions proposed

The Bill proposes to introduce exemption on following item in Table-I of Sixth Schedule of Act, 1990:

Entry No.	Description of Goods	Heading Nos. of the 1st Schedule to the Customs Act
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), 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 Ministry of Petroleum and Natural Resources. **Condition:** The goods shall be imported directly by the refinery after approval by the division concerned.	8419.8990, 8419.5000 8419.8990, 8418.6990, 8419.8990, 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 **Condition:** 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 requirement. 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.”;	Respective headings as approved by the concerned Division.

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Eight Schedule

Amendments

The Bill proposes to extend reduced rate of sales tax currently available on following items under Table-I of Eight schedule.

Entry No.	Description of goods	Existing Reduced Rate of Sales Tax	Heading Nos. of the 1st Schedule to the Customs Act
71.	Locally assembled electric vehicles (4 Wheelers) up to June 30, 2027	1%	Respective heading
80	EV transport buses of 25 seats or more and electric trucks in CBU condition	1%	8702.4090 8704.6030

Eleventh Schedule

The Bill proposes to amend Sr. No. 4 of the table provided in Eleventh Schedule to prescribe individuals and association of persons as withholding agents while making purchases from the persons other than active taxpayers. We understand that proposed amendment aims to include registered individuals as withholding agents, however, the word 'registered' seems missing in the Bill.

The Bill further proposes to prescribe registered persons involved in toll manufacturing as withholding agents, to withhold four times of tax charged on conversion charges from the persons other than registered persons.

Twelfth Schedule

The Bill proposes to impose 3% value addition tax, along with default surcharge, where manufacturers avail the waiver of value addition tax on imports but subsequently supply the imported goods in the same state, whether in the original packing, repacked, or in bulk.

Further, where a manufacturer avails the waiver by declaring that the goods are imported for in-house consumption in the manufacturing process, but such goods are not consumed and are instead supplied in the same state, and such supplies exceed 50% of total imports during a financial year, the manufacturer shall be liable to prosecution.

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Federal Excise

First Schedule

Table I of First Schedule

The Bill proposes to introduce levy of FED on the following goods with respective rates mentioned thereagainst:

S. No.	Description of goods	Tariff heading	Proposed FED rate
55A	Electric cars, electric SUVs, and electric pickup vehicles, imported for personal use in CBU condition, of import value including Custom Duty:- Not exceeding PKR 20 million Exceeding PKR 20 million and upto PKR 30 million Exceeding PKR 30 million	Respective heading	0% 30% 40%
65	Petroleum top Naphtha	2710.1942	(i) Rs. 80 per liter
	White Spirit/ Mineral Turpentine Oil (MTT)	2710.1240	(ii) Rs. 80 per liter
	Solvent Oil	2710.1250	(iii) Rs. 80 per liter

The Bill proposes to reduce FED rates on certain goods as follows:

S. No.	Description of Goods	Existing rate	Proposed FED rate
7a	Acetate tow	Rs. 44,000 per Kg	Rs. 10,000 per Kg
8a	E-liquids by whatsoever name called, for electric cigarette kits	Rs. 10,000 per Kg or 65% of retail price whichever is higher	Rs. 16,500 per Kg

- The Bill proposes to extend exemption on import and locally manufactured or assembled electric vehicles till 30th June 2027.
- The Bill proposes to exclude hydration drinks and WHO standard compliant sports / electrolytes beverages from imposition of FED of 20% of retail price.
- The Bill proposes to impose FED on base oil and base lubricating oil falling under heading 2710.1993 at 5% ad valorem.

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Table IA of First Schedule

The Bill proposes to introduce levy of Special Excise Duty in addition to FED on the following goods with respective rates mentioned thereagainst:

S. No.	Description of goods	Tariff heading	Proposed FED rate
1.	Imported motor cars, SUV and other motor vehicles, excluding auto rickshaws, principally designed for the transport of persons (other than those of headings 87.02), and till the 30th day of June, 2027 electric vehicles (4 wheelers) including station wagons, double cabin(4X4) pickup vehicles and racing cars:	87.03	
	of cylinder capacity exceeding 2000cc but not exceeding 3000cc	8704.2190	40% ad val
	of cylinder capacity exceeding 3000cc	8704.3190	41% ad val.

- The Bill further proposes that time, mechanism, procedure, mode and manner of collection of such duty shall be prescribed by Board.

Table II of First Schedule

The Bill proposes to reduce FED on international air tickets for passengers as follows:

S. No.	Description of Services	Existing rate	Proposed FED rate
3	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, 2024		
	(a) IATA Traffic Conference Area 1 (North, Central, South America and Environs)	Rs. 350,000	Rs. 50,000
	(b) IATA Traffic Conference Area 2		
	(I) Middle East and Africa	Rs. 105,000	Rs. 25,000
	(II) Europe	Rs. 210,000	Rs. 40,000
	(c) IATA Traffic Conference Area 3 (Far East, Australia, New Zealand and Pacific Islands)	Rs. 210,000	Rs. 40,000

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Second Schedule

The Bill proposes to insert the following goods in the Second Schedule to levy FED under sale tax mode with entitlement for input adjustment against output sales tax:

S. No.	Description of goods	Tariff heading
5	Imported and locally produced:	
	(i) Petroleum top Naphtha	2710.1942
	(ii) White Spirit/ Mineral Turpentine Oil (MTT)	2710.1240
	(iii) Solvent Oil	2710.1250

Third Schedule

Table I of Third Schedule

The Bill proposes to introduce exemption from FED of import of goods by the following persons:

S. No.	Description of goods	Tariff heading
28	Imports of bullet proof 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 approval by the Federal Government.	Respective Heading

Independent Case Scrutiny Committee

- The Bill proposes to establish an Independent Case Scrutiny Committee for reviewing departmental litigation as discussed in detail in this commentary under Sales Tax section.

Faceless assessment and appeals concept being proposed

- The Bill proposes to establish a National Faceless Center for conducting proceedings under the Act 2005 in faceless manner. The jurisdiction, powers and functions as discussed in details in this commentary under Sales Tax section is proposed to be applied under the Act 2005 as well.

Other amendments proposed in the Bill

- The Bill proposes to incorporate the definitions of the following terms as prescribed under the Act 1990;
  - Algorithmic settlement mechanism
  - Electronic invoicing system
  - National faceless centre
  - Production monitoring system

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- The Bill proposes to extend the digital invoicing scheme to “advance receipts” and requiring the issuance of invoices bearing a verifiable and unique FBR invoice number.
- The Bill proposes to penalize any attempt to damage, destroy, erase or otherwise manipulate with the production monitoring or video analytics system implemented under Act 2005 without approval of the Commissioner.
- The Bill proposes to enhance power to seize and / or confiscate dutiable goods produced or processed without the required electronic monitoring or tracking, along with the conveyance used for their transportation.
- The Bill proposes to make production monitoring system and video analytics part of monitoring and tracking scheme.
- The Bill proposes to empower Commissioners to conduct audit more than once in a year and / or direct registered person to get their accounts re-audited or inventory revalued, if they deem so fit.
- It is also proposed that in case a registered person voluntarily deposits duty due after issuance of show cause alongwith default surcharge, in such case, fifty percent of penalty prescribed under Act 2005 shall still be payable.

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Customs

Fifth Schedule (Reduced Rate)

Proposed new insertion in the Schedule

Part-II – Table A

Description	H.S Code	Proposed rate
Active Pharmaceutical Ingredients (API)		
Asciminib	2934.9990	0%
Abiraterone Acetate	2937.2900	0%
Azacitidine	2933.5990	0%
Bortezomib	2934.9990	0%
Cabozantinib HCl	2934.9990	0%
Capecitabine USP	2934.9990	0%
Cisplatin	2843.9000	0%
Carboplatin	2843.9000	0%
Cyclophophamide	2934.9990	0%
Cytarabine	2934.9990	0%
Daunorubicin	2941.9090	0%
Doxorubicin	2941.9090	0%
Epirubicin	2941.9090	0%
Idarubicin	2941.9090	0%
Imatinib Mesylate (Beta form)	2933.5990	0%
Lenalidomide Hemihydrate	2933.9990	0%
Lenalidomide Anhydrous	2933.9990	0%
Lenvatinib	2933.9990	0%
Mycophenolate Mofetil	2934.9990	0%
Mycophenolate Sodium	2941.9090	0%
Nilotinib Monohydrochloride Monohydrate	2933.5990	0%
Olaparib	2933.5990	0%
Osimeritinib	2933.9990	0%
Palbociclib	2933.5990	0%
Pazopanib Hydrochloride	2935.9090	0%
Pemetrexed Disodium	2933.5990	0%

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Description	H.S Code	Proposed rate
6-Amino Peniciltanic Acid (6-APA)	2934.9990	0%
D(-) Alpha Phenylglycine (DAPG)	2922.4990	0%
3-(2-Chlorophenyl)-5-Methyl Isoxazol-4-Carbonyl Chloride (CMIC Chloride)	2934.9990	0%
3-(2-Chloro-6-Fluorophenyl)-5-Methyl Isoxazole-4-Carbonyl Chloride (FCMIC Chloride)	2934.9990	0%
7-Amino Desacetoxy Cephalosporanic Acid (7-ADCA)	2934.9990	0%
D(-) Dihydro Phenylglycine Dane's Salt (DHPGDS)/ D-(-)Dihydrophenylglycine (Dane Sodium Salt)	2922.4990	0%
Dihydro Phenylglycine Methy Ester Hydrochloride	Respective heading	0%
D- Phenyl glycine Methyl Ester HCI (DPGME. HCI)/ ALPHA PHENYL GLYCINE METHYL ESTER	2922.4990	0%
7-Amino 3-Chloro Cephalosporanic Acid (7-ACCA)	2934.9990	0%
7-Amino 3-Vinyl Cephalosporanic Acid (7- AVCA)/7-Amino-3-Vinyl-3-Cephem-4-Carboxylic Acid (7-AVCA)	2934.9990	0%
(7-phenyl-acetamido-3-chloromethyl Cephalosporanic Acid p-methoxybenzyl ester (GCLE)	2934.9990	0%
Cefotaxime Free Acid	2941.9090	0%
Ceftriaxone Sodium Crude	2941.9090	0%
7-Chloro-6-Fluoro- 1cyclopropyl-1,4- Oxoquinoline-3-Carb-Oxyilic Acid Fluoroquinocolonic Acid (Ciprofloxacin Q-Acid)	2933.4990	0%
Acetyl Sulfamethoxazole Intermediate	2935.9090	0%
Erythromycin (MICA ESTER)	Respective heading	0%
Erythromycin Thiocyanate Oxime	2941.5000	0%
Ethyl Quinolonic Acid	2933.4990	0%
1-Cyclopropyl-6,7-Difluoro-1,4-Dthydro-8-Methoxy-4-Oxo-3-Quinoline Carboxylic Acid/Ethyl Ester (Moxifloxacin Q. Acid/ Ester)	2933.3990	0%
2,8-Diazabicyclo [4,3,0] nonane (Moxifloxacin Side Chain)	2933.9990	0%
(2S)-l-(Chloroacetyl)-2-pyrrolidinecarbonitrile	2934.9990	0%
9,10-Difluoro-2,3-Dihydro-3 Methyl-7-Oxo-(3s)- 7h-Pyrido(l,2,3-De)-l,4 Benzoxazine-6-Carboxylic Acid (Levofloxacin Q Acid)	2934.9990	0%
N-Methyl Piperazine	2933.5990	0%
Ethyl Quinolonic Acid	2933.4990	0%
D,D, Aza Erythromycin	2934.9990	0%
Erythromycin, 6-0-Methyl-2,4-Bis-0- (Trimethylsilyl),9-[0-(l Ethoxy-1 - Methylethyl) Oxime]	2941.5000	0%
2-Cyanopyrazine	Respective heading	0%

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Description	H.S Code	Proposed rate
Simvastatin Ammonium Salt	Respective heading	0%
Amlodipine Crude or Amlodipine Base	2933.3990	0%
2-[1-[[(l R)-l-[E)-2-(7-Chloroquinolin-2-yl)ethenyl]phenyl]-3-[2-(2-hydroxypropan-2-yl)phenyl]propyl]sulfanylmethyl]cyclopropyl]acetic acid /Montelukast Acid	2933.4990	0%
(S)-Isopropyl 2((S)-2-(((2R,3R,4R,5R)-5-(2,4-dioxo-3,4-dihydropyrimidin-1(2H)-yl-4- fluoro-3- benzoyl-4-ethyltetrahydrofuran-2- yl)(methoxy)(phenoxy)-phosphorylamino)propanoate	2934.9990	0%
2'R)-2'-Deoxy-2'-fluoro-2'-methyluridine	2934.9990	0%
N-[(S)-(2,3,4,5,6-Pentafluorophenoxy)phenoxyphosphinyl]-Lalanine 1-Methylethyl ester	2934.9990	0%
1 -ethyl-(3-dimethylaminepropyl) carbodiimide HCI (EDCI)	2925.2990	0%
(6s)-6-[5-[7-[2-(1R,3S,4S)-2-Azabicyclo[2,2,1]hept-33yl-1H-benzimedazol-6-yl]-9,9-difloro-9H-imidazol-2-yl]-5-azaspiro] 2,4]heptane hydrochloride (1:4)	2933.3990	0%
Ledipasvir Acetone Solvate	2933.3990	0%
(2S,4S)-2-[5-[1,11-Dihydro-2 [(2S,5S)-1-[(2S)-2- [(methoxycarbonyl)amino]-3 methyl-l-oxobutyl]-5- methyl-2-cpyrrolidinyl][2]benzopyrano[4' 3':6,7]naphtha[1,2- d] imidazole-9-yl]-1H-imidazol-2 yl]-4- (methoxymethyl)-l pyrrolidinecarboxylic acid 1,1- dimethylethyl ester	2934.9990	0%
(2S)-1-(Ch1oroacetyl)-2-pyrrolidinecarbonitrile	2934.9990	0%
Remdesivir Intermediate N-l / Crude Acetonide/ 2- Ethylbutyl (R) ((3aR,4R,6aR)-6- (4- Aminopyrrolo[2,l f][l,2,4]triazin-7-yl)-6-cyano 2,2 dimethyltetrahydrofuro[3,4 d][1,3]dioxo-4-yl) methoxy) (phenoxy)phosphoryl)-L-alaninate	2933.9990	0%
3,6-Dichloropyrazine-2-carbonitrile	2933.9990	0%
4,7-dichloro Quinoline	2933.4990	0%
Valsartan methyl ester	2933.9990	0%
Cefuroxime Acid	2941.9090	0%
Dihydrophenyl Glycine Methyl Ester Hydrochloride (D HPGME HCI)	2922.4990	0%
2-(4-Isobutylphenyl) propanoic acid crude	2916.3990	0%
(1S)-l,5-Anhydro-1-C-[4-chloro-3-[[4-[[(3S)-tetrahydro-3 furanyl]oxy]phenyl] methyl] Phenyl]- D- glucitol tetraacetate (Empagliflozin N-l)	2932.9990	0%
Cyprohepatadine Hydrochloride	2933.3990	0%
Theophylline-7-Acetic acid	2939.5900	0%
DL-Carnitinenitrile Chloride	2926.9090	0%
1,3,7-TRIMETHYIPURINE-2,6-Dione (Base Crude)	2939.2090	0%
3-[4-(2-Chloro Acetyl)-3-Hydiozino-3-methyl-2-amino]-6-chloro benzophenone	2942.0000	0%
8-Chloro-1-methyl-6-phenyl-4H-[1,2,4]triazolo[4,3 a][1,4]benzodiazepine	2942.0000	0%
2 -N-Methyl-5-cholorobenzophenone	2942.0000	0%

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Description	H.S Code	Proposed rate
2-N-Methyl Choloroacetamido-5-choloro Benzophenone	2942.0000	0%
1 methyl piperazine	2935.9090	0%
Para-Amino-Phenol	2922.2900	0%
2-(4-Isobutylphenyl) Propionic Acid Crude	2916.3990	0%
Racemic-2-{4(4-chlorophenyl) phenyl methyl}-Ipiperazin Ethanol (Crude)	2933.5990	0%
1-[1-[[[(1R)-l-[3-(1E)-2(-7 chloro-2- quinoliyl)phenyl]-3 [2(1-hydroxyl-1-methylethyl)phenyl)propyl] thiomethyl} cyclopropane acetic acid	2933.5990	0%
l-cyclopropyl- 6-fluro-4 oxo-7 piperazine-i-ylquinoline - 3 carboxylic acid - hydrochloric acid (crude)	Respective heading	0%
9,10-Difloro-2,3-dihydro-3 methyl-7-oxo-7Hpyrido[1,2,3-de]-1,4-benzoxazine-6 carboxylic acid crude	2934.9990	0%
(S)-(-)-9 floro-2,3Dihydro-3-Methyl-10-(4-Methyll-piperazinyl)-7-oxo-7H-pyrido(l,2,3de)-l,4 Benzoxzine-6 Carboxylic acid hemihydrates Crude	2934.4990	0%
1-Cyclopropyl-6-fluoro-l,4dihydro-8-methoxy-7-((4as,7as)-octahydro-6H-pyrrolo(3,4-b)pvridine-6-yl)-4-oxo-3-quinolinecarboxylic acid	2933.4920	0%
Sitagliptin Free Base	2933.5990	0%
2-(2-chlorophenyl)-2-(methylamino) cyclohexanone (Ketamine Base)	2922.3900	0%
Acetylsalicylic Acid Crude	2918.2290	0%
(±)-4-[- -hydroxy-4-[-4-(hydroxydiphenylmethyl)-1- piperidinyl]-butyl]-a,a-dimethylbenzeneacetic acid (Intermediate as Fexofenadine Base	Respective heading	0%
Caffeine	Respective heading	0%
Levofloxacin	Respective heading	0%
Cephadroxil Monohydrate, Ciprofloxacin HCL, Moxifloxacin, Ciprofloxacin Base, Cephradine,Cefixime	Respective heading	0%
5-(3,4,5 trimethoxybenzyl) pyrimidine-2,4-diamine (TMP technical)	Respective heading	0%
Sodium Fusidate	2941.9090	0%

Proposed change in rate

Part-I

Description	H.S Code	Current Rate	Proposed rate
27. Following motor vehicles for the transport of goods and special purpose motor vehicles imported by the Construction Companies:-			
Dumpers designed for off highway use.	8704.1090	20%	10%
Super swinger truck conveyors.	8705.9000	20%	10%
Mobile canal lining equipment.	8705.9000	20%	10%
Transit mixers.	8705.4000	20%	10%
Concrete Placing trucks.	8705.9000	20%	10%
Crane lorries.	8705.1000	20%	10%

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Proposed omissions from the Schedule. Consequently, standard rate of customs duty and other duties under the First schedule, if any, shall be levied

Omissions from the schedule include following raw material/items/machinery/equipment of different sectors:

- Machinery for animal feed stuff
- Raw materials for the manufacture of PV Modules
- Parts of Solar Inverters
- Machinery and equipment imported by manufacturing units of solar cells, solar panels, solar inverters and solar batteries
- Items for tourism projects
- Raw materials/inputs for poultry and textile sector
- Imports of machinery and equipment for textile sector

Legislative Changes

Definition

The Bill proposes a definition of 'State warehouse' which means any place authorized by the Collector of Customs to store the detained, seized or confiscated goods.

General power to exempt from customs duties

The Bill proposes to extend the general power of Federal Government to allow exemption of customs duties till 30 June 2027 through amendment in the second proviso of sub-section (5) of section 19.

Checking of goods declaration by the Customs

The Bill proposes to include 'scanning' during the process of assessment in addition to other ways of assessment.

Procedure in case of goods not cleared or warehoused or transshipped or exported, etc.

Presently, the owner of the goods shall be liable to such penalties as may be notified by the Federal Government in number of cases. The Bill proposes to empower the Board instead of Federal Government to levy such penalties. Further, the Board is also empowered to notify rules including process of appeal against penalties and the customs stations, goods or class of goods.

The Bill also proposes to empower the Board to authorize any person to auction any auctionable goods, in the manner as notified by the Board.

Extent of confiscation

Under section 157(2) of the Act 1969, every conveyance of whatever kind used in the removal of any goods liable to confiscation under this Act shall also be liable to confiscation. However, the word 'removal' has not been defined or explained. Now, the Bill proposes to explain the word 'removal' which includes every act of carrying, transporting, depositing, harbouring, keeping, concealing, retailing, or any other act involving movement of smuggled goods.

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Procedure in respect of goods seized or detained by other authorities

Presently, under section 170 there are procedures and proceedings in respect of goods seized or detained to be conducted by other authorities prior to handing over to the customs authorities. Now, section 170 is proposed to be substituted. Under the proposed section any goods liable to confiscation are detained or seized by any other authority on any violation, irrespective of any pending proceedings under the laws of that authority, the customs authorities upon confirmation that such goods are liable to confiscation shall intimate that authority and that authority shall be bound to deposit the impugned goods with customs.

Power of adjudication

The Bill proposes to empower the Board to notify a procedure for faceless adjudication whereby adjudication proceedings shall be conducted without any face-to-face interaction between the adjudicating officer and the respondent.

Cognizance of offences by Special Judges

The Bill proposes a new sub-section (6) in section 185A, whereby a Special Judge is satisfied that there is any reasonable ground for believing that the accused has committed an illegal transfer of funds into or out of Pakistan, he may order the freezing of the assets of the accused, whether in his possession or in the possession of any other person on his behalf.

Independent case scrutiny committee

The Bill proposes to introduce new section 196JJ, whereby any civil petition, reference, civil petition for leave to appeal or review petition before the High Court, the Federal Constitutional Court or the Supreme Court of Pakistan shall only be filed by designated officers of the Customs with the approval of an independent case scrutiny committee as constituted by the Board.

The independent case scrutiny committee shall comprise of the following Members, namely:-

(a) A retired judge of superior judiciary who shall also act as Chairman of the Committee;

(b) An advocate having not less than fifteen years of experience in customs and commercial litigation before the High Court or Supreme Court of Pakistan; and

(c) A serving or retired officer not below the rank of Director of Collector of Customs.

Recommendations of the committee shall be binding, and no suit, prosecution or other legal proceedings shall lie against the members of the committee in relation to the decisions made under this section.

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Petroleum Products (Petroleum levy and Climate Support Levy)

License condition

The bill seeks to propose the payment of Petroleum Levy and Climate Support Levy as a deemed condition for license of every oil marketing company, refinery and other licensees from the date of issue of license by Oil and Gas Regulatory Authority.

Scope of the 'Company' broadened and aligned

Presently, the word 'Company' is defined to mean a company specified in the Second Schedule and includes a person engaged in the manufacturing, refining or reclaiming of lubricating oil from the used lubricating oil.

The Bill proposes to broaden this definition of 'Company' by omitting the reference to the Second Schedule and substituting it with the term 'Oil Marketing Company'.

Consequently, the definition of 'Company' will encompass all oil marketing companies, in addition to persons engaged in the manufacturing, refining, or reclamation of lubricating oil from used lubricating oil.

Oil Marketing Company defined

The Bill proposes to introduce the definition of 'Oil Marketing Company' as

"4(E) "Oil Marketing Company" a company, other than lubricant marketing company, engaged in purchasing or obtaining of petroleum products from refineries or blending plants or through sources abroad for selling, distributing or marketing, directly through his agents or dealers at his dispensing outlets or filling stations"

Scope of 'Refinery' broadened

Presently, the word 'Refinery' is defined to mean a refinery specified in the Fourth Schedule. The Bill proposes to omit the Fourth Schedule from the definition and redefine the term 'Refinery' as:

"(7) "refinery" means a facility or industrial plant where crude oil is refined to produce petroleum products".

Late payment surcharge

The Bill proposes to introduce Section 3B in the Ordinance whereby the default of petroleum levy and climate support levy by the Company, refinery or licensee shall attract late payment surcharge calculated in the manner as specified in sub-section (1) of section 40D of the Public Finance Management Act, 2019.

Recovery of Petroleum and Climate Support Levy

The Bill proposes to omit sub-section 3 of Section 3 and introduce Section 3C in the Ordinance whereby the following procedures for recovery of due amount of petroleum and climate support levy and late payment surcharge, if not paid within 90 days, are prescribed:

- The department responsible for collecting the levies under the Ordinance shall request the Commissioner Inland Revenue to recover the levies under the Ordinance 2001;
- The department responsible for collecting the levies under the Ordinance may simultaneously initiate the recovery of such levies;

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- The Commissioner Inland Revenue shall be bound to submit the recovery report to the concerned division every fortnight;
- The Commissioner Inland Revenue shall have no power to grant extension to the notice of recovery or allow payment in instalment;
- The levies under the Ordinance prior to Finance Act, 2026 shall also be recovered in above manner.

Audit and mandatory reporting of payments

The Bill proposes to introduce Section 4A to the Ordinance whereby every company, refinery or licensee shall submit monthly statement of payment of petroleum and climate support levies on sale of petroleum products supported by documentary evidence including monthly sales invoices.

The Bill also proposes the requirement of audit of levies accrued and paid under the Ordinance by the Audit Oversight Board to furnish annual audit certificate to the Petroleum Division.

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West Pakistan Motor Vehicles Taxation

The Bill proposes amendments in the token tax rates prescribed in the West Pakistan Motor Vehicles Taxation Act, 1958, applicable in the Islamabad Capital Territory (ICT). The proposed changes primarily seek to revise motor vehicle tax rates by substitution of Tables 2 to 5 of the Schedule of the Act thereby introducing revised annual motor vehicle tax rates for private vehicles based on engine capacity. The proposed rates generally reflect an upward revision in tax liability across various engine-capacity brackets as detailed below:

Table 2

Token Tax on Motor Vehicles

S. No	Category	Tax Rates for ICT
1	Engine capacity up to 1000 CC	20,000
2	Engine capacity from 1001 to 1300 CC	0.25 % of Invoice Value
3	Engine capacity from 1301 to 1500 CC	0.25 % of Invoice Value
4	Engine capacity from 1501 to 2000 CC	0.25 % of Invoice Value
5	Engine capacity from 2001 to 2500 CC	0.35 % of invoice Value
6	Engine capacity from 2501 and above	0.35 % of invoice Value

Table 3

Motor Cabs

S. No	Category	Tax Rates for ICT
1	Engine capacity up to 1000 CC	600
2	Exceeding 1000 CC but not more than 1300 CC	1,000
3	Exceeding 1300 CC but not more than 1500 CC	1,700
4	Exceeding 1500 CC but not more than 2000 CC	2,500
5	Exceeding 2000 CC but not more than 2500 CC	3,400
6	Exceeding 2500 CC	4,200

Table 4

Public Service Vehicle

S. No	Category	Tax Rates in ICT per seat per annum
1	Vehicle (8 seater)	350
2	Vehicle (13 seater)	400
3	Vehicle (15 seater)	500
4	Vehicle (16 seater)	600
5	Vehicle (42 seater)	700
6	Vehicle (52 seater)	850

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Table 5 (Note 1)

Commercial Vehicle / Loading Vehicle

S. No	Category	Proposed Rates
1	Vehicles not exceeding 1250 KG in laden weight	500
2	Vehicles with maximum laden capacity exceeding 1250 KG but not exceeding 2030 KG	1,000
3	Vehicles with maximum laden capacity exceeding 2030 KG but not exceeding 4060 KG	1,000
4	Vehicles with maximum laden capacity exceeding 4060 KG but not exceeding 6090 KG	6,600
5	Vehicles with maximum laden capacity exceeding 8120 KG but not exceeding 12000 KG	6,600
6	Vehicles with maximum laden capacity exceeding 8120 KG	12,000
7	Vehicles with maximum laden capacity exceeding 8120 KG but not exceeding 12000 KG	12,000
8	Vehicles with long trailers or other vehicles with maximum laden capacity exceeding 12000 Kg, but not exceeding 16000 Kg	18,000
9	Vehicles with long trailers or other vehicles with maximum laden capacity exceeding 16000 Kg	24,000
10	Tractor (With trolley)	2,600
11	Tractor (Without trolley)	2,600

Note 1: Rates proposed in Table 5 above have been copied from the Bill and appear to contain apparent drafting or typographical inconsistencies / errors that are expected to be rectified in the Finance Act, 2026.

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Capital Value Tax

Abolishment of Capital Value Tax [CVT] on foreign assets

The Finance Act 2022 introduced CVT.

This was inter-alia levied on foreign assets of a resident individual where the value of such assets on the last day of the tax year in aggregate exceeds Rs hundred million.

The bill proposes to omit CVT on the above.

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